the Civil War and their dependents; to the Committee on Invalid Pensions.

6717. By Mr. MONTAGUE: Petition of citizens of Virginia, favoring an increase in Civil War pensions; to the Committee on Invalid Pensions.

6718. By Mr. MOONEY: Petition from the Ladies Social Union, Archwood Congregational Church, Cleveland, Ohio, urging peaceful settlement of the differences between the Government of the United States and the Government of Mexico and Nicaragua; to the Committee on Foreign Affairs.

6719. By Mr. MOORE of Ohio: Petition favoring the passage of House bill 10311, known as the Sunday rest bill for the District of Columbia; to the Committee on the District of Columbia.

6720. Also, petition favoring legislation for the further relief of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6721. By Mr. O'CONNELL of New York: Petition of the New York State Federation of Labor, favoring the passage of Senate bill 3170, longshoremen compensation bill; to the Committee on the Judiciary.

6722. Also, petition of George C. Diekman, president, New York State Pharmaceutical Association, protesting against legislation requiring label to show distillers' price to retail pharmacists and restricting manufacture of new whisky to six distillers; to the Committee on Ways and Means.

6723. Also, petition of veterans of the United States Veterans' Hospital, Livermore, Calif., favoring the passage of House bill 16019; to the Committee on World War Veterans' Legislation.

6724. Also, petition of the Board of Trade of Kansas City, Mo., opposing the passage of the McNary-Haugen bill; to the Committee on Agriculture.

6725. Also, petition of the United Mine Workers of America, in convention assembled, favoring the investigation thoroughly of the relation of freight-rate discrimination to the extreme depression of the coal industry in Indiana, Ohio, Pennsylvania, and Illinois and the adequacy of existing law to afford relief; to the Committee on Ways and Means.

6726. By Mr. PATTERSON: Memorial of the Private Soldiers and Sailors' Legion of the United States, protesting against the passage of House bill 4548 and Senate bill 3027, providing for the retirement of disabled emergency officers; to the Committee on World War Veterans' Legislation.

6727. Also, memorial of the New Jersey Branch of the Catholic Central Verein of America, petitioning for repeal of paragraph 11 of the immigration act of July 1, 1924; to the Committee on Immigration and Naturalization.

6728. By Mr. REID of Illinois: Petition of citizens of Elgin, Ill., urging passage of Civil War pension legislation; to the Committee on Invalid Pensions.

6729. By Mr. SNELL: Petition of chamber of commerce, Amsterdam, N. Y., against proposed St. Lawrence waterway; to the Committee on Rivers and Harbors.

6730. By Mr. STRONG of Pennsylvania: Petition of citizens of Indiana, Pa., also of Jefferson County, Pa., urging immediate action on the pending bill to provide an increase of pension for Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6731. Also, petition of citizens of Indiana, Pa., against compulsory Sunday observance; to the Committee on the District of Columbia.

6732. By Mr. SWARTZ: Petition of W. J. L. Haines and others, of Mechanicsburg, Pa., favoring early consideration of pension legislation for the further relief of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6733. Also, petition of citizens of Harrisburg, Pa., favoring consideration of further pension legislation for Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6734. By Mr. SWING: Petition of certain residents of San Diego, Calif., urging the passage by Congress of a bill granting increased pensions to Civil War veterans and the widows of Civil War veterans; to the Committee on Invalid Pensions.

6735. Also, petition of certain residents of California, urging the passage by Congress of a bill granting increased pensions to Civil War veterans and the widows of Civil War veterans; to the Committee on Invalid Pensions.

6736. By Mr. TEMPLE: Petition of a number of residents of Greene County, Pa., in support of legislation increasing rate of pension to veterans of the Civil War and widows of veterans of the Civil War; to the Committee on Invalid Pensions.

6737. Also, testimony in support of House bill 17107, granting a pension to Margaret Crawford; to the Committee on Invalid Pensions.

6738. By Mr. THATCHER: Petitions of citizens of Louisville, Ky., urging passage of Civil War pension bill for relief of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6739. By Mr. TINKHAM: Petition of National Lincoln-Douglass Colored American Conference, protesting against being denied civil and political rights in violation of section 1, article 14, of the amendments to the Federal Constitution; to the Committee on the Judiciary.

6740. By Mr. TOLLEY: Petition of 54 citizens of Fish Eddy, Delaware County, N. Y., for an immediate liberalization of Civil War pension laws; to the Committee on Invalid Pensions.

6741. By Mr. VOIGT: Petition of 123 citizens of Portage, Wis., urging Civil War pension legislation; to the Committee on Invalid Pensions.

6742. By Mr. WELSH of Pennsylvania: Petition of the employees of the United States post office and courthouse at Philadelphia, Pa., in support of House bill 359 and Senate bill 1077, to abolish the personnel classification board and transfer its duties to the Civil Service Commission; to the Committee on the Civil Service.

6743. By Mr. WILLIAMSON: Petition of Dora F. Rathburn, Sarah M. Johnson, Mrs. Flora Williams, and sundry other persons, praying for an increase of pension for soldiers and widows of soldiers who served in the Civil War; to the Committee on Invalid Pensions.

6744. By Mr. ZIHLMAN: Petition of citizens of Frederick, Md., urging immediate action and support of the Civil War pension bill to provide relief for needy veterans and widows of veterans; to the Committee on Invalid Pensions.

SENATE

TUESDAY, *February 15, 1927*

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer:

Gracious God, Thou hast made us for Thyself, and Thou hast given unto us a soul which craves after Thee. We humbly beseech Thee this morning that whatever may be the uncertainties of life we may each day realize the necessity of earnestness of purpose and fulfill each one in his capacity the great essentials of high endeavor. Lord, our God, be with us. Enable us to understand the times and know what the people need. We ask in Jesus Christ's name. Amen.

The Chief Clerk proceeded to read the Journal of yesterday's proceedings when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the bill (S. 5259) granting permission to Maj. Charles Beatty Moore, United States Army, to accept the following decorations, namely: The Legion of Honor tendered him by the Republic of France and the officers' cross of the order Polonia Restituta, tendered him by the Republic of Poland.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were thereupon signed by the Vice President:

H. R. 1231. An act for the relief of Mary Moore;

H. R. 3432. An act for the relief of Joel C. Clore; and

H. R. 9319. An act to authorize certain officers of the United States Navy to accept from the Republic of Chile the Order of Merit, first class, and the Order of Merit, second class.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of California, which was referred to the Committee on the Judiciary:

FORTY-SEVENTH SESSION CALIFORNIA LEGISLATURE,
Assembly Chamber, Sacramento.

Assembly Joint Resolution 2, relating to the time when Members elected to Congress shall take their seats—adopted by the Legislature of the State of California, January 21, 1927

Whereas under the existing conditions, newly elected Members of Congress do not take their seats in Congress, unless at a special session, until the elapse of more than a year after their election; and

Whereas Members of Congress who are not reelected continue to serve and vote for their constituents for the duration of the short session of Congress although their successors have been elected; and

Whereas such conditions are not productive of the best interests of the people of the United States: Therefore be it

Resolved by the Assembly and Senate of the State of California, jointly, That the Legislature of the State of California earnestly peti-

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tions Congress to submit a constitutional amendment to the several States which would provide that Members of Congress should take their seats within a short time after their election; and be it further

Resolved, That the chief clerk of the assembly is hereby directed to send copies of this resolution to the President and Vice President of the United States, to each Member of the Senate and House of Representatives of the United States and to the governors of each of the several States.

EDGAR C. LEVEY, *Speaker*.

Attest:

ARTHUR A. OHNIMUS, *Chief Clerk*.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Montana, which was referred to the Committee on the Judiciary:

STATE OF MONTANA,
OFFICE OF THE GOVERNOR,
Helena, February 11, 1927.

The honorable the VICE PRESIDENT,
Senate Chamber, Washington, D. C.

SIR: I have the honor to transmit herewith certified copy of House Joint Resolution No. 2, passed by the twentieth Legislative Assembly of the State of Montana, ratifying an amendment to the Constitution of the United States, granting to the Congress of the United States the power to limit, regulate, and prohibit the labor of persons under 18 years of age.

I have the honor to be, sir,

Yours very truly, J. E. ERICKSON, *Governor*.

UNITED STATES OF AMERICA,
State of Montana, ss:

I, C. T. Stewart, secretary of state of the State of Montana, do hereby certify that the following is a true and correct copy of an act entitled "A resolution ratifying an amendment to the Constitution of the United States, granting to the Congress of the United States the power to limit, regulate, and prohibit the labor of persons under 18 years of age," enacted by the twentieth session of the Legislative Assembly of the State of Montana and approved by J. E. Erickson, governor of said State, on the 11th day of February, 1927.

In testimony whereof I have hereunto set my hand and affixed the great seal of said State.

Done at the city of Helena, the capital of said State, this 11th day of February, A. D. 1927.

[SEAL.] C. T. STEWART,
Secretary of State.
By CLIFFORD L. WALKER,
Deputy.

House Joint Resolution 2, introduced by Curran, ratifying an amendment to the Constitution of the United States, granting to the Congress of the United States the power to limit, regulate, and prohibit the labor of persons under 18 years of age

To the honorable Senate and House of Representatives of the United States in Congress assembled:

Whereas it has been resolved by the Senate and House of Representatives of the Sixty-eighth Congress of the United States in Congress assembled (two-thirds of each House concurring therein) that the following article be proposed to the legislatures of the several States as an amendment to the Constitution of the United States, which when ratified by three-fourths of the said legislatures shall be valid as part of said Constitution, namely:

"ARTICLE —

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress": Therefore be it

Resolved by the Senate and House of Representatives of the State of Montana, That the said proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of Montana; and further be it

Resolved, That certified copies of this resolution be forwarded by the governor of this State to the Secretary of State at Washington, D. C., and to the presiding officers of each House of the National Congress.

G. T. DAVIS,
Speaker of the House.
W. S. MCCORMACK,
President of the Senate.

Approved February 11, 1927.

J. E. ERICKSON, *Governor*.

Filed February 11, 1927, at 11.05 o'clock a. m.

C. T. STEWART,
Secretary of State.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Nevada, which was referred to the Committee on Public Lands and Surveys:

STATE OF NEVADA, DEPARTMENT OF STATE,
Carson City, Nev., February 10, 1927.

PRESIDENT OF THE SENATE,
Washington, D. C.

DEAR MR. PRESIDENT: In accordance with the instructions of the Legislature of the State of Nevada, I herewith inclose certified copy of Senate Joint Resolution No. 4.

Yours truly,

W. G. GREATHOUSE,
Secretary of State.

Senate joint resolution memorializing the Congress of the United States in opposition to the passage of H. R. 16168, a bill to authorize the issuance of patent for lands containing deposits of copper and associated minerals, and for other purposes

Whereas there is now pending before the Congress of the United States a certain bill or act known as H. R. 16168, authorizing the issuance of patent for lands containing deposits of copper and associated minerals, and for other purposes; and

Whereas it appears from the terms of said bill that the benefits intended to be conferred upon bona fide prospectors, miners, and mining companies engaged in the development of that industry might easily be usurped by designing land grabbers seeking to exploit the resources of our State to the detriment of those justly entitled thereto; and

Whereas we fear that the passage of this bill will be inimical to the mining industry of the United States: Be it

Resolved by the Senate and Assembly of the State of Nevada, That we respectfully memorialize and petition the Congress of the United States to oppose and defeat the passage of said H. R. 16168; and be it further

Resolved, That copies of this resolution, duly authenticated, be transmitted forthwith by the secretary of state of the State of Nevada to the President of the United States Senate and to the Speaker of the House of Representatives and to each of our Senators and to our Representative in Congress.

MORLEY GRISWOLD,
President of the Senate.
V. R. MERIALDO,
Secretary of the Senate.
DOUG. H. TANDY,
Speaker of the Assembly.
JOHN W. WRIGHT,
Chief Clerk of the Assembly.

STATE OF NEVADA,
Department of State, ss:

I, W. G. Greathouse, the duly elected, qualified, and acting secretary of state of the State of Nevada, do hereby certify that the foregoing is a true, full, and correct copy of the original Senate Joint Resolution 4 now on file and of record in this office.

In witness whereof, I have hereunto set my hand and affixed the great seal of state, at my office, in Carson City, Nev., this 10th day of February, A. D. 1927.

[SEAL.] W. G. GREATHOUSE,
Secretary of State.

Mr. GILLETT presented the petition of the National Lincoln-Douglass Colored American Conference, which was referred to the Committee on the Judiciary and ordered to be printed in the RECORD, as follows:

Lincoln-Douglass petition to the Senate of the United States Congress by the National Lincoln-Douglass Colored American Conference, February 14, 1927

The honorable Members of the Senate:

For a long time colored American citizens of the United States have been especially denied civil and political rights, in violation of section 1, Article XIV, of the amendments to the Federal Constitution, which states that no State shall "deny to any person within its jurisdiction the equal protection of the laws."

These civil and political disabilities imposed upon our people have increased as we have receded from the Civil War, a war brought to the happy consummation of freedom and civil equality by President Lincoln, the Emancipator, and Frederick Douglass, the colored abolitionist—they have increased, although we have made great progress in many directions.

Chief among these disabilities is the wholesale disfranchisement of millions of our people who are without voice or vote in the selection of their representatives to the Federal and State legislatures, which they are taxed to support.

Deprived of the ballot and unable to register their will at the ballot box, they have become the prey of lawless men and communities, and frequently the victim of mob murder.

Our people live in a state of uncertainty and of dread in many communities, due to the fact that the corrective power of Congress to enact remedial legislation has thus far failed to materialize.

If the Government of the United States was one-sided at and after its creation in 1789, in so far as it related to people of color, most of whom were held as slaves at the time, by the enactment of the thirteenth, fourteenth, and fifteenth amendments to the Federal Constitution, its one-sidedness was corrected and national practices for a time squared with national professions and pretensions.

The Union had been defended by many brigades of colored soldiers, enlisted by President Lincoln, recruited by Frederick Douglass, saviors of the Republic, and the great political leaders of the period rounded out the Federal Constitution in such manner as to make it conform to the principles set forth in the Declaration of Independence, which they with Lincoln and Frederick Douglass thus retrieved. They established the rights of all men and fixed the power to enforce them.

It is to this power that we appeal.

As we have grown and strengthened our material interests and become a substantial element of the taxpayers, as we have fought and practically destroyed the ignorance and illiteracy forced upon us by slavery, as we have become more valuable to the industrial activities of the Nation, we find our civil and political rights ruthlessly invaded, and instead of being citizens with rights, equal to those enjoyed by all other citizens, we are treated as colonial subjects of an arrogant autocracy. Segregation of colored employees within the Federal civil service at Washington is an illustration of this point.

The laws enacted by several of the States, providing for separate accommodation for colored Americans upon common carriers, were enacted many years ago, and no amount of judicial juggling with this measure will convince any fair-minded person that it does not abridge the privileges and immunities of colored men and women, and that they were not designed to humiliate, embarrass, insult, and degrade those among us who must travel either upon business or pleasure. Our voteless condition in many communities has resulted in inadequate appropriations for public-school education and a great disparity in these appropriations between the white and colored people, very greatly to the advantage of the former. We do not begrudge a single dollar appropriated for the education of white youth. Were it in our power, we would greatly increase these outlays; but recent investigations of the systems of public-school education in several of the States have resulted in disclosing the fact that a disfranchised people can not protect their rights.

Municipal betterments and sanitary precautions, which to-day are regarded as imperative to the health and progress of modern communities, have a strange way of avoiding the residential sections in which large numbers of colored people dwell, own property, and pay taxes thereupon for the benefit of all. This also is due to our weakened political position following general disfranchisement and our exclusion from the authorized forums of legislative debate. Virtual slavery for colored Americans—slavery of a most brutal kind—actually disgraces our country to-day in the form of peonage and forced labor, as another result of this weakened position of a voteless element. Whole families are actually sold into slavery in the pretense of debt.

Our people have been lynched without trial—lynched after trial and acquittal—so long that lynching has here become a chronic social disease, casting a stain upon the Nation throughout the world. The perpetrators of these crimes almost universally go unwhipped of justice—another illustration of the lawlessness which is easily maintained against a voteless people.

Our inability in many communities of the country to enjoy the common recreational facilities freely accorded to all other people is not democracy, nor do these practices square with the amended spirit of the Federal Constitution, which aims at equality and which is buttressed by the words "rights, privileges, or immunities."

We make no partisan appeal to any political party in Congress. Among the signers of this petition are men allied with all political parties, and to all political parties we appeal to give this petition a respectful hearing, to the end that Congress will carry out its duty to provide republican forms of government in every State of the Union and forbidding civil denials or distinctions for race or color in Federal domains or under Federal jurisdiction.

To these ends, and in honor to the memories of Abraham Lincoln and Frederick Douglass at the natal anniversaries of these noble servants of the Republic, we do petition Congress for legislation—

(a) To reduce State representation in the Federal House in proportion to adult disfranchisement;

(b) To forbid denial of accommodation or segregation, by or for race or color, in interstate carriers and in all public places and facilities in Federal property or in other Federal domains;

(c) To more quickly detect and more adequately punish the crime of peonage;

(d) To make mob murder and lynchings a Federal crime; and, finally

(e) To refuse to seat those elected under conditions of disfranchisement because of race and color.

The passions of the Civil War have long since been outlived. A new generation of white and colored men are now working for the upbuilding of the country, and this work will be greatly aided by establishing in every community the law of even-handed justice and by abolishing the evils and injustices which our people suffer and which we have herein set forth.

Respectfully submitted.

W. H. JERNAGIN,
President National Race Congress.
GEORGE A. LARKIN,
Executive Secretary National Race Congress.
H. B. TAYLOR.
J. L. S. HOLLOMAN.
H. T. MEDFORD.
M. R. POWELL.
(MISS) NELLIE QUANDER.
S. A. YOUNG.

Mr. BRUCE presented petitions of sundry citizens of Baltimore, Md., praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which were referred to the Committee on Pensions.

Mr. WILLIS presented a petition of sundry citizens of Cleveland, Lakewood, and vicinity, in the State of Ohio, praying for the prompt passage of legislation granting increased pensions to Civil War veterans and their widows, which was referred to the Committee on Pensions.

He also presented a memorial of sundry citizens of Mansfield, Galion, Lexington, and vicinity, all in the State of Ohio, remonstrating against the passage of the bill (S. 4821) to provide for the closing of barber shops in the District of Columbia on Sunday, or any other legislation religious in character, which was referred to the Committee on the District of Columbia.

Mr. COPELAND presented resolutions adopted by the board of directors of the Maritime Association of the Port of New York, favoring the passage of Senate bill 3170, the so-called maritime workers compensation bill, with a limitation of $7,500 as a maximum amount to be paid on any claim for compensation, etc., which were referred to the Committee on the Judiciary.

He also presented letters in the nature of petitions from sundry disabled ex-service men hospitalized at the United States Veterans' Hospital No. 89, Rutland Heights, Mass., praying for the passage of legislation for the benefit of disabled ex-service men, etc., which were referred to the Committee on Finance.

Mr. McLEAN presented a communication in the nature of a petition from the Fairfield County Farm Bureau, of Danbury, Conn., praying for the acceptance of the proposal of the American Cyanamid Co. for the operation of Muscle Shoals, which was referred to the Committee on Agriculture and Forestry.

He also presented a resolution adopted by the Connecticut Botanical Society (Inc.), of New Haven, Conn., favoring the passage of the so-called McNary-Woodruff bill (S. 718), authorizing an appropriation for the purchase of land in Mad River Notch, situated in the town of Waterville, N. H., which was referred to the Committee on Agriculture and Forestry.

He also presented petitions of employees of the Naugatuck Chemical Co., of Naugatuck, and sundry citizens of Waterbury, Ansonia, and Hartford, all in the State of Connecticut, praying for the prompt passage of legislation providing for the control of radio communications, which were ordered to lie on the table.

He also presented a communication in the nature of a petition of the Connecticut Chamber of Commerce (Inc.), of Hartford, Conn., favoring the passage of House bill 8997, permitting the importation of Cuban cigars into the United States in lots of less than 3,000, etc., which was referred to the Committee on Post Offices and Post Roads.

He also presented a letter in the nature of a petition from the Connecticut League of Women Voters (Inc.), of Hartford, Conn., praying for the passage of legislation creating a bureau of customs and a bureau of prohibition in the Treasury Department and placing employees of the Prohibition Unit under the classified civil service, which was ordered to lie on the table.

REPORTS OF COMMITTEES

Mr. SMOOT, from the Committee on Finance, to which was referred the bill (H. R. 16886) to authorize the Director of the United States Veterans' Bureau to make loans to veterans upon the security of adjusted-service certificates, reported it without amendment and submitted a report (No. 1486) thereon.

Mr. McNARY, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 5454) authorizing the establishment of a migratory bird refuge at Bear River Bay, Great Salt Lake, Utah, reported it without amendment and submitted a report (No. 1487) thereon.

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the bill (S. 5509) to amend section 1 of

the act approved May 26, 1926, entitled "An act to amend sections 1, 5, 6, 8, and 18 of an act approved June 4, 1920, entitled 'An act to provide for the allotment of lands of the Crow Tribe, for the distribution of tribal funds, and for other purposes,'" reported it with an amendment and submitted a report (No. 1488) thereon.

Mr. WALSH of Montana, from the Committee on the Judiciary, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (S. 4328) to authorize the appointment of an additional judge for the district court of the United States for the northern district of California (Rept. No. 1489); and

A bill (S. 5352) to provide for one additional district judge for the eastern district of Michigan (Rept. No. 1490).

Mr. WILLIS, from the Committee on Territories and Insular Possessions, to which was referred the bill (S. 5006) to repeal the last proviso of section 7 of an act to establish the Mount McKinley National Park, in the Territory of Alaska, approved February 26, 1917, reported it without amendment and submitted a report (No. 1491) thereon.

Mr. ODDIE, from the Committee on Naval Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (S. 5249) to authorize the Secretary of the Navy to develop an ammunition depot at Hawthorne, Nev., and for other purposes (Rept. No. 1492); and

A bill (S. 5511) authorizing the President to appoint Capt. Reginald Rowan Belknap, United States Navy, retired, a rear admiral on the retired list of the Navy (Rept. No. 1493).

ENLARGING AND RELOCATING THE BOTANIC GARDEN (S. DOC. NO. 208)

Mr. FESS, from the Joint Committee on the Library, submitted, pursuant to law, a report relative to the enlargement and relocation of the United States Botanic Garden, which was referred to the Committee on the Library and ordered to be printed.

PENSIONS TO VETERANS OF THE SPANISH WAR, ETC.

Mr. FLETCHER. I introduce a bill and ask its reference to the Committee on Pensions. I ask that the accompanying papers be printed in the RECORD, in order that the bill may be understood.

The bill (S. 5712) to amend an act granting pensions and increase of pensions to certain soldiers and sailors of the war with Spain, the Philippine insurrection, or the China relief expedition, to certain maimed soldiers, to certain widows, minor children, and helpless children of such soldiers and sailors, and for other purposes, approved May 1, 1926, was read twice by its title and referred to the Committee on Pensions.

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

The accompanying papers were referred to the Committee on Pensions and ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, February 12, 1927.

The Hon. DUNCAN U. FLETCHER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Replying further to your letter of December 13, 1926, relative to amending the law so as to include for purposes of a pension men who enlisted in the Navy in the war with Spain to serve for a period of 90 days or longer, but who were discharged before the expiration of 90 days, and requesting my views, I have the honor to advise you as follows:

The Navy Department considers that the act of June 5, 1920 (41 Stat. 982), and the other amendatory acts since then on the same subject, are, when compared with the Army, an injustice to the men who volunteered and served in the United States Navy during the war with Spain and who did not have an opportunity to serve the required 90 days.

As shown by General Order No. 130, a copy of which is attached, the Army granted furloughs to all men who served in the War with Spain before they were mustered out of service. Those who served beyond the limits of the United States were granted 60 days' furlough and those who never served beyond the limits of the United States were granted 30 days' furlough. By section 5 of the act of September 1, 1922 (42 Stat. 835), this order gives the Army personnel 60 and 30 days' service which may be added to their active service in computing the 90 days' service required by the law for a pension.

The men who volunteered and served in the United States Navy during the war with Spain were discharged immediately after hostilities ceased and the protocol was negotiated and signed by Spain and consequently, as they were not granted leaves of absence or furloughs of 60 or 90 days similar to the Army, they lost the 60 and 30 days' service that was allowed the Army personnel.

Many requests for pensions have been received by the Navy Department from men who volunteered and served in the Navy during the war with Spain and who, because of discharge before the expiration of 90 days, have had their claims disallowed.

There have been also requests for pensions from men who were members of the crews of the ships operated by private navigation companies that were taken over by the Navy Department during the war with Spain. Two of these—the steamship *New York*, renamed the U. S. S. *Harvard*, and the steamship *Paris*, renamed the U. S. S. *Yale*—operated under the Navy Department from April 26, 1898, until September 2, 1898. These vessels sailed from the port of New York on April 28, 1898, for Cuban waters and remained in that vicinity until June, 1898. The men who had signed as members of the crew of the steamship *New York* and the steamship *Paris* did not execute enlistment papers in the United States Navy until their return to Hampton Roads on or about June 22, 1898. They were discharged September 3, 1898, and were allowed credit for naval service only from the date they signed the enlistment papers.

If any legislation is introduced to place those sailors and marines who were not permitted to serve 90 days in the war with Spain on account of their early discharge, on a parity with former soldiers who performed the same amount of actual service, the Navy Department before making recommendation thereon would have to submit it to the Bureau of the Budget in order to ascertain whether such legislation would come within the financial program of the President.

Sincerely yours,

CURTIS D. WILBUR,
Secretary of the Navy.

[General Orders, No. 130]

WAR DEPARTMENT,
ADJUTANT GENERAL'S OFFICE,
Washington, August 29, 1898.

The following additional instructions amendatory of those contained in General Orders, No. 124, August 20, 1898, from this office, are published for the information and guidance of all concerned:

1. Except the officers and men required by paragraph 5 for the necessary guard detail, etc., leaves of absence for 60 days and furloughs for the same period will be granted all officers and enlisted men of organizations which have served beyond the limits of the United States, and 30 days to officers and men of organizations which have not served beyond the limits of the United States when such organizations are ordered to be mustered out of service.

2. Such leaves of absence and furloughs will be granted by the commanding officers after organizations have arrived at State rendezvous, all to take effect on one date for 30 days or 60 days, as the case may be, and all officers and men must without fail report at the rendezvous on the thirtieth or sixtieth day thereafter. Any officer or man failing to so report will be considered and reported as a deserter, unless prevented from doing so by sickness, which must be satisfactorily explained by the certificate of a reputable physician and the fact noted on the rolls.

3. Before organizations are granted furloughs, the preparation for muster out, as required by General Orders, No. 124, August 20, 1898, from this office, will, in view of the foregoing, be carried out only so far as relates to the inspection and correction of records; inspection and transfer of such public property as may no longer be required; the preparation and comparison of property returns; the steps necessary to secure certificates of nonindebtedness, and for the return of all absentees, etc.

4. When possible all returns and papers relating to the muster out of organizations will be prepared during the period of furlough.

5. Each commanding officer, prior to the departure of his officers and men, will make arrangements necessary to verify and protect all public property pertaining to his command during the period of absence, and place the same under proper guard detailed from his command for the purpose. He will notify The Adjutant General of the Army of his arrival at rendezvous, and at the earliest possible moment the date on which leaves and furloughs expire.

6. In preparing muster-out rolls, the number of days while on furlough will be stated under the heading on the roll "Subsistence, number of days," and the paymaster in the "pay account" on the roll will change the heading "For horses and equipments" to "Commutations for furlough rations," and credit each man at the rate of 25 cents per day for the number of days due and pay the same. The amount so paid for commutation of rations by the pay department will be refunded from the appropriation made for the subsistence department.

7. Mustering officers are empowered to administer oaths in all matters pertaining to the muster out of volunteers.

8. As soon as practicable the usual monthly pay rolls will be made out for the month preceding departure on furlough, and sent to the chief paymaster of the military department in which the organiza-

tion's rendezvous is situated. Upon these rolls alone can the officers and enlisted men be paid prior to departure on leave or furlough.

By order of the Secretary of War:

H. C. CORBIN,
Adjutant General.

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. NEELY:

A bill (S. 5713) granting the authority of Congress to the Kanawha Falls Bridge Co. (Inc.) to construct a bridge across the Kanawha River at Kanawha Falls, Fayette County, W. Va.; to the Committee on Commerce.

By Mr. OVERMAN:

A bill (S. 5714) for the relief of the Charlotte Chamber of Commerce and Capt. Charles G. Dobbins, Army disbursing officer; to the Committee on Claims.

By Mr. BAYARD:

A bill (S. 5715) for the relief of James J. Welsh, Edward C. F. Webb, Francis A. Meyer, Mary S. Bennett, William McMullin, jr., Margaret McMullin, R. B. Carpenter, McCoy Yearsley, Edward Yearsley, George H. Bennett, jr., Stewart L. Beck, William P. McConnell, Emily McI. Higgins, Elizabeth J. Morrow, William B. Jester, Josephine A. Hagan, James H. S. Gam, Herbert Nicoll, Shallcross Bros., E. C. Buckson, Wilbert Rawley, R. Richards Dredging Co.; to the Committee on Claims.

By Mr. WALSH of Massachusetts:

A bill (S. 5716) to amend the World War adjusted compensation act; to the Committee on Finance.

By Mr. MOSES:

A bill (S. 5717) authorizing appropriation of funds for construction of a highway from Red Lodge, Mont., to the boundary of the Yellowstone National Park, near Cooke City, Mont.; to the Committee on Post Offices and Post Roads.

By Mr. CAPPER:

A bill (S. 5718) granting an increase of pension to Emily K. Glunt (with accompanying papers); to the Committee on Pensions.

A bill (S. 5719) authorizing the acquisition of a site for and the construction of a new building for the recorder of deeds, the municipal court, the juvenile court, and for other purposes; to the Committee on the District of Columbia.

By Mr. WATSON:

A bill (S. 5720) granting the consent of Congress to the State of Indiana, its successors and assigns, to construct, maintain, and operate a bridge across the Ohio River, and permitting the State of Kentucky to act jointly with the State of Indiana in the construction, maintenance, and operation of said bridge; to the Committee on Commerce.

By Mr. STEWART:

A bill (S. 5721) granting an increase of pension to Chloe A. Twombly; to the Committee on Pensions.

By Mr. FESS:

A bill (S. 5722) to authorize the construction of new conservatories and other necessary buildings for the United States Botanic Garden; to the Committee on the Library.

By Mr. COPELAND:

A bill (S. 5723) for the relief of Charles F. Bond, receiver of the partnership of Thorp & Bond on a contract for construction work; to the Committee on Claims.

By Mr. HAWES:

A bill (S. 5724) for the purchase of land as a rifle range in Clay County, Mo.; to the Committee on Military Affairs.

By Mr. WADSWORTH:

A bill (S. 5725) to authorize an appropriation to rehabilitate the Picatinny Arsenal in New Jersey; to the Committee on Military Affairs.

By Mr. SWANSON:

A bill (S. 5726) granting the consent of Congress to the James River Bridge Corporation, its successors and assigns, to construct, maintain, and operate bridges across the James River, Chuckatuck Creek, and Nansemond River; to the Committee on Commerce.

By Mr. BROUSSARD:

A bill (S. 5727) to authorize and direct the Secretary of War to accept an act of sale and a C. S. B. dedication of certain property in the city of New Orleans, La., from the board of commissioners of the port of New Orleans, and for other purposes; to the Committee on Military Affairs.

By Mr. WALSH of Montana:

A bill (S. 5728) granting a pension to William Lentz; and

A bill (S. 5729) granting a pension to Almon S. Hortop (with accompanying papers); to the Committee on Pensions.

By Mr. SHIPSTEAD:

A joint resolution (S. J. Res. 161) authorizing the President to invite the Governments of the five Republics of Central America to send plenipotentiaries to a conference to consider plans for the confederation of Central America; to the Committee on Foreign Relations.

By Mr. McNARY:

A joint resolution (S. J. Res. 162) to create a joint congressional commission to study the Muscle Shoals project; to the Committee on Agriculture and Forestry.

CLAIMS COMMISSION BETWEEN THE UNITED STATES AND MEXICO

Mr. BORAH. Mr. President, I offer a resolution which I ask may be read and referred to the Committee on Foreign Relations.

The resolution (S. Res. 352) was read and referred to the Committee on Foreign Relations as follows:

Whereas it is provided by Article VI of the general claims convention, concluded between the United States and Mexico on September 8, 1923, that the commission created pursuant thereto to pass on claims to which the convention relates shall hear, examine, and decide within three years from the date of its first meeting all claims filed with it which arose prior to the signing of the convention, which period of time will expire on August 30, 1927; and

Whereas Article VIII of the convention provides that all such claims filed with the commission shall be considered and treated as fully settled, barred, and thenceforth inadmissible provided they have been heard and decided by the commission; and

Whereas it has been brought to the knowledge of the Senate that it will not be possible for the commission to hear, examine, and decide in the manner contemplated by the convention within the time specified by Article VI of the convention all the claims which have been filed with said commission in accordance with the terms of the convention; and

Whereas it is in the interest of both Governments fully to hear, judicially determine, and settle all such claims: Therefore be it

Resolved, That the President be, and is hereby, requested, in his discretion, to negotiate and conclude with the Mexican Government such agreement as may be necessary and appropriate for the extension of the life of the General Claims Commission between the United States and Mexico in order to permit of the hearing, examination, and the decision of all claims coming within the jurisdiction of the said commission under the terms of the said convention of September 8, 1923, and to make such further arrangement as in his judgment may be deemed appropriate for the expeditious adjudication of said claims.

DECLINE OF AMERICAN COMMUNIST MOVEMENT

Mr. BORAH. Mr. President, I desire to call attention to a statement appearing in the New York Times of yesterday which, it seems to me, may be of some interest in view of the persistent discussion of the subject of the American communist movement:

The American communist movement, which was at its height in 1919, when it had a membership of 35,000, is at its lowest ebb to-day, with between 5,000 and 7,000 members, according to a survey of American communism made by James Oneal, labor historian and editor and issued yesterday by the Rand School of Social Science, 7 East Fifteenth Street.

THE ABOLITION OF THE SECRECY OF PARTY FUNDS

Mr. WALSH of Massachusetts submitted the following resolution (S. Res. 353), which was referred to the Committee on Printing:

Resolved, That a revised edition of Senate Document No. 495, Sixty-second Congress, second session, entitled "The Abolition of the Secrecy of Party Funds," be printed with corrections and additions up to and including the Sixty-ninth Congress.

STABILIZATION OF EMPLOYMENT AND INDUSTRY

Mr. PEPPER submitted the following resolution (S. Res. 354), which was referred to the Committee on Commerce:

Resolved, That a select committee to consist of five Members of the Senate, to be appointed by the President of the Senate, is authorized (1) to investigate the problem of the cyclical recurrence of periods of business depression and unemployment, with a view to determining the relation of the construction of public works to the stabilization of employment and industry, and (2) to report, by bill or otherwise, upon methods of stabilizing employment and industry through the advance planning of public-roads projects, rivers and harbors projects, and public-buildings projects, and the expansion of such works during such periods of business depression and unemployment. The committee shall elect a chairman from among its members. For the purposes of this resolution the committee is authorized to hold hearings and to sit and act at such times and places; to employ such experts and clerical, stenographic, and other assistants; to require by subpœna or otherwise the attendance of such witnesses and the production of such books, papers, and

documents; to administer such oaths and take such testimony; and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of such committee, which shall not exceed the sum of $25,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman. The committee shall make a final report to the Congress as to its findings before the close of the first regular session of the Seventieth Congress.

PRESIDENTIAL APPROVALS

A message from the President of the United States, by Mr. Latta, one of his secretaries, announced that on February 14, 1927, the President approved and signed the following acts:

S. 5197. An act to authorize an appropriation for reconnaissance work in conjunction with the Middle Rio Grande conservancy district to determine whether certain lands of the Cochiti, Santo Domingo, San Felipe, Santa Ana, Sandia, and Isleta Indians are susceptible of reclamation, drainage, and irrigation; and

S. 5499. An act authorizing a survey of the Caloosahatchee River drainage area in Florida, and of Lake Okeechobee and certain territory bordering its shores in Florida.

REVISION OF THE RULES

The VICE PRESIDENT. The Chair lays before the Senate the resolution (S. Res. 350) for the appointment of a committee to revise the Standing Rules of the Senate, coming over from yesterday.

Mr. BLEASE. Mr. President, I have had a talk with the Senator from Kansas [Mr. CURTIS], the chairman of the Committee on Rules, with reference to the resolution, and I ask that it be referred to that committee. I think if we can get together on it it will be all right.

The VICE PRESIDENT. Without objection, the resolution will be referred to the Committee on Rules.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House further insisted on its disagreement to the amendments of the Senate Nos. 8, 9, and 10 to the bill (H. R. 16462) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1927, and prior fiscal years, and to provide urgent supplemental appropriations for the fiscal year ending June 30, 1927, and for other purposes; agreed to the further conference requested by the Senate, and that Mr. WOOD, Mr. CRAMTON, and Mr. BYRNS were appointed managers on the part of the House at the further conference.

ORDER OF BUSINESS

Mr. HOWELL obtained the floor.

Mr. LENROOT. Mr. President, may I ask what is the order of business?

Mr. HOWELL. I understand that morning business is closed.

Mr. LENROOT. May I ask if the Senator intends to occupy very much time?

Mr. HOWELL. I do intend to do so.

Mr. LENROOT. I am very anxious to have the Chair lay before the Senate the amendments of the House to the public buildings bill. It is a matter of the greatest importance, because the deficiency appropriation bill will soon be here, and I would very much appreciate it if the Senator would give way until we can dispose of that matter.

Mr. HOWELL. I have no objection to the proposal except that I understand we are to vote on cloture at 1 o'clock.

Mr. LENROOT. Does the Senator wish to discuss the unfinished business before 1 o'clock?

Mr. HOWELL. I do.

Mr. LENROOT. Will the Senator yield to me in order that the public buildings matter may be laid before the Senate? If it leads to debate, I shall not press it.

Mr. KING. I think it will lead to some debate.

Mr. LENROOT. Very well; I withdraw my request.

Mr. McLEAN. Mr. President——

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

Mr. HOWELL. I yield.

Mr. McLEAN. Has the unfinished business been laid before the Senate?

The VICE PRESIDENT. It has not. It is not in order at this time.

Mr. McLEAN. The regular order would be the calendar under Rule VIII, would it not?

The VICE PRESIDENT. It would.

Mr. PHIPPS. Mr. President, will the Senator from Nebraska yield to me?

Mr. HOWELL. I yield.

Mr. PHIPPS. I wonder if the Senator would be willing to defer his remarks until after the hour of 1 o'clock, when he would have an opportunity to speak, my purpose being to ask for present action on the District of Columbia appropriation bill.

Mr. HOWELL. I would be pleased to do so if we could make an arrangement or have a unanimous-consent agreement for the vote on cloture to go over until to-morrow at 1 o'clock.

Mr. PHIPPS. Of course that would be impossible.

Mr. HOWELL. Otherwise I must insist on occupying the floor at this time.

Mr. LENROOT. Mr. President, may I ask what is before the Senate?

The VICE PRESIDENT. The calendar under Rule VIII is in order.

Mr. ASHURST. Regular order!

PUBLIC BUILDINGS IN THE DISTRICT OF COLUMBIA

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 4663) authorizing the Secretary of the Treasury to acquire certain lands within the District of Columbia to be used as sites for public buildings, which were, on page 1, line 10, after "1926," to insert: "as amended,"; on page 2, line 11, after "1926," to insert: "as amended,"; on page 2, line 12, after "act," to insert: "as amended,"; on page 2, after line 14, to insert the following:

SEC. 3. (a) The first paragraph of section 5 of the act entitled "An act to provide for the construction of certain public buildings, and for other purposes," approved May 25, 1926, is amended to read as follows:

"SEC. 5. For the purpose of carrying out the provisions of this act the sum of $250,000,000, in addition to the amount authorized in section 3 hereof, is hereby authorized to be appropriated, but under this authorization, and from appropriations (exclusive of appropriations made for 'remodeling and enlarging public buildings'), heretofore made for the acquisition of sites for, or the construction, enlarging, remodeling, or extension of public buildings under the control of the Treasury Department, not more than $35,000,000, in the aggregate shall be expended annually (except that any part of the balance of such sum of $35,000,000 remaining unexpended at the end of any year may be expended in any subsequent year without reference to this limitation): *Provided*, That such amount as is necessary, not to exceed $50,000,000 of the total amount authorized to be expended under the provisions of this act shall be available for projects in the District of Columbia, and not more than $10,000,000 thereof shall be expended annually (except that any part of the balance of such sum of $10,000,000 remaining unexpended at the end of any year may be expended in any subsequent year without reference to this limitation): *Provided*, That at least one-fifth of the expenditures outside of the District of Columbia during the fiscal year 1927 shall be for the buildings heretofore authorized and at least one-fifth of the expenditures for the fiscal year 1928, and at least one-fifth of the expenditures for the fiscal year 1929, shall be for a like purpose unless a less amount shall be necessary to complete all of such buildings: *Provided further*, That expenditures outside the District of Columbia under the provisions of this section shall not exceed the sum of $5,000,000 annually in any one of the States, Territories, or possessions of the United States."

(b) The last paragraph of such section 5 is amended by striking out "$150,000,000" and inserting in lieu thereof "$250,000,000."

And to amend the title so as to read: "Authorizing the Secretary of the Treasury to acquire certain lands within the District of Columbia to be used as sites for public buildings, and for other purposes."

Mr. KING. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. KING. The action of the House on the bill is subject to debate, is it not, and general discussion may take place in connection with it?

The VICE PRESIDENT. That is correct.

Mr. LENROOT. Mr. President——

The VICE PRESIDENT. The Senator from Nebraska has the floor. Does he yield to the Senator from Wisconsin?

Mr. HOWELL. I yield.

Mr. LENROOT. I simply desire to make a motion and then the matter will be open to debate. By direction of the Committee on Public Buildings and Grounds I move that the House amendments be concurred in.

Mr. BRUCE. Mr. President, may I ask the Senator a question? Some weeks ago I introduced a bill in the Senate providing for the acquisition by the Government of the block between the Capitol Grounds and Third Street on the north side of Pennsylvania Avenue.

Mr. LENROOT. This is that bill with House amendments.

Mr. BRUCE. Is that feature amended?

Mr. LENROOT. It is not.

Mr. ROBINSON of Arkansas. Mr. President, I understand it is not expected that a vote will be taken to-day on the motion.

Mr. LENROOT. No; the Senator from Nebraska has stated that he wishes to occupy considerable time, so I do not expect a vote. I desire to have the motion pending, however.

NATIONAL-BANK BRANCHES

The Senate resumed the consideration of Mr. PEPPER's motion to recede from certain amendments of the Senate to House bill 2, and that the Senate concur in the House amendments to certain Senate amendments to that bill.

Mr. HOWELL. Mr. President, for years branch banking has been quietly, subtly advancing in this country, already having peacefully penetrated 20 States, although in a large majority thereof it has not as yet consolidated its positions.

The pending bill is branch banking's latest offensive, and if enacted into law will mark the beginning of disintegration in the ranks of opposing bankers; and from thence on, in my opinion, the ultimate triumph of branch banking will be as certain as if decreed by Congress to-day.

I realize that this declaration will be pooh-poohed as excessive, even by some independent bankers secure in their confidence and a feeling that they have not really begun to fight yet. However, history is not wanting in examples of superior armies being maneuvered out of position and beaten without a battle.

Again, this pending bill, heralded at the beginning as a mere proposal for justice to national banks, has been ingeniously seized upon to serve a purpose of such moment that justice to national banks becomes merely an incident in connection with the measure. By a mere rider, never contemplated by the House of Representatives in which this bill originated, it is proposed to accomplish so tremendous a thing as to anticipate by some eight years the expiration of the charter of the Federal reserve banks and afford them a perpetual charter in the form of an indeterminate grant. And, mind you, this momentous proposal appears in this bill, apparently, as an afterthought.

Further, this measure, instead of limiting the tremendous powers granted the Federal reserve banks and their members during the Great War, amplifies and extends such powers in a manner which challenges prudence; in fact, to such an extent that an alarm has been sounded from sources whose views and conclusions are regarded with the highest respect by economists and bankers throughout the country.

It is with no little diffidence that I have undertaken to address the Senate in connection with these matters involving as they do the technique of banking. However, the more I have delved into this proposed legislation and the comments thereon from authoritative sources, the more I have felt that the Members of the Senate are inclined to accept this measure without proper consideration. Only on Saturday, two weeks ago, the Commercial and Financial Chronicle of New York, one of the oldest, most outstanding, and conservative banking publications issued in the country, carried the following editorial, which I herewith quote, as its import should be considered seriously by every Senator before finally passing upon this bill:

[From the Commercial and Financial Chronicle, Saturday, January 29, 1927]

The action of the House of Representatives at Washington on Monday in passing the McFadden branch banking bill with the Senate rider attached to it for extending in perpetuity the charters of the Federal reserve banks, and minus the so-called Hull amendment, can not be viewed otherwise than matter for the deepest regret, viewed in the light of what the action implies. The statement is true both as regards the Federal reserve rider and the Hull amendment. As far as extending the charters of the Federal reserve banks is concerned, the step denotes very hasty action with reference to a subject of vital importance, bearing upon the future of the country's banking system, and which therefore should have careful and very deliberate consideration. The present term of these charters is for a period of 20 years, and only a little over 12 years out of the 20-year period has yet elapsed, leaving therefore nearly 8 years more before the charters actually expire. There was and is hence not the slightest occasion for rushing the matter along, and least of all was there justification for effecting the purpose sought by means of a rider to a measure dealing with a variety of other things, some of them highly controversial in character, such as the subject of branch banking.

The Federal reserve act is not to-day in the shape in which it was originally put upon the statute book. It was radically amended and fundamentally changed by the amendments grafted upon it in 1917, when the United States became a participant in the World War. The gigantic struggle in which the Nation then became involved made it essential that the financial resources of the whole country should be mobilized in the most effective manner for the successful prosecution of the great struggle, in which the whole of mankind had so much at stake. To bring about the financial mobilization referred to extraordinary and inordinate powers had to be conferred upon the Federal reserve banks and their managers, powers so extreme that no sanction for them can be found except in times of war. As a prerequisite to the extension of the charters, there should accordingly be elimination and repeal of these war amendments and restoration and return of the Federal reserve system to its original scope and purpose. In a word, there should be financial demobilization, just as there has long since been demobilization of the Army and the Navy and of all the other activities of the Nation. War powers are dangerous and a menace in peace times, more so when they concern the financial and banking mechanism of the country than when they involve anything else.

Under one of the war amendments the Federal reserve banks are given authority to acquire every dollar of gold in the country and then to make this gold the basis for the issue of Federal reserve notes to two and one-half times the amount of the gold thus acquired. As the total gold coin and bullion in the country January 1, 1927, was $4,502,429,488, this means that over $11,250,000,000 of reserve notes could be ultimately issued and put in circulation if the Federal reserve officials saw fit. This is too vast a power to confer upon any body of men, even if they were endowed with wisdom from on high. It is no answer to say that there is no present likelihood of any such vast volume of reserve notes being put out. Some of the reserve officials in public addresses hardly more than two years ago were harping upon the alleged superiority of the reserve note over the gold certificate, since the gold certificate when in circulation can never be expanded beyond 100 cents on the dollar, while in the hands of the reserve banks the certificate can be represented by $2.50 in reserve notes, and these officials made it equally clear that they are at all times ready to avail of the power of expansion thus possessed. Then look upon the growth of brokers' loans upon the Stock Exchange. Only a few years ago brokers' loans upon the Stock Exchange aggregating $1,000,000,000 to $1,200,000,000 were looked upon as affording occasion for concern. Now brokers' loans aggregating $3,000,000,000 are viewed with complacency.

By another one of the war amendments the member banks are required to keep the whole of their reserves with the Federal reserve banks instead of only a part of such reserves. This amendment should also be repealed. The member banks should be obliged to hold at least a portion of their reserves in actual gold in their own vaults, and the reason is the same as in the other case, namely, that the Federal reserve banks should not be given the vast powers involved in intrusting them with the whole of the legal reserves of the member banks, with view to lending these reserves back again to the member banks, for in the last analysis that is what borrowing by a member bank at the Federal reserve bank means. Inasmuch as the deposits of the Federal reserve banks consist of nothing except the reserves of the member banks (barring the relatively small amount of United States Government deposits held), when these deposits are made the basis of loans to the member banks, either on the security of commercial bills or United States Government obligations, the operation or process represents nothing more or less than the borrowing back by the member banks of their own reserves. The whole of the member bank reserves should never be turned over to the reserve banks for any such purpose, and strict limitations should be put upon the use of such portion as it is deemed proper to place in their custody and control. Legal reserves, after all, are merely minimums, and they should never be trenched upon more than absolutely necessary.

Other war amendments, removing previous restrictions and limitations, should also be repealed, and previous safeguards on prudent and conservative action and policy restored. For instance, issuance of reserve notes should be permitted only against the security of commercial paper and not in any other way, so that it would always be possible by a mere glance at the weekly returns of the reserve banks to see what portion of their resources was being employed—that is, was being loaned back to the member banks.

Repeal of these war powers, as we have often indicated, should precede, or be concurrent with, the extension of the charters of the Federal reserve banks. Not only that, but there should be a very careful and a broad and statesmanlike consideration of the operation of the Federal reserve system, during the period of its existence, with a view to seeing whether any other changes are necessary in the interest of safe and sound administration. Merely extending the life of the system—and this only by a rider to another bill—is dealing lightly and superficially with a grave and pressing problem, or showing lack of appreciation of its gravity. The Federal reserve authorities, being human, do not like to be shorn of any of the excessive and extreme powers now lodged in their keeping, and there has been very active propaganda in favor of the rider to the branch banking bill ever since the adjournment of the long session of Congress on July 10 last, when the conference committees of the two Houses of Congress became deadlocked on the Hull amendment. Business men and

bankers have been flooded with literature telling them what dire things were going to happen if the Federal reserve bank charters were not immediately extended, eight years in advance of their expiration. Nothing was said of the still graver dangers that menace the country if the present absence of restrictions on reserve note issues and the unlimited grant of powers should end in financial debauch, as it must eventually do, unless the reserve act is amended in the particulars mentioned.

All this had its intended effect, inducing the House to reverse its action of last spring with reference to the Hull amendment, and to swallow the bill in virtually the shape it was formulated by the Senate, hook, line, and sinker—that is, not only without the Hull amendment but accepting all the other changes made by the Senate except two or three very minor ones. But what a woeful lack of confidence in the intrinsic merits of the Federal reserve system the whole proceeding bestrays. The long and short of the matter is that those engaged in rushing the thing through are afraid that if they allowed the present opportunity to give indefinite limit to the life of the reserve banks to pass and left the proposal for consideration at some future Congress, along with the question of repealing the war time amendments, discussion of the shortcomings of the system would develop and lead to so much opposition as to defeat all efforts at renewal of the lease of life, thereby repeating what happened to the first United States bank and the second United States bank. Candor compels the assertion that those who are opposed to considering extension of the Federal reserve charters as part of the proposition to revise the Federal reserve act itself are afraid of the light of day. It is a sorry situation when things come to such a pass as this.

Of course, failure to revise the reserve act now does not prevent future revision. But such future revision will be much more difficult than would revision while the life of the institutions is at stake. The Federal reserve authorities will resist to the utmost efforts to deprive them of any of their excessive and inordinate powers, and it will be easy to keep constantly deferring action on the repeal of the war amendments and rest contented without doing anything meanwhile. And not only that, but we may suppose that the same tinkering that has been uninterruptedly in progress since the reserve act was passed will continue in the future, and there will be piecemeal additions and changes, not always desirable or meritorious, since no one will give much attention to what is going on where no major operation is involved. If the reserve act were now, once and for all, revised in a broad and statesmanlike way it would have true elements of endurance and future tinkering might be largely avoided.

Notwithstanding that the charters have been (or are to be by Senate action) extended, Congress will retain full control over the institutions and can decree their dissolution at any time. But that is a different thing from letting the life of the institution expire by limitation. With the charters extended in perpetuity the reserve banks do not have to come before Congress at a definite date and ask judgment upon their acts. That is an advantage of the greatest moment, but, as shown, will tend to the perpetuation of evils and abuses. It is for that reason that complete revision of the reserve act should have been made an inseparable part of the proposition to extend their life.

As for the branch banking bill itself, it is an omnibus measure, as we have often pointed out in these columns, and the branch banking feature constitutes simply one of many different provisions. Some of these provisions are good and others are open to grave objection. The general purpose of the bill is meritorious. This purpose can be stated in a single sentence. It is to place the national banks on a plane of equality with the State banks. That is true of the branch banking provision, no less than of most of the other provisions. At present nearly half the States of the Union (22 States out of 48, to be exact) have granted the right to open branches.

The national banks now have no such rights, though the law in that respect has been more or less evaded and the Comptroller of the Currency has sanctioned the establishment of so-called tellers' windows, which are virtual branches. The bill undertakes to give the national banks the unqualified right to establish branches under certain restrictions and limitations. The bill, as accepted by the House, permits national banks to operate branches within the limits of the city where the bank is located, but the city must have a population of at least 25,000; only one branch may be established in cities of less than 50,000 and only two in cities of not more than 100,000 population. In cities over 100,000 branches may be established in the discretion of the comptroller, and he may, of course, be depended upon to see to it that the national banks suffer no disadvantage in that respect in comparison with State institutions. The Hull amendment relating to branch banking, which had deadlocked the conferees since last spring and which is now to be eliminated—the House having completely reversed its position of last year (June 24) when it instructed the conferees to insist on that amendment by a vote of 197 to 118, having now voted the amendment out of the bill by 228 against 166—aimed to prevent branch banking from creeping into the 26 States which now do not authorize branch banking, by denying to national banks authority to open any branches at all in those States, even if any of such States should hereafter enact legislation permitting their own banks to establish branches.

By the elimination of that amendment the national banks are ipse facto given the right to open branches in any of those States the moment any such State authorizes its own banks to open up branches. We were not at first inclined to favor this amendment, but the lengthy discussions of it at the annual convention of the American Bankers' Association at Los Angeles last October convinced us that if branch banking is to be limited, and confined to the States where it has found lodgment, the Hull amendment should form part of the measure. Without that amendment national banks are given the right in advance to engage in branch banking, and the bill instead of being a bill for the limitation and restriction of branch banking, as is its aim and purport, becomes actually a measure for its extension. To give national banks the right in advance to engage in branch banking in the States referred to, is to extend an invitation to the national banks to get a State law passed for that purpose in order that they themselves may engage in the practice and it requires no stretch of the imagination to see that in some of the States at least that it what actually may happen.

The Senate was adamant in its opposition to the Hull amendment and it was urged that it was a discrimination against the nonbranch States. As a matter of fact, it is nothing of the kind. The States are left free to do as they like with their own institutions and, as far as the national banks are concerned in the same States, it would be an easy matter for these banks to go to Congress after the State had acted and ask the same privilege for themselves. We say that without the Hull amendment the branch-banking provision of the bill becomes a provision for the extension of branch banking, rather than a provision for its limitation. That follows from the fact that the national banks are given the privilege immediately to engage in branch banking in the State where branch banking now exists, a privilege which is now denied to them, and in that particular the bill is unquestionably a measure for the extension of branch banking. Keeping it out of the States where it does not at present exist would have afforded a definite limitation, but with that provision also eliminated the broadest right of branch banking is given not only for the present but for the future within the limits as to population already mentioned.

Even state-wide branch banking would seem to be authorized to the extent that it now exists, though not as respects any future additions which are distinctly ruled out. Here is the section of the bill dealing with that particular phase of the subject:

"Any bank incorporated by special laws of any State, or organized under the general laws of any State or of the United States, desiring to become a member of the Federal reserve system, may make application to the Federal Reserve Board, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank.

"The Federal Reserve Board, subject to the provisions of this act and to such conditions as it may prescribe pursuant thereto, may permit the applying bank to become a stockholder of such Federal reserve bank.

"Any such State bank which, at the date of the approval of this act, has established and is operating a branch or branches in conformity with the State law may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated."

This would seem to protect absolutely the big California banks with their branches scattered all over the State, except that it would not permit them to carry the process of acquiring or establishing further branches beyond what they may have on the day when the bill receives the approval of the President. It will be observed that the language is very broad and unqualified in that respect, saying: "Any such State bank which, at the date of the approval of this act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated." The closing words of this clause deserve close scrutiny. In saying that after-acquired branches may not be retained "beyond the limits of the city, town, or village in which the parent bank is situated," is it not to be inferred that the prohibition does not extend to after-acquired branches within "the limits of the city, town, or village in which the parent bank is situated"?

As for the rest of the measure the bill, as already stated, is an omnibus proposition and covers so many different things that space does not permit their enumeration. Suffice it, therefore, to say that among other things it extends from one year to five years the time limit on loans on real estate, a very questionable privilege, with nothing to recommend it.

National banks should have only liquid assets, and there is certainly nothing liquid in a real estate mortgage having five years to run.

Mr. SHIPSTEAD. Mr. President——

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

Mr. SHIPSTEAD. The Senator is aware that there has been a great inflation in building during the last few years. That paper is hard to get rid of now. If the banks can be allowed to take it, it will give great relief to that industry, and steel can continue to be sold at inflated prices, and lumber and building material. It may cause frozen assets, and it may cause a condition in banks such as has been experienced by reason of frozen assets in agricultural communities after the deflation was brought on by the Federal reserve banks. That contingency, of course, can arise in the future if they keep piling up these loans against the assets of banks, tying them up for four or five years, having no liquid assets or very little of liquid assets in case of a crisis, and we may have the same kind of a situation in industrial centers in the large cities that we have had in agricultural communities. Does not the Senator think so, with this kind of loans?

Mr. HOWELL. If this provision had been in effect during the war period every national bank throughout the great West would have been loaded down with real-estate paper.

Mr. SHIPSTEAD. They are loaded down now.

Mr. HOWELL. They are loaded down now because they have the notes of those who bought real estate; but under this bill the banks would have been the direct loaners upon many of the purchased properties.

Moreover, real estate in some sections of the country, where there has been serious inflation of real-estate values, is liable to undergo sharp depreciation, where that has not already occurred. A very praiseworthy provision is that which removes the present 99-year limitation upon national-bank charters and authorizes the national banks to continue their operations indefinitely, subject simply to forfeiture for violation of law or termination by Congress. This provision is commendable from every standpoint and will also enable national banks to administer long-term and perpetual trusts. The bill also authorizes the Federal Reserve Board to discontinue branches of the Federal reserve banks and likewise permits national banks to divide their stock into shares of less than $100 par value. As to the remaining changes and amendments, the following is the closing portion of an editorial on the subject which appeared in the Journal of Commerce of this city, of which H. Parker Willis, who drafted the Federal reserve act, is editor, on Wednesday morning, January 26:

"The significance of the McFadden bill, should it become law, will be found entirely in its relaxation of the loan restrictions upon national banks, its alteration of the form of their investments, its broadening of the power to lend on collateral security, its doubtful changes in the criminal provisions of the law, and the increasing danger of bank failures, which will increase as a result of it. Some of these things have already been taken cognizance of by the Federal Reserve Board, which has strongly urged Congress to consider with much greater care the problem of revising section 5200, Revised Statutes. Congress has turned a deaf ear to these pleas, and the community will, if the measure goes to the statute books, as many assert that it will without further delay, have to make its study of the legislation after instead of before passage. This has been our practice for the past 10 or 12 years. It is a conservative statement amply able of defense that none of the numerous banking measures, major amendments to the Federal reserve act and others, that have gone through during the 12 years past have received any real consideration on the floor."

Mr. President, the quotation from the Journal of Commerce contained in this editorial should certainly challenge attention.

Dr. Henry Parker Willis, the editor of that publication, is an undoubted authority on banking. After receiving his degrees of bachelor of arts and doctor of philosophy at the University of Chicago he spent several semesters at the Universities of Leipzig and Vienna, later serving as professor of finance at George Washington University, later as dean of the college of political science of the same institution, and as lecturer at Columbia University on economic subjects.

Doctor Willis also acted as expert to the committee which presented the Federal reserve act, was later chairman of the technical-organization committee which planned the organization of the new banks, and upon formation of the Federal Reserve Board was selected to act as secretary. In 1916 he became president of the newly organized Philippine National Bank, organizing both the parent office and its New York agency. Doctor Willis also acted as expert for the Monetary Commission of 1897, the United States Immigration Commission, and the Joint Committee on Rural Credits. In addition, he is the author of a number of standard works.

Later I shall have occasion to refer to the testimony of Doctor Willis before the Banking and Currency Committee of the Senate.

BRANCH BANKING

For a number of years bankers in certain States of the Union have been developing branch banking. However, with the exception of California, practically nowhere has threatened the baneful effects of the monopolization of credit that ultimately attends branch banking as developed in some other sections of the world. In short, branch banking by State institutions has, generally speaking, been really limited in character.

So far as national banks are concerned, the original act, by implication, prohibited branch banking as ruled by Attorney General Wickersham in 1911, and also some two or three years ago by the United States Supreme Court in the case of the First National Bank of St. Louis.

However, an amendment to the national banking act became effective in 1865 authorizing State banks converting to national banks to retain their branches wherever they might be located. As a consequence up to 1918 national banks were maintaining 33 branches under the provisions of this act. Prior to this time, 1918, pressure had been brought upon Congress for a further amendment of the national banking act contemplating the admission of additional branches to the system, and in November of that year an amendment was adopted providing that in the case of a State bank having branches consolidating with a national bank it might continue to operate such branches of the absorbed bank as were within the county in which the national bank was located. As a consequence of this amendment there have been branches of national banks added to the number of 120, which, together with the branches in existence as a result of the amendment of 1865, makes a total number of branches of these two characters of 166.

The pressure by national banks for additional branches was constantly becoming more acute, and as a consequence Mr. Crissinger, the new Comptroller of the Currency, appointed by President Harding, deviated from the precedent of his predecessors by actually allowing the establishment of branches in branch-banking States within the cities of the parent banks, calling them "teller's windows." Because of criticism of such action Mr. Crissinger's successor, Henry M. Dawes, applied to Attorney General Harry M. Daugherty for an opinion as to the legality of Mr. Crissinger's course. The resulting opinion of Attorney General Daugherty was contrary to that of Attorney General Wickersham of 11 years before and in favor of such branches. As a consequence, Mr. Dawes continued the practice of Mr. Crissinger in allowing the establishment of such so-called "teller's windows," and from that time until last October 298 of such branches were established in branch-banking States. In addition, the Comptroller of the Currency has allowed to be maintained eight branches within nonbranch banking States, to wit, six in Minneapolis and two in my home city of Omaha.

That there is, in fact, no authority for such branch-bank extensions, as in the case of the last branches referred to, is evidenced by an expression of the United States Supreme Court. In the First National Bank in St. Louis *v.* State of Missouri (decided January 29, 1924, 263 U. S. 640–668), after referring to Attorney General Wickersham's opinion of 1911, the court included the following remarks in a footnote:

Our attention is directed to a later opinion of the Attorney General [Harry M. Daugherty] dated October 23, 1923, which, although in terms affirming the earlier opinion, announces a limited rule which does not seem to be in precise agreement with it. To the extent of the disagreement, however, we accept the view of the earlier opinion.

Thus it is evident that it was the view of the United States Supreme Court that the action of Mr. Crissinger, subsequently followed by Mr. Dawes and the present comptroller, in authorizing the establishment of national bank branches, even though designated "teller's windows," was in contravention of the national banking act.

From the above facts it is possible in a measure to trace the recent development of sentiment for branch banking. From 1865 to 1918 but 33 branches entered our national banking system. During the following eight years, however, 439 branches have been added.

Mr. SHIPSTEAD. No national bank could do anything not specifically permitted in the national banking act. It is, therefore, quite clear that this system of branch banking has been permitted to be foisted upon various communities by the lack of enforcement of the banking act by the Comptroller of the Currency and other officials who have the duty of enforcing all laws, including the national banking act. Is not that true?

Mr. HOWELL. It is a fact that in contravention to our national banking act, as interpreted by the Supreme Court, 304 national bank branches, called "tellers windows," have been added to our system since about 1922.

Mr. SHIPSTEAD. Is it not true that in view of the decisions of the Supreme Court they have been operating unlawfully?

Mr. HOWELL. That would be my conclusion.

Mr. SHORTRIDGE. Mr. President, did the Senator say State branch banks or national branch banks?

Mr. HOWELL. I am talking about merely national banks now.

Mr. McLEAN. Mr. President, does the Senator know how many of those branches came in under section 5155, under the old 1865 act?

Mr. HOWELL. Yes; 33 came in under that act.

In this connection the pressure for the extension of branch banking is peculiarly illustrated in the case of the First National Bank, of St. Louis. For a narration of this bit of national bank history, I shall quote, in part, C. W. Collins in his "The branch banking question":

The First National Bank in St. Louis, acting upon the advice of its own counsel, and without seeking the formal approval of the Comptroller of the Currency, proceeded to establish—as the record shows—a branch bank on June 15, 1922, within the city of St. Louis and announced its attention of establishing in the near future several additional banks (p. 59, The Branch Banking Question, by Collins).

In view of the facts it would seem that Mr. Collins was not fully informed in the premises at the time he penned this statement, as it does not seem possible that the First National Bank in St. Louis would have gone to the expense of establishing one branch, of equipping a second and a third branch, and making leases for additional branch locations without some understanding with the Comptroller of the Currency as to what his attitude would be.

There were no State banks in that city with branches in operation, and there was upon the statute books of the State of Missouri a law which provided that no bank should maintain a branch bank or receive deposits or pay checks except in its own banking house.

The State of Missouri thereupon, on June 27, 1922, through its attorney general, brought original proceedings in the nature of quo warranto in the State supreme court against the bank to determine its authority to establish and conduct a branch bank in the city of St. Louis. The State alleged that the First National Bank was engaged at this branch bank in the business of banking by discounting bills, notes, and other evidences of debt, receiving deposits and paying checks, buying and selling bills of exchange, and lending money. In other words, that a general banking business was being conducted at the branch. This, it was contended, was in violation of the laws of the State which prohibited the establishment of branch banks; that the prohibition in this law was applicable to the First National Bank, because the national banking laws did not permit a national bank to establish a branch bank. The attorney general prayed that the bank be ousted from the privilege of operating this branch bank or any other branch bank.

The bank filed a demurrer which presented two questions of law; first, that the State of Missouri was without authority to institute proceedings of this character against a national bank, and second, that the First National Bank was within its charter powers in establishing the branch bank in question.

Upon this issue of law the case was submitted. The record discloses no issue of fact, the bank having entered no denial of the allegations of fact set up in the information filed by the attorney general of the State.

The Supreme Court of Missouri held that the prohibition in the Missouri statute against the maintenance of branch banks applied to national banks, and the contention of the State was upheld, judgment being rendered ousting the First National Bank from the location occupied by the branch.

The case was thereupon brought to the Supreme Court of the United States upon writ of error upon the same issue of law which was before the Supreme Court of Missouri.

This case, coming on as it did at a time when the branch-banking question was being hotly discussed in a number of States, attracted a great deal of attention. There was an imposing array of counsel on each side, numbering in all 30. On the brief of the attorney general for the State of Missouri there were also the attorneys general for the States of Illinois, Connecticut, North Dakota, Washington, Wisconsin, Iowa, Arkansas, Minnesota, Indiana, and Kansas. The Association Opposed to Branch Banking was also represented by counsel, and a number of briefs were filed with leave of the court as amici curiæ. Among these was the brief of Solicitor General Beck, who appeared on behalf of the Government of the United States.

The case was argued before the Supreme Court on May 7, 1923, and was restored to the docket for reargument May 21, 1923, and was reargued November 21 and 22, 1923.

The Solicitor General took the position that the State of Missouri was without jurisdiction in attempting by quo warranto to inquire into the charter powers of a corporation created and supervised by the Federal Government. That to uphold the State of Missouri would involve an infringement upon the sovereignty of the United States, whose jurisdiction over the charter powers of national banks was complete and all embracing. In discussing the merits of the case he agreed with counsel for the State that a national bank was without charter power to establish a branch bank for the conduct of a general banking business, but that this lack of power was not inconsistent with the maintenance of city agencies of the banking house for the conduct of certain routine business found to be necessary under present conditions in order properly to carry on a banking business in certain cities. The question, however, of the authority to establish such agencies was not before the court in this case and formed no part of the opinion.

Mr. Justice Sutherland delivered the opinion of the court, in which the contention of the State was upheld and the judgment of the Supreme Court of Missouri confirmed. Mr. Justice Van Devanter, Mr. Justice Butler, and Mr. Chief Justice Taft dissented from the majority opinion on the question of the jurisdiction of the State of Missouri to maintain this action.

In reaching this conclusion the Supreme Court held that a national bank has no charter power, express or implied, under the national banking laws to establish and maintain a branch bank, and therefore when the First National Bank in St. Louis established a branch bank it was a clear violation of the Missouri statute. That the enforcement of the State law against a national bank did not in any way conflict with the laws of the United States because the prohibition therein was directed against acts which the Federal laws did not permit. The State was permitted to determine for itself whether the Federal statutes permitted a national bank to establish a branch bank, and having determined that the power sought to be exercised by the bank had no justification in any law or authority of the United States, the way was open for the enforcement of the State statute by the State authorities.

In the light of this opinion, how may a branch bank then be defined? The court followed Attorney General Wickersham's opinion of May 11, 1911, which in turn was confirmatory of the long-established position of the Comptroller of the Currency.

Mr. SHORTRIDGE. Will the Senator from Nebraska have the goodness to make the statement again in regard to the number of branch banks and in what States there were branches of nationally chartered banks? Were they in States where State-chartered banks were permissible or not?

Mr. HOWELL. They were all, except in the case of eight branches, six in Minneapolis, though the State of Minnesota does not allow branch banking, and two in Nebraska, where also branch banking is not allowed.

Mr. SHORTRIDGE. All the others were in States where State-chartered banks are permitted to have branches?

Mr. HOWELL. That is correct.

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

Mr. HOWELL. I yield.

Mr. SHIPSTEAD. They were started with the sanction and permission of the Comptroller of the Currency?

Mr. HOWELL. The last eight to which I have referred, or does the Senator mean the 304?

Mr. SHIPSTEAD. The 304.

Mr. HOWELL. Undoubtedly. The Comptroller of the Currency could stop them now if he saw fit to do so. He has the power under the law.

Mr. SHIPSTEAD. But Congress had given them no right?

Mr. HOWELL. It had given them no right.

Mr. SHIPSTEAD. So here we have an illustration of bureaucracy legislating instead of Congress legislating?

Mr. HOWELL. Attorney General Wickersham in 1911 filed an opinion to the effect that a national bank could not have branches. In 1922 or 1923, as I remember, Mr. Dawes appealed to Mr. Daugherty.

The VICE PRESIDENT. The hour of 1 o'clock having arrived, the Chair lays before the Senate the motion of the Senator from Pennsylvania [Mr. PEPPER] that the Senate proceed under Rule XXII to the consideration of his motion with reference to House bill No. 2, which motion the clerk will read.

The Chief Clerk read as follows:

[H. R. 2]

Motion to close debate under Rule XXII on the motion proposed by Senator PEPPER to recede from certain Senate amendments to H. R. 2 and to concur in certain House amendments to Senate amendments to the same measure.

CLOTURE MOTION ON BANKING BILL

We, the undersigned Senators, in accordance with the provisions of Rule XXII of the Standing Rules of the Senate, move that debate be brought to a close upon the motion of the Senator from Pennsylvania [Mr. PEPPER] that the Senate recede from its amendments Nos. 1, 13, 14, 15, 16, and 35 to the bill (H. R. 2) to amend an act entitled

"An act to provide for the consolidation of national banking associations," approved November 7, 1918; to amend section 5136 as amended, section 5137, section 5138 as amended, section 5142, section 5150, section 5155, section 5190, section 5200 as amended, section 5202 as amended, section 5208 as amended, section 5211 as amended, of the Revised Statutes of the United States; and to amend section 9, section 13, section 22, and section 24 of the Federal reserve act, and for other purposes; and that the Senate agree to the amendments of the House of Representatives to the amendments of the Senate Nos. 11, 26, 30, 36, 37, 38, and 39, and to the amendment of the Senate to the title of said bill.

(Signed by 58 Senators.)

The VICE PRESIDENT. The clerk will call the roll to determine whether a quorum is present.

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

Ashurst	George	McKellar	Schall
Bayard	Gillett	McLean	Sheppard
Bingham	Glass	McMaster	Shipstead
Blease	Goff	McNary	Shortridge
Borah	Gooding	Mayfield	Simmons
Bratton	Gould	Metcalf	Smith
Bruce	Greene	Moses	Smoot
Cameron	Hale	Neely	Stanfield
Capper	Harreld	Norris	Steck
Caraway	Harris	Nye	Stephens
Copeland	Harrison	Oddie	Stewart
Couzens	Hawes	Overman	Swanson
Curtis	Heflin	Pepper	Trammell
Dale	Howell	Phipps	Tyson
Deneen	Johnson	Pine	Underwood
Dill	Jones, Wash.	Pittman	Walsh, Mont.
Edge	Kendrick	Ransdell	Warren
Edwards	Keyes	Reed, Pa.	Watson
Ferris	King	Robinson, Ark.	Weller
Fletcher	La Follette	Robinson, Ind.	Wheeler
Frazier	Lenroot	Sackett	Willis

The VICE PRESIDENT. Eighty-four Senators having answered to their names, a quorum is present. The question is, Is it the sense of the Senate that debate shall be brought to a close? The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. CURTIS (when Mr. BROUSSARD's name was called). I was requested to announce the unavoidable absence of the Senator from Louisiana [Mr. BROUSSARD]. On this question he is paired with the Senator from New York [Mr. WADSWORTH] and the Senator from Colorado [Mr. MEANS]. Were these Senators present, the Senator from Louisiana would vote "nay" and the Senator from New York and the Senator from Colorado would vote "yea."

Mr. SACKETT (when Mr. ERNST's name was called). My colleague the senior Senator from Kentucky [Mr. ERNST] and the senior Senator from Delaware [Mr. DU PONT] are paired on this vote with the Senator from Missouri [Mr. REED]. If present, the Senator from Kentucky and the Senator from Delaware would vote "yea" and the Senator from Missouri would vote "nay."

Mr. JOHNSON (when his name was called). Upon this vote I am paired with the senior Senator from South Dakota [Mr. NORBECK], who is confined in the hospital as the result of an accident, and the senior Senator from New Mexico [Mr. JONES], who is confined to his home by illness. The Senator from South Dakota and the Senator from New Mexico would vote "yea" if they were here. If I were permitted to vote, I would vote "nay."

The roll call was concluded.

Mr. WILLIS. My colleague the junior Senator from Ohio [Mr. FESS] is unavoidably absent from the Chamber and it has not been found possible to arrange for him a pair on this vote. If my colleague were present, I am assured that he would vote "yea."

The result was announced—yeas 65, nays 18, as follows:

YEAS—65

Ashurst	Goff	Metcalf	Simmons
Bayard	Gooding	Moses	Smith
Bingham	Gould	Neely	Smoot
Bratton	Greene	Oddie	Stanfield
Bruce	Hale	Overman	Steck
Cameron	Harreld	Pepper	Stephens
Capper	Harris	Phipps	Stewart
Caraway	Harrison	Pine	Swanson
Copeland	Hawes	Pittman	Tyson
Couzens	Howell	Ransdell	Underwood
Curtis	Jones, Wash.	Reed, Pa.	Warren
Edge	Kendrick	Robinson, Ark.	Watson
Edwards	Keyes	Robinson, Ind.	Weller
Ferris	McKellar	Sackett	Willis
Fletcher	McLean	Schall	
Gillett	McNary	Sheppard	
Glass	Mayfield	Shortridge	

NAYS—18

Blease	Frazier	Lenroot	Trammell
Borah	George	McMaster	Walsh, Mont.
Dale	Heflin	Norris	Wheeler
Deneen	King	Nye	
Dill	La Follette	Shipstead	

NOT VOTING—12

Broussard	Fess	Jones, N. Mex.	Reed, Mo.
du Pont	Gerry	Means	Wadsworth
Ernst	Johnson	Norbeck	Walsh, Mass.

The VICE PRESIDENT. Two-thirds of the Senators present having voted in the affirmative, the motion is agreed to. The Senate will proceed under Rule XXII.

Mr. HOWELL. Mr. President, the action taken by Attorney General Daugherty in authorizing the Solicitor General to appear in this St. Louis case in support of national-branch banking is a further indication of the pressure that has long been developing for such privileges.

In addition to the evidence of such pressure, already cited, we now have the pending bill, which proposes to grant national banks in cities of 25,000 or more the privilege of operating city-wide branches wherever State banks are permitted by State law to engage in branch banking.

It must be evident that the granting of such authority—that is, the authority to engage in branch banking—is a direct invitation to national and State bankers desiring branch bank privileges to unite in the promotion of legislation favorable to branch banking in nonbranch banking States. Thus influential bankers located in the 26 States which to-day prohibit branch banking, desirous of engaging therein, could appeal to national bankers for assistance in changing State laws so as to permit branch banking by State banks, whereupon branches would automatically be permitted to national banks. That such combinations are by no means unlikely is evidenced by the fact that recently in New Jersey a concrete example occurred illustrating how State and national bankers may combine to the end of altering State banking laws. New Jersey's law prohibiting branch banking was changed by the legislature, but in making such change the national banks of the State insisted upon a provision making the granting of State branches contingent upon branch bank privileges being granted by Congress to national banks.

There can be no question but the majority of the banking fraternity of this country are opposed to branch banking. They have resolved against it time and again in their conventions. True, the American Bankers Association last year in Los Angeles reversed itself so far as this present bill is concerned. However, it is a fact that this reversal occurred at a special meeting and the majority for this bill without the Hull amendments is easily accounted for by the number of proponents of branch banking who were present for the very good reason that California has been a hotbed of branch banking, there being within the State between 400 and 500 branch banks. If but half of those branches were represented at this convention, the majority for this bill without the Hull amendments is accounted for.

In view of these facts, how are we to account for the almost nation-wide impetus of the idea resulting in the pressure now being exerted in behalf of branch banking? A review of the developments in banking in this country during the past 20 years unmistakably indicates the reason therefor. Branch banking offers tremendous rewards in the way of profits and power for a comparatively few enterprising men. In short, the power and profits are only limited by the extent of the monopoly that thus can be developed. The example of the Bank of Italy, of San Francisco, Calif., has undoubtedly not only appealed to the imaginations but dazzled some of our great bankers, and though they may have been opposed to branch banking in the past, yet in this California development they discern what some of them conceive to be the inevitable, and therefore their attitude to-day is—

Branch banking is on the way, why not get in now?

In 1870, Mr. A. P. Giannini was born in California, of Italian parents. At 12 he entered the employ of a commission firm; at 19 he was a partner; at 32 he retired a millionaire. Before the end of two years, however, he became restless and decided to enter the banking business, and in 1904 he established in San Francisco the Bank of Italy. Its success was instantaneous, several branches were opened in the city and, subsequently, outside branches were added, that State having authorized branch banking. He also organized the Bancitaly Corporation, a holding company, with a capital of $5,000,000. Later its outstanding capital stock was increased to $50,000,000, and on December 7, last, it was again increased to $100,000,000.

In addition to the banks directly owned and controlled—

By this corporation—

its holdings consist primarily—

According to Russell, Colvin Co. of San Francisco—

of blocks of stock of the foremost banks throughout the world. It also has large holdings of listed and unlisted securities of both foreign

and domestic industrials, insurance stocks, etc. The corporation has consistently carried out its plan of acquisition, and its holdings of property and investment securities, selected to produce a high degree of safety compatible with a fair amount of return, are highly diversified.

The following is a list of the Bancitaly Corporation's subsidiaries:

First. The Bank of Italy with its 98 branches; capital and surplus, $52,000,000 (approximately); resources, $425,000,000.

Second. The Capital Co., a real estate corporation, with large holdings of business property in San Francisco and Los Angeles; capital and surplus, $1,000,000.

Third. Commercial Exchange Bank of New York with its two branches; capital, surplus, and undivided profits, $1,750,000 (approximately); resources, $16,000,000.

Fourth. Bowery & East River National Bank of New York with its 14 branches; capital, surplus, and undivided profits, $6,390,000 (approximately); resources, $80,000,000.

Fifth. Banca d'America e d'Italia of Rome, Italy, with its 18 branches; capital, surplus, and undivided profits, $10,000,000; resources, $40,000,000.

Sixth. Stockholders' Auxiliary Corporation, an organization dealing in real estate and securities; also a bank stock holding corporation, owning, among others, 37,270 shares of the stock of the Bank of Italy; capital, surplus, and undivided profits, $22,000,000 (approximately).

Seventh. Liberty Bank, with its 30 branches throughout northern California; capital, surplus, and undivided profits, $3,500,000 (approximately); resources, $43,000,000.

Eighth. Commercial National and Savings Bank of Los Angeles, with its 18 branches: Capital, surplus, and undivided profits, $4,000,000 (approximately); resources, $25,000,000.

Ninth. Bank of America, Los Angeles, with its 21 branches: Capital, surplus, and undivided profits, $3,800,000 (approximately); resources, $27,500,000.

The Bancitaly Corporation owns stocks of 93 banks in 25 principal cities of the United States. It also owns stocks of 73 banks in 18 foreign countries. Again—

banks directly controlled in New York and vicinity have 16 branches; in Italy, 18 branches; in California, 167 branches, which, together with the main banking offices, makes a system of 208 banking locations in all.

Banks directly controlled in New York have total resources of $96,000,000; in Italy, $40,000,000; in California, $520,000,000—an approximate total of over $650,000,000.

Mr. McLEAN. Mr. President, I do not want to interrupt the Senator unless he is willing to be interrupted.

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

Mr. HOWELL. I yield.

Mr. McLEAN. Before the Senator leaves the subject of the Bank of Italy, which, I understand, is probably as glaring an illustration of branch banking as we have in this country, I should like to ask him what he thinks that bank would do—it being now, as I understand, a member of the Federal reserve system—if the Hull amendments, which I understand the Senator favors, should be adopted? In that event the Bank of Italy would have to divest itself of its branches outside of its home office. I should like to ask the Senator what he thinks that bank, which has been so successful, would do?

Mr. HOWELL. Mr. President, I propose to offer one of the Hull amendments, and if that Hull amendment should be adopted, it would not in any way affect the Bank of Italy.

Mr. McLEAN. The Senator has not answered my question. It seems to me that the Bank of Italy would at once retire from the Federal reserve system, and it would have to do so in order to save its life.

Mr. HOWELL. Not necessarily; but it could not increase the number of its branches.

Mr. McLEAN. But if the Hull amendments were adopted, I repeat, it would have to divest itself of its branches outside of its home office.

Mr. HOWELL. I am interested at this time in but one Hull amendment; however, as I understand another Hull amendment, to which the Senator refers, a State banking institution may remain in the Federal reserve system and retain all of the branches it may have at the time of the passage of this act.

Mr. McLEAN. That is one of them.

Mr. HOWELL. That is one; yes. What amendment has the Senator in mind that would compel the Bank of Italy to leave the Federal reserve system?

Mr. McLEAN. If it is reorganized and tries to become a national bank, it would have to divest itself of all of its branches outside of the home city.

Mr. HOWELL. Yes; but who suggests that it proposes to convert. It certainly does not intend to do so now.

Mr. McLEAN. And if this bill passes, after it passes it can have additional banks only in the home city; so, to that degree, the present bill is restrictive.

Mr. HOWELL. To that degree it is restrictive; but they have the Bancitaly Corporation, which may continue to acquire banks with branches.

Mr. McLEAN. It could not after this bill passes.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER (Mr. BINGHAM in the chair). To whom does the Senator from Nebraska yield?

Mr. McLEAN. It could not have branches outside of the home city.

Mr. HOWELL. I am talking about the Bancitaly Corporation and not the Bank of Italy. They are two distinct institutions. The Bancitaly Corporation is Mr. Giannini's holding company.

Mr. McLEAN. There is nothing that the Federal Government can do to stay the progress of that bank.

Mr. HOWELL. No; but, Mr. President, the example of this remarkable result in California is appealing to the enterprising ambitious bankers of this country, and unless we take a decided stand to stop the advance of branch banking, branch banking is inevitable; it will move forward gradually, wiping out independent banking like a relentless glacier.

Mr. McLEAN. Mr. President, the Senator says branch banking is inevitable. The Senator who addressed the Senate yesterday [Mr. WHEELER] insisted that this was an opening wedge. Apparently, if the Senator from Nebraska is right, the log is already split wide open into two pieces, and there is nothing that the Federal Government can do to prevent the 20,000 State banks from doing anything they please with regard to the extension of branch banks.

Mr. HOWELL. Mr. President, I have not suggested that branch banking is inevitable, except if we do nothing to stem it. It is probably inevitable if we pass this bill. This measure is another step in that direction. The Cleveland Trust Co., for instance, a few years ago opened some 48 branches in Cleveland, and in four years its deposits went from $100,000,000 to $200,000,000. That is what is appealing to enterprising bankers throughout this country. They say, "Branch banking is here. We might as well get in; and, therefore, why not start the national-banking system on the road?" Moreover, they probably have been energized more by the example of Mr. Giannini's success in California than from any other source.

Mr. President, the achievements of Mr. Giannini in the field of branch banking have fascinated, if not almost hypnotized, some of our leading bankers. As a consequence the foundations of independent banking in this country have been positively shaken, and this bill without at least one of the Hull amendments, which I propose to offer, will constitute a serious breach in the walls of its citadel. Therefore, in dealing with this measure, we should fully realize that if we are proponents of branch banking, it will prove an aid to its progress. On the other hand, if we are opposed to this form of banking, its enactment will constitute a thrust at the vitals of independent banking.

What will branch banking mean for the United States? Mr. President, the remarks I have made to-day have been largely a compilation of some of the best thought respecting the subject matter dealt with, and I ask unanimous consent now that such portions of my address as I have read shall be printed in 8-point type.

The PRESIDING OFFICER. The Senator from Nebraska asks unanimous consent that certain portions of documents from which he has read be printed in 8-point type.

Mr. OVERMAN. These documents are to be printed in the Senator's address, are they?

Mr. HOWELL. Yes; those that I have read.

The PRESIDING OFFICER. Is there objection?

Mr. FLETCHER. I think there is some rule——

The PRESIDING OFFICER. The Chair is informed that the request is contrary to law and is not governed by the rules of the Senate.

Mr. McLEAN. I think that is so.

Mr. HOWELL. Mr. President, permission has been granted heretofore.

Mr. McLEAN. I do not think so, recently.

Mr. HOWELL. It is not contrary to law.

Mr. FLETCHER. I think the Joint Committee on Printing adopted a rule on the subject about a year ago or something like that.

Mr. HOWELL. They did; but I have asked unanimous consent that the portions only that I have read shall be printed in 8-point type.

Mr. FLETCHER. Personally, I have no objection at all; but I believe it is contrary to the rules.

Mr. HOWELL. But it has been done before, Mr. President.

Mr. McLEAN. I think the Senator from New Hampshire [Mr. MOSES] has recently objected, on the ground that if it is fair to one it is fair to everybody; and the Senator realizes what it would lead to.

Mr. HOWELL. I trust the Senator from Connecticut will not object.

Mr. McLEAN. I have no objection.

The PRESIDING OFFICER. The Chair asks for information from the Senator from Nebraska, whether his request covers something of his own which is read or something which he is reading from some one else?

Mr. HOWELL. No; I have asked that what I have read myself shall be printed in 8-point type. Certain parts that I have asked to have included in my address I do not ask to have printed in 8-point type, but merely that which I have read here on the floor.

Mr. McLEAN. Yes; but the Senator has read quotations. The Senator refers to quotations which he has read.

Mr. HOWELL. Yes.

Mr. McLEAN. Personally, I think that comes under the prohibition of the rule.

Mr. HOWELL. But it has been granted heretofore; and I trust the Chair——

The PRESIDING OFFICER. Is there objection? The Chair hears no objection; and, with the understanding that the Government Printing Office will follow the law in the case, in view of the fact that there is no objection, the Senator's request will be forwarded to the Government Printing Office.

Mr. HOWELL. I have inquired about the matter, and am surprised that the Chair should make such a distinction.

The PRESIDING OFFICER. The Chair is following the advice of the parliamentary clerk.

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

Mr. HOWELL. If the Senator will pardon me, I have just a little time.

Mr. FESS. I wanted to make a statement of what the rule is which is in favor of the Senator's position.

Mr. HOWELL. Very well; I yield.

Mr. FESS. If the Senator has submitted something that he wants to have printed without being read, it would have to be in small type, but if he reads it, though it be in somebody else's speech, it will be printed in 8-point type.

Mr. HOWELL. That is all I have asked—that what I have read should be in 8-point type.

The PRESIDING OFFICER. Without objection, the matter will be printed in 8-point type.

Mr. HOWELL. Mr. President, as to the threat of branch banking and its disadvantages, I will quote from the statements of Mr. Henry M. Dawes, former Comptroller of the Currency, in his annual report of 1923:

> The danger which confronts our present banking system lies in an insidious and gradual undermining influence * * * which is the result of the desire to secure temporary benefits for particular individuals and banking institutions, without consideration being given as to the ultimate effects on the highly complicated and efficient machinery of American finance and exchange. It is peculiarly a time when these indefinite tendencies should be precipitated into their essential elements.
>
> The above observations apply to the general subject of branch banking. * * *
>
> In support of the general contention that the principle of branch banking has been carried to such an extent as to constitute a definite trend in certain localities the following facts are submitted:
>
> Branch banking is permitted with various modifications in the following 17 States: Arizona, California, Delaware, Georgia, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New York, North Carolina, Ohio, Rhode Island, South Carolina, Tennessee, and Virginia.
>
> The laws of some of these States restrict the establishment of branches to the city or county of the location of the parent bank, while others permit branches to be established in any part of the State. In California, for example, 82 of the State banks are operating a total of about 475 branches. In that State one bank operates 28 branches, one bank 19 branches, another about 71 branches in 48 different cities, another about 72 branches. Four banks in California operate a total of 190 out of the 475 branch banks in the State. In the State of Michigan upward of 300 branches of State banks are in operation. In the city of Detroit 14 banks are operating about 200 branches, and there are in Detroit only 3 national banks left in operation. In the State of New York about 251 State banks are operating branches. In the United States to-day it is reported that 517 State banking institutions have in operation 1,675 branches.
>
> The figures used above are not intended to be authoritative or complete, and are used only for the purpose of illustration. They are, however, sufficient to indicate that this form of banking must now be dealt with as a practical condition to be met and not as a theory.
>
> The examination of an institution with branches and subsidiaries is a very difficult one. The interdepartmental relationships vastly complicated. It is more difficult to examine 10 institutions of a given size which are associated in a branch-banking system than it would be to examine 10 independent institutions, as all of the transactions between the different branches have to be investigated, and eliminations and adjustments made to produce a composite picture and prevent the improper manipulation or shifting of assets. This can not be done satisfactorily without a simultaneous examination of the parent bank and all of the branches. Bank examination involves very much more than a mere scrutiny of figures. Questions of moral character, of local reputation, of valuations of securities, of conformity to laws and rulings—these and many other elements enter into a proper examination. In the case of a large bank, with 75 to 100 branches, it would be impossible to mobilize a force of examiners of the ability to make an intelligent analysis of the situation in each individual community, even if it is to be assumed that the character of the banker is not a factor in the condition of the institution.
>
> BRANCH BANKING ESSENTIALLY MONOPOLISTIC
>
> As to the question of whether or not it is possible for independent unit banking systems to exist and operate in conjunction with a branch-banking system, very definite conclusions may be drawn from the results of the operations of branch-banking systems in other countries.
>
> Branch banking is in vogue in England, Scotland, Ireland, Canada, Australia, New Zealand, France, and other parts of continental Europe. It is understood that it is also in operation in the Latin American countries. According to figures published in the Bulletin of the American Institute of Banking for July, 1923, in 1842 there were in England 429 banks and in 1922 only 20 banks with about 7,900 branches. Of these 20 banks, 5 controlled practically all of the banking of the nation. In Scotland there are only about 9 banks with about 1,400 branches, and in Ireland about 9 banks with about 800 branches.
>
> In 1885 in Canada there were 41 independent banks. Under the operation of branch banking the number was reduced to 35 by the year 1905. According to recent information there are in Canada to-day only 14 banks operating about 5,000 branches. There are no independent unit banks in western Canada; in fact, none west of Winnipeg. Banking control through the branch system is concentrated in the cities of Montreal and Toronto.
>
> Experience in other countries definitely indicates that independent unit banks do not exist parallel with branch banks. As indicating that this is not necessarily due to conditions which exist abroad, but might not exist in the United States, the following points are adduced, which clearly indicate that there are such inherent antagonisms between the two systems that they could not under any circumstances long operate together in the same country.
>
> Branch banking is, in its essence, monopolistic. The financial resources of a number of communities are put under the control of a single group of individuals. Funds liquidated in one community may be used to develop other communities at the discretion of the officers of the central bank. The economic development, therefore, of a given territory under the control of a branch would depend upon the policy of the bank. The bank would have the power to retard or to encourage the development of a given community or individual enterprise. In this connection it has been well said that if the sudden creation of great branch-banking systems resulted in withdrawing funds from the support of rural communities in order that they may be invested in self-liquidating commercial paper originating elsewhere, then it will be true that sound, abstract banking principles will have been applied, but at a cost to the future development of the rural communities that will far outweigh any advantages that may be gained.
>
> SERVICE OF THE UNIT BANKS
>
> In a system of independent unit banks, the bank which best serves the community is the bank which is most certain to live the longest and be the most profitable to its stockholders. Since the type of man who starts a bank in a small community is essentially constructive, his natural associations and sympathies are with men of constructive type, and he extends the facilities of the bank most liberally to them. His loans take into account, as a first consideration, character and moral responsibility. He is naturally inclined to encourage young, aggressive, and enterprising individuals who will, in the course of time, bring business to the institution as he succeeds, and will develop commercial and industrial enterprises and be a factor in the creation of corporate and private undertakings, all of which will be feeders to the bank. As this type of individual is usually not the possessor of high-class collateral at the beginning of his career, the banker is dependent in a large measure upon character, of which he can only be sure by personal contact and acquaintance.
>
> The distinctive accomplishment of the banking system of the United States is its contribution to enterprise and its stimulation of growth; its criterion is service.
>
> It can well be said that the rapid economic development of America has been largely due to the policy of the pioneering unit banks which

recognized this principle of service. It is inconceivable that the representative of a nonresident board of directors should be granted the authority and the discretion to make a type of loan which is based on character, knowledge of local conditions, and ultimate benefits to be realized by the community and by the banks. While it requires a high order of ability to make this class of loan, the banking history of the United States would show, in the main, a surprisingly small mortality. These loans, however, on account of their small size in individual cases and difficulty of ascertaining their intrinsic value do not afford a basis for discount with other banks in case of stress, and no bank could exist if it were dependent entirely upon them. If across the street from the unit bank making this sort of loan were the agent of a great branch-banking institution, this agent would very quickly acquire the larger and, from the narrow banking standpoint, the desirable business of the town. This he could do by offering lower rates of interest on loans and higher rates on deposits than local conditions would ordinarily justify, which, in the nature of the case, would probably be withdrawn as soon as the independent unit banks of the town were finally eliminated. This is a process which has been pursued in the evolution of our great industrial enterprises, which have had to be curbed by the action of the Sherman antitrust law and other governmental action.

The opportunities for coercion on the part of large institutions scattered over a whole State are very great. This coercion might take any one of a number of forms. The connection of the branch banks with out-of-town customers of the institutions of a community permits of pressure being readily brought.

* * * * * * *

The expression has been used as applied to one State where branch banking exists on a large scale that the branch banks skim the cream and the unit banks are left with the skimmed milk, the result that the unit banks have gone out of existence, and the borrower who is a good moral risk, but can not produce a certain form of collateral, is left to depend upon the good graces of a representative of the branch banks who is frequently the possessor of all the discretionary powers of the local railroad agents and no more.

One of the monopolistic influences exerted by the branch banker is the ability to secure, by the payment of higher salaries, the transfer to other points of the efficient employees of the unit banks. A general procedure in the creation of branch-banking systems in one of our American States has been the absorption of local unit institutions. During the first few years the operations of these local unit institutions have, in many cases, been successful because the enterprising and pioneering talent that created the bank is still retained in official capacity, but men of this type will not long consent to hold positions which are, in their essence, merely advisory, and there is soon substituted therefor the type of employee who must be bound by rigid instructions and is capable of interpreting them only in a mechanical way. In case of an acute financial disturbance demanding immediate action, it is necessary for the representative of the branch bank to refer back to the head office for instructions as to his course of action, and a delay is occasioned by red tape which frequently makes it impossible for them to help in an emergency, even when they have the desire.

Mr. President, in 1925 I visited South Africa, and I found that there the branch-bank system was in effect. American business men whom I met expressed the hope that American business men would never be subjected at home to the delays—yes, even the humiliation—to which they were sometimes subjected in South Africa. The statement was made that the manager of a branch bank was limited in the amount he could loan—as I remember, it was only two or three hundred dollars—and in connection with all other loans it was necessary to await communication with the head office, and it often took a week before a man would know whether he was to receive an accommodation or not, and in the smaller towns if the bank would not accommodate him he had no other place to go.

To obviate the possibility of transforming national banks in nonbranch-banking States from their present attitude of enemies to that of allies in favor of branch banking I have prepared an amendment which I propose to offer. In subsection C of the House amendment of the Senate amendment of section 5155, following the word "time," I propose the insertion of the words "of the approval of this act," thus causing that subsection to read as follows:

A national banking association may, after the time of the approval of this act, establish and operate new branches within the limits of the city, town, or village in which said association is situated, if such establishment and operation are at the time of the approval of this act permitted to State banks by the law of the State in question.

The effect of this amendment is to limit the operation of branches of national banks to those 22 States where "at the time of the approval of this act" branch banking is permitted by State law.

With this amendment added to the pending bill, State banks will find it almost impossible to enlist the cooperation of national banks in securing permissive branch-bank State legislation, because national banks could not, under this amendment, ordinarily open branches the moment the State law was changed.

If the pending bill, with this amendment, had been enacted by the Sixty-eighth Congress in 1924, the national bankers of New Jersey, instead of helping to change the State law to favor branch banking would have been very active in defeating the attempt. Clearly, this amendment is fair. It does not affect the 22 States where branch banking is now permitted under State law. It does not interfere with the provisions of the pending bill granting national banks the right to have branches in the States where State banks to-day have branches. It does not interfere with the provisions of the bill granting to national banks throughout the entire country other privileges enjoyed by State banks.

If the motive or incentive to change the antibranch bank law of any State is removed, it logically follows such laws will not be changed. Consequently, the national banks located in the State of Missouri, for instance, or any other State whose laws do not permit branch banking, will not be unfairly treated. The fact that the only effect of this amendment is to keep branch banking out of nonbranch-banking territory lends significance to the efforts that have heretofore been made to keep it out of this bill.

As was stated on the floor of the House of Representatives, "no solution of the branch-banking problem can be permanent unless it is a fair solution, and the two essentials of a fair solution are, justice to the national banks suffering from the competition of State-bank branches in the States in which such branches are permitted and at the same time future protection from branch banking for both National and State banks in those States where it is now prohibited."

The pending bill authorizes branches for national banks in the States where branch banking is permitted. The amendment which I propose practically guarantees that branch banking will not spread into the 26 non-branch-banking States. It is our view that this proposed amendment is necessary if the danger of branch banking is to be prevented from threatening the nonbranch-banking States. Without the amendment, it is apparent that a small group of influential State bankers might combine with national bankers of the State and, if favored by fortune, these allies might force branch banking upon an unwilling State. Those who wish to encourage the spread of branch banking claim that this proposed amendment is desired only by State bankers. The obvious answer to this charge is the resolution of the 1924 convention of the American Bankers' Association, made up of both National and State bank representatives, unanimously indorsing the Hull amendments to this bill that were offered in the House, of the first of which this proposed amendment was the heart.

Mr. President, I now offer the amendment in the form of the following substitute for the motion of the Senator from Pennsylvania:

Resolved, That the Senate recede from its amendments Nos. 1, 13, 14, 15, 16, and 35 to the bill H. R. 2.

That the Senate agree to the amendments of the House to the amendments of the Senate Nos. 11, 30, 36, 37, 38, and 39 and the amendment to the title:

That the Senate agree to the amendment of the House to the amendment of the Senate No. 26 with a further amendment as follows:

In subdivision (c) thereof, after the word "time," insert the words "of the approval of this act."

The PRESIDING OFFICER. The Chair would call the attention of the Senator from Nebraska to the fact that under the rule, except by unanimous consent, no amendment shall be in order. Therefore, it is necessary for the Chair to ask whether there is objection to the offering of the amendment.

Mr. McLEAN. Mr. President, I would call the attention of the Chair to the last paragraph of Rule XXII, which reads as follows:

Thereafter no Senator shall be entitled to speak in all more than one hour on the pending measure, the amendments thereto, and motions affecting the same, and it shall be the duty of the Presiding Officer to keep the time of each Senator who speaks. Except by unanimous consent, no amendment shall be in order after the vote to bring the debate to a close, unless the same has been presented and read prior to that time.

Mr. HOWELL. There was a gentlemen's agreement about this matter. The gentlemen's agreement provided, as I understood, that there was to be ample time to debate the bill before it should be brought to a vote. There has not been ample time. I suggested that the vote on cloture be put over until to-morrow, and now it seems that in the unanimous-consent agreement there is a provision that, although the bill is subject to amendment, no amendment can be offered. I insist that this is not in

accord with the understanding which I had in reference to the bill.

Mr. McLEAN. It is a rule of the Senate we are talking about. It is not a unanimous-consent agreement in relation to the bill. It is a rule of the Senate.

Mr. HOWELL. I beg the Senator's pardon.

Mr. McLEAN. I have read the rule to the Senator. The Senator should have offered his amendment prior to 1 o'clock.

The PRESIDING OFFICER. Is there objection to the offering of the amendment?

Mr. McLEAN. I object.

Mr. HOWELL. Does the Senator object?

Mr. McLEAN. I do.

Mr. HOWELL. Mr. President, may I ask how much time have I remaining?

The PRESIDING OFFICER. The Chair is informed that the Senator has 14 minutes left.

Mr. HOWELL. I will acknowledge that I was not aware of the provisions of the rule. I understood I would have an opportunity to offer the amendment. I endeavored to secure the floor yesterday afternoon so that I might offer it. Subsequently I had the floor and gave way in order that there might be an executive session. Now it seems that I am to be denied the opportunity of offering the amendment.

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

The PRESIDING OFFICER. Does the Senator from Nebraska yield the floor?

Mr. HOWELL. I yield the floor.

The PRESIDING OFFICER. The absence of a quorum being suggested, the clerk will call the roll.

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

Bayard	Fess	King	Sackett
Bingham	Fletcher	La Follette	Schall
Blease	Frazier	Lenroot	Sheppard
Borah	Gerry	McKellar	Shortridge
Bratton	Gillett	McLean	Simmons
Broussard	Glass	McMaster	Smith
Bruce	Goff	McNary	Smoot
Cameron	Gooding	Mayfield	Steck
Capper	Gould	Metcalf	Stewart
Caraway	Hale	Moses	Swanson
Copeland	Harreld	Neely	Trammell
Couzens	Harris	Norris	Wadsworth
Curtis	Harrison	Nye	Warren
Dale	Hawes	Oddie	Watson
Deneen	Heflin	Overman	Wheeler
Dill	Howell	Phipps	Willis
Edge	Jones, Wash.	Pine	
Edwards	Kendrick	Reed, Pa.	
Ferris	Keyes	Robinson, Ind.	

The VICE PRESIDENT. Seventy-three Senators having answered to their names, a quorum is present. The question is on the motion of the Senator from Pennsylvania [Mr. PEPPER].

Mr. FESS. Mr. President, before voting on the measure I want to make just a very brief statement. I shall detain the Senate but a short time.

I have regarded this legislation as extremely important. It is not a matter of sudden conviction with me, but a matter of long-standing investigation and observation. When the Federal reserve act was originally passed in 1913 it created very wide interest throughout the country, and was discussed as few questions are discussed, at least in my experience. It appears to me that the years since that time have demonstrated that it has been a very remarkable piece of legislation. Prior to that time, under the old banking system, which served a great purpose during its existence, we had periodic crises about every 20 years. They seemed to come with surprising regularity in those periods.

We have not had anything of that sort since the operation of the new plan began, and I am of the opinion that it has been one of the great agencies to prevent that condition recurring, and ought to prevent its recurrence in the future. For that reason I am pleased to have the provision in the bill that will extend the charter, and to have the action taken thus early, although it is several years before the charter terminates. I should dislike to see a campaign worked up in this country that would bring the Federal reserve act into politics, for reasons too apparent for comment.

Then it strikes me that there is a great deal in the fear that if this legislation shall not be passed the effectiveness of the Federal reserve system will be greatly lessened by the withdrawal from it of the national banks which under the law were forced into it. While the national banks had no choice in staying out of the system originally, they can now very easily withdraw by taking State charters, and the experience of the last few years, especially in Ohio, indicates that that is the trend; it seems to me it is inevitable. For that reason I am very anxious to see this bill enacted into law.

When the Federal reserve legislation was originally brought up in the other House I was a Member of that body and collaborated with the House author of the bill in trying to work it into shape, and I have been interested in it from that day until the present. I do not recall any piece of legislation that seems to have been buffeted as much as the one now pending. Although it has now reached the position where all that is needed is a single vote here in the Senate, there has been delay and debate on the measure to a point where there is more or less uneasiness in the country.

I was temporarily detained from the Senate a while ago when the vote was taken on the cloture rule. Having signed the motion for cloture, of course, I was anxious to have the motion adopted by the Senate and should have voted for it had I not been detained from the Chamber at the time the vote was taken. I make this statement so that I shall not be misunderstood as to the position that I occupy as to the great value of this piece of proposed legislation.

Mr. DILL. Mr. President, I desire to take but a very few moments in order to express my attitude regarding the pending bill. I am opposed to the bill, particularly because of the fact that if it shall become a law it will open the door to the enlargement of branch banking in this country. I believe that the provisions of the bill when they go into effect will result in starting in the various States where there is no branch banking a campaign to induce the legislatures to pass laws permitting branch banking, and the result will be that within a few years the branch-banking system will be extended all over the United States.

In my own State we have forbidden branch banking, but even with the prospect of the passage of this bill already there is a campaign under way to bring about such legislation, and with the passage of the bill I have no doubt at all that that campaign will gain impetus and within a very short time branch-banking legislation will be enacted in my State and in other States which now forbid branch banking.

The statement of the Senator from Nebraska [Mr. HOWELL] as to the ramifications of the Bank of Italy and its branch-banking system, it seems to me, should be conclusive to anyone as against this Government permitting the growth of such a policy. I can not for that reason support the bill.

The second reason why I oppose the bill is because of the provision for an indeterminate charter for the Federal reserve system. I do not believe that is a wise policy to adopt at any time, and especially not seven or eight years before the expiration of the present charter. It will simply mean that it will take a two-thirds vote of the House and Senate ever to revoke the charter of the Federal reserve system, because I believe that those favoring the system will probably always be able to cause the President to veto any measure designed to bring about a revocation, and that would mean that a two-thirds majority would be necessary to pass legislation repealing the charter. I am not going to take more time or delay the Senate further, but I wished to express my views to the extent I have done.

SEVERAL SENATORS. Question!

The VICE PRESIDENT. The question is on the motion of the Senator from Pennsylvania [Mr. PEPPER].

Mr. HEFLIN. What is that motion?

The VICE PRESIDENT. The clerk will read the motion.

The LEGISLATIVE CLERK. The Senator from Pennsylvania [Mr. PEPPER] moves that the Senate recede from its amendments Nos. 1, 13, 14, 15, 16, and 35, and that the Senate agree to the amendments of the House of Representatives to the amendments of the Senate Nos. 11, 26, 30, 36, 37, 38, and 39, and to the amendment to the title to the bill (H. R. 2) to amend an act entitled "An act to provide for the consolidation of national banking associations," approved November 7, 1918; to amend section 5136 as amended, section 5137, section 5138 as amended, section 5142, section 5150, section 5155, section 5190, section 5200 as amended, section 5202 as amended, section 5208 as amended, section 5211 as amended, of the Revised Statutes of the United States; and to amend section 9, section 13, section 22, and section 24 of the Federal reserve act, and for other purposes.

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

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the name of Mr. ASHURST.

Mr. McLEAN. Mr. President, I do not think any business has intervened between the present time and the time when the last roll call was had only a few moments ago.

Mr. HEFLIN. There certainly has.

Mr. NEELY. The Senator from Washington [Mr. DILL] has addressed the Senate on the pending subject since that time.

Mr. HEFLIN. And the motion of the Senator from Pennsylvania [Mr. PEPPER] has been stated.

The VICE PRESIDENT. Debate is not business. The Chair holds that no business has intervened since the last roll call.

Mr. LENROOT. Mr. President, I will take just a few moments in giving my reasons for the vote which I shall cast when the question on the pending motion is finally put.

I am opposed to branch banking. When the bill was before us at the last session and that matter was really the issue I did what I could upon this floor to secure the incorporation of what are known as the Hull amendments. The fact is, however, that as the bill now stands, except in a very incidental way, they are not involved, for both Houses have now agreed upon the elimination of the Hull amendments. There is no opportunity now to vote either for or against this bill. The only question before the Senate is whether the Senate shall recede from certain of its amendments and concur in certain amendments made by the House to amendments of the Senate.

Mr. President, if the proposed action would in any way tend to encourage branch banking I should oppose the motion of the Senator from Pennsylvania, but the fact is that the action which the Senate is now asked to take will tend more to discourage the extension of branch banking than to encourage the extension of it.

The first Senate amendment is found on page 2, where it was provided—

> That any bank incorporated under the laws of any State, or any bank incorporated in the District of Columbia, may be consolidated with a national banking association located in the same State.

The word "State" was a Senate amendment, and if that language were to remain in the bill, any bank anywhere in a State might consolidate with another national banking association anywhere within the same State. It is proposed now that the Senate shall recede from that amendment so that the House language will stand permitting consolidation only of banks in the same county, city, town, or village.

Then, Senate amendment No. 11 reads as follows:

> Nor shall any such State bank or banks entering into such consolidation be located at a greater distance from such national banking association than is authorized by the laws of the State in case of the consolidation or merger of two or more State banks.

That provision, together with the first amendment, would have permitted such a case as this. To illustrate: The Bank of Italy, which has been referred to many times here, could through its officers or stockholders organize a State bank in some town in California where it now has no branch. Under the Senate amendments, after the State bank was organized, it might be taken over by the parent national Bank of Italy, assuming it was nationalized, and it would be a lawful State branch. However, there is an amendment made by the House which clearly prevents that. It is found on page 13 and reads as follows:

> If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the act.

So with that language in which the Senate is now asked to concur it would not be possible for the Bank of Italy to use the illustration which I gave a moment ago, to go through the operation which I have described and secure a lawful State branch.

That being so, Mr. President, what would be the effect of rejecting the motion of the Senator from Pennsylvania? It would mean that, so far as the Senate is concerned, it would stand for provisions that would allow a wider branch-banking privilege than will be allowed if the motion be adopted. Rejecting the motion would not kill the bill. The bill would go back to the House, and if the House then concurred in the Senate amendments, from the standpoint of those who are opposed to branch banking, we would have a worse bill than the bill will be if the motion of the Senator from Pennsylvania shall be agreed to. For that reason I shall vote for the motion.

The VICE PRESIDENT. The question is on the motion of the Senator from Pennsylvania [Mr. PEPPER].

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

Mr. McLEAN. Mr. President, I make the point that the Senator is out of order. No business has intervened since the roll was last called.

The VICE PRESIDENT. The Senator from Alabama is out of order, no business having intervened since the roll was last called.

Mr. HEFLIN. Mr. President, after the last call had been had a United States Senator from the State of Washington addressed the Senate; the Senator from Connecticut called for the submission of the question for a final vote; I rose and asked what the question was; the Chair stated the question to the Senate. I submit to the Chair and to the Senate that that is a transaction of business. We are now to vote upon one of the most important measures that have been submitted to this body since I have been in Congress. Since the last roll call two Senators have addressed the Senate upon the subject and two points of no quorum have been made, and yet no call of the roll has been ordered for a quorum. That is manifestly in violation of Rule No. V, which reads:

> 1. No Senator shall absent himself from the service of the Senate without leave.
>
> 2. If, at any time during the daily sessions of the Senate, a question shall be raised by any Senator as to the presence of a quorum, the Presiding Officer shall forthwith direct the Secretary to call the roll and shall announce the result, and these proceedings shall be without debate.

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

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

Mr. McLEAN. The point raised by the Senator from Alabama is not debatable.

Mr. HEFLIN. I am discussing a point of order.

Mr. McLEAN. But it is not debatable.

The VICE PRESIDENT. The Senator from Alabama has a right to address the Senate.

Mr. HEFLIN. Certainly I have, on a point of order. If the Senator from Connecticut wants to resort to such tactics, I will speak the balance of the day on it.

Mr. McLEAN. Not under the rule.

Mr. HEFLIN. On the face of the rule it is plain that the Senator who represents a sovereign State has a right to ask for a quorum. There are not 25 Senators on this floor. Ninety-six Senators should be here; 48 States are entitled to their representation. Look around. There are only five or six Senators on this side and seven or eight Senators on the other side, and we are denied the right to have a quorum called.

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

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

Mr. BINGHAM. The Senator from Alabama is not proceeding in order. Under Rule XXII a point of order is not debatable.

The VICE PRESIDENT. The Chair has already sustained the point of order made by the Senator from Connecticut.

Mr. HEFLIN. Does the Chair hold that we can not call for a quorum?

The VICE PRESIDENT. The Chair holds that a quorum can not be called for at this time, no new business having intervened and the Senate having taken no action since the roll was last called.

Mr. McLEAN. Mr. President, under this rule no business can intervene. The rule says:

> Said measure shall be the unfinished business to the exclusion of all other business until disposed of.

Mr. WHEELER. I move to adjourn, Mr. President. I think that motion is in order. I move to adjourn at this time.

Mr. NEELY. A motion to adjourn is always in order.

The VICE PRESIDENT. The question is on the motion of the Senator from Montana that the Senate adjourn.

Mr. HEFLIN. I call for the yeas and nays.

Mr. WHEELER. I suggest the absence of a quorum.

Mr. FESS. I call for the yeas and nays.

Mr. McLEAN. The yeas and nays on the bill?

Mr. HEFLIN. No; the yeas and nays on the motion to adjourn.

The yeas and nays were ordered.

The VICE PRESIDENT. The Secretary will call the roll on the motion of the Senator from Montana that the Senate adjourn.

The Chief Clerk called the roll.

Mr. GERRY. I desire to announce that the Senator from Arkansas [Mr. ROBINSON] is necessarily detained on official business. If present, he would vote "nay."

Mr. BAYARD. I have been requested to announce that the Senator from Arizona [Mr. ASHURST], the Senator from Tennessee [Mr. TYSON], and the Senator from Massachusetts [Mr. WALSH] are necessarily absent.

The result was announced—yeas 5, nays 64, as follows:

YEAS—5

Heflin	Neely	Nye	Wheeler
La Follette			

NAYS—64

Bayard	Edge	Jones, Wash.	Robinson, Ind.
Bingham	Edwards	Kendrick	Sackett
Blease	Ferris	Keyes	Schall
Borah	Fess	Lenroot	Sheppard
Bratton	Fletcher	McLean	Shortridge
Broussard	Gerry	McMaster	Simmons
Bruce	Gillett	McNary	Smith
Cameron	Glass	Mayfield	Smoot
Capper	Goff	Metcalf	Steck
Caraway	Gooding	Moses	Stewart
Copeland	Gould	Norris	Swanson
Couzens	Hale	Oddie	Trammell
Curtis	Harreld	Overman	Wadsworth
Dale	Harris	Phipps	Warren
Deneen	Harrison	Pine	Watson
Dill	Hawes	Reed, Pa.	Willis

NOT VOTING—26

Ashurst	Johnson	Pittman	Tyson
du Pont	Jones, N. Mex.	Ransdell	Underwood
Ernst	King	Reed, Mo.	Walsh, Mass.
Frazier	McKellar	Robinson, Ark.	Walsh, Mont.
George	Means	Shipstead	Weller
Greene	Norbeck	Stanfield	
Howell	Pepper	Stephens	

So the Senate refused to adjourn.

Mr. NYE. Mr. President, it is not at all surprising to me that there should be desire to limit debate upon this bank bill. It is surprising, however, that there should be a sufficient number in the Senate to make the limitation possible. But, unless I am badly mistaken, there will come a time when men will regret having been hasty in this action, just as many regretted the hasty action in January of last year, when, under gag rule, this body voted the United States onto the front porch of the World Court. Europe itself seemingly has saved us embarrassment as a result of that year-old action; but the international banker is not apt to deal with us in the case of this bank bill in a way that will save the invited embarrassment certain to follow its passage.

The limitation of debate is merely a serving of notice that the interests of the masses of people, whose economic health is dependent first and last upon the good or ill administration of our money and credit structure, are not to be considered and that the views, wishes, and interests of commercial bankers engaged in a purely legitimate banking business are not to be considered so long as those interests and wishes are in conflict with the selfish and destructive wishes of that mere handful of bankers who look to the eventual control by them of the money and credit system throughout the world.

Mr. President, I resent the false information which has been broadcast of late days alleging that the friends of honest farm legislation entered into an understanding or a deal with the banking interests to the end that both the farm measure and this bank bill might be given preferred places for consideration by the Senate. I resent it because I had no hand in any such inconsistent deal. As one who believes it to be the intent of the international banker to crush and pauperize the American farmer and the farmers of the world, I could not have brought myself under any circumstances to help in such a deal. Frankly, I should prefer to see the farm bill, the McNary-Haugen bill, defeated than to see this banking bill enacted into law. Every advantage gained under the McNary-Haugen bill in law will be offset many times by the success in Congress of this McFadden banking bill, which extends the privileges of the Federal reserve banking system and condones its damnable activities of 1920 and 1921. Where there ought now to be written certain restrictions governing the administration of the system, we find Congress instead, to-day, extending an invitation to the system to engage in another murderous program at their will, with the assurance that they will not be seriously molested for 60 years.

I regret having to confess my knowledge of banking, money, and credit to be extremely limited. It is not going to be so limited for long, however. Heaven permitting, I am going to strive to possess myself of such knowledge as will in the future enable me to discuss such matters as we have before us now with perhaps not great ability, but greater ability, at least. But though my knowledge is limited, as confessed, I can not disobey that surge within me which prompts rebellion against the banking bill now before us, a bill to recharter an institution seven or eight years before the expiration of the charter under which it now operates, as this bill does in behalf of the selfishly administered Federal reserve bank system. That surge within me grows out of my observation of the part already played by the reserve bank system in bringing the American farmer and people generally to their knees, and, in thousands and thousands of cases, driving them to the wall. It grows, too, out of knowledge of the part played by the system in the recording of the blackest page ever written in American history.

The so-called McFadden bank bill, now before us, in addition to declining to discourage branch banking or to halt a further monopoly in banking by declining to receive the Hull amendments into the bill, grants a recharter to the Federal reserve banks for 50 years from the time of the expiration of their present charters. The charters under which they are now legalized do not expire until 1933, six years away. Why all the rush? Did the institution and its administrators need this sort of a guarantee before it and they undertook to do again what they did in 1920 and 1921? The possible reason is interesting, at least. In any event, this is called the branch-banking bill for the purpose of hiding its real purpose, namely, that of extending the life of the Federal reserve system for 50 years, and do it six years in advance of the expiration of the charter under which it operates now.

It was the Federal reserve system which helped to make credit so easy for the American farmer and others during the war. It was the credit offered through this institution which made it possible for the patriotic farmer to enlarge his farming operations during the war, to possess himself of more land, more farm machinery, and to pay for the additional high-priced help needed during that period to produce that great abundance of food for which our Government and our flag pleaded during the period of that terrible conflict in which virtually all the world engaged. It was Federal reserve credit which made it possible for the farmer and others to borrow money in order that they might buy freely, and until it hurt, of Liberty loan bonds, bonds which, in the $100 denomination, were sold on the strength of the general belief and confidence in the Government, and on the strength of the claim that they were just as valuable and safe as a hundred-dollar bill—more valuable, indeed, because the bond drew interest and the cash did not. The farmer bought freely of these Government securities. More often than not he paid interest upon the money he needed to borrow from his bank to buy the bonds.

This Government encouraged the farmer and others to use freely of the credit made available through credit expansion by the Federal reserve system, so long as that credit was used to help win the war.

Then came the end of the war and the willful, vicious, and wicked deflation program with its resultant wreck. This program caused the farmer to dump his production upon a market wrecked by the deflation program and further wrecked by the dumping necessity. Through the desire on the part of the farmer to meet the deflation demands—namely, to liquidate the indebtedness he had been encouraged to shoulder during the war—he helped dig his own grave in so far as the destruction of the market for his products were concerned.

The farmer's visible supply of agricultural products sold on a ruined market was not sufficient to meet the demands of the deflationists. Then, to help pay his debt, he sacrificed equities in lands he had bought to help his country in time of need, and as a general thing he found that deflation had destroyed the whole value of his equity. Land values were destroyed by deflation. Then there were sacrificed the equities he held in lands bought before the war. Then went, as was true in many cases, the homestead equity or title—all this to satisfy the demand for liquidation of war-time debts, the demands of a willful few who were in control of the machinery of money and credit in America.

But, as if this were not enough punishment for his loyalty, the farmer, like others, was called upon for still more sacrifice, still more blood. To pay off his indebtedness he had to dispose of his Liberty loan bonds, those bonds which he had been encouraged by his Government to buy and which the Federal reserve system, by extending credit, had made it easy for him to buy with borrowed money. He sold his bonds, or whatever equity he had in them, in order to pay the debt as demanded by the deflationists.

And what did he receive for them? What did he receive for these Government securities "worth 100 cents on the dollar any day," as was once claimed for them? Did he receive 100 cents on the dollar for them? Indeed not! Instead he had to be content with 80, 83, and 85 cents on the dollar because the handful of deflationists would not pay more than that for them.

Mr. President, the story of that deflation program, and more particularly that Liberty loan bond steal, is the most shameful tale in all American history. Never has there been quite so brazen, quite so wicked, quite so vicious, quite so hellish, quite so shameful an attack upon an unsuspecting people and upon their confidence in their Government.

Who was responsible for this deflation program? Oh, some respond, it was the international banker! And this is largely true. But, Mr. President, the international banker could not have accomplished what he did as a result of that program without the aid of the Federal reserve bank which the people thought was an institution authorized by Congress as a part of their Government, authorized in their interests and in de-

fense of their economic interests. In this deflation program and wholesale steal the Federal reserve system responded and did the unclean work for those who gained as a result of that program.

I know it is denied that there was a secret meeting of the Federal Reserve Board, at which this deflation program was planned, but I have not heard it denied that the Federal reserve system was instrumental in fostering the program and following it through to its ungodly conclusion with the suffering which accompanied it and which still follows.

I have always maintained that the deflation program, permitted and assisted by the Federal reserve system over which the Government of the United States is presumed to have supervision, was more responsible for the present plight of American agriculture than any other contributory factor. But now, instead of making secure against a repeat performance of that program of 1920 and 1921, instead of seeking to remedy the Federal reserve act and make secure against further ill and wicked administration, we are here now prolonging the life of the institution and inviting it to come on and do to us again what it did only six years ago; and I maintain that there can be no secure and healthy prosperity until a repetition of the deflation program of 1920 and 1921 is made impossible and values not kept subject to the will of a mere handful of men.

My greatest purpose as a public official is to help win and hold such legislation and encourage such administration of that legislation as will cause people to have confidence in their Government. To my mind, the greatest need to-day is the restoration of confidence in Government. But, Mr. President and gentlemen of the Senate, we are only inviting added lack of confidence when we decline to punish the infringement of rights and the robbery of property, and, instead, countenance such acts by relicensing those who infringed and that institution which has helped in the wholesale robbery I have here related. An act here and now to remedy the condition which permitted that terrible experience of 1920 and 1921, with which we are not yet through, would do more to restore confidence in Government, save us from radicalism and Bolshevism, than anything else which might be done.

There is fear lest there might be a political attack upon the Federal reserve banks when the time comes for removal of its charters. There are guilty consciences. Is that why we must recharter now—before there is time for attack? Is that why we must, under gag rule, vote a renewal of those charters now, six years before the old charters expire? It would appear so.

Secretary Mellon, in the Nation's Business for May, 1926, is reported as saying:

> A political attack against the Federal reserve system must be expected when the time comes for renewal of its charters. Its effectiveness will largely depend upon the particular phase of the business cycle which happens to prevail at the time. If the country is then in the midst of a wave of prosperity, the opposition will be slight.

Apart from Mr. Mellon's relation to the Federal reserve system by virtue of his position as Secretary of the United States Treasury, his relation to the banking world might account for the interest in the renewal of the charters of the banks in the Federal reserve system, shown by the statement which I have quoted. A special technique has been employed to inspire a popular belief that the Nation has never in its history been so blessed with prosperity, so flooded with wealth, as during the period from the early summer of 1924 to the present time. This campaign of propaganda has been reinforced by discount rates averaging for the period much below a normal rate for longer periods and again by the development of a system of installment selling to members of the employed group, in order to move inventories for which there was enormous demand, but no money with which to buy, and that otherwise could not be moved except at receivers' bankrupt sales, all to the end of keeping up the illusion of prosperity. The ominous strain of unbalanced economic conditions, evidenced by the flighty and spasmodic price fluctuations of industrial and public utility stocks as contrasted with a steady appreciation of underlying securities during recent months, demonstrates the true and perilous condition of American industry and business.

Is it not a natural inference that, considering the complexion of the incoming Congress as compared with the moribund Congress of this short session, and considering the inevitable and not distant demonstration of the Federal reserve system's inability to set aside the operations of natural economic laws by maintaining a spurious and artificial "phase" of the business cycle—"a wave of prosperity"—the present hour has been selected as opportune to apply for the renewal of the system? Next year, or the next year, or any one of the next six years, might not afford the proper atmosphere.

The McFadden bill proposes to grant indeterminate charters, virtually equivalent to perpetual charters. It enlarges the powers of the system banks beyond those proposed by the so-called Aldrich-Vreeland bill of a dozen years ago—the asset currency bill that was intended to valorize the securities of every railroad and tariff developed industry in the United States. This bill, if you please, proposes to valorize in the same way the securities of every bankrupt and experimental government of Europe, by authorizing these banks to "deal in investment securities." It is worth noting at this point that there is now being urged before the Legislature of the State of New York an amendment of the law regulating the power of the stock exchange of the State. It is proposed to enlarge their power by authorizing listing and trading in the stocks, bonds, debentures, and, in general, the securities issued by foreign governments and industries—another step in behalf of the international banker. If the McFadden bill becomes a law, every wildcat government on earth can be given a certificate of financial character and have its obligations valorized by American credit brokers. This at least implies the danger that the currency and credit of American industry will, in some part at least, be based upon the uncollectible debts of foreign States instead of American wealth.

There was never gathered in the city of Washington or in the corridors and galleries of the House and Senate, I am told, as lustful, as adroit, as importunate a lobby as is now assembled in this Capitol—the president of the American Bankers' Association, with scores of the system's bankers, from all parts of the Union. Many of them admit, and Mr. McFadden states in effect, "that unless this bill becomes a law the Federal reserve system must perish." They claim they can not compete with the State banks. Of course they can not rake in 100 per cent profit in competition with banks that are satisfied with from 10 to 15 per cent. National banks that have resources enabling them to organize trust companies can compete through their trust companies with State banks; but those national banks that can not must either become State banks—as many hundreds of them have done—or go out of business.

The system itself is at stake. The system now asking for what is virtually a perpetual charter is a party of the alleged conspiracy among the world's financial overlords to control the political and economic future of mankind. There is little doubt that there now is power in the hands of financiers that, if not soon regulated and controlled, will enable them at their own time and choice effectively to control the world; and even now finance has more than half enslaved the world.

As an indication of the development of this policy, it may be noted that the report of the British Royal Commission on Indian Currency and Finance discloses the adoption for India of the American Federal reserve system almost to the letter. It proposes the retirement and decoinage of an amount of silver rupees equal to more than three years' production of all the silver mines in the world and the substitution therefor of Federal reserve bank notes that will draw interest. Apply this program to the European states now under tutelage of Anglo-Saxon high finance, with power to discriminate between states, to impose social, political, and economic demands after the fashion applied to a section's classes and industries in our own countries by our Federal Reserve Board.

It is pertinent to contrast the claims, promises, and virtues of the system, made for it by its proponents in 1913, when the Federal reserve act was originally enacted, with the record it has made. Aside from lodging automatic and irresponsible power in the hands of men who had established a Money Trust, aside from legalizing operations for which these men had been officially condemned, aside from the fact that these same men had undertaken to secure the enactment of the Aldrich-Vreeland "asset currency" bill, the violation of every pledge of virtuous purpose made by the sponsors of the system should call for the abolition of the system, rather than for its extension as the perpetual emperor of American industry.

There have been claims made here in the Chamber in the last few days relative to the nature and standing in public life of men who back in 1913 gave their aid and gave their support to the proposed Federal reserve system. It should be noted also that without the personal aid of W. J. Bryan, then Secretary of State, the Federal reserve law could never have been enacted. He lived long enough, however, to publish his regrets for what he had mistakenly done. Mr. Bryan supported the measure editorially; he interviewed Members of the House and Senate to impress his convictions that the sponsors of the measure were sincere in their professions of public-service motives. President Wilson was earnestly favorable to currency and credit reform, and he believed these were provided for and safeguarded in the proposed bill. Others favored it, but this

was all prior to the statement by the man who, perhaps more than any other, was responsible for the form of the Aldrich-Vreeland bill as well as the Glass-Owen bill, that while the earlier bill was superior to the latter, the defects in the latter "could be corrected through administrative processes."

It is enough to say that every promise made, every pledge offered to secure the enactment of the Federal reserve law has been violated, ignored, and rejected. A Government institution? Governor Strong, of the Federal Reserve Bank of New York, stated before the Agricultural Commission that these banks are private institutions and, notwithstanding the letter of the law, the officials of these banks have diverted funds that are properly the property of the Government, to increase their personal salaries and those of their employees, to build great temples of Mammon in their banking houses in several cities, to debauch legislation, and for speculative purposes. A flexible currency? Yes; flexible as a catapult. Never has the first practice of the world's moneyed class been more faithfully observed—that is, the creation of alternate periods of high and low prices; buying when the things were low, only to sell when things were high, only to repeat the process at their own good pleasure, raising and lowering discounts at their arbitrary, irresponsible discretion, as stated by Adolph Miller, a member of the board since its original creation, in the hearings of the Banking and Currency Committee of the House on the Strong bill. The particular vice of the system lies in this arbitrary discretion to raise and lower discounts. It is an obsolescent and altogether unnecessary factor in a modern monetary system. No system preserving this factor can function in the requirement of modern finance.

How long are we to continue living in a fool's paradise? Does history mean nothing to us? This is not a new problem. It has been an open sore for every state and nation in history of the past. The farm population in every period, under every form of government, has been the first to suffer and the last to recover, when it has recovered at all, from the vices and impositions of the banking class. It angers me to hear men profess solicitude and yearning hearts for the woes of agriculture while they countenance such legislation as is now before us. No program of agricultural relief can bring relief that does not abolish the processes and agencies through which the exploitation of American farmers is carried on.

Some one wrote me recently, saying that:

> While the chief function of politics is the distribution of wealth, it never created as much wealth as a single grain of mustard seed; wealth can not be created by law any more than a people can be made moral by statute. If wealth could be created by law, we should all be Midases; but we are told by ancient wisdom that no man can by taking thought add to his stature.

To now, after our experience with this Federal reserve system, prolong its life indefinitely, to now extend not only its life but to lengthen and strengthen the arms of this monopoly that constitutes this sum of all monopolies, would be to shame the American Congress for all time. What is monopoly? Monopoly is the creation of law and consists only in the power to use a public right for private profit.

The Federal Reserve Board by the act of 1913 acquired the monopoly to issue the money of the people, also to dominate the credit market. The value of this monopoly to its possessors is to be estimated not only by their annual profits but by the long, fierce fight they have made to secure it and to enlarge it. Consider the one important asset of agriculture—the land on which it labors. While I can not pretend to any thing approximating expert knowledge or understanding of the problems of high finance, still certain developing conditions have pressed upon my mind and I want to know what is to be the result. How will it affect the holders of life, fire, and accident insurance policies when the reserves of these great companies, the farm lands of these States, become frozen assets, because they would not sell for the amount of the mortgages upon them? So far as the farmer himself is concerned, he is out of the picture. He has been deflated into a hopeless tenant, a hod carrier or shovelman in some colossal city industry; but the owner of a city home, insured for less than it is worth, must await the turn of the market for his protection.

I am puzzled when I hear criticisms of European finance, with its multiplicity of currencies. When I scan the reports of American exploits in finance I observe a yearly exchange amounting to more than $600,000,000,000, every dollar of which is supposed to be anchored to a mass of gold, while the reports of the Treasury show that there is rarely more than twenty millions of gold that is free and can be applied to any purpose. I do not quite understand it all. Again, I am puzzled when I observe that the farmer or individual who by some miracle of chance is possessed of a single dollar that he can loan finds the best he can do with it is to get 6 cents for a year's use of his money by a borrower, while under the devices of the Federal reserve bank system the banker who loans a dollar can obtain $40 for a year's use of his money by a borrower.

I want at this point to substantiate my claim as to how the banker would enlarge a dollar given through the present banking system. I want to read from the Monthly Review, by the Federal reserve agent, the Federal reserve bank organ published in New York at the New York Federal reserve bank back in 1923, I believe it was.

FEDERAL RESERVE SYSTEM—THE MECHANISM OF BANKING EXPANSION UNDER THE FEDERAL RESERVE SYSTEM

Under the old national-banking system in effect before the Federal reserve act, the gold and lawful money which the national banks held as reserves was in the proportion on the average of about $1 of reserves to $8 of loans and deposits. This power of expansion was in part the result of the ability of banks in the smaller cities and villages to keep a portion of their reserves with the city banks, where they were used as the basis for further expansion. Country banks were obliged to keep 15 per cent of their net deposits in reserve, of which three-fifths could be kept on deposit in reserve or central reserve cities. Reserve city banks were required to keep a 25 per cent reserve, of which half could be on deposit in central reserve cities, and banks in central reserve cities were required to keep a 25 per cent reserve, all of which was kept in their own vaults. Thus the same dollar of gold or lawful money might be used as reserve in three different banks, permitting an expansion greater than that implied in the average reserve requirements of the several individual banks.

In times of financial ease, when expansion was least needed, there was normally a tendency for this method of depositing and redepositing reserves to be carried to its limit. But as soon as financial stress was foreseen, when expansion was most needed, there was a tendency for the banks to draw their reserves on deposit into their own vaults, thereby reducing the power of expansion inherent in the pyramiding of reserves.

Under the Federal reserve act, which became effective on November 16, 1914, and the amendment to it of June 21, 1917, the unsound method of depositing and redepositing reserves in commercial banks came to an end. The entire reserves of all member banks were to be kept at the Federal reserve banks. This pooling of reserves at once made for greater safety and permitted somewhat smaller reserve requirements. Required reserves of country banks against net demand deposits were reduced to 7 per cent, of reserve city banks to 10 per cent, and of central reserve city banks to 13 per cent. The uniform reserve requirement on time deposits was reduced to 3 per cent. Whatever cash a member bank might find it necessary to keep in its vault for use as till money, amounting now to about 3 per cent, was not to count as reserve at all. This was a most important change in the law, because it had the effect of transferring to the reserve banks, where it might serve when necessary as the basis for credit expansion, practically all of the gold formerly held in the vaults of member banks.

The power of expansion implied in these reserve requirements should be considered in connection with the reserve requirements within the Federal reserve banks themselves. A Federal reserve bank is required to keep a minimum of 40 per cent of gold as reserve against Federal reserve notes, and a minimum of 35 per cent of gold or lawful money against deposits.

Gold, as far as the member banks are concerned has no power of expansion until it is on deposit with a Federal reserve bank. Thus a deposit of $100,000 of gold in a member bank merely counts as a deposit and is not susceptible of expansion until it is deposited in a Federal reserve bank, when, on the average, it will permit an increase of about $1,150,000 in the loans and deposits of a member bank. The expansion would be very much greater than that, if it were not for the fact that a large part of the deposits created at a Federal reserve bank are drawn out again in the form of Federal reserve notes. While the statements of individual Federal reserve banks show considerable variation, the proportion of Federal reserve notes outstanding as compared with the deposited reserves of member banks is at present in the ratio of about three to two, which coincides with the average estimated by Prof. W. M. Persons, of Harvard. On the assumption, then, that $3 out of every $5 deposited with the Federal reserve bank is withdrawn in notes, $100,000 of gold deposited in the Federal reserve bank would permit an average increase in the loans and deposits of member banks as follows—

This is the point I am trying to make:

For banks in central reserve cities	$1,030,000
For banks in reserve cities	1,294,000
For country banks	1,786,000

The different degrees of expansion in the three classes of banks are explained in their varying reserve requirements.

Do not lose sight of the fact that the language which I am quoting and the figures which I am quoting are those of the

Federal Reserve Agent, a mouthpiece of the Federal reserve bank system, published in New York.

The following example assumes that a country bank is expanding to the maximum on $100,000 of gold deposited in a Federal reserve bank:

For every $5 of gold deposited by a member with a Federal reserve bank $3 is likely to be withdrawn in Federal reserve notes, and $2 is likely to be used as reserve against the deposits of the member bank. The $3 of gold will act as reserve against Federal reserve notes, amounting to (Because its 40 per cent reserve requirements permits an expansion of 2.5 times.)	$7.50
The $2 of gold will act as reserve against the reserve deposits of member banks, amounting to (Because its 35 per cent reserve requirement permits an expansion of 2.86 times.)	5.72
And that $5.72 will act as reserve against deposits in a country member bank, amounting to (Because its 7 per cent reserve requirement permits an expansion of 14.3 times.)	81.80
Making a total of	89.30

Which, multiplied by 20,000 (the number of times $5 is contained in $100,000) gives $1,786,000.

It will be observed that the figures given above do not take into consideration the vault cash which a member bank may find it desirable to keep. Making allowance for that requirement, and averaging all banks in the country, the expansion works out to about 11.5 times.

In order for a member bank to enlarge its reserves at the reserve bank it is not necessary for it to make a deposit of gold or lawful money, because a loan by a reserve bank to a member bank adds to the reserves of the latter in exactly the same way as though gold had been imported and deposited by that member bank, and it may use it as reserve against its own deposits or withdraw notes against it in just the same way. The determining factor as to how long such loans may go on is the stock of gold which the reserve bank has and which it uses as the basis for its own expansion.

The extent to which the reserve system's power of expansion is availed of varies, of course, with the credit needs and conditions of the country, growing when demands are great and diminishing when demands subside. Expansion and contraction of reserve credits are therefore the result of the increasing or decreasing demands of member banks rather than a cause of the increase or decrease in the amount of loans made by member banks to their customers.

Mr. President, it was promised by the sponsors of the Federal reserve bank act, before it became a law, that the system would provide such ample funds of an elastic currency that there could never be scarcity of money for legitimate needs. Farmers of my State and in other States, owners of thousands of acres of fruitful land, with flocks and herds, free from debt—wealthy, indeed, as usually understood for their place and time—could not find money to buy necessaries, could not pay their help, and then awoke soon after the 18th day of May, 1920, to discover that their lands, their flocks and herds, in which all their wealth consisted, had been smitten as with some plague that reduced their value to a mere fraction of what it was before that day. The farmer learned after it was too late the probable fact that this plague had its origin in a secret mandate by the Federal Reserve Bank Board, issued from the city of Washington. And we are now asked to perpetuate the system that did that thing—to give it longer life, more powerful arms! Shall we by our action ratify, condone, justify the system and the institution that did that thing and continue its power to repeat whenever, in the discretion of a board of bankers, it may suit its purpose?

Much has been said about the Constitution and the constitutionality of bills considered in this Chamber. I have been trained to believe the Constitution to be the supreme law of the land. I have read the Constitution, I have read the construction given to it by the decisions of the Supreme Court. I have also read the construction given to it by learned lawyers of the Senate in their arguments and their votes upon this floor. I have noted that the widest differences of opinion as to its meaning have been between Senators who, in public estimation, are best qualified to define and to construe it. I find it hard to reconcile these differing and strongly held opinions and am often compelled to determine the meaning of the Constitution for myself from a plain reading of its words taken in their usual and probable common meaning at the time they were used to embody and express the thought of the men who framed that great instrument. I have read as a part of the Constitution that private property shall not be taken for public use without just compensation. It must be, therefore, that, because the taking of private property for private use without compensation is not expressly prohibited by the Constitution, we have created a system of monopolies that have transferred 75 per cent of all the property of all the people into the possession of 6 per cent of the people.

And by the same token, if it is constitutional to bestow the taxing authority of the Republic upon private interests for the sole purpose of private enrichment, then this bank bill is, without the shadow of a doubt, perfectly constitutional. If it has been in conformity with the principles of the Constitution that we have built up a system of interlocking monopolies to levy unearned and uncompensated private taxes upon the industrial masses, then this measure is constitutional, because this measure consolidates, increases, extends, and perpetuates the power of the monopoly of all monopolies in the economic life of the Nation. No man will deny that the great basic industries of the Republic are even now the feudal serfs of the overlords of our high finance, interests that were responsible for the creation of the Federal reserve bank system and which now seek hasty renewal of the special privileges and the monopolies controlled by the system, together with an extension of these powers and enlargement of their functions. But the same interests that marshaled the forces in opposition to the McNary-Haugen bill, on the ground that it was unconstitutional and uneconomic, are using all their power to force the enactment of this measure, which I regard as the most vicious piece of legislation proposed in this body since the beginning of our Government.

There is another feature of this problem deserving attention. That is the far-reaching possibilities of the Federal reserve bank system, as its powers and future life are extended by this proposed bill, in the creation of a world reserve bank system. My attention has been called to the report of the British Royal Commission on Indian Currency and Finance, issued last July, disclosing the purposes of the British Government to adopt for India, without substantial change, the Federal reserve system now in operation with us. To do this, and in order to put it in force, they propose to decoin, to demonetize more silver, in the form of rupees, than all the silver mines on earth have produced in any three-year period, this to be replaced by Indian federal reserve notes as a circulating medium, which, as with us, will bear interest. It is estimated that 10 years will be needed to do this.

It is impossible to realize the power over the lives of men that this system will be able to wield, once it is established. It has demonstrated its power to discriminate between sections, classes, and industries, in a relatively small way, as compared with the possibilities of a cooperative international system. The economic, industrial, social, cultural, and political development of states and peoples will be determined by a super-senate recording the decree of the "bankers' alliance." Suppose some state objects to a plan upon which to base its credits or issue its currency on the debts of some other state instead of its own material wealth. Or let us presume the nation or state proposes to raise its public revenue and develop its natural resources by a tax upon imports. Or, what if a nation forms, or seeks to form, reciprocity arrangements with other states for mutual economic advantage, contrary to the interests and wishes of the bankers' alliance? Or suppose America or any other nation should want to throw off the mythical gold standard against the wishes of the credit monopoly. Why, its credit is cut off, markets are closed, a bankers' alliance is set up, and, so far as organized bankers can accomplish it, the naughty state or nation is disciplined. We do not need to cross the seas to find instances that illustrate this principle. Mexico and Nicaragua might find much of their trouble with our big Republic vanishing once they came into the gold standard camp. "But this discipline is impossible," some one says. All of these things were done, and more also, to the people of my own State, done by the men who have crowded the lobbies and the galleries of this Capitol with their agents and emissaries to force through the passage of this bill. In North Dakota we know what organized credit dispensers can do and do do when they are not pleased. This bill is a complete demonstration that the prime, if not the sole, function of politics is the distribution of wealth under the prevailing order.

The point of difference between the two branches of Congress regarding the termination of the chartered life of the system is utterly immaterial and meaningless. It is reasonably certain that no Member of the present Congress, in either branch, will live to see the New Year's Day of 1984. I therefore confine my suggestions on this feature to the possibility of Congress dissolving the charters of these banks prior to that time as, it is claimed, is easily possible in case of good cause. It is quite safe to believe that any action by the Congress formally dissolving the charters of these banks would be contested in the courts.

We have had some experience with the facility with which our highest courts have expressed judicial solicitude for the protection of property and property rights. We have seen our Supreme Court convert a political privilege into a property

right. We have seen the same court reverse its numerous decrees in cases growing out of the antitrust laws, and plaintively inquire as to what "will become of foreign trade that has developed and exists." We have seen that court legislate by the exercise of a veto power to defy the will of Congress and the people.

It is vain to prophecy as to the time when a long-suffering people may combine their political power to throw off the burdens imposed by this monopoly of all monopolies or even to estimate the probable capital value of the powers that are granted by this bill; but, Mr. President, it needs no prophet to foresee such a revulsion of public opinion as will force the Congress to dissolve the charters of these banks. The next scene in the drama then will be enacted in some court room unless there be another Jackson in the White House. Never in the history of all the courts of the world was there ever tried a case involving issues of such inestimable money value as those that will depend upon the outcome of the inevitable trial of the power of Congress to forfeit or dissolve these charters. With present tendencies toward exaltation of the power of wealth in public affairs continuing at the rate now in action, there can be no reasonable expectation that this expression by Congress will have any force. If Congress intends to reserve its powers, it had better refuse to delegate them.

There is a little sugar in this bank bill for the people. It provides for the appointment of a joint special committee to inquire into the prices of commodities in the United States since 1914. The way the consideration of this bill has been forced has precluded a presentation in fair debate of a full and complete analysis of all the facts relating to the matter which ought to be inquired into before this bill is passed, just as has been suggested by a distinguished scientific economist who has made a special and elaborate study of the subject. Prof. John R. Commons, of the University of Wisconsin, made a statement on February 4 before the Banking and Currency Committee of the House of Representatives, showing conclusively the influence upon commodity prices in the United States of the activities of the Federal Reserve Board, and demonstrated the necessity of withdrawing from the board its discretionary power over discounts. I venture the assertion that no Senator can claim to be fully advised as to the merits of this bill unless he is familiar with Doctor Commons's statement, and I ask unanimous consent that the record of that hearing, as contained in the pages of the United States Daily, may be printed at the conclusion of my remarks as a part thereof.

The PRESIDING OFFICER (Mr. BINGHAM in the chair). Is there objection? Without objection, the matter referred to will be printed as a part of the remarks of the Senator from North Dakota.

[See Exhibit A.]

Mr. NYE. Mr. President, the agonies, the suffering, of thousands of my constituents are too recent. The outcry of their resentment still rings in my ears. I should be unfair to myself and unfaithful to my people if I allow this bill to be considered in this Chamber without raising my voice in protest.

You ask me for suggestions looking toward a solution of this problem. While in no way regarding myself as an expert in high finance, I have in my own thought applied to this problem exactly the same principles that I apply to all other forms or types of monopoly. It is my conviction that in every instance when there is a profit, a material advantage, to be derived from the operation of any function of government such profit belongs in equity and fairness, in all good conscience and in economic truth, to the government whose right is so exercised. We have classic authority for the declaration that the holders and operators of government rights were complained of as having "converted the public revenue into private property and thereby ruined the State." Until we can secure to the people the public or government functions of money and credit, until the public resumes control of these functions from those to whom it delegated these powers, we shall continue to suffer the abuses that mark the course of our history as a Nation.

Mr. President, every Senator who on last Friday gave his vote in support of the interests of the farm people of America should, as I see it, be found voting against this vicious bill granting monopoly to our money and credit machinery. There were 47 votes in the interests of agriculture and our national interests then. There ought, in the name of consistency, to be 47 or more votes recorded against this banking bill. I predict that the time will come, and come soon, when the people of America will go gunning with bullets of ballots for every elective individual who lends a hand in the passage of this bank bill.

Limitation of debate on this subject is most unfortunate, but, as I have previously remarked, not at all surprising. Healthy institutions or lives do not shy away from the light of day as the Federal reserve banking system seeks to shield its history from light, at least until its life is insured and secured for another 60 years.

In conclusion I am merely going to request that an article appearing in the January 19 edition of the North Dakota Non-Partisan under the heading "Reserve bank broke farmers, says Harding" may be printed at the end of my remarks.

The PRESIDING OFFICER. Is there objection? Without objection, the article will be printed in the RECORD.

[See Exhibit B.]

Mr. NYE. Mr. President, but a few years ago my very illustrious predecessor, Senator Ladd, had interested himself in this question of the Federal reserve bank money and credit system in a way that made him an authority in the United States. Some one wrote him a letter and asked him four or five or six specific questions relative to the Federal reserve banking system. The Senator responded in a most able manner, and I ask to have those questions and answers of Senator Ladd printed at the conclusion of my remarks.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and without objection the matter referred to will be printed in the RECORD.

[See Exhibit C.]

EXHIBIT A

RESERVE BANKS DECLARED ABLE TO GUIDE PRICES—ALSO IN POSITION TO GOVERN MONEY MARKETS, SAYS DOCTOR COMMONS AT HEARING ON STRONG BILL—FLUCTUATIONS CALLED DETRIMENT TO LABOR—WITNESS SAYS POWER TO DEFLATE OR INFLATE IS GAINED BY DEALING IN SECURITIES IN OPEN MARKET

The Federal reserve banks, under certain conditions, through their open-market operations in buying and selling Government securities, can control the money market and thereby affect the business structure of the country, Dr. John R. Commons, of the University of Wisconsin, told the Banking and Currency Committee of the House at a hearing on February 4. (Publication of the stenographic transcript of Doctor Commons's testimony is begun on page 9.)

Doctor Commons testified with regard to the bill (House bill No. 7895) proposing to amend the Federal reserve act so as to direct the Federal reserve system to so use their powers to fix such rates of discount as will accommodate and stabilize commerce, business, and agriculture. It is proposed that all of the powers of the Federal reserve system shall be used for promoting stability in the price levels of commodities.

"The Federal Reserve Board in controlling the demand, supply, and price of credit," Doctor Commons stated, "is in a position to deflate or inflate commodity wholesale prices in accordance with what they consider the best public policy."

Asked if the board, by adopting certain policies, could inflate or deflate the price of corn or wheat, Doctor Commons replied, "Only as it affects the general average of all commodities. It has power to control the total volume of credit but not the distribution to the separate commodities."

The stabilization bill was introduced by Representative STRONG (Republican), of Blue Rapids, Kans. He announced at the beginning of the hearing that he had sent two drafts of the bill to economists and financiers, and that following their suggestions he had redrafted the bill. He introduced into the record his third revision of the measure.

Doctor Commons stated that he was interested in the problem of the stabilization of prices from the standpoint of labor. "From the labor standpoint," he said, "the fluctuations of prices are the greatest evils affecting labor."

"Inflation," he said, "brings demoralization, and the consequent deflation brings pauperization."

No legislative guide has been set down, Doctor Commons said, by which the Federal Reserve Board shall use its powers. He asserted that the proposed measure would supply the guide by which discount and interest rates would be fixed so as to stabilize the general level of prices of commodities.

FLUCTUATIONS OF PRICES CALLED EVIL TO LABOR

Since 1919, it was explained by the witness, there have been three periods of inflation and deflation of prices. The first he attributed to the consequent deflation following inflation during the war period. Over that period, Doctor Commons stated, the Federal Reserve Board had no control. He asserted, however, that later the board, through its operations of buying and selling Government securities, did knowingly control wholesale prices.

Doctor Commons explained that so long as the gold reserve of the Federal reserve banks nears the 40 per cent legal limit, as was the situation in 1919 and 1920, the Federal Reserve Board is compelled to adopt a policy which will bring deflation.

Otherwise, he said, they are unhampered as to whether they will adopt policies bringing either deflation or inflation. He declared the

board could have stopped the deflation in 1919–20 before it reached the low level.

The members of the Federal Reserve Board, Doctor Commons said, did not know of its economic power, exerted through the open-market operations with Government securities, before 1922 and 1923. Following the experience gained at that time, he said, the board realizes it can control market conditions.

About that time, he explained, the 12 Federal reserve banks bought, independently in the open market, a considerable volume of Government short-time securities. That operation, he contended, reduced the earnings and the rediscounts of the member banks of the Federal reserve system. After these Government securities were sold by the 12 head banks, he pointed out, the rediscounts of the member banks increased and their total assets remained practically the same. Following another purchase of Government securities, he indicated on a chart, the rediscounts again fell off in volume.

EXPERIENCE SAID TO SHOW BOARD CAN CONTROL MARKET

The 12 Federal reserve banks purchased the Government securities in the open market from brokers, Doctor Commons explained. The bonds were paid for by checks on themselves. The broker would then deposit the checks in some Federal reserve member bank, it was stated, and thus the member bank could augment its reserve with the head banks.

Every dollar of credit, Doctor Commons said, which the member bank obtained from 1 of the 12 head banks, through the increase of the reserve of the member bank with the head bank, enabled the member bank to increase its lending ability to the public about eightfold.

Doctor Commons's contention is that by the purchase of Government securities by the Federal reserve banks, the reserves of the member banks were augmented and the volume of money was materially increased. Referring to the purchase of securities in 1922, the purchases "caused the member banks to get out of debt. They were then more free to loan."

While this operation was going on, he said, the interest and rediscount rate was declining a total of 20 per cent. "The banks have more money to loan," Doctor Commons said, "and they can do so at less interest."

FIXING OF REDISCOUNT RATE IS EXPLAINED

Speaking of the rediscount rates fixed by the Federal Reserve Board, Doctor Commons said it is contended the fixing of the rediscount rate follows the market. While this is ostensibly the situation, he said "the Federal reserve system first prepares the market through its operations and then creates the rate. It first prepares the market and then follows it."

The open-market buying of Government securities is a potent influence in fixing the rediscount rate, Doctor Commons said, in reply to a question, so long as the gold reserves of the banks is not down to the 40 per cent legal limit.

When the Federal Reserve Board found out in 1923 its economic power through this operation, Doctor Commons asserted, it adopted a rule that sales and purchases of Government securities should be made in consideration of the effect of the general credit situation. The bill proposes that they shall be made with regard to the effect on the wholesale prices of commodities.

Besides the open-market operations of the 12 Federal reserve banks in purchasing and selling Government securities, Doctor Commons stated that other factors which could be used to control the demand for credit are the rediscount rates, publicity of conditions, private advice by member banks to customers, and the working rule that member banks do not loan from the Federal reserve banks in excess of their credit reserves.

PUBLICITY URGED AS FACTOR FOR CONTROL OF CREDIT

Doctor Commons discussed the objections which had been raised to his contentions. He said these objections included, first, that business psychology determine the demand for credit; second, that the rate of discount is only a small item in the cost of production, and so has no effect on the price level; and, third, that as a result of these factors the Federal reserve system follows the market in fixing discount rates.

The stenographic transcript of Doctor Commons's statement and answers to questions follow:

"Doctor COMMONS. Mr. Chairman and gentlemen, I am not an expert in banking. My interest is mainly in labor. I became acquainted with the evils of the fluctuation of prices in 1919, and have been following it up since that time, making such acquaintance as I could with bankers, especially with people at the Federal reserve bank in New York and at the Federal Reserve Board, and interviewing bankers in different parts of the country:

"Now, the interest that affected me with reference to labor was shown by one or two incidents that I came across.

"In the summer of 1919 I was studying the labor market in New York, especially in the clothing industry; and I got together representatives of employers and the employees, the trade-union, to verify the facts regarding wages. To give you one illustration: I found that one presser, who does finishing work on a coat, was being paid $125 a week in 1919. The union scale was $50 a week. The union had adopted a rule that no member could accept more than $50.

EMPLOYERS SAID TO HAVE HIDDEN WORKERS

"The employers were in such keen competition with each other that they not only boosted the wages away above the union scale, but they adopted all kinds of methods to prevent the union from enforcing its rule. The union had a committee to arrest its members and penalize them by taking over to the union all that they might get in wages in excess of the union scale of $50. The employers secreted these laborers so that when the union committee came they could not find them. In other words, here was a mechanic who, prior to the organization of the union, was working for $25 a week. By union agreement with the employers he was working for $50 a week, yet, owing to this tremendous inflation, the employers were pulling against each other and were pulling against the union, and put the wages up to $125 a week. Within a year after that time that laborer was on the street unemployed, without any wages.

"Now, another illustration: In Cleveland, Ohio, I found this fact, that in the summer of 1919 I had three instances given to me by Colonel Ayres, at that time of the Cleveland Trust Co., three instances where truck drivers upon the streets of Cleveland having accidents—an axle broken or something like that, a tire injured on the streets—they didn't stop to get any repairs done; they simply deserted their trucks on the street and went and got a job with some competing firm, immediately got a job; there was such a demand for them. Within a year these truck drivers were idle due to the unemployment.

"So, this fluctuation of prices, from the labor standpoint, I consider the most serious of the evils that affect labor in this country. It, first, by this inflation of prices, demoralizes labor; they lose all sense of responsibility for their jobs.

"Then in the deflation it pauperizes them. So, we have an alternation of demoralization and pauperism which affects our labor class owing only to this fluctuation of prices.

"Now, another thing I would like to remind you of, that you doubtless are familiar with, and that is that in the first draft of the Federal reserve act the bill, as it came from the Senate, contained certain instructions to the Federal Reserve Board as to how it should use its powers. There were two instructions. It was to use its powers, all its powers which were granted by Congress, to accommodate business and commerce; and there was another clause, 'to stabilize the general price level.' That was the form in which the bill came from the Senate.

INSTRUCTION DECLARED ELIMINATED IN CONFERENCE

"The first instruction, to accommodate commerce and business, was in the House bill; but it didn't contain the other instruction, to stabilize the general price level. In the conference between the two Houses the instruction to stabilize the price level was stricken out, so that the bill as it came from Congress gave only this instruction as a guide to the Federal Reserve Board, which it was giving to the Federal reserve system. I prefer to say, instruction to the Federal reserve system—the only guide or legislative rule laid down to guide the conduct of the Federal reserve system—was 'to accommodate commerce and business.'

"Now, I submit that there is no administrative body created to carry out the instructions of Congress that has been given such unlimited, unspecified instructions, simply 'to accommodate commerce and business.' Take any of the administrative regulations which this Congress has placed upon administrative officials. Take the tariff, for example. The President is given authority to change the tariff under certain circumstances, but he is given a very definite rule. He must take a finding of fact, namely, that a foreign country is practicing a dumping process; and when he finds that a foreign country is practicing a dumping process, which must be based upon his investigation and an ascertained statement of fact, then he has the authority to change the tariff to meet that dumping practice. Then you take all your commissions, administrative bodies, which you have created. I think you will find that Congress has laid down some standard—the Interstate Commerce Commission, the Federal Trade Commission—there have been some standards of reasonableness and right administrative authority that they are expected to adhere to. But here is a system and a board to whom you have given no standards at all.

PROVISIONS OF BILL EXPLAINED BY WITNESS

"Now, to give you a practical application of the results of that I refer to this bill. There are two sections. The Federal Reserve Board and the Federal reserve banks, by which I mean the Federal reserve system, which will include the member banks, they are instructed to stabilize so far as may be the purchasing power of the dollar in terms of commodities in general. Then it goes on and says that whenever any decision affecting or tending to affect this power that is given, when any decision is made by a Federal reserve bank or any of the

authorities that has an effect on this price level 'such decision and the reasons therefor shall be published immediately and minority opinions of those dissenting from such decision or reasons shall be published simultaneously.' Then there is provided that in case that the public shall be injured—I suppose it refers to a state of war—the Government may withhold publication.

"Mr. STRONG. Doctor, I might call your attention to the fact that that is an alternative suggestion of an amendment.

"Doctor COMMONS. I am going to illustrate it by a case of what might have happened in 1919 and 1920.

"Representative MCFADDEN (Republican), Canton, Pa., chairman. Before you do that let me get it perfectly clear that you are now discussing the Strong bill, House bill 7895.

"Doctor COMMONS. Yes. That ought to go in the record. I have been reading from the third revision of January 30, 1927, of House bill 7895, Sixty-ninth Congress, first session.

SAYS MEMBERS OF BOARD FORESAW DEPRESSION

"Supposing that prior to 1919 we had had these two provisions in the Federal act, first, to stabilize the price level, and second, to give your reasons for it and the minority reasons. What I wish to say to you is given to me in confidence by a member of the Federal reserve. I, of course, will not give his name. He and another member of the Federal Reserve Board in 1919 and 1920 understood what they were doing; they were inflating prices and were going to bring about a terrific depression. They knew it. They were economists enough to know what they were doing.

"They protested in the Federal Reserve Board against what was being done by the Federal Reserve Board at that time, knowing the consequences that would follow. They considered for a time whether it would not be better for them to offer their resignations and then give their reasons to the public for resigning at that time. They finally agreed to go along with the system, the majority, and simply to file their reasons in the records of the commission, so that in case the question was raised after their death their record would be clear. That is what they did, I understand.

"Now, there may be another authority, the Overman Act. I don't know whether that had expired or not at that time. At any rate, the inflation went on; and as you will see by my chart there, on which I have indicated the wholesale price level—I have some reproductions of that chart that I would like the members of the committee to have——

"The CHAIRMAN. I think, inasmuch as you are referring to the chart which appears on the wall, I am going to suggest that the chart be placed in the record at this point.

"Doctor COMMONS. Will it be satisfactory if I place this reproduction of it in the record?

"The CHAIRMAN. Yes.

"(The chart referred to will be printed in the issue of February 7.)

"Doctor COMMONS. May I have this marked as an exhibit?

"The CHAIRMAN. It will be marked as 'Exhibit 1' in the record.

"Doctor COMMONS. I should like to direct your attention to the curve marked 'Wholesale prices.' I shall have a good deal to say about that, if you will allow me, a little later, as to how that is constructed; but in general that is the price index of the Department of Labor, containing some 404 commodities. It is an average, using the year 1913 as a base, calling the prices of 1913 '100' so that when the general average of all prices moves up and down, it will be indicated as a percentage of 100, '100' referring back to the year 1913.

"In July, 1920, prices rose to 247. That was 147 per cent higher than they were in 1913. Then there was a deflation which started in 1920. I have put the figures in pencil on my chart on the wall. I wish I could give you the figures. At the end of 1921 the price level had reached 138. That was 38 per cent above the pre-war level, whereas in June it was 147 per cent above the pre-war level. It moved up rapidly in 1922 from 138 to about—may I get that from the chart? At the end of 1921 the price level was 138, which means 38 per cent above the level of 1913.

"The CHAIRMAN. Speaking now of the wholesale prices?

"Doctor COMMONS. The wholesale-price level of the Department of Labor, 404 commodities rated according to their relative importance.

"You notice a very rapid inflation started at the beginning of 1922, and by May, 1922, had reached 155—had gone up from 138 to 155. That was 17 points, possibly an inflation of 15 per cent. You will notice that it stopped at that point, but continued until March, 1923, when it stood at 158 per cent.

"At that time deflation occurred, and that continued until July, 1924—June and July—until it had reached 145, or 45 per cent above the pre-war level. Then another inflation started. From 145 it reached in February or March, 1925, 161, a change from 45 to 61, which would be 16 points, or 10 per cent of the whole, about an average of 10 per cent. These are the Department of Labor figures."

(To be continued in the issue of February 7)

[From the United States Daily, Monday, February 7, 1927]

FLUCTUATIONS IN WHOLESALE PRICES ATTRIBUTED TO OPERATIONS OF FEDERAL RESERVE SYSTEM—TRADE IN SECURITIES SAID TO CONTROL CREDIT—EXPLANATION OF INFLATION AND DEFLATION MADE AT HEARING ON STRONG BILL—DOCTOR COMMONS HEARD BY HOUSE COMMITTEE—SAYS BOARD CAN INFLUENCE AVERAGE PRICES, BUT NOT THOSE FOR SPECIFIC COMMODITIES

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency, at a hearing on the Strong bill (House bill No. 7895), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. In that section, Doctor Commons said the Federal reserve board, through control of credits, is able to exercise control over wholesale prices of commodities. He also said fluctuations in prices in recent years were traceable to inflation and deflation caused by trading in Government securities in the open market by the Federal reserve banks. The transcript continues:

"A deflation started in February, 1925, and moved down until—if my last figures are correct—it got from 161 to 150.

"Mr. CANFIELD (Democrat), of Batesville, Ind. When did it get to $150?

"Doctor COMMONS. In November or September of 1926. The Department of Labor figures came out about two months later. If my chart is right, that was when it was.

"Now, you will notice three inflations and deflations which the Federal reserve system has conducted. It conducted an inflation here and a deflation——

"The CHAIRMAN. That is to say, in 1919 and 1920?

"Doctor COMMONS. In 1919 and 1920 it conducted an inflation, going up to 247. In 1920 and the end of 1921 it conducted a deflation from 247 down to 138. In 1922 up to May, 1923, they conducted an inflation from 138 to 158. From May, 1923, to July, 1924, they conducted a deflation from 158 to 145. From June and July, 1924, to February or March, 1925, they conducted an inflation——

"The CHAIRMAN. Won't you explain to the committee, Doctor, how they conducted that campaign?

"Doctor COMMONS. That is my whole proposition—to explain how that occurred.

"Mr. STEAGALL (Democrat), Ozark, Ala. Let me interrupt you for half a minute. I didn't get all you have said. You are speaking of 'they.' Who do you mean by 'they'?

"Doctor COMMONS. The Federal reserve system, this new Federal Reserve Board and the Federal reserve banks, the 10,000 banks.

"Mr. STEAGALL. I didn't mean to interrupt you.

EXPLANATION PROPOSED OF CAUSE OF FLUCTUATIONS

"Doctor COMMONS. I am laying out the program, and then I propose to show how each of these inflations and deflations was conducted, to show the instruments which they used in their operations.

"To complete that statement: The deflation has been from the early part of 1925 down to the present time.

"I want also to say that this showing depends altogether on the way in which that index number is composed. If I had added to wholesale prices such things as wages, rents, retail prices, if they had been included, they would make a different curve. I shall explain that a little later. But I consider this a key to the whole situation—the wholesale prices.

"Now, first I will begin at this point, 1922, with this inflation. This preceding inflation and deflation had so many consequences and were effected so by the war policy and the policy of the Treasury that it is not proper to say that the Federal reserve system as such was at liberty to regulate the price level as it shows. I will say that not until this period in here, 1921, was the Federal reserve system liberated from control by the Treasury Department so that from beginning here they were perfectly free of the influence of the Treasury Department.

"The CHAIRMAN. I hope, Doctor, that when you make your explanations you will show how the influence of the Treasury was exerted.

"Mr. STEVENSON (Democrat), Cheraw, S. C. That brings up this question right here, which I would like to ask: Did the Treasury Department dominate the course in 1920, when that tremendous deflation occurred?

DEFLATION ATTRIBUTED TO TREASURY ACTION

"Doctor COMMONS. Yes. In order to sell Victory bonds at a low rate of interest they caused the inflation.

"Mr. STEVENSON. I wasn't speaking about deflation. I was speaking about the deflation that occurred in the latter part of 1920 and 1921.

"Doctor COMMONS. I consider that the deflation was inevitable after the inflation.

"Mr. STEVENSON. You think that was just a collapse from inflation?

FLUCTUATIONS LINKED WITH CREDIT CONTROL

"Doctor COMMONS. If you have one of these inflations, it follows mechanically and necessarily that you must have a deflation, and the

sole argument of stabilizing the price level is to prevent inflation in order to head off deflation.

"Mr. STEAGALL. Well, your former statement indicates that that rule does not work both ways. If deflation inevitably follows inflation, then what we want is simply to prevent inflation? Is that your view?

"Doctor COMMONS. My contention is this: If I can show you gentlemen that the Federal reserve system controls the demand for credit and the supply of credit and the price of credit, that they can, controlling those three elements which make up all that goes to constitute the price level, they are in a position by their action to inflate or deflate at any point which public policy may decide is a good place to stop at.

"Mr. STEAGALL. I am in hearty accord, so far as I know, with your statement in that respect, but a moment ago you said that you would get away from the 1920 and 1921 variations in the price level because of the fact that the Treasury controlled the Federal reserve system in conducting the finances of the war, and that that brought about the inflation.

"Doctor COMMONS. Yes.

"Mr. STEAGALL. And that the deflation of 1920 and 1921 inevitably followed the inflation?

DEFLATION DECLARED INEVITABLE RESULT

"Doctor COMMONS. Yes.

"Mr. STEAGALL. Now, what I am asking you is this, if it is true that the rule works both ways? If deflation invariably follows inflation, then you remedy the whole situation if you prevent inflation, don't you? But I understand you to say now that the Federal reserve system has the power, or those controlling the Federal reserve system, to bring inflation from deflation. Is that right?

"Doctor COMMONS. Perhaps my terms are inconsistent. This inflation here has reduced the reserve ratio of gold down to the legal limit, practically 40 per cent, so that they had no discretion and must start a deflation in order to maintain the legal gold reserve ratio of 80 per cent.

"Mr. STEAGALL. That had not gone beyond the legal limit?

"Doctor COMMONS. No.

"Mr. STEAGALL. Couldn't that have stood there as well as go down?

"Doctor COMMONS. I will say this: That if they had known as much in 1920 as they learned in 1922 and 1923, they could have kept the price level at pretty near where it stood in 1920. They have learned by experience—and that is what I propose now to show—they got their experience—they learned by experience to know the power which they had, which they didn't know then.

"Representative BRAND (Democrat), of Athens, Ga. May I ask a question without interrupting you very much?

"Doctor COMMONS. Yes.

"Mr. BRAND. Isn't it true that they have the power by the adoption of a certain policy to inflate or deflate prices of any of these products?

HOLDS BOARD CAN CONTROL AVERAGE OF PRICES

"Doctor COMMONS. The average of all products. I don't think they can affect any particular prices. Just the average.

"Mr. BRAND. Can they by adopting a certain policy, for instance, inflate or deflate the prices of corn, cotton, and wheat?

"Doctor COMMONS. Only as it contributes to the general average of the 400 commodities.

"Mr. BRAND. Well, the Secretary of Agriculture, testifying before this committee, at one time answered that question in the affirmative. He said they could. Governor Strong (of the New York Federal Reserve Bank) was present at the time, and he vehemently denied it. Now, what is your judgment?

"Doctor COMMONS. I shall take that matter up a little later, if you will allow me, under this question. They have power to control the total volume of credit, but they don't have power to control its distribution amongst the different commodities.

"Mr. BRAND. I am not talking about that; I am talking about increasing or deflating the prices of farmers' products. That is what I had in mind. I want your judgment on that.

"Doctor COMMONS. I will answer that fully and completely.

"Mr. STEAGALL. Before you leave that, I have just one other word. You would not say that the deflation in 1920 and 1921 was not in any measure traceable to the policies of those controlling the Federal reserve system?

"Doctor COMMONS. It necessarily depends upon their action.

"Mr. STEAGALL. That is just what I am getting at. You said a minute ago that it inevitably followed inflation.

"Doctor COMMONS. My point is——

ADOPTION OF POLICY DECLARED NECESSARY

"Mr. STEAGALL. I am wondering if you didn't express yourself just a little bit unhappily in that respect and differently from what you really feel about it.

"Doctor COMMONS. Put it this way: How does this suit you? When the gold reserve was down to 40 they had no discretion as to the policy that they would follow. So, when I say that deflation inevitably follows, I meant that they were compelled to adopt a policy——

"Mr. STEAGALL. Would this be——

"Representative FENN (Republican), Wethersfield, Conn. Let him answer.

"Mr. STEAGALL. When they reached the limit of the gold reserve they simply could have permitted it to have remained right there; they could have stopped right there if they saw fit?

"Doctor COMMONS. They could have.

"Mr. STEAGALL. But what they did was to turn around and deflate?

"Doctor COMMONS. Yes.

"Mr. STEVENSON. The interest rate which was imposed by the Federal Reserve Board would certainly have tended to bring some deflation?

"Doctor COMMONS. Yes.

"Mr. STRONG. Let him finish his answer.

"Doctor COMMONS. I think—put it this way: If they had known what they learned in 1922 and 1923, they could have stopped that deflation before it got down to 138. They could have stopped it.

"Mr. STEAGALL. I don't agree with you that the deflation of 1920 inevitably followed the inflation. I think in my mind that the tightening up processes turned on by the Federal reserve system had its part in the deflation that followed. I am going back to the facts; I am not finding fault with anybody. I think the trouble with them was that they didn't know as much then as they did afterwards. We were dealing with unusual conditions. We didn't have the experience that we have got now. But I have always been sure in my own mind that some of that deflation came from the policies——

"The CHAIRMAN. Might I suggest: This is all very interesting, but Doctor Commons's time is limited and the time of the committee is limited. You are making a very interesting statement; but I would suggest that we all make notes and ask our questions after Doctor Commons finishes his statement. If it is agreeable to the committee, I think we will get a better statement from Doctor Commons and won't take up so much of his time with questions.

"Mr. STEAGALL. That will be all right.

EXPLANATION OFFERED OF 1922–23 OPERATIONS

"Doctor COMMONS. Coming back, now: I propose now, gentlemen, to explain the operations of 1922 and 1923 whereby they learned their economic power to control. You will notice here this line which indicates the securities held by the reserve system had not changed very much during the preceding years, but that beginning in the year 1921 up to May, 1922, they increased their purchases of Government securities $400,000,000. Now, that was done in actual ignorance of the economic effect of what they were doing. I think nobody upon the reserve system—and I have been advised by those people—nobody knew what would be the effect of that purchase of securities. In the first place, the purchase was made independently by the 12 reserve banks. They did it for this reason: That their earning assets were falling off. This line shows the rediscounts or the discounts by member banks; and that had fallen off tremendously; and that, of course, reduced their earning assets, so they had a reserve of 80 per cent gold.

SAYS EARNING ASSETS WERE DIMINISHED

"It would naturally occur to them, how can we make that gold reserve bring an income to us? So, without any concerted action at all, they individually, as 12 banks, went out and invested their what you might call gold in the form of buying Government securities so that it would be earning assets.

"Now, what was the effect of that? Instead of increasing their earning assets they actually reduced their earning assets by doing that. This line here is what I call the total earning assets. You will notice that although they purchased $400,000,000 of Government securities——

"The CHAIRMAN. In 1922?

"Doctor COMMONS. In 1921 up to May, 1922, that the member banks reduced their borrowing by an amount greater than the increase in the purchases of Government securities, so that the total earning assets of the reserve banks actually declined. They could not earn money; they could not earn profits by buying Government securities. Their earning assets diminished.

"That is the key to the whole thing. Why should the member banks reduce their borrowings when the banks started out to buy securities? Now, you will notice, following that line through, that that has proven to be a rule every time. When they sell securities, as you will see by this line, the banks begin borrowing.

"The CHAIRMAN. You mean the 12 Federal reserve banks?

"Doctor COMMONS. I mean the 12 Federal reserve banks buying Government securities. When they sell them—here they sold four hundred millions of securities——

"Mr. STRONG. Doctor, in order that the record may be kept straight, when you say 'here' and point to something, will you describe what you are pointing at?

"Doctor COMMONS. All right.

"Beginning in May, 1922, up to July, 1923, they sold four hundred millions of Government securities. Now, for some reason that forced

the member banks to come and rediscount; and during that same period the member banks increased their borrowings $500,000,000. So their earning assets remained about the same, but their composition changed enormously.

"Mr. STEAGALL. May I interrupt you for one question there?

"Doctor COMMONS. Yes.

"Mr. STEAGALL. Are you sure which one of those——

"Doctor COMMONS. Was cause and effect?

CAUSE AND EFFECT OF CHANGE NOTED

"Mr. STEAGALL. Was cause and effect? You have stated it better than I could have done. Which one was cause and which one was effect? Are you sure of that?

"Doctor COMMONS. I am sure that this was cause and this was effect [indicating].

"Mr. STEVENSON. It is perfectly patent that when the Federal reserve bank is buying a lot of these securities the money that is going for most of the bonds will be deposited in the member banks, and that increases the capacity of the member banks. On the other hand, when the Federal reserve banks begin selling the securities and the member banks begin buying, they are drawing money out of the member banks, and that causes them to rediscount. Isn't that the reason?

"Doctor COMMONS. That is a summary of it. I was going into the details.

"The CHAIRMAN. I want to call your attention to the fact that the second line from the bottom is not clearly defined here.

"Doctor COMMONS. That is the rediscount line.

"The CHAIRMAN. I understand that that is the rediscounts of the member banks?

"Doctor COMMONS. Yes, sir.

"The CHAIRMAN. What is this third line?

"Doctor COMMONS. That third line is the market rediscounts. You should follow the curve of that line. That will give the borrowings of member banks at the Federal reserve bank. Notice these two together. They start in 1923 and buy Government securities during that period up until October, 1924, when they had bought $440,000,000 of Government securities. During that same period the member banks paid off their indebtedness to the Federal reserve system, and they reduced their indebtedness $100,000,000. I should say that the difference is explained largely by the imports of gold. Taking the imports of gold and the increase of securities, they reduced their indebtedness to the reserve bank, the member banks—the 10,000 member banks—reduced their indebtedness to the reserve banks by $800,000,000.

"The CHAIRMAN. When you refer to the purchase of Government securities, what class of securities do you mean?

"Doctor COMMONS. Usually short-term securities is what they have invested in mostly. I think they are two-year securities.

"The CHAIRMAN. Temporary certificates?

"Doctor COMMONS. Temporary certificates.

"Now, beginning in October, 1924, they began selling securities. Notice that they stopped purchasing and began selling them; and notice that the rediscount rose a few figures at that point. I should say that these figures are taken from Governor Strong's testimony before this committee, which I have gone very carefully through and reproduced them in this chart.

"Representative LUCE (Rep.), of Waltham, Mass. But there is no such coordination since November, 1924, as there was in that period from 1922?

"Doctor COMMONS. No.

"Mr. LUCE. How do you explain that?

"Doctor COMMONS. I can't explain that. I can't explain it at all.

"Now, let us notice the effects here. I will turn to the point made by the gentleman. What causes them to reduce their borrowings; what causes the member banks to reduce their borrowings when the Federal reserve bank buys securities? Notice how it was accomplished. The Federal reserve banks have, we will say, large gold reserves. They want to buy upon the open market 400,000,000 of Government securities from the broker. They purchase 400,000,000 of securities by simply drawing checks practically upon themselves, upon the member banks, and pay that check over to the broker. If they buy $1,000,000 in securities from a broker, that means that they have paid that broker a check drawn upon themselves for $1,000,000.

DEMAND LIABILITIES INCREASED BY CREDIT

"Now, what does the broker do with it? The broker deposits that check at once in a member bank. That augments the reserve of that member bank at the Federal reserve bank by $1,000,000. Now, in general, it turns out that on the average, as near as I can make it out, every dollar of reserve that a member bank has in the form of a gold reserve, not a gold reserve but a credit reserve, at the Federal reserve bank enables that bank to increase its demand liabilities $8, $8 or $9. This is shown by this figure here.

"The CHAIRMAN. The demand deposits?

"Doctor COMMONS. The demand deposits.

"Mr. STEAGALL. The line of demand deposits?

"Doctor COMMONS. The line of demand deposits. Here we have a study of what that means. I will tell you how that is accomplished.

"The CHAIRMAN. Doctor, before you finish, won't you tell us where the broker gets the securities which he sells?

"Doctor COMMONS. Well, it is from the general public or the open market. The brokers have them from customers who have Government securities and are willing to sell them.

"The CHAIRMAN. The point I am trying to get at is, it might be the member banks?

"Doctor COMMONS. It might be the member banks? Yes. I haven't thought about that—how much that will affect it. My idea is that it is an open-market operation. They go out and buy them. It may be from the member banks. In other words, when the member bank holds a million dollars of Government securities in its vaults, that is not a reserve on which it can lend anything; but if it can turn a million dollars over to the Federal reserve system, then it has augmented its reserve at the Federal reserve system a million dollars, and consequently it can increase its lending ability to the public eight times as much, or $8,000,000.

"Mr. STEVENSON. Well, I don't understand, Professor, the difference between the Federal reserve buying Government securities and buying in open markets. I don't understand.

EFFECT DECLARED TO BE THE SAME

"Doctor COMMONS. It would have the same effect; but they are not doing that on their own initiative. They did for a while, but I believe they are not doing much of that on their own initiative. They fix a rate, and then leave it to the public to rediscount at that rate.

"Mr. STEVENSON. But the rule would be the same?

"Doctor COMMONS. But in the case of the securities, they recently adopted a policy of buying and selling on their own initiative and not waiting for member banks to rediscount.

"Mr. STEVENSON. Don't the Federal reserve banks, especially in New York and other great centers like that, show in their statements every week that they own so much, that they have bought so much of these acceptances that they are allowed to buy in the open market?

"Doctor COMMONS. The reserve banks?

"Mr. STEVENSON. The Federal reserve banks.

"Doctor COMMONS. Yes.

"Mr. STEVENSON. When they do that they turn the money loose and it comes into each one of the member banks, just the same as if they had bought Government bonds?

"Doctor COMMONS. I think the way I have drawn my figures this will appear as rediscount acceptances here. I have endeavored to separate on this chart this line of securities, which depends solely upon the initiative of the Federal reserve bank, from this line of indebtedness, which depends upon the initiative of the member banks.

"The CHAIRMAN. This line here, marked 'Securities,' shows the investments held by the 12 Federal reserve banks?

"Doctor COMMONS. Yes.

"The CHAIRMAN. And this line above, 'Rediscounts,' shows rediscounts of the member banks with the Federal reserve banks?

LINES ON CHART EXPLAINED BY WITNESS

"Doctor COMMONS. Both of them show the earning assets of the Federal reserve banks, their earnings, the member banks paying them the rediscount rate on that, the Government paying them the interest on it. The two make up the total of their earning assets.

"The CHAIRMAN. Yes.

"Doctor COMMONS. Well, now, let us see what happens here. I have a light line here which is the total of the member bank reserves. Not the assets now; I am turning now to what is the effect on the member banks. I have a pencil line which does not show on any of these reproductions, but I will give you the figures.

"Owing to these operations of the member banks, the total member bank reserves at the Federal reserve banks increased $200,000,000 during this period from 1922, the beginning of 1922, to the end of 1922. The member bank reserves at the Federal reserve bank, upon which they can lend to the public if they wish, increased $200,000,000. About this time the demand deposits of the member banks, which represent their loans to the public, increased from a little over $13,000,000,000 to a point up here, that I have figured out; they have increased $1,800,000,000. In other words, by augmenting the member banks' reserves $200,000,000 the volume of money in the country was increased $1,800,000,000, eight or nine times as much. I have got that figured out. It is not always the same, but it is about that.

"Now, let me call your attention to an important matter which is overlooked. In the construction of this demand-deposits line I have eliminated time deposits. Notice that I have eliminated time deposits. I have done that because time deposits, which have increased enormously, but time deposits I look upon not as money. That goes into investments, goes into stock, goes into investments—time deposits. Demand deposits are the only money which we have. That is the curve which really determines our money supply, so that it is very important, as I figure, to have your curve show the demand deposits."

(To be continued in the issue of February 8)

[From the United States Daily, Tuesday, February 8, 1927]

FEDERAL RESERVE SYSTEM DECLARED TO AFFECT GENERAL PRICE LEVELS—DR. JOHN R. COMMONS, BEFORE HOUSE COMMITTEE, DISCUSSES EFFECT ON MARKETS OF PRESENT METHOD OF HANDLING GOLD

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency, at a hearing on the Strong bill (House bill No. 7895), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. In the testimony already published Doctor Commons said the Federal Reserve Board, through control of credits, is able to exercise control over wholesale prices of commodities. He also said fluctuations in prices in recent years were traceable to inflation and deflation caused by trading in Government securities in the open market by the Federal reserve banks. He explained this influence affects average prices only, but not prices of specific commodities. The chart used by Doctor Commons to illustrate his contention was reproduced in the issue of February 7. The transcript continues:

"Doctor COMMONS. Now, I did have another curve in there, which I am not bothering you with now. I did have the velocity curve there of these demand deposits, because while there are from 13,000,000,000 to 18,000,000,000 outstanding those are created every few days and destroyed every few days.

"The CHAIRMAN. You are speaking now of the period from 1922 to the end of 1926?

"Doctor COMMONS. Yes.

"The CHAIRMAN. From 13,000,000,000 to the 19,000,000,000?

"Doctor COMMONS. Yes; the velocity. That is not a constant quantity of money outstanding; that is a new quantity of notes and demands creating a new quantity of demand deposits; and the average seems to run this way: In the course of 52 weeks that will turn over on the average every 10 or 12 days. So that the total amount of money which is used and created by the banks during the year would be—suppose you take 17,000,000,000 and multiply it by 26. That would be something like 450,000,000,000 of money, newly created and newly destroyed, canceled each week. Now, that is what we call 'velocity.'

"Now, I wish I had the velocity in here (the chart) to get the full effect of this, but I haven't figured that out, and I don't know how that would come up. But there is a changing velocity. Usually in a time of rising prices the velocity increases; there is more money created and destroyed more rapidly because the prices rise and the volume of production rises and velocity increases. So, if I had the velocity curve there I might possibly have this running up more than that point which is shown there. That is another important point that counts.

"Now, let us see the next effect. I have shown that the purchase of these securities causes the banks to get out of debt. Now, when they get out of debt, what do they do? They then are more free to lend money. Of course, their loans to the public would create these demand liabilities against themselves; but notice the effect of the commercial rate to business men. During that period while they were buying securities of $440,000,000 the rate of interest on commercial paper—I am taking it at the New York market—declined from a little over 5 per cent down to a little over 4 per cent. In other words, the rate to the general public declined 1 per cent, or 1 cent, which is 20 per cent decline in the interest rate, from 5 to 4 per cent. That is the 20 per cent decline in the interest rate. They have got more money to lend; they have got more reserves; and so they are lending at lower rates of interest.

SAYS REDISCOUNT RATE FOLLOWS MARKET

"Now, notice the next point—and this is quite important with reference to many of the arguments which I hear which go to indicate that the reserve system has no power over the money market. It is said that the reserve system can not by the use of its Federal reserve, by changing its discount rate, can not precede the market; it must follow the market; that it is these demands which create the rate of interest and the discount rate. Now, notice what happens. It is true—here is the rediscount rates—it is quite true that the Federal reserve system follows the market rate, the commercial rate. Notice that in all cases the Federal reserve rediscount rate has followed the market.

"The CHAIRMAN. You are speaking now of the commercial-paper rate?

"Doctor COMMONS. Yes. The explanation was brought out very fairly by Governor Strong in his testimony. He said this: 'We first prepare the market by open-market operations; we bring down the market; we prepare the market, and then we follow the market. We follow the market by keeping under the market rate. We prepare it by our open-market operations.'

"Now, notice the illusion which right here is created in the public mind by those who contend that the Federal reserve system has no positive influence. They say it can only follow the market. Well, that is true; it follows the market. But it has previously prepared the market and then followed it. It has shown its positive effect by this purchase of securities. It has increased the volume of money, it has reduced the market—the commercial rate to the business man—and then it has followed it.

"Mr. LUCE. But I think it follows it in the purchase of securities.

"Doctor COMMONS. I will give you my evidence of that. Now, I will take up the next point. I will show you what happened in May, 1922.

"The CHAIRMAN. I understood you to clearly state that the Federal reserve system uses the open-market transactions to prepare the market.

"Doctor COMMONS. Yes.

"The CHAIRMAN. And afterwards they follow it?

"Doctor COMMONS. With the rediscount rate, keeping the rediscount rate below the market. You will find that well brought out in Governor Strong's testimony. I am quite ready to assume that you are familiar with that; but I shall simply draw a conclusion from it which Governor Strong did not draw, namely, that the Federal reserve system has the power to control the money rate. He gave the data and the figures and showed how it was done and did it in a very masterly way.

FREE VERSUS MANAGED GOLD SYSTEM

"The CHAIRMAN. Is it fair to assume that the open-market transactions are the most patent of the influences that the Federal reserve system is using to raise the rates?

"Doctor COMMONS. They are, as long as we are on what I call a managed gold system instead of a free gold system. If we should get back to the 40 per cent limit, understand, as we were up here of the gold reserve.

"The CHAIRMAN. As we were in 1919?

"Doctor COMMONS. Then that wouldn't be patent, but as long as we have an 80 per cent gold reserve there is no danger, no immediate apprehension of running against the legal limit of 40 per cent. Then they have complete control.

"I want to distinguish between what I call a free gold system and a managed gold system. A free gold system—I might as well bring that in now—I would call a free gold system where we have completely free movement of gold to all parts of the world, a system in which the lending banks could lend up to their legal limit of gold reserves. Previous to the Federal reserve system we had the free gold system. All of the banks kept their gold in their own reserves, separate reserves. Under the Federal reserve system all of their gold was pooled, and consequently no bank can have as its reserve any amount of gold; the gold is not in reserve. It has a credit at the Federal reserve bank. There are no gold reserves any more.

"The CHAIRMAN. You are speaking of the reserves of the member banks?

"Doctor COMMONS. Of the member banks. The gold that is in the vaults of the member banks does not count in its reserve.

"The CHAIRMAN. That was brought about by the so-called war amendment during 1916 and 1917?

"Doctor COMMONS. Yes. Now, if that gold were as it was before the Federal reserve system started in the various banks, and each bank would then lend up to the limit of its gold reserves, we would have a free gold system. We have created a managed gold system, because we have impounded the gold in the Federal reserve banks, and the member banks can not get it out since these rules were adopted. Furthermore, the reserve system has made agreements with nine countries——

"The CHAIRMAN. Doctor, before you leave here: You said, 'since these rules were adopted.' What rules do you mean?

"Doctor COMMONS. I am going to explain what those rules were. I anticipated my story because of your question. It might be better if I had gone along.

"The CHAIRMAN. All right, sir; I won't bother you any more.

"Doctor COMMONS. I will just go ahead the way I started. I got into this story myself in February, 1923. I happened to attend a luncheon in New York—about 20 forecasters of business, the leading forecasters of it—Colonel Ayres, of the Cleveland Trust Co.; Carl Snyder; representatives of the great corporations and great banks—about 20 of them—and they included 75 per cent of all who are now recognized as the best expert forecasters of business in the country. There were some who represented branch houses in London, so that they had knowledge of the whole world's situation before them.

FORECAST MADE BY SCORE OF EXPERTS

"Some one proposed, going around the table, that each one of those persons present make a guess as to how high the wholesale price level would reach. This, you remember, was right at this point right here, February, 1923, beginning. Now, they are going to guess at that time how high that price level is going to go; but they are also to guess the date when it will reach that high level. Now, I notice that the forecasting that is going on nowadays usually the forecaster says: 'We can not be sure of our forecast, because we do not know what the Federal reserve system is going to do.' That is always a caution now—'We don't know what the Federal reserve system is going to do.' So they caution that in their forecast. They now recognize its power.

"At that time none of those 25 men knew, had any idea, that the Federal reserve system was going to have any influence in the matter.

This is what they guessed: The average of their guesses was 172, which would be up here, as against what it actually was. They guessed at 172. The average of the dates when it would occur was between December, 1923, and March, 1924, which would bring it about February, 1924. So that was the average of their guesses. My guess was away off. I guessed 180, away up here. Two or three others guessed up there.

"On what basis were we making these guesses? We were making our guesses on the basis of our knowledge of what happened right here. We had not seen that in the beginning of 1922 prices had moved up at the rate of 3 per cent a month. There was an inflation of prices more rapid than the inflation in 1919. At no time in 1919 or at any other time had the prices been moving up at the rate of 3 per cent a month. They had no idea, none of them, what was happening down here about these reserve banks buying.

"Notice that they guessed a straight line up to 172; those men guessed a straight line. There was where prices were going to be. They considered that we were in for a big inflation, and they were scared to death. When I present this matter to these same fellows again I remind them that they were in that game at that time—that is where they were guessing—and so they are now very cautious, I notice. Whereas now when they are guessing they say, 'We don't know what the Federal reserve system is going to do.' Then they didn't know what was going on."

(To be continued in the issue of February 9.)

[From the United States Daily, Wednesday, February 9, 1927]

PUBLICITY DECLARED PART OF PLAN TO PREVENT ANY FURTHER INFLATION OF THE CURRENCY—CAUSE IS OUTLINED BY DOCTOR COMMONS—SAYS SECRETARY HOOVER HAD PART IN PLAN OF FEDERAL RESERVE SYSTEM—BUYING OF SECURITIES MADE BY COMMITTEE—WITNESS EXPLAINS PROCEDURE AT HEARING OF HOUSE COMMITTEE ON STRONG BILL

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency, at a hearing on the Strong bill (House bill No. 7595), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. In the testimony already published Doctor Commons said the Federal Reserve Board, through control of credits, is able to exercise control over wholesale prices of commodities. He also said fluctuations in prices in recent years were traceable to inflation and deflation caused by trading in Government securities in the open market by the Federal reserve banks. The chart used by Doctor Commons to illustrate his contention was reproduced in the issue of February 7. The transcript continues:

"This is what happened: Immediately after that meeting I became greatly alarmed about the inflation of prices, the whole bunch being alarmed. I went over to Washington and had a talk with a member of the Federal Reserve Board to see what they thought about it, about this inflation of prices that was going on. One of the principal members said to me, 'We know what we ought to do, but we don't know when to do it nor how far to do it,' which shows that they were learning; they had learned.

"Now, this is what they did: At that very time they were organizing what they call now the open-market committee. Let us take the story up at this point again of the securities. You remember I said at the beginning of 1922 these banks were buying—the Federal reserve banks were buying—securities without any idea of what its effect was going to be on credit, just simply to earn a profit, just the same as any private business would do to earn a profit on their balances. In May, 1922, the Secretary of the Treasury began to complain that they were disturbing the Government securities market and asked them to introduce some orderly purchasing in these Treasury certificates; and at the instance of the Secretary of the Treasury they proposed to stabilize the prices of Government securities.

"They further organized an informal committee—Governor Strong gave that in his testimony, and I am simply repeating what he said—they organized an informal committee by which all of these purchases and sales had to be done through a formal committee as a system. This orderly market idea had come into vogue in many departments. It was in the War Finance Corporation.

ORDERLY PURCHASE OF TREASURY CERTIFICATES

"The orderly market was to prevent fluctuations of the United States securities in the securities market. At that time they had no idea of the influence of their purchases on anything except the securities market. But notice. In this orderly market process they began to sell securities. When it came down to the beginning of 1925 they realized then, they had learned the lesson then, the next lesson, that this purchasing and selling of securities was controlling this thing up here, was controlling the volume of money, was controlling the price level, was controlling the interest rate.

"So they reorganized that committee and adopted three months later, in April, 1923, this working rule, this resolution, to the effect—they had been operating on it in February, but the Federal Reserve Board did not actually adopt the rule until April, 1923—that hereafter in the purchasing and selling of Government securities those sales and purchases should be made with regard to their effect on the general credit situation. Notice that they didn't say, 'with regard to the effect on the price level,' but they said, 'with regard to the effect on the general credit situation.' I will analyze that general credit situation later. So the only working rule that they have now is this: That the open-market purchases shall be regulated with regard to their effect on the prices of United States Treasury certificates and upon the general credit situation.

"Now, then, let us see what they did. I visited the secretary of the Federal Reserve Board in February, 1923. That was the date when these forecasters were making all these guesses. Notice that instead of prices going up to 172, they stopped within a month after these forecasters were making their guesses and went down.

WHOLESALE PRICES IN 1923 AFFECTED

"The CHAIRMAN. You are referring to the wholesale prices?

"Doctor COMMONS. I am referring to the wholesale prices in 1923. What happened is this: First, this gentleman on the Federal Reserve Board knew what we ought to do. What they knew was that they ought to be selling securities, and they were selling. They kept on selling them from May, 1922, until July, 1923, when they sold 400,000,000 of securities. Multiply that by 8. That would mean that it would reduce the member banks' lending ability and stop the lending ability of the member banks.

"The CHAIRMAN. To the extent of 3,200,000,000?

"Doctor COMMONS. Well, if it worked out accurately that is what it would be; but I haven't the velocity figures in here; I haven't got the volume of production in here; but I am giving this. So, in the end of February or the beginning of March notice what happened then. By that they were starting the rise of the commercial rate. The commercial rate went up in New York from 4 per cent to 5. By May, April or May, of 1923, these security sales had had that effect, had sent up the market rate of interest.

"Then here in February they raised the rediscount rate in their banks from 4 per cent to 4½. Now, it is interesting to notice the reasons they gave for their raising of the rediscount rate. The Federal reserve system—they raised it first in Boston, then in San Francisco, and then in New York; and that equalized the rediscount rate at all the 12 banks. They said the only reason for their raising the rate was to equalize the rates of the country. Well, notice that you can equalize rates by reducing the high rates down to the level of the low rates just as much as you can equalize by raising the low rates up to the level of the high rates. So when you are talking about publicity in your bill please go into detail as to what the publicity shall be.

"Mr. STEAGALL. Is that entirely accurate, to say that they can equalize by lowering the high rate to the low level?

"Doctor COMMONS. Suppose there should be nine banks charging 4½ and three banks charging 4 per cent. How are you going to equalize? I can say we will equalize the high banks, which are in the outlying districts. We will equalize by reducing them down to the Boston, New York, and San Francisco rate.

"Mr. STEAGALL. I can understand how that would be true; three of them as against nine. But I can't quite see—go ahead; I don't want to interrupt you.

"Doctor COMMONS. Look at the psychological effect. I am coming now to the effect of publicity. If we equalize upward, that is an intimation that if that is not enough we are going to go up a little more. If we equalize downward it is an intimation that the general tendency is to go downward. So we can effect a tremendous influence on the psychology of the public by simply equalizing rates.

"And yet I think they did it wisely. I wouldn't force them to say too much, because if they had said too much—that we are doing this in order to head off business prosperity that is coming—they would have had it right and left. In order to avoid public criticism they said, 'We will just equalize it.'

"If they had said, 'We are equalizing it because prices are rising too fast and we want to bring down the price level,' they would have had the whole public on them. They were wise in saying only as much as they did. That is all they gave out.

"Now, take the next step. I am speaking now of how they control——

"Mr. STEAGALL. Let me ask you a question before you do that?

BANKING STRENGTH OF THREE POINTS

"Doctor COMMONS. Yes.

"Mr. STEAGALL. What per cent of the resources of the entire system—I mean of the 12 banks—is under the control of the 3 banks now, New York, Boston, and San Francisco?

"Doctor COMMONS. They have a reserve of, say, 80 per cent, gold reserve. I have averaged it all together. Under this banking committee, if one bank is short one bank lends to another.

"Mr. STEAGALL. I am familiar with that; but you named three big banks——

"Mr. STEVENSON. This brings up this question that I intended to ask: You are speaking of equalizing from three banks up to nine. As

a matter of fact, however, the volume of discounts by those three banks is practically as great or even greater than the volume of the other nine?

"Doctor COMMONS. Yes. You see the strength of my contention?

"Mr. STEAGALL. Yes.

"Doctor COMMONS. They have raised the great bulk of the banking business up, and they called it simply equalizing those three banks with nine banks.

"Now, on the other hand, if we are going to equalize the volume of business, then we should lower the nine banks down to the level of the three banks. I only mention this because there is a very important psychological influence on the public that has taken account of, and I think that is one of the reasons why I favor stabilization of the price level.

"If the banks know that they are authorized to keep the price level stable, they will be absolutely frank with the public in giving out their statements and they will not cover up anything, which they must do now, because of its influence on the public.

METHODS TO REDUCE DEMANDS FOR CREDIT

"Now, the next point: That did have a very sobering effect on the business public, a very tremendous effect on the business public, that raising of the rediscount rate. But that was not all. That was accomplished by a certain amount of publicity. I have had looked up all of the public statements about that time as to inflation. My point now is how are they going to reduce the demand for credit?

"They are going to do it by two things, both of which affect publicity. I have got another thing which I will mention later. There were three methods of reducing the demand which they brought into play—raising the rediscount rate, but also by giving out public statements. Now, Mr. Strong, in his testimony here, quite rightly said that he thought that was a very dangerous thing for them to do, to announce their policy, to give publicity.

"The CHAIRMAN. You are referring to Governor Strong?

"Doctor COMMONS. Governor Strong. And the reason why he is in that situation is because he has no legislative rule to guide by. If he had a legislative rule to guide by, he would be perfectly frank to give out public statements; but under the present situation he can not give out statements as to what his policy is. But there are other people who can give out statements. Secretary Hoover was probably most influential in giving out statements that we were going too fast, that business must hold up.

"I will place in the record here statements which came from the New York Times, Mr. Gary, Mr. Babson, Mr. Hoover, and Vice President Coolidge. This will go into the record as an exhibit, I suggest.

"The CHAIRMAN. Without objection, they will be placed in the record at this point.

"But, Doctor, I want to ask a question. These are statements that were given out apparently for the purpose of influencing the public mind on the business situation?

"Doctor COMMONS. Yes.

"The CHAIRMAN. Do I understand that that was directed by the Federal Reserve Board, or was it spontaneous?

"Doctor COMMONS. I have asked people in the Federal reserve system about that publicity feature, the publicity that was carried on at that time. I have submitted to them, one of them, an influential man, my paper on this subject. He answered me that Secretary Hoover was in the game, and that the publicity was a part of the general system of preventing further inflation.

"Well, now, we have to recognize that the Federal reserve system is not itself operating except as a part of the general business psychology of the situation. Having no legislative rule, they do the best they can with the people that they are concerned with. The change of the publicity, however, did not come until after the Federal reserve system had taken its course. Hoover's warning did not come until April, 1923. Previous to that time, as you will find by the records, everybody was talking prosperity, inflation. Gary was talking it; Babson was talking it—everybody. Here they were talking prosperity. After that discount rate was raised, right here, they began to say 'Go slow.'

PUBLICITY SOUGHT TO CHECK INFLATION

"The CHAIRMAN. And 'Look out for a period of secondary inflation'?

"Doctor COMMONS. My notion is that the influence came from these members of the Federal reserve system who were studying the thing and had learned their lesson during 1922 and 1923.

"Mr. STEVENSON. Not the Federal reserve system? Do you mean the Federal Reserve Board?

"Doctor COMMONS. No; they didn't say anything. I mean in this case the Federal reserve banks and the Federal Reserve Board.

"Mr. STEVENSON. You said 'the members of the Federal reserve system.'

"Doctor COMMONS. Well, I will take up the banks now, the member banks. This is the third method by which they control the demand.

"The CHAIRMAN. Doctor, before you go into that, which is pertinent to this matter of publicity, let me ask this question: The operations of the open-market purchasing—who directs those operations, the committee or the Federal Reserve Board?

"Doctor COMMONS. The committee, under the approval of the Federal Reserve Board.

"The CHAIRMAN. They don't move without the approval of the board?

"Doctor COMMONS. They have the approval of the Federal Reserve Board at all times. I don't know how much in detail that goes, but here is this committee and three or four governors who are on the open-market committee. They are the committee created and given power by the Federal Reserve Board; and Governor Strong's testimony here indicated quite plainly that they do not take an action on which they have not previously gotten the approval of the Federal Reserve Board. So that it is not an arbitrary thing of some bankers; the Federal Reserve Board has a definite voice in it.

"The CHAIRMAN. It is now a quarter past 12, and I suppose the Members would like to get in on the floor. Is it agreeable to the doctor to come back this afternoon?

"Doctor COMMONS. Yes, sir.

"The CHAIRMAN. The committee will then adjourn until 2.30 o'clock this afternoon.

"(Thereupon, at 12.15 o'clock p. m., the committee adjourned until 2.30 o'clock p. m. the same day, when the committee reconvened, LOUIS T. MCFADDEN, chairman, presiding.)

FIVE METHODS ALLEGED OF CONTROL

"Doctor COMMONS. Perhaps it will economize time if I indicate to you the five subjects that I am developing in order to show that the Federal reserve system controls not only the supply of credit and the price of credit but also controls the demand for credit.

"The first is publicity. That is one of the ways in which it controls the demand for credit.

"The second is the rediscount rate; that is the control of the price of credit, raising or lowering the price of credit.

"The third is its open-market operations, by which it controls the supply of credit.

"Then, fourth, it is a custom—I can only call it a custom, or working rule of the bank—of extending their loans up to the legal limit, but keeping out of debt to the reserve banks. It can only be explained as a custom because they lose a lot of money by doing it.

"Fifth is the private transactions between the 10,000 member banks and their business customers. That fifth is the summing up of the whole argument.

PROMPT EFFECT ON MEMBER BANKS

"I will take up now what I call the custom and the working rules. This goes to the question of why the open-market operations and the rediscount prices of the Federal reserve system have such an immediate and prompt effect upon all of the member banks, 9,500 of them. They all act at the same time in the same direction, over the entire United States, as one man.

"Now, I distinguish between a monopoly and this. It is not a monopoly. We do not have a banking monopoly. We have a system by which a concerted movement of bankers is effected through their own rules and regulations. It is more like a trade-union. I call it trade-upion of bankers, for they operate exactly like a labor organization operates in fixing the prices, and then all of them acting alike throughout the country.

"Now, let me explain how that comes about. In the first place, they have a limited supply of gold, which is the property of all the member banks, which has been impounded into a single fund controlled by their committees. That is a limited fund and any bank which takes more than its proper share of that limited fund is infringing upon the rights and claims of member banks, so there is a business ethics which grows up which says that no member bank is acting fairly toward its other member banks if it borrows more than its proper share of this common fund which is limited in supply, and then lends that out to the public at a profit.

"In other words, the principles underlying it here is a limited fund, and there is a limited number of customers. The bank which pulls customers away from other banks by borrowing more than it is entitled to is taking more than its fair share of that limited fund.

"That was cared for in section 4 of the act. Section 4 of the act stipulates that a reserve bank may scrutinize and restrain a member bank which goes beyond its fair share in making use of this common fund, and it is in these words:

"'Section 4 limits the accommodations which the reserve banks may give to the member banks, with due regard for the claims and demands of other member banks.'

CHECK PROVIDED ON UNDUE BORROWING

"That is in the statute. Under that provision a reserve bank which finds that a member bank is borrowing continuously and then relending at a profit, it may put the screws on that member bank, either by a closer examination of its eligible paper or by notifying it that it is going too far.

"Members of Federal reserve banks have told me of applying the rules to member banks who have gone beyond their fair share, but it is like all of these working rules of a union or association or a group of

people, it takes account of the exigencies of the individual bank, and so the banks in the agricultural districts have been compelled to be chronic borrowers, and they have been allowed to be continuously in debt to the Federal reserve bank, although they were taking more than their share of the business which their customers would naturally call for.

"That is the first important working rule which makes these banks keep out of debt.

"So, if you will follow this figure here, this curve is the curve of rediscounts [indicating on Chart No. 1]."

(To be continued in the issue of February 10.)

[From the United States Daily, Thursday, February 10, 1927]

DOCTOR COMMONS SAYS STRONG BANKS DO NOT BORROW OF FEDERAL RESERVE SYSTEM JUST TO RELEND—ETHICS ARE OBSERVED BY BIG INSTITUTIONS—IN THEORY ENORMOUS GAINS COULD BE OBTAINED BY OPERATING AS FORMERLY—ALL HOLD CLOSE TO RESERVE MINIMUM—PRESENT SYSTEM ALLOWS EXTENSION OF LOANS UP TO LEGAL LIMIT OF DEPOSITS

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency, at a hearing on the Strong bill (House bill No. 7595), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. Chart No. 1, used by Doctor Commons to illustrate his arguments, was reproduced in the issue of February 7. The transcript continues:

"Doctor COMMONS. This is indebtedness of member banks to reserve banks [indicating on chart]. As soon as the Federal reserve system starts selling securities it puts them in debt; they have to give a rediscount in order to build up their member reserves. They borrow in order to keep up their legal reserves. It puts them in debt.

"Then as soon as the Federal reserve system begins to sell securities it furnishes them credits by which they can pay off the debts to the Federal reserve system.

"There are two ways of paying off debts: Imports of gold—and if they are in debt they take the gold and pay off their debts and reduce their indebtedness—or, if the Federal reserve system buys securities, as I explained this morning, thus creating additional credits of the bank against the reserve bank, then they use that to cancel those rediscounts.

"The point is that under this working rule banks are not allowed to be continuously in debt as there were here [pointing to chart]. Notice at this point [indicating] in 1920 and 1921, here is the curve of member-bank reserves. Here is the borrowings of those banks from the Federal reserve bank. So that during this period the banks were borrowing at least twice as much as their reserves. Their whole reserves consisted in borrowings from the Federal reserve bank.

"Now, it is an interesting fact that when the Federal reserve system was started one of the arguments offered to State banks to induce them to come into the Federal reserve system—I know that that has happened in Ohio; I do not know that it happened in other States, but I assume that it did—an inducement was offered to the State banks to come into the Federal reserve banking system of Cleveland on the ground that here was a chance to make money because they could rediscount with the bank at Cleveland and then reloan at a profit.

THEORETICALLY ENORMOUS PROFITS

"Now, you can see what an enormous profit, theoretically, can be made. Suppose a bank rediscounts a million dollars with the Federal reserve system, goes into debt at a discount rate of 4 per cent. They are loaning that money at 6 per cent. They can rediscount, though they have no reserves of their own; they can take that original paper and rediscount it—which means borrow from the Federal reserve system—4 per cent, and lend it to their customers at 6 per cent.

"But that is not all. For every million dollars of reserve credit that they have created at a reserve bank they can lend on the average $8,000,000 to their customers, because they do not simply lend this amount that they have come into debt, but they multiply it by eight, and so that apparently the banks stood in a position, by joining the Federal reserve system, by going in debt to the Federal reserve bank, to create a reserve there by indebtedness which would enable them to lend eight times that much. At 6 per cent the profits are enormous. Borrowing a million dollars at 4 per cent and lending $8,000,000 on the basis of that at 6 per cent would evidently give them a tremendous profit. That was what was done in 1919 and 1920.

"Then this rule provided in the act of Congress says that if a bank is continuously in debt—that is, borrowing and relending at a profit in conditions other than emergencies—then the Federal reserve bank can restrain it.

STRONG BANKS AVOID SUCH LOANS

"I call them the marginal banks, the weak banks; those are the banks that have to be supervised by the Federal reserve bank to keep them from borrowing continuously and relending at a profit. I do not know of all the practices. I happen to know of one bank in Madison that is continuously in debt to the extent of about $350,000, which it relends at 7 per cent, and it evidently makes a handsome profit on that borrowing from the Federal reserve bank at Chicago. The other banks in our city will not borrow in order to relend at a profit.

"And now I come to this interesting thing: I have talked with strong banks of stability, and asked them, 'Do you borrow at the reserve bank in order to relend at a profit?' Ask that question of any banker. You will find him saying in reply, 'No; we do not borrow to relend at a profit.'

"There has grown up that ethics or custom or tradition of a bank, of the strong banks, that they will not have in their statements any showing that they are in debt to the Federal reserve system. And if they, during emergencies or in between bank calls, do get into debt to the Federal reserve system, they get out of debt before the comptroller's call requires them to make a statement.

"You will not find the strong bank showing a statement of indebtedness to the Federal reserve system.

"The only explanation I can make of that is that they are not acting according to the ordinary principles of self-interest. The principle of self-interest would be to go into debt and borrow at the reserve bank and then relend at a profit. They will not do it. I know banks where there have been debates in the board of directors, one element taking the position that they ought to borrow and relend at a profit, and the other saying, 'We can not afford to do it; our reputation will not stand it.' They say that the standing they have in the community consists in their banking upon their own abilities and not upon loans which they make from the Federal reserve system.

"If you get the strength, then, of those two rules, which are not according to the ordinary economic principles of self-interest, but are based upon keeping up a good reputation in the case of the stronger banks, and the case of pressure in the case of the marginal or weaker banks, you can see how these market prices will have immediate effect upon the banks.

"The other part of it is this: That since the system went into operation and banks, all of them, strong and weak as well, keep close to their legal reserve minimum or maximum. Prior to the reserve system every bank had its own gold reserve. It had to protect itself individually against emergencies, against crop seasons, so if its legal reserve was 15 per cent according to law it would never allow the ratio of its demand liabilities to its gold reserve to get down to 15 per cent; it would keep a margin of 20 per cent, so as to be safe in emergencies.

"When the Federal reserve system came in it was no longer necessary to keep a reserve in their own vaults, because if the emergency came all you needed to do was to go to the reserve bank and rediscount or borrow, and thus restore your reserve. So that all the banks have acquired the custom of extending their loans clear up to the legal limit of the resulting deposits—demand liabilities and the legal ratio.

"So there are two customs here operating together. First, extend our loans or accommodations to the business public up to the limit of our legal reserve. Second, but never extend that legal reserve by going into debt to the reserve system in order to augment the legal reserve.

"That explains why it is that as soon as they get into debt to the reserve system they begin to raise the commercial rates. They are not going to make a profit on it; they are going to reduce loans, and not increase their demand liabilities.

"Mr. BEEDY. You referred to the Federal reserve banks as financing the discounts.

"Doctor COMMONS. The Federal reserve bank has control—this line here [indicating on chart 1]—of the securities. This figure here, the commercial paper rate, the member banks do that. This curve here, of the volume of holdings of securities, the Federal reserve banks do that. As a consequence the member banks are either compelled to borrow to replenish their legal reserves, or they can still maintain their legal reserves by reducing their indebtedness to the reserve banks.

"Mr. BEEDY. You started to tell us that these strong banks do not undertake to make a profit, so that when they borrow they raise the rate on loans.

"Doctor COMMONS. They raised the rates here to the customers so as to reduce their liabilities here [indicating on chart]. The reserve here is the reserve against the demand deposits.

DEPOSITS RATIO TO LEGAL RESERVES

"The CHAIRMAN. The demand deposits are eight times as much as the legal reserve?

"Doctor COMMONS. Eight times as much as the legal reserve.

"That is the legal average that works out for all the banking systems of this country, owing to the amendments that Congress has made. The actual ratio is 1 to 10. If you average the banks of the entire country, you will find the total demand liabilities of all the banks is ten times the legal reserve. That is the law. But it does not work out quite that way. It works out 8 or 9 to 1 instead of 10 to 1.

"The CHAIRMAN. I would like you to explain the change that was brought about by the change in the reserve requirements in 1916 and 1917. You will recall that the original Federal reserve bank lowered reserve requirements of banks, but in 1916 or 1917 the pressure of the

war situation was such that we took off all legal reserve requirements when we called in the gold from the member banks, and we changed the basis of reserves, and before you get through I would like you to elucidate that and its effect.

"Doctor COMMONS. You can find it in Governor Strong's testimony. Prior to that act of 1917 the average legal reserve required by law of member banks compared to their demand deposits was about 20 to 1. Congress practically reduced that one-half.

"Mr. STEVENSON. You stated that the strong banks, when they found themselves under the necessity to borrow, immediately began to cure that situation by raising their discount rates.

"Doctor COMMONS. They did it in various ways. If they found that they were in debt to the reserve system, they might call a loan, or they might call a deposit which they had in a weaker bank and transfer that to the Federal reserve bank and thereby get credit and get themselves out of debt. Now, that forced that weaker bank to give a rediscount in order to recuperate its impaired reserve.

"Mr. STEVENSON. The process of checking that tendency by raising the discount rate on commercial paper by the member banks, of course, would be limited by the legal rate of interest which they are allowed to charge. The States all regulate that, I think. There would be a limitation, though, of the power on the bank to correct it by raising the discount, and therefore they would correct it by calling loans.

"Doctor COMMONS. Yes; and, of course, they reduce the other loans to the public.

"Mr. BEEDY. That is its effect. If they have the legal rate of interest already, they can shut down on their loans.

"Doctor COMMONS. I submit an exhibit here which gives the member bank reserves, the ratio of member bank reserves to total demand deposits, and gives the way in which the rate of interest, commercial paper, corresponds. It represents the movement of reserves that are free from debt [indicating]. This line below here is reserves to which they are indebted.

"As the member banks get free of debt, this line goes up [indicating]. This is the commercial rate which they charge. As they get free from debt, the commercial rate goes down. As they go into debt, the commercial rate goes up. It is almost automatic and operates without any lag whatever.

"One line indicates member banks' reserves, the base line being marked zero; the line above that in terms of billion dollars, showing that from 1919 to 1926 member banks' reserves on the whole increasing from about $1,600,000,000 to about $2,000,000,000. That is the total member banks' reserves in the form of credits at the Federal reserve banks.

"How much can they loan to the general public as compared with that? The line in the lower section, entitled 'Member banks' reserve ratio,' ranges between a ratio of 1 to 8 and 1 to 9. They do actually lend eight times as much as their reserves. When that line goes down, as in 1919, the figure on the margin shows that they can loan nine times their member reserves.

"Now, take the line marked 'Reserve free of debt,' the line starts at zero and falls, and then rises in 1922, falls in 1923, rises rapidly in 1924, and falls in 1926. The space below that line, between that line and the base line, marked 'Zero,' means reserves free of debt to the reserve system. The space between that line and the line marked 'Member banks' reserves' means reserves burdened by debt to the Federal reserve system.

UPSET OF INFLATION PERIOD

"If you will follow that line and come back in the years 1920 and 1924, you will find that the debt to the reserve system is much greater than the reserves, showing that in those years their reserves were made up altogether of indebtedness to the reserve system. They were borrowing from the reserve system and lending again to the public.

"In 1922 they had paid off their debts very largely, so that their borrowings were small, and they were lending out their own assets.

"Mr. STRONG. That borrowing from the Federal reserve system in 1919 and 1920 upsets the inflation period?

"Doctor COMMONS. Oh, that is what it did.

"Now, then, this other line at the top is the rate of interest charged by these banks to the commercial public. You will notice that when they are in debt to the reserve system the commercial rate to the general public is very high, reaching 8 per cent. Then when in 1922 they had gotten rid of their indebtedness to the reserve bank, their rates of interest to the public came down.

"And again, when in 1922 and 1923, by the action of the Federal reserve system selling securities, they got in debt again, then the interest rate went up. In 1924, when the reserve system bought securities, and thus they got free of debt, the interest rate came down.

"That is a restatement of what happened here on this chart [indicating], and you will notice the inverse correlation of those two curves. They are identical, showing the immediate effect which the reserve system's operations on the open market have upon the interest rate.

"Another chart shows the number of banks accommodated each year by the reserve system. By accommodation I mean the number of banks which appealed to the reserve system for loans, and it shows that of the 9,000 or 10,000 banks in the years 1920 and 1921, the number of banks that were accommodated reached as high as 9,600, meaning that at this stage 9,000 of the member banks were borrowing during some point of the year from the Federal reserve system to maintain their reserves. At the other extreme, the lowest point was 1924, when there were only 2,500 banks borrowing from the reserve system.

"The CHAIRMAN. Now, you are referring to chart No. 1, during the period of 1920?

"Doctor COMMONS. Yes, sir. Then in chart No. 1 (reproduced in the issue of February 7), for the period of 1924, when they got out of debt, only 2,500 banks were borrowing during that year. These figures are taken from the annual reports of the Federal Reserve Board.

NO BORROWING TO SEEK PROFITS

"That is another confirmation of what I am trying to get at: That after 1922 and 1923 they learned two things; they learned to keep out of debt, either by rule of inspection and scrutiny on the part of the reserve bank or by a rule of ethics, of good standing, and good reputation of the strong banks, to keep out of debt. Instead of this habit of keeping in debt in order to relend at a profit they now have the habit of keeping out of debt beyond their proper share and except for emergencies.

"The system now gets back, not to a money-making system but to an emergency system, what it was intended to be, but they did not have that idea until 1922 or 1923.

"The CHAIRMAN. When you say 'they,' you refer to the member banks?

"Doctor COMMONS. Yes; the member banks. They lend up to the limit, because they do not have to keep reserves in their own vaults, and if an emergency comes they can go to the reserve system and rediscount. They do not extend that limit by going in debt, because they are taking more than their share of a common fund, which is limited in supply, and it does not give them a good reputation to be in debt to the Federal reserve system. Consequently, they are always right on the edge, so that the smallest operation of the Federal reserve system in buying or selling securities will immediately affect them. They are on the edge of their legal reserves all the time, and they have got nothing to play on, so it affects them immediately.

"The CHAIRMAN. In other words, it is a common practice of the member banks only to keep their legal-reserve requirements with the Federal reserve banks?

"Doctor COMMONS. That is the only legal reserve they have. They have no other reserve except what is at the Federal reserve banks, so they are subject to the Federal reserve banks' operations.

"The CHAIRMAN. They do not keep a balance beyond that with the Federal reserve banks beyond the legal requirements?

"Doctor COMMONS. No.

"The CHAIRMAN. But they keep a secondary reserve with the city correspondent banks?

"Doctor COMMONS. Yes.

"Mr. CANFIELD. You referred to the better class of banks, the safest banks, not borrowing to lend. Is not that considered dangerous banking in most cases?

"Doctor COMMONS. It was not considered dangerous until 1922. It is now not considered dangerous in all cases. I happen to know one bank that is making a practice of it on a very large scale. I do not know why they are allowed to do it. Apparently it is against this rule of Congress, and I have not made enough study of the subject to know what decides the question in each particular case of the 10,000 banks.

"Mr. CANFIELD. In other words, then, by a majority of the bankers it is considered to be dangerous banking?

"Doctor COMMONS. It certainly is. It means inflation. If they would all be doing that, there would be inflation.

COMMON ACTION TAKEN BY BANKS

"Now, I take up the final effect of all these four items upon the behavior of the 10,000 member banks. Under these rules all of them are acting in the same way, at the same time, raising the rates, lowering the rates, or increasing their reserve. The promptness with which that operates was impressed upon me by one member of the reserve board, in the fall of 1923. I had seen him in February, 1923, and in speaking about three open market operations, and in September, 1923, I asked him about the experience. He said it was to them the most surprising thing that ever happened, that when they started selling securities banks all over the country came to borrow money in every part of the country. It affected them all at once, and they themselves learned for the first time that owing to this interrelationship and clearing house system that if they sold $400,000,000 of securities, the banks in all parts of the country would have to borrow to restore their impaired reserves. They did not know that prior to 1923. They found it out by experience, and that gave them this knowledge which they had never had before, of how prompt was the effect on the member banks of these open-market operations.

"Now, the next inference is, I have established that all the banks act in the same way at the same time in all parts of the country, and

that brings up two or three questions and two or three objections which are raised, which I put forward generally against the argument which I sustain, that the Federal reserve system can regulate the general price level.

"I have said they have controlled demand and supply of credit. Now, I am going to answer the objections of those who say that the Federal reserve system does not have power to do so.

"First, it is said that business psychology determines the demand for credit, that the banks do not determine the demand. If there is optimism in the business world, then there is a demand for credit; if there is pessimism in the business world, then there is no demand for credit.

"Another objection is—I am taking these from financial journals—that this rate of interest is such a small item in the cost of production that it has no effect on the price level. My argument shows that this rate of interest has a tremendous effect upon the price level.

"If the commercial rate falls from 5 to 4 per cent, or if the rediscount rate falls from 4½ to 4 per cent, it is a small item in the cost of business, and if this were based on a cost argument I could not sustain any inference.

"The third objection is that the reserve system can only follow the market and must adjust its policy to what the business men are doing. That it can only follow the market rate of interest, and if the market rate rises, then it can raise its rediscount rate. That is the argument. I say it first prepares the market and then follows it.

"The CHAIRMAN. That is the Federal reserve system?

"Doctor COMMONS. Yes; the Federal reserve system. It first prepares the market by its open-market operations, causes the market rate of interest to fall, and then follows it by actual discount. The market is itself made, first, by the Federal reserve system, which having made it follows it. Governor Strong in his testimony fully explained that to you gentlemen, and I would refer you to his testimony for a complete explanation.

"The CHAIRMAN. That was an important discovery that they made in 1923, was it not?

"Doctor COMMONS. I illustrated it by those 24 expert forecasters. In February, 1923, they did not know a single thing about what this economic influence was. They predicted prices would go up to 172. The Federal reserve system stopped them right within a month after they made the prediction and reduced them to 145, 97 points below where the economic forecasters thought it would be.

"Mr. BEEDY. How did that reduce it? By purchasing in 1922 and 1923 how many million dollars' worth of securities—$400,000,000, was it not?

"Doctor COMMONS. I will tell you the five instruments that they used: Publicity, rediscount rates, open-market operations, this custom and working rule of these private transactions of 10,000 member banks with their customers—and that is the point I am now going to take up."

(To be continued in the issue of February 11)

[From the United States Daily, Friday, February 11, 1927]

COUNTRY'S BUSINESS IS NOW BASED ON RESERVES OF CREDIT, NOT GOLD, SAYS DR. J. R. COMMONS—TESTIFIES BEFORE HOUSE COMMITTEE—HEARING ON ACT TO AMEND LAW FEDERAL RESERVE SYSTEM OF NATION'S BANKS—PROPOSES NEW FORM FOR INDEX NUMBERS—WOULD BASE THEM ON CERTAIN FACTORS, AVOIDING WAGES AND OTHER INCOME

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency, at a hearing on the Strong bill (H. R. No. 7595), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. Charts used by Doctor Commons to illustrate his arguments were reproduced in the issues of February 7 and February 10. The transcript continues:

"The CHAIRMAN. These purchases in the open market, by the Federal reserve banks through the open-market committee, are largely made in Government short-time securities?

"Doctor COMMONS. They are.

"The CHAIRMAN. Suppose the Government should refund those short-time securities so that they would not be available for the market?

"Doctor COMMONS. The same thing could be effected by purchasing private securities of any corporation; it could be effected by taking more initiative in the acceptance market, any place where they wanted to take the initiative and go outside of member banks and purchase or sell.

"The CHAIRMAN. So long as acceptances were available they would answer the same purpose?

"Doctor COMMONS. All they have to do is to go outside the member banks and deal with any outsider, giving a check on themselves which the outsider then deposits in a member bank, and that increases the reserve of that member bank at the Federal reserve bank.

"Mr. STEAGALL. In that connection, you started to discuss the proposal for suspending loans to foreign governments.

"Doctor COMMONS. Well, if you will allow me, I will bring that up under the last question I want to discuss, and that is the question of policy. I am giving you the theories according to which my contention is opposite. In general, I may say that it goes upon a physical analogy that there is a volume of business, on the one hand, created by business men, and, on the other hand, there is a volume of money, neither of which have any particular relation to each other. That may have been the case when we were on a free-gold basis. On the one side the world had a volume of gold. On the other side there was a volume of transactions, business men buying, other business men selling. That volume of transactions created the demand for the use of this volume of gold, and so there resulted the so-called equation of exchange, by which if you would increase the supply of gold prices would fall, and if you decrease the volume of gold prices would rise.

"On the one side, if you increase the volume of gold, prices would rise, and if you reduce the volume of gold prices would fall. That is the so-called quantitative theory of money, which has created great discussion in economics since the time of Ricardo. That is a gold theory.

"Our present business is not conducted on gold. The gold is impounded and has no influence whatever. The reserves are no longer gold reserves, they are credit reserves at the Federal reserve banks. The money which is used is no longer gold, but it is those demand deposits. We have a system now by which the business man himself is creating the money. How is it done? Just take a credit transaction and analyze it.

"Suppose I am a manufacturer of steel and Mr. STRONG is an agricultural machinery manufacturer. I sell to him a thousand tons of steel shapes at $30 a ton, to be paid in 90 days. I have an understanding with a banker that I will take that promise of his 90 days and discount it and convert it into cash-demand deposits so I can use it in my business to-day. That is the way all business is done.

"Notice what is happening there. There is nothing physically in existence at all; everything is in the future. The first thing is your promise in 90 days to pay me $30,000. The second is my confidence or my knowledge from the bank that it will discount that and give me $30,000-demand deposits which I can use any day in the future. The first is 90 days in the future, the second is any day in the future.

"That is our system. Our system is not a system where there is any physical quantity at all; our system is a system of promises, all of which is in the future. None of those promises can be changed.

"Suppose, as in 1923, there goes out publicity that business is going to be pretty slow; there also goes out publicity that the rate of interest is going to be increased; that there also goes out publicity that the banks' reserves are being reduced and money is getting tight. Not only my banker, I being a steel producer, but your banker, you being an agricultural man, and not only your banker, but the farmers and all the people to whom you expect to sell, all are giving every one of us exactly the same advice, to go slow, don't create a demand for credit. Consequently you can vary that future commitment. You can say, 'Well, things don't look right; the bankers advise us to go slow; I can not take 1,000 tons at $30; but I may take 500 tons at $30 a ton.'

"Notice what has happened. The demand for credit has changed from $30,000 to $15,000. You have there changed the demand for credit. The demand for credit was not an independent volume of trade which was going on independently of what the banker was doing; the demand for credit was what you and I and all of your business customers were doing under the knowledge and advice of what the bankers were going to do at the same time.

"In other words, it is a collective system of bargaining between all the bankers on the one side and all the business men on the other, all acting in the same way at the same time, and with factors so variable; none of them fixed because they are all in the future, and they can be changed in any way.

"The result is we may look at it this way: That a credit transaction is a two-sided transaction. On the one side it faces the commodity market; that is, the price 90 days ahead, a short-time credit; on the other side it faces a money market, which is a bank. That is a demand credit. Instead of there being two commodities, two markets, it is the future and the present of the same market. The banker is buying the future expectations, promise of business men payable in 90 days, and he is selling a present credit, which is the present worth of that future promise.

"If we analyze that the actual thing that happens under a credit system, when we have got away from the gold altogether, we can see then a concerted movement of all the banks operating in this way has complete control over the business men's demands for credit, because they are the ones that are going to convert that demand for credit which is in the future into a present purchasing power.

CREDIT SYSTEM VERSUS GOLD BASIS

"It is not two physical volumes at all, gold on the one side and a volume of business on the other; it is the present and the future of the same thing. One 90 days in the future, and the other is in the immediate future.

"When you consider that 10,000 bankers are acting in the same way all over the United States, that the farmers are being influenced that way, everybody is being influenced that way, and that the uniformity is accomplished through these open-market operations, through these rediscount policies, and then by this private bias which the bankers are giving their customers. Once I thought the rediscount rate could do the whole thing. Then I learned from Governor Strong in 1923 that the open-market rate could do the whole thing. I talked with a banker in New York, who said, 'Those are not the people who do it; we do it. When a customer comes in and wants a loan or an extension of loans we tell him how much he can have, how much he can extend his credit. So we are the people that do it.'

"The CHAIRMAN. May I interrupt you to ask you whether you distinguish between reserve city bankers and other member banks?

"Doctor COMMONS. Well, as I talked with the country banker in Wisconsin, he told me, 'We get our orders from New York.' Well, that is perfectly rational. 'Either we are in a squeeze and tighten up or in a position where we have to loosen up. If we tighten up or loosen up we get the orders from New York.'

"That is the way they put it to me. I have never seen any of those orders in writing, and I don't know; but that is what they told me.

"The CHAIRMAN. Since the Federal reserve system was organized, the former practices have been completely changed?

"Doctor COMMONS. Yes.

"The CHAIRMAN. The secondary reserve banks have discovered the value of the dollar reserved in the Federal reserve bank, and to have the greatest amount of credit available in case of emergency are carrying a class of securities that is readily eligible in the Federal reserve banks.

"Doctor COMMONS. Yes.

"The CHAIRMAN. Whereas the country reserve banks have more or less trouble in having eligible paper which they could use in an emergency?

"Doctor COMMONS. Yes.

"The CHAIRMAN. In other words, some of the big city banks have millions of dollars worth of Government securities which they can turn over into the Federal reserve bank at a moment's notice and secure a line of credit, and that permits them to act in a way as a secondary reserve, because they are the custodians of bank balances.

"Doctor COMMONS. I was going to bring that in under the head of how to construct an index number; that is the reason why I say that the wholesale prices should be the index number.

CONGRESS SPEECH IS RECALLED

"Mr. CANFIELD. One thing I would like to bring in here. On May 23, 1922, Mr. SWING, of California, made a speech on the floor of the House in which he made these remarks:

"'I was present at a meeting of the bankers of southern California held in my district in the middle of November, 1920, when W. A. Day, then deputy governor of the Federal Reserve Bank of San Francisco, spoke for the Federal reserve bank, and delivered the message which he said was sent there to be delivered. He told the bankers there assembled that they were not to loan any farmers any money to hold any crops beyond harvest time. If they did, he said, the Federal reserve bank would refuse to rediscount a single piece of paper taken on such a transaction. He declared that all the farmers should sell all their crops at the harvest time unless they had money of their own to finance them, as the Federal reserve bank would do nothing toward helping the farmers hold back any part of their crop, no matter what the condition of the market. I think I was the only person present who was not a banker. This was in a way confidential advice, being given by the Federal reserve bank for the guidance of small bankers.

"'I say that was the admitted declared policy of the Federal Reserve Board made by an officer of the board delegated for the purpose of making an announcement for the information and guidance of the bankers of my district. No one could be in doubt for one minute as to what the natural, logical, and necessary consequences of such a policy would be. If the entire crop of the country is thrown on the market at the time of the harvest, of course, the market would be depressed. You can bear the market or you can bull the market. The Federal reserve bank deliberately set out to bear the market. Now, if they could do that at that time, have they not done that with other commodities, and can not that same system be used to stabilize money and to stabilize wholesale prices?'

"That is my argument. That is what I contend.

"Doctor COMMONS. That speech was supposed to be given in November, 1920. Suppose that at that time the Federal reserve system had known these things which they learned in 1922 and 1923. My idea of what they have done is this: If they did not want prices to fall as rapidly as they did, from 247 to 138, they could have started buying securities, which they did begin buying in 1923. They could have started buying securities in 1920. Instead of keeping the discount rate up to 7 per cent, they could from 1920 down to the middle of 1921 have reduced that discount rate gradually.

"They could not have stopped the deflation, but they could have put a cushion on it; they might have stopped it at 160 by buying securities. They held up the rediscount rate until they squeezed the blood out of everybody. They might have shortened that rediscount rate much earlier; they might have prepared for it by buying securities. They did not have the experience; they did not know what they were doing. Two men did know what they were doing. I told you about them this morning.

"Mr. STRONG. I am sorry we do not have their names so that we could immortalize them.

"Doctor COMMONS. You will never get their names from me, but I will swear that they told me they did it.

DEFLATION AS FARMERS FELT IT

"Mr. STEAGALL. At Omaha, Nebr., we had a committee that was making inquiry into the Federal reserve system, and we got into that matter of deflation in 1920 and 1921, and one of the officers of that bank handed us a chart.

"I asked about the seasonal demand, and he said that there would be an increase of fifteen or twenty million between June and October. I said, 'How much did your loans increase?' He said they had increased only about $5,000,000. I asked him if there was not also a shrinkage in deposits in member banks and what had become of their seasonal demands for increased loans. He replied, 'They didn't get it.'

"I asked him 'How did they take care of their shrinkage in deposits'? He answered 'They had to collect from their customers,' who were the farmers. I asked him how the farmers were going to pay, and he replied that they would have to sell their crops for what they could get and sell them on a falling market.

"The impression it left me with was that this increase in borrowers represented city correspondent banks who were coming in to borrow without having the penalty rate imposed and relieving the larger banks. That was a conclusion that I reached. But that gave a key to the way the business was handled.

SENSE OF PUBLIC RESPONSIBILITY

"Doctor COMMONS. What standards do they have of concerted action and what kind of an index number do they propose to use if they stabilize?

"Having this great power, the whole question of policy turns on what are the standards that they use? Up to 1922 the sole standard of the member banks was to invest their balances to earn a profit—no sense of any public responsibility. They learned that would not do, that they could not earn the profit, and they acquired at that time a sense of public responsibility instead of private responsibility. In April, 1923, they formulated their public responsibility, and it consisted in the resolution of the Federal Reserve Board of April, 1923, which said that the open-market operations should thereafter be conducted with their regard to the effect on the general credit situation. So since April, 1923, their sense of public responsibility has been, so far as shown by their own rules, and of course there is no congressional rule governing them; they have adopted their own rule of responsibility, and their sense of public responsibility has been the general credit situation.

CRITICISM OF SNYDER INDEX

"Let me analyze the point that is included in their meaning of the general credit situation. I gather from this index that Carl Snyder presented to you last April—and Carl Snyder I consider one of the ablest statisticians dealing with this subject; he is the statistician of the Federal Reserve Board in New York, Governor Strong's assistant—in his construction of the index number he has included responsibility for these things; he has constructed, as stated in this testimony, an index number in which these wholesale prices are given a weight of 20 per cent. He has introduced along with that an index number of wages, which is given a weight of 35 per cent; he has constructed an index number on the cost of living, which is the retail prices, which he has given a weight of 35 per cent. He has constructed an index number of rents which he has given a weight of 10 per cent; making, altogether, 100 per cent.

"My contention is that this index number of wholesale prices should be given 100 per cent; that wages, cost of living, and rents have no place in an index number which is to guide this system, and my remarks will be addressed to that feature of your bill which gives the Federal Reserve Board power to contrive an index number of prices; and I contend that if the index number of prices which they contrive is to be done by Carl Snyder upon that basis, it will defeat everything which you have in mind of price stabilization, although Mr. Snyder is a friend of mine and we have worked these things out together.

"Mr. WILLIAMSON. You think the bill should specifically provide that the index number should be based on wholesale prices and nothing else?

"Doctor SIMMONS. Yes; and I will give my reasons for eliminating wages and rents.

"I gather from Governor Strong's testimony, and, moreover, from conversations with members of the reserve banks, that they feel that they should use their power to regulate and modify stock speculation. I contend that they have no business to pay any attention to stocks.

"I gathered also by conversing with bankers that they are afraid that if they should attempt to stabilize prices under a condition like the present, where there is a great fall in agricultural prices, that they

would stimulate overproduction in agriculture, which would be disastrous to agriculture, and in their minds is the idea that they are responsible for overproduction of agricultural products.

"I contend that they should have no sense of responsibility for agriculture; let the farmer get out of it the best he can by cooperative markets or doing something else.

SEEK PRE-WAR GOLD STANDARD

"Another thing that regulates their policy; they have a feeling—I gather this from talks with members of the Federal Reserve Board and of the Federal district, but I shall not give their names—they have a feeling that we should get back to the pre-war free gold standard, in which gold would move freely from one country to another. That would be contrary to our present managed gold standard where we have impounded the gold and there is no free movement of gold; and, furthermore, every country that gets on to a gold basis has to make a special arrangement with us for gold credits by which we will sustain their gold standard. So whenever they speak of getting back to a gold standard the only thing that they can mean is getting back away from our present gold-managed standard.

"Now, that means inevitably a continuous fall in prices. If we could get back to the pre-war standard, which is 100, whereas we are now up at 160, it means that we are going to get down to a lower price level.

"Mr. STRONG. But the stock should be kept up.

"Doctor COMMONS. Why have they not kept that up? I had that idea. I am certain a most influential man at that date had that idea, because they told me so, and this particular man is somebody that you would recognize. They had an idea of getting back to the pre-war free gold standard.

"The CHAIRMAN. What date was that?

"Doctor COMMONS. 1923 was the date when I interviewed them. Why did they stop in 1924? Governor Strong told you the reason why they reversed their policy. He said they found we could not continue, but had to change because of the depression in agriculture in the West, the failure of agricultural banks, and the menace of radical legislation.

"I would add also the presidential campaign. We had to have prosperity in 1924 and they brought on prosperity. They began buying, began reducing the rates, increased the volume of money, sent prices up from 145 to 161, and agricultural prices rose. They had fallen down here [indicating on chart] and agricultural prices went up 31 per cent; industrial prices went up 7 per cent. The average was from 145 to 161.

MENACE OF RADICAL LEGISLATION

"It brought back prosperity to agriculture. The policy, then, which comes under the head of the general credit situation, includes two things: Feeling that we ought to get back to the free gold standard, modified by a menace of radical legislation—whenever it is necessary to head off radical legislation we then give up the idea of reducing prices and we start an inflation. So we have under this general definition of credit situation several things included. Stock markets, rents, wages, free gold standard, and political menace. That is what causes the present oscillation. They have conducted two cycles under that general credit definition. They have conducted a cycle of raising prices and of lowering them.

"They found that they had overdone the lowering of them and brought on political menace. Then they started an inflation, and you notice that the date when they quit buying securities and began selling securities was October, 1924. The menace had passed, and then they started the deflation.

"Governor Strong in his testimony before you said it was a matter of judgment whether they ought to have started a little earlier on the deflation. They started the deflation in October, 1924.

"Mr. BEEDY. And then wholesale prices began to go down?

"Doctor COMMONS. Yes.

"The CHAIRMAN. According to your chart No. 1, the wholesale prices now are about where they were in the middle of 1924. Is it your thought, after having expressed the opinion of some of the Federal reserve men in 1923, that we should go back to a 1913 level, that that still is their thought?

"Doctor COMMONS. Well, I have submitted my manuscript to them, and they tell me that I am mistaken; that they have no intention of getting back to the pre-war price level. I have never said that they intended to get back to the pre-war price level; I have said that they intended to get back to the pre-war free gold standard. I do not know what the price level will be, but I say that it is the normal banking idea in New York, certainly, that we must have a free amount of gold, because it is the foreign exchange which they want to have stabilized.

"They are not interested in price stabilization as much as they are in foreign-exchange stabilization. They want to stabilize foreign exchange. They are not much concerned with what I, for example, in the West am interested in, a stabilization of prices.

FALL OF PRICES IN AGRICULTURE

"Mr. WILLIAMSON. Well, Doctor, in connection with the fall of wholesale prices, beginning in 1925 and continuing into 1926, why is it that that decrease in the wholesale prices has fallen chiefly upon agriculture? Now, the agricultural commodity prices have gone down much more rapidly since the middle of 1925 than the wholesale prices of manufactured goods; why did that attack agriculture other than other things?

"Doctor COMMONS. I am not able to answer that accurately. I have asked the Bureau of Agricultural Economics to furnish me a study of that situation. I will submit as the next exhibit the only chart which they have at hand.

"This is wholesale prices from 1922 to 1926, showing the difference between the amount of agricultural prices and nonagricultural prices. I put that in as an incomplete and imperfect answer to the problem which I have in mind. But I have this general conclusion to make, and I am confirmed in it by my correspondence and conversations with the statisticians of the Federal reserve system to this effect: All the other industries in the country have developed systems of stabilization in the last 20 years. It starts with the steel industry. They have smoothed out prices. They prevent overproduction. They have adopted business ethics which I described a moment ago that dominates the Federal Reserve Board and system, that competitors in the steel industry can complete as hard as they want to provided they do not cut prices or raise wages. They can compete on salesmanship.

"Nearly all businesses have adopted that principle. That is the fundamental idea of labor organizations, in which these industries are imitating labor. That there is a limited number of jobs and a limited number of customers, and it is not fair to pull customers or jobs away by cutting prices or raising wages."

(To be concluded in the issue of February 12)

[From the United States Daily, Saturday, February 12, 1927]

INDEX NUMBER THAT MAY EXCLUDE WAGES ADVOCATED AS BASIS—DOCTOR COMMONS ADVOCATES NEW INDEX NUMBER AT HEARING ON THE FEDERAL RESERVE ACT—DECLARES WHOLESALE PRICES ARE FUNDAMENTAL INFLUENCE ON LABOR RETURNS AND RENTS AND RETAIL PRICES

The stenographic transcript of the testimony given on February 4 by Dr. John R. Commons, of the University of Wisconsin, before the House Committee on Banking and Currency at a hearing on the Strong bill (House bill No. 7595), to amend the Federal reserve act, is continued below. Publication of the transcript was begun in the issue of February 5. Charts used by Doctor Commons to illustrate his arguments were reproduced in the issues of February 7 and February 10. The transcript concludes:

"Now, the farmers have not learned to do that. There is no conspiracy about it. It is perfectly lawful; there is no argument about this. It is just ethics. The farmers have not learned that ethics. The consequence is that any oscillation of the volume of credit by the Federal reserve system will spill into the agricultural field and affect agriculture more than it will affect these industries which have perfected their own stabilization system; that an increase of money, of credit, will raise agricultural prices more than it will raise the other prices, and if deflation will deflate agricultural prices more than it will deflate other prices.

"I think that the figures which the Bureau of Agricultural Economics will furnish me will demonstrate that. They have demonstrated it so far as they have furnished them. I am having my own students work on the subject, but it is not completed yet. When we had this deflation and the average came down to 138, agriculture came down to 120, or something like that. The average came down to 138 and agriculture came down to 120. That means industry came down to about 160.

"I am speaking of 1920 and 1921. When there is a deflation agriculture is hit harder than industry. Industry came down to 160 and agriculture came down to 120, and the average came down to 138.

"Mr. STRONG. I would like to state at this point that I had a letter from Governor Lowden, in which he says that this perhaps is the most intelligent analysis of the farmer's problem, this price-stabilization problem.

"Doctor COMMONS. I think the farmer is hit harder by these oscillations than any other people are. I think labor is hit hard, for this reason: The laborer's wages are not affected but labor's employment is affected. In that way labor is affected disastrously.

"The farmer's prices are affected more than the price of labor or the price of other commodities. I am not so certain about the movement. I think this increase here, farmer's prices, went up more. It started from a higher base. If you figure that it started from a higher base you will find that it did not go up so fast. This I do know: That in this depression agriculture went down faster than industry, and if you run a curve of industrial prices, nonagricultural, which includes manufactures and mining, you will find that moves pretty steadily right along here [indicating].

"If you run one of agriculture you will find it goes up here [indicating] and down here [indicating]. Here it went up 31 per cent and industry went up 7 per cent [indicating on chart]. Here it comes down. Industry has remained pretty steady. That is my theory about it. But the industries that have not yet learned this get-together proposition are bound to be affected by these oscillations more than those that have learned how to protect themselves against it.

"Mr. STEAGALL. Industry is not only less responsive to deflations and declines, but it is better by reason of organization to take advantage of an increase in price, is it not?

"Doctor COMMONS. It would seem so. I would want to study that a little. I have studied the gasoline business and some others, and the difficulty about it all is this; you study industries, prices prior to 1918, and you will find them going up and down this way [indicating], and then they straighten out that way [indicating on chart]. If you study the farmers' prices, you find that they are jumping up and down all the time. I can not answer your question; I do not know enough about it.

"I have a theory and hypothesis that I am putting forward to explain it, but it seems to me quite evidently the case that the farmer has suffered by these oscillations more than industry, and the only one that can compare with him is the laborer.

"Now, I am going to take up the index. This is my proposition. There should be only wholesale prices in the index number which is to be used. Furthermore, it should be weighted not by the consumption, not by the production, but it should be weighted by the number of people engaged in those different lines of production.

"We are interested in the question of justice and not in any economic question of production. If the farmer has 25 per cent of the population engaged in his industries and the manufacturers have 40 per cent of the population engaged in their industries, the farmer should have 25 per cent of the weight in making up that index number, so if his prices fluctuate all will be stabilized and not for the farmer alone, but all of these shares in the general production and all industries will be stabilized.

"I have had students figure this out. Remembering that this is only wholesale prices, see what it has eliminated. It has eliminated all retail prices. It has eliminated rents and stocks and stock speculation. It is simply commodities sold at wholesale. It is purely tentative, and if I get later figures I will furnish them.

"I have asked Carl Snyder and Ethelbert Stewart, in the Bureau of Labor, to investigate, and they have both promised to do it, but the conclusion I have reached so far is that one-half of the population is engaged in producing nonagricultural products for sale at wholesale prices, and one-half are engaged in agriculture. We have eliminated all railroad workers; we have eliminated all retail dealers and salesmen, so that we have got the population down to about 40,000,000, we will say, productive workers, one-half of whom are in nonagricultural and one-half of whom are in agricultural industry. They are the people that are producing the great commodities.

WOULD NOT INCLUDE WAGES

"Now, then, why should wholesale prices of commodities be alone included; why should we not include wages? Carl Snyder gives wages 35 per cent and wholesale prices only 25 per cent weight. In the first place, labor is not a commodity. Wages is not a price for a commodity. Wages is an income for a living, and there is no more reason for including wages in an index number than there is for including rents and interest and profits.

"There are three kinds of income. Furthermore, the laborer's daily wage is not the important thing for the laborer; it is his annual income, and his daily wage is a method of computing his annual income. So it should not be included in the index. Rents in the same way. Rents should not be included. They are annual rents or periodic rents for the use of an instrument which is scarce and which is increasing in price, and they are not commodities. Furthermore, contracts for rent are only made by the year usually. We have a sensitive index which will change every week and show the effect.

"In the third place, all the big banking of the country, the dominant banking of the country, is the banking which finances wholesale production, not retail production. Retail operations, if they were put in there, would be taking the standpoint of the consumer, the ultimate consumer. Stocks and speculations should not be included.

"Mr. Snyder does not include stock speculation, but he might as legitimately include it as to include rents and wages. Stock speculation is an anticipation of wholesale prices. If wholesale prices are going to rise it is going to mean that the business interests are going to make more profits and stock prices are going to rise. Stock prices are forecasts of wholesale prices.

"On the other hand, rents and interest and wages are results or effects of these wholesale prices. If these wholesale prices are rising then it is likely that labor is going to get higher wages or rents are going to be higher. If they are going to fall it is likely that wages will fall.

"Furthermore, wholesale prices are the prices on which the great bulk of the population pay their taxes and pay their debts, and they are the prices also that foreign nations pay their debts to you on.

CONTROL HELD OVER PRICES IN EUROPE

"One of the arguments presented against this process of stabilization is that we can not control the prices of Europe. I contend that we control the world prices, that as long as all the nations of the world are in debt to us and sending gold to us they must subordinate themselves to our Federal reserve system. So that our Federal reserve system sets not only the prices for America but it sets all the export prices for foreign countries, and they pay in the gold dollar such as we adjust.

"Mr. STEAGALL. Well, we look forward to the time when that condition will not exist, do we not?

"Doctor COMMONS. When we get back to the free gold standard we will dominate the gold situation.

"Mr. STRONG. Do you think we ought ever to get back to the free gold standard?

"Doctor COMMONS. I do not. I think if we get back to the free gold standard we lose this power, referring to this stabilization, of retaining the present managed gold standard. Otherwise we can not stabilize. If they have any idea of getting back to the free gold standard it means lowering the price level.

"The CHAIRMAN. You are indicating that you favor this controlled gold system in preference to the free gold system.

"Doctor COMMONS. I certainly do.

"The CHAIRMAN. You do not see any danger by this credit situation?

"Doctor COMMONS. I see no danger in the Federal reserve system; I think it is the greatest advantage we could possibly have, provided it has a legislative rule.

"Mr. STRONG. Which we are now trying to consider.

"Doctor COMMONS. As I said in starting, it is the only administrative body in our system which Congress has created and has given it no standards.

"Mr. STEAGALL. You do not contemplate that this legislation would give any more power to the Federal reserve system?

"Doctor COMMONS. No. But they have no legislative standards.

"Mr. STEAGALL. As I recall, Governor Strong and others who discussed this before the committee have not particularly favored this idea of putting this power altogether in Congress, but thought that it was better to leave this discretion in the boards without any specific directions.

"Doctor COMMONS. If they adopt Carl Snyder's index number of prices then I would not leave it to them. Carl Snyder's index number will show a rising price at this time, and this is showing a falling price [indicating on chart No. 1]. It will include wages, which have not fallen. It will include rents, which are increasing; it will include retail prices, which we all know lag six or eight months below wholesale prices and do not fall as rapidly as wholesale prices.

"Mr. STRONG. What are the dangers of politics entering into the Federal reserve policies with and without this legislation?

METHOD TO KEEP POLITICS OUT OF IT

"Doctor COMMONS. I think this is the only method of keeping them out of politics. I think they are already in politics. They are compelled to be in politics because they have no standards. I think the operations in 1924 show that they are in politics, and Governor Strong's statement before this committee, that they did what they did in 1924 on account of the menace of radical legislation shows that they realized they were in politics.

"The only way I can see they can be kept out of politics is an index number based so evidently on principles of justice, weighed so evidently according to the proportion of people in each occupation, that it can be explained to the entire public that here is a perfectly fair index number, and therefore you as a wheat grower, if you find that your prices have fallen, you can not change the whole system in order to have wheat raised in price because you are only about 5 per cent of the total population engaged in this thing.

"We have developed a system, through Congress creating a commission—this bill provides for something of that kind—which shall determine upon an index number and a proper weighting, which shall do justice. As long as the people of this country are satisfied that there is needed a secret method, that they can not understand, or a public method which is so complicated that they can not understand, there will be politics in it, but as soon as they see that there is a simple method, and a weighting in which each element of population gets its proper weight, establishing a new index of prices, I feel that the thing is out of politics.

"Mr. WILLIAMSON. Is it your thought that we should write into a bill what the index number should be based upon? In other words, that it would be useless to direct them to follow a certain policy and let them form an index number which would set up a policy of their own?

"Doctor COMMONS. Yes; that is my criticism on your bill. If I may refer to the provision here, in this third revision, it says the Federal Reserve Board shall formulate an index number to reflect the current purchasing power of the dollar in terms of commodities. You can call rent a commodity or wages a commodity. Commodity is a word that means anything that Carl Snyder has included in that index

number, and I think that is fallacious. I think you ought to be more specific than that.

"Mr. STRONG. I agree with you that we ought to provide a proper index number if we are going to direct them to follow an index number.

"Doctor COMMONS. It is your business to state, representing more people, your collective idea of what will be just, and then work out the technical details later, but you have to establish your standards of justice, as I see it, now.

FORECAST MADE FOR YEAR 1928

"Mr. BEEDY. We may look for this thing to happen in 1928 if your premises are sound, namely: The gradual rise of the securities line on chart No. 1, and the gradual rise of the wholesale price line and the gradual rise of the demand-deposit line.

"Doctor COMMONS. And interest rates.

"The CHAIRMAN. Interest rates on commercial paper?

"Mr. BEEDY. I shall look to see that come down.

"Doctor COMMONS. Yes; to come down.

"Mr. BEEDY. The discount rate to come down.

"Doctor COMMONS. In 1924 it came down 3 per cent. Three per cent is the lowest it has reached in the history of the system.

"Mr. BEEDY. I shall look for the rediscount line to come down and the commercial-paper rate to come down also, and we shall await developments in 1928 with great interest.

"The CHAIRMAN. Before you leave, I want to express on behalf of myself, and I think of the committee, our appreciation of your statement, which has been most helpful to us.

"Mr. BEEDY. If I may, and for the record, I think I will voice the sentiment of this committee when I say that the doctor's testimony has been the fairest, the most convincing, and the most analytical of any testimony which has been offered on this measure before this committee, and personally I am indebted to him for appearing here before us.

"Mr. STRONG. Might I say, also for the record, as one who has been trying to keep this matter of stabilization alive and bring it to some final result, that I want to thank Doctor Commons for his testimony, because I think he has placed in the record statements that will convince the average citizen, and a majority of this committee, and, I hope, the Federal Reserve Board, of the need for some such legislation.

"Doctor COMMONS. I thank you."

(Thereupon the committee adjourned.)

EXHIBIT B

RESERVE BANK BROKE FARMERS, SAYS HARDING—FORMER GOVERNOR HARDING, OF IOWA, BOOSTS WATERWAY—W. L. HARDING ADDRESSES JOINT SESSION OF STATE LEGISLATURE FRIDAY—WANTS WATERWAY AT ONCE—LAMPOONS FEDERAL RESERVE BANK SYSTEM AS CURSE OF THE FARMING INDUSTRY

In response to the request of former Gov. W. L. Harding, of Iowa, in his speech before the joint session of the North Dakota State Legislature Friday afternoon, the joint session moved that a concurrent resolution be drawn memorializing President Coolidge to immediately initiate a treaty with Canada providing for the construction of the tidewater canal to be ready for the ratification of the United States Senate when it convenes in December of this year.

Former Governor Harding brought the Great Lakes-St. Lawrence project question most forcibly to the audience composed mostly of legislators and drove home to them the possibility of securing desired action if sufficient demand is made by the Northwest.

"You people want to tell the President of the United States that you want this thing done at once," said the Iowan. "You don't want to carry the idea that a President or a governor is any more than anyone else; don't be afraid of them, but tell them what you want, and you will get it if you are impressive enough. I used to think that a President must be as big as a house, and that a governor must be as big as a coal shed, but I have found since having been a governor that they are just ordinary people. I respect the position, but I do not fear the man. Make your wants known strongly enough, and you will get what you want."

In opening the discussion on the tide-water project the speaker asked the audience if there were anyone present from the State of Tennessee for them to hold up their hands. No hands were hoisted, so he continued that he thought it safe to announce to begin with that the earth is round.

This point was mentioned to introduce the fact that the St. Lawrence route is nearer than any other route on the North American continent to the world markets, principal of which is at Liverpool. "All nations ship to the Liverpool market," said the speaker, and almost all of the other grain-producing nations have a more direct route to that market than does the northwestern territory in the United States. If we can get this St. Lawrence project through, we can place North Dakota better than on an equal shipping footing with other grain-producing areas. "New York," he said, "is opposed to the project, for New York has grown rich and powerful by collecting toll on what the West produces and sells to Europe. We have no ill feeling for New York, but it is time for us to look out for ourselves."

The speaker stated that it would cost this Nation about $123,000,000 to complete the waterway project, but the saving it would afford to shippers in the Northwest would amount to approximately that much every year. Besides such savings power might be developed for sale along the route at little additional cost after the dams necessary to the project had been put in. The cost, he explained, would amount to little as compared to the benefits that will be derived. "This is a thing that you people should fight for, if you have to," he continued. "I understand your governor here doesn't believe in fighting, but this is something worth going after in any way that will get it."

RAPS FEDERAL RESERVE SYSTEM

The speaker digressed from his topic for a few minutes to pay his respects to the Federal reserve banking system, which is doing its part to cripple agriculture. Mr. Harding showed that agriculture is in the pits for the principal reason that the Federal reserve banking system does not consider it as an industry. Notes with farm lands, buildings, and farm products as security will not be accepted for rediscount by the Federal reserve system, but this same system will accept flour and livestock after it has been slaughtered as such collateral. Before the Federal reserve system was organized agriculture was considered as an industry, and land and the products of the soil together with livestock were acceptable as a basis for current issue. It has been this indefensible discrimination against the farmers' property that has acted chiefly to ruin the farming industry. The speaker sounded the warning that we are to-day living in the seventh civilization the world has known. Six of the civilizations have fallen, and history tells us that they have all crumbled when agriculture began to fall behind other industries.

The amusing instance of the day bobbed up when Lafe Twitchell, archreactionary from Cass County, proposed the appointment of the committee to draw resolutions memorializing the President to take immediate action with Canada looking to the development of the waterway and resolutions also memorializing the Federal reserve banking system to cease its discrimination against the agricultural industry.

EXHIBIT C

INFORMATION RELATIVE TO THE ORIGIN AND OPERATIONS OF THE FEDERAL RESERVE SYSTEM

This week I received a request from North Dakota, as follows:

"Many of us have not as clear an idea of the Federal reserve bank and its workings as we should have. Can you tell us through the Courier-News—

"1. How the Federal reserve was started?

"2. What it pays the Government for money it gets of it? How much, etc.

"3. Who are the beneficiaries of this Federal reserve bank?

"4. How money can be contracted through it, etc."

There are so many angles involved in this request that it is quite impracticable to answer in detail, as it would impose upon the space in the Courier-News. However, I hope to discuss various details at different times, so that the people may have some specific information relative to the workings of the Federal reserve system.

1. HOW WAS THE FEDERAL RESERVE STARTED?

Paul M. Warburg, former member of the firm of Kuhn, Loeb & Co., international bankers of New York, and which firm was found by the Pujo committee to be one of those firms that constituted the Money Trust, is the person who really brought about the Federal reserve system. It was his idea. Warburg was born in Germany in 1868; he came to the United States in 1902. The German banking house of the Warburgs was established in 1796. Warburg is the finished product of many generations of international bankers. His world-wide education thoroughly equipped him for the opportunities of international banking on a large scale. Notwithstanding the fact that he came to America in 1902, he did not become an American citizen until 1911. In 1906 he commenced an active campaign to put his banking ideas on the Federal statute books. He was active in the Aldrich measure, and by that measure committed the Republican Party to his banking program. The Democrats, very righteously, rose in arms and defeated the Aldrich measure and then turned right around and nestled Warburg to their bosoms, camouflaged and modified the proposals contained in the Aldrich measure, and passed the Federal reserve act. The Republicans already having been committed to its principles, which, if possible, was the more vicious of the two, as embodied in the Aldrich bill, could not offer any substantial resistance to it, and it is doubtful if they desired to do so. When Warburg was before the Senate Banking and Currency Committee testifying in the hearings on his nomination to the Federal Reserve Board, he stated:

"I have, as you know, taken a keen interest in this monetary reform since I have been in this country. I have had the success which comes to few people of starting an idea and starting it so that the whole country has taken it up and it has taken some tangible form."

This committee who heard Warburg say this was in a position to known who was responsible for the Federal reserve act, and no voice was raised to question his authorship. He further stated, when asked to explain the fundamental differences between the Aldrich plan and the Federal reserve plan, that—

"the Aldrich bill brings the whole system into 1 unit, while this deals with 12 units, and unites them again into the Federal Reserve Board. It is a little bit complicated, which objection, however, can be overcome in an administrative way."

Mr. Warburg was chosen the administrator to overcome the objections and making it conform to the possibilities of a central-bank idea. How well he succeeded its drain upon the people of this country should amply testify.

This is a brief statement as to how the Federal reserve system was started.

2. WHAT DOES IT PAY THE GOVERNMENT FOR MONEY IT GETS FROM THE GOVERNMENT?

The last definite information I have on this subject is as late as February 8, 1922, and I do not think the conditions have materially changed since that date.

Under the provisions of section 16 of the Federal reserve act Federal reserve banks are required to reimburse the Treasury Department for all expenses necessarily incurred in connection with the printing, issue, and retirement of Federal reserve notes. The act also empowers the Federal Reserve Board to establish a rate of interest which each Federal reserve bank shall pay on the total amount of its Federal reserve notes outstanding less the amount of gold and gold certificates held by the Federal reserve agent as collateral security. Up to February 8, 1922, however, the board had not required the reserve banks to pay interest on the Federal reserve notes issued to them, justifying such failure to do so upon the ground that all net earnings after the payment of the annual dividend of 6 per cent are either paid to the Government as a franchise tax or are transferred to surplus account in accordance with the provisions of the Federal reserve act. However, the ingenuity of bankers helps them take care of a great many things. Severe criticism has been made relative to increase of salaries of bank officials and employees and the building of bank buildings—the New York Federal Reserve Bank proposed to build a marble banking palace to cost approximately $25,000,000. The banks are also required to pay a tax of one-half of 1 per cent each half year on the average amount of such bank's notes in circulation. This is equivalent to the rate charged national banks on their circulation. Up until December 31, 1921, the Federal reserve banks paid to the Government in franchise taxes the sum of $124,537,336. This was all, notwithstanding the fact that they were doing billions of dollars' worth of business. The proposed bank building in New York was to cost a fifth of this sum.

3. WHO ARE THE BENEFICIARIES OF THE FEDERAL RESERVE SYSTEM?

Those who own and control the system, of course, and it is owned and controlled by the big bankers. It is a common misunderstanding that the Federal reserve banks are public institutions owned by the people. They are not. They are private banking institutions, and their officials have so testified before congressional committees. They are operated for private gain. Congress simply delegated to them, under the provisions of the Federal reserve act, the control and use of the money and credit of this country. Congress had no moral right to do so, if it had the legal right. The Constitution places upon Congress the duty of regulating and controlling the money and credit of this Nation, and it was morally criminal to delegate those functions to private bankers to operate for their own private gain. Of course, at times, there must be resultant benefits to the people and temporary prosperity in order to make the system profitable to the bankers; but there are also the periods of depression which sweep away all of savings and prosperity and more completely forge the chains of economic servitude. The power is in the hands of the bankers who control the system to bring about either that they desire. It is mere prating for them to talk about prosperity is just around the corner, because they alone can turn the corner when they desire. Natural economic conditions no longer control the situation in this country. Unnatural, fictitious conditions of the bank manipulators control, and they control under a quasi partnership with the Government and under the protection of a delegation of powers by Congress. Congress must undo what it has done and restore to the people the control and exercise of the sovereign function of the issuance and control of money and credit.

4. HOW CAN MONEY BE CONTRACTED THROUGH THE FEDERAL RESERVE SYSTEM?

The Federal reserve system set up a system of bank credits that enveloped the country in debt without putting the necessary corresponding amount of money into circulation to help them pay out when paying time came. The most of the loans made throughout the country were loans of bank credit. If you went to a bank to borrow, your loan was placed to your credit at the bank and you drew your checks against it. You saw very little of the money that your debt was supposed to represent. It was a system of bookkeeping. The debts were created, but the money did not go into circulation. When the Federal reserve system was ready to contract it simply stopped the issuance of bank credit, and you could not borrow from your banks any more. They had no bank credit to loan. It had been stopped by the system. There were about ten times as large an amount in debts due through the Federal reserve system as there was money in circulation. It was only a matter of a short time after these debts were called for payment until all the money in the country was drawn into the Federal reserve banks, and still the larger proportion of the debts remained unpaid. Then the only way the people could get money with which to pay the debts or to purchase the necessities of life was to sell their products or their property. They held the money, and they owned the debts. This gave them control of the situation, so that they could dictate the prices the producers of the Nation were to receive for their labor and products. They not only contracted the currency but deflated everything else the average citizen had. Especially did they deflate the farming class.

Mr. HEFLIN obtained the floor.

Mr. BLEASE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The absence of a quorum being suggested, the Secretary will call the roll.

Mr. McLEAN. Mr. President, I do not think any business has been transacted since the last call.

The PRESIDING OFFICER. According to the precedents of the Senate, a motion to adjourn having been made and having failed of passage, business has been transacted, and the question of a quorum is in order. The Secretary will call the roll.

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

Ashurst	Fess	McKellar	Schall
Bayard	Fletcher	McLean	Sheppard
Bingham	Frazier	McMaster	Simmons
Blease	George	McNary	Smith
Bratton	Gerry	Mayfield	Smoot
Broussard	Glass	Metcalf	Steck
Bruce	Gooding	Neely	Stephens
Cameron	Hale	Norris	Swanson
Capper	Harris	Nye	Trammell
Caraway	Harrison	Oddie	Tyson
Copeland	Hawes	Overman	Wadsworth
Couzens	Heflin	Pepper	Walsh, Mass.
Curtis	Howell	Phipps	Walsh, Mont.
Deneen	Johnson	Pine	Warren
Dill	Jones, Wash.	Reed, Pa.	Watson
Edge	Keyes	Robinson, Ark.	Wheeler
Edwards	La Follette	Robinson, Ind.	Willis
Ferris	Lenroot	Sackett	

The PRESIDING OFFICER. Seventy-one Senators having answered to their names, a quorum is present.

BRANCH BANKING

Mr. HEFLIN. Mr. President, it is a very important measure that the Senate is now considering. I regret that methods have been employed to force consideration of this measure at this session of Congress. It seems that it so often happens that whenever legislation is sought regarding the banking system there is great pressure brought to bear from certain financial interests for speedy action, for action that will deny Senators the opportunity to study the measure before them so as to acquaint themselves thoroughly with the provisions of the measure proposed. Cloture has been resorted to in the Senate in the closing hours of this session of Congress to put through a banking bill fraught, I fear, with grave danger to the masses of the people of this Nation.

When silver was demonetized in 1873 the phraseology of the law was so cunningly arranged that many Members of the House did not know what was being done. Members of the House and Members of the Senate, after that measure became the law, denied that one word had ever been said about the power being given in that measure to bring about the demonetization of silver.

So we can not be too particular when we come to consider any measure pertaining to the banks and the banking business of our country. There are interests behind legislation seeking to get more advantage that must be scrutinized and must be watched by those who are sent here to represent the people of the various States.

It has been hinted even that the clause authorizing the demonetization of silver was slipped into the law or changed after it was passed. At any rate, Members of the House and Members of the Senate declared that their attention had never been called to the provision that brought about a great panic in the United States in 1878. Property values were destroyed by the millions and our people were thrown into a great financial panic.

In 1920, when the Federal reserve banking act was amended, an innocent-looking progressive interest rate amendment was offered in this body by the distinguished Senator from Connecticut, whose handiwork is manifest to-day in seeking to railroad this bill through the Senate. I refer to the Senator from Connecticut [Mr. McLEAN] who is now approaching his seat.

Mr. McLEAN. Mr. President——

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

Mr. HEFLIN. I yield for a question.

Mr. McLEAN. I want to ask the Senator if he has read on page 35 of the bill that it passed the Senate on May 10, 1926? It is rather difficult to force down the throat of the Senate a bill which the Senate swallowed nearly a year ago with great relish.

Mr. HEFLIN. Yes, Mr. President; and I was opposed to provisions in it then, and I have helped to hold it, and now, since I understand them better, I am more alarmed about its provisions than I was then.

Mr. McLEAN. What the Senator needs is a stomach pump.

Mr. HEFLIN. I am going to use another kind of instrument on the Senator from Connecticut just here. The Senator from Connecticut was instrumental and exceedingly handy in passing the amendment to which I have referred. He introduced it in this body, and it was passed through the Senate, and only two Senators discovered the panic-producing power lodged in that short amendment. It produced the worst financial panic that ever cursed a free people. That amendment was introduced in the House by the Republican chairman of the Banking and Currency Committee of that body, and it was argued that the amendment was being put on the act, not for the purpose of denying money and credits to the people out in the country generally but to keep money from going to New York; too much of it was going there, they said, and this amendment was being put on, they claimed, to enable them to increase the interest rate in New York and to run it to such a high figure that they would not want to pay the high interest rate.

Mr. President, that amendment was passed through the House and was passed through the Senate. That was just before I came to the Senate. It was when I was in Alabama making my race for the Senate. The Senator from South Carolina [Mr. SMITH] and the Senator from Oklahoma [Mr. Owen] were the only two Senators who discovered the deadly power to produce a panic that had been placed in that amendment, and a Member of the House, a Democrat from Oklahoma, Mr. McGowan, and another one from Arkansas, Mr. WINGO, were the first Members of the House to discover it.

Mr. W. P. G. Harding, the warm friend of the Senator from Connecticut, the gentleman whom I have dubbed as William "Poison Gas" Harding, appeared here at the Capitol. He told the committees of both bodies that that amendment was an innocent one. He said, "There is no harm in it. What we are trying to do is to keep the bulk of money from going to New York, so that we can send it to the South and the West to aid them at crop-moving time."

The Senator from South Carolina [Mr. SMITH] said to Governor Harding, "If that amendment is adopted, it will precipitate the worst financial panic that ever came upon the country." The amendment was passed by a Republican House and a Republican Senate, and the worst panic that ever visited the United States came to plague and rob us.

Mr. President, my knowledge of the history of the demonetization of silver and my knowledge of this amendment to the Federal reserve banking act is such that I must move cautiously when I see another effort being made to give more power to the big banks of the country and to set up a national branch-banking system in the United States.

Let me read the plank of the Democratic platform on this particular subject on which Woodrow Wilson was elected in 1912:

> We oppose the so-called Aldrich bill or the establishment of a central bank; and we believe the people of the country will be largely freed from panics, and consequent unemployment and business depression, by such a systematic revision of our banking laws as will render temporary relief in localities where such relief is needed, with protection from control or domination by what is known—

Listen to this—

> as the Money Trust.
>
> Banks exist for the accommodation of the public and not for the control of business.

I fear that there are Senators in this body who mistake the purpose of a bank. I fear that there are Senators in this body whose conduct leads their associates to feel that they are seeking to give more advantage and more power to the banks because they are banks and because of the power of those who own and run them. That is not the correct position for Senators to assume. Banks ought to be protected in their legitimate functions. They are necessary institutions. We need them, and they ought to be encouraged and protected in all their rights and interests. But the Government of the United States should never permit itself to reach the point where it stands ready to come at the beck and call of a banking system, giving that system more and more power to work injury upon the people, whose Government this is.

The people who support banks and who are served by banks have rights and interests that must not be forgotten.

I read further:

> All legislation on the subject of banking and currency should have for its purpose the securing of these accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

Mr. President, any man of intelligence who still loves his country, and thinks that he ought to put his country first, knows that there is a dangerous power rearing high its ponderous form in the United States known as the Money Trust. It is here. It is here now in the Capitol of this Nation. It is here operating to secure legislation to permit the national banks to go into the branch-banking business in this country.

Some Senators deny that. It may be that they do not understand the measure. They may be as some were when they demonetized silver. They may be as they were when they put that obnoxious and dangerous amendment on the Federal reserve banking act.

Mr. President, I want to say, in passing, that I offered in the Senate an amendment to repeal that dangerous and deadly thing which they fastened on the Federal reserve banking system, and this body adopted my amendment, and it was adopted by the House, and we took that amendment off the Federal reserve banking act. My amendment repealed the provision under which they produced the panic of 1920 and 1921. The Progressive platform contained this plank in 1912:

> We believe that there exists imperative need for prompt legislation for the improvement of our national-currency system. We believe the present method of issuing notes through private agencies is harmful and unscientific. The issue of currency is fundamentally a Government function, and the system should have as basic principles soundness and elasticity. The control should be lodged with the Government and should be protected from domination or manipulation by Wall Street or any special interests. We are opposed to the so-called Aldrich currency measure, because its provisions would place our currency and credit system in private hands, not subject to effective public control.

Here is a statement made by one of the greatest statesmen of his time and all time, Woodrow Wilson:

> It is a mere truth to say that the financial resources of the country are not at the command of those who do not submit to the direction and domination of small groups of capitalists, who wish to keep the economic development of the country under their own eye and guidance. The great monopoly in this country is the monopoly of big credits. So long as that exists our old variety of freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is privately concentrated. The growth of the Nation, therefore, and all our activities are in the hands of a few men. An invisible empire has been set up above the forms of democracy. We have been dreading all along the time when the combined power of high finance would be greater than the power of the Government.

Mr. President, we have about reached that time. Under the reign of the Republican Party the money lords of the Nation have their will with practically every big measure that comes before Congress. Their mouthpiece here in the Cabinet, richer than any man in the Old World or the New, is the Republican Secretary of the Treasury. He is their special friend and representative at the Capitol. He is what is called the unofficial spokesman of the White House. That is what we have come to in this morning of the twentieth century, and money has become the all powerful and dominating thing. Those in high financial circles, who want to control more completely the money supply and credits of the Nation, have come here and put into a banking bill just about what they want. They have lopped off this and that feature objectionable to them until it is now ready for passage with a national branch-banking system tied into it so tight that trouble—serious trouble, I fear—will come from it. I read further from this great Democrat, Woodrow Wilson:

> Have we come to the time when the President of the United States, or any man who wishes to be President, must doff his cap in the presence of this high finance and say, "You are our inevitable master, but we will see how we can make the best of it"? We have restricted credit and control of development and we have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the world, no longer a government of free opinion—

no longer a government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men.

Mr. President, the money question has been one of tremendous importance through the long history of the human race. Wherever it has not been held in check and intelligently controlled it has destroyed the liberties of the people. The same kind of pernicious banking activities that brought ruin to the countries that have perished are at work here now in the Government of the United States.

I am a friend of the Federal reserve banking system. I helped to create it. I think that when honestly administered it is the finest banking system ever created. But, Mr. President, the purpose of its creation seems by many to have been forgotten. It has been perverted in some places from the purpose of its creation. We established 12 regional banks, 3 in the South, 3 in the North, 3 in the East, and 3 in the West. We wanted a group of those banks to be in each of the various sections of the country. It will be recalled that New York wanted a central banking system. New York bitterly opposed the Federal reserve banking system. After the system was created it commenced to work smoothly and successfully. Business everywhere took on new life. Prosperity came. After a little while the South was prosperous, the West was prosperous, and the whole country was prosperous, and until the deflation amendment was adopted by a Republican Congress, and a financial panic made to order was forced upon us, no country ever fared better under any banking system than did this country under the Federal reserve banking system.

Mr. WHEELER. Mr. President——

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

Mr. HEFLIN. I will yield in a moment. A panic was brought on under that system which destroyed property values in the farming South and West to the extent of $30,000,000,000, more than six times the amount of the circulating medium of the people of the United States.

I now yield to the Senator from Montana.

Mr. WHEELER. I wanted to call the Senator's attention to the bible of Wall Street, which is the Financial Chronicle, in the February 12, 1927, issue, in which they speak as follows:

A "money power" that could never be defined or reduced to an entity, because it was only a political bogey, can, in the course of the consolidations, be definitely placed, and the patron of the far-distant local branch can offer proof satisfactory to himself at least that he is in its toils.

The menace is not a threatening possibility of the future. It is at this very moment an actual reality.

Mr. HEFLIN. That is very true. The system I speak of broke the power of Wall Street to produce a panic. Prior to the enactment of the measure creating the Federal reserve system, 21 men in Wall Street controlled the money supply of 100,000,000 people. They could meet together in a back room of a bank in the night time and produce a panic throughout the Nation within 48 hours. It was the rottenest banking system ever devised and we were seeking to get away from that system.

We were seeking to set up a banking system with three banks in the East, three in the North, three in the West, and three in the South, 12 regional banks in all, and what resulted? The farmers of my section could deposit their cotton in the warehouse, take their receipts to the bank and borrow money on those receipts, hold their cotton out of the hands of the speculator and the spinner, pay their debts to the merchant, and keep money in the community in circulation. Thus they had some power in price fixing, cotton brought a fair price, and the cotton growers were prosperous. The grain growers of the West did likewise. They could take their grain, put it in an elevator, get receipts, borrow money on those receipts and pay their debts, keep their grain out of the hands of the speculator and the miller and thus they got a fair price.

For the first time in my recollection the South and the West were prosperous as they have never been before. Mr. President, we may search the history of the Nation and we will not find a time when the farmers of the West—the people generally of the West—were so prosperous as they were the year preceding the Republican deflation period of 1920 and 1921. The people had money in their pockets. The banks had the money they needed to meet the business needs of the people in every community out there. The South had the money it needed to meet the business needs of our people for every purpose, and those two sections were prosperous?

But what happened? When the deflation panic was brought on, a pall of gloom fell on the South and West. What happened to the East? Governor Harding stated that he wanted to apply that high interest rate to the East to keep money from going there; that he was not going to apply it to the South and the West at all. But the fact is he did not apply it at all to the East. He applied it nowhere except in the South and West. He raised the interest rates, as I have stated on this floor frequently, to 87½ per cent on one little bank at Abbeyville, Ala., my State. The rates ran from 20 to 30, 40, 50, and 60 per cent through the South and West, and the South and West were stricken down. They became the servants of tribute to the money barons of Wall Street, stripped of their substance and robbed of the accumulations of a lifetime.

What do we hear now? Banks are still failing through the West, and some of them are failing in the South. The farmers are impoverished. They have mortgaged everything they have; and here the Republicans are in the Capital of the Nation, with Mr. Mellon, worth a billion dollars and more, speaking for the money lords of the country, talking about Republican prosperity. We have prosperity amongst a few but not amongst the many. Republican Party prosperity is known by that fact. It makes the few exceedingly prosperous and makes the many people exceedingly poor. That is what is going on in the country now under Republican rule.

Let me read a little more about what Mr. Wilson said about this system:

In like manner by the currency bill we have created—

Speaking of the Federal reserve banking system—

a democracy of credit such as has never existed in this country before. For a generation or more we have known and admitted that we had the worst banking and currency system in the world, because the volume of our currency was wholly inelastic; that is, because there was more than enough at certain seasons to meet the demands of commerce and credit, and at other times far too little; that we could not lessen the volume when we needed less nor increase it when we needed more. Everybody talked about the abused system and its quite unnecessary embarrassments, sure to produce periodic panics, and everybody said that it ought to be changed, and changed very radically; but nobody took effective steps to change it until the present Congress addressed itself to the task with genuine resolution and an intelligence which expressed itself in definite action. And now the thing is done. Let the bankers explain the technical features of the new system. Suffice it here to say that it provides a currency which expands as it is needed, and contracts when it is not needed; a currency which comes into existence in response to the call of every man—

Listen to this, Senators:

A currency which comes into existence in response to the call of every man who can show a going business, and a concrete basis for extending credit to him, however obscure or prominent he may be, however big or little his business transactions.

Mr. President, I hope Senators on the other side of the aisle will not talk quite so loud. They disturb me.

Listen to this:

More than that, the power to direct this system of credits is put into the hands of a public board of disinterested officers of the Government itself, who can make no money out of anything they do in connection with it. No group of bankers anywhere can get control; no one part of the country can concentrate the advantages and conveniences of the system upon itself for its own selfish advantage. The board can oblige the banks of one region to go to the assistance of the banks of another.

That is a most beneficial provision.

The whole resources of the country are mobilized, to be employed where they are most needed. I think we are justified in speaking of this as a democracy of credit. Credit is at the disposal of every man who can show energy and assets.

Mr. President, what a glorious system it is that will extend credits where credits are needed and lend aid to the man and the woman in the common walks of life and as it lends aid to big business and those in the higher walks of life! That originally is what the Federal reserve system sought to do.

I read:

Each region of the country is set to study its own needs and opportunities and the whole country stands by to assist. It is self-government as well as democracy.

That is Mr. Wilson's statement.

Mr. President, I want to repeat that I am a friend of the Federal reserve system when honestly administered; I think it is the greatest banking system in the world, but to-day it is being so administered that Mr. Strong, of New York, the governor of the Federal reserve bank in New York, stated not long ago that it could be manipulated so as to have it do just what a large central bank would do. So the system in some places is being

maladministered, and it is the duty of this Congress to bring the Federal reserve system back to the purpose of its enactment and to see that it is carried out as it was originally intended to be carried out.

But, Mr. President, we are confronted by an alarming situation here to-day. There are probably not 40 men in both branches of Congress who understand the banking bill now before us. I confess that there are provisions in it that I did not understand when it was before the Senate a year ago.

It is a big question and should be considered by the Senate until every Senator understands all of its far-reaching provisions. Busy with the other work that we have to do, we rely upon a few men who have devoted their lives to the study and work of manipulating legislation for the big banking interests to help them put through cunningly devised measures and engraft on the statute books of the Nation power enabling them to reach out like an octopus with its tentacles into every nook and corner of the country, dragging money from this section and that to Wall Street which flourishes in evil doing; and Governor Strong still at the head of the Federal reserve bank up there boasts that this system is now working just as admirably as they had expected the central bank to work. That, Mr. President, is the worst indictment against it that I have ever read or heard. When a system is operated to the satisfaction of the crooks of Wall Street it is a dangerous and deadly system to the liberties of the American people.

Here we are under whip and spur lashing through the Congress in the closing days of the session a bill chock full of branch banking to be imposed on our national banking system.

What I should like to see is three separate banking systems, Federal reserve, independent national banks, and a State banking system, three in all, great systems, and every one vying with the other as to which could and would best accommodate the business needs of the people, as to which could and would do most toward encouraging enterprise and industry and promoting honest business in every nook and corner of the country. I am opposed to centralizing the banking power of this Nation into any one great banking organization, and that is what I fear is being done here. Let us encourage the banking systems of the States, an independent national banking system, and the Federal reserve system, instead of having them all finally merged into one all powerful centralized banking system. Such a situation is dangerous to the welfare of the people.

Mr. President, if a State permits branch banking, if it permits a State bank to operate a hundred branches in the State, and if the legislature of that State grows weary of the branch-banking business, finds that it is hurtful to the interests of the people and the business of the State, and seeks by legislative enactment to stop the branch-banking business in the State, that bank with its hundred branches can enter the national bank system under this bill, taking those hundred branches with it, and when the legislature wakes up it will be told, "Instead of abolishing us we have gone into the 'city of refuge'; the national bank act which was hurried through Congress in February under cloture, it gave us the power to slip into the national system, to continue in your midst these branch banks, and you can not do anything about it." Then what will we have to say? Yet such provisions are in the bill, and they are provisions which should not be incorporated in any banking measure.

Not only that, but this bill permits national banks which now have no branch banks to go into the branch-banking business if a State bank in the same city establishes branches. All that is necessary is to organize a State bank with capital furnished by the national bank. The new bank, which would be a State bank merely in name only, could then start a branch system. That would give the national bank which promoted the scheme the right to set up branch banks just as the State bank had done. Not only that, but those branches could be continued, for the State bank with its branches could be brought into the national bank system. Thus it is possible to have an octopus in every city with its tentacles reaching out into every nook and corner and into every avenue of business.

Oh, Mr. President, I fear that this banking bill will destroy independent banking. I do not want to see erected by legislation in my country any great and powerful organization that can reach out, establish its branches, and choke the little independent State banks to death. When that time comes, if a business man desires to obtain a loan of any consequence to carry on his business in the local community, he will be told at his bank, "We can not tell you now; we will have to confer with headquarters in New York." I have grave fears about the future if this banking bill becomes the law.

What has occurred in California? A Mr. Giannini, an Italian, who lives in California and has three banks in Rome, Italy, and some banks in New York, has 97 branches of his Bank of Italy in California and has 200 or 300 branches of the Bank of Italy Corporation in the same State. He, in the main, controls them all—between 300 and 400 branches operating in one State—and he has already gone into politics out there. California had a Republican governor—Governor Richardson, I believe, was his name. Giannini wanted an order granted that he might further expand his banks, I am told, but Governor Richardson would not grant the order. So Giannini put out a candidate of his own—I think his name was Young, and he was recently elected in California—and sent word, so the newspapers stated, to the various heads of his hundreds of branch banks to get in touch with customers who borrowed money and tell them that he wanted them to vote for his candidate for governor. They did that; they elected his candidate; and after the new governor was elected he granted the order that the greedy branch banker wanted, reversing the action of Governor Richardson. So Giannini is in politics with his branch banks in California; and from what I can gather he is the most powerful and dreaded figure in the politics of that State to-day.

I quote the following from the Commercial and Financial Chronicle of February 12, 1927:

> A "money power" that could never be defined or reduced to an entity, because it was only a political bogey, can, in the course of the consolidations, be definitely placed, and the patron of the far-distant local branch can offer proof satisfactory to himself at least that he is in its toils.
>
> The menace is not a threatening possibility of the future; it is at this very moment an actual reality. Through the holding company one of the very largest of the California branch-banking institutions has already managed to absorb two or three New York City banks. If anyone has any doubt on that point, let him read the following, which appeared as a prominent news item in the New York Times on Wednesday of this week—let him read and become disillusioned:
>
> "The Bancitaly Corporation will ask its shareholders in the next few days to authorize an increase of 1,000,000 shares in capital stock.
>
> "The 1,000,000 shares for which authority will be asked will represent about $100,000,000, one of the largest pieces of financing effected in this country. The plan for issuance of this stock is said to comprise an offer of 450,000 shares to present stockholders at $100 a share in the ratio of one share for each five held, the balance to be held in the treasury to be sold when it is deemed advisable."

Oh, Mr. President, if we could realize just what we are going up against here, with so few Senators understanding the measure, and the vote on its final passage coming in a little while! I am fighting for fair and honest banking; I believe in sound money; I am for sound banking; and I am for banking arrangements that are unafraid, unintimidated, and uncontrolled by the money lords of Wall Street. I fear that this bill will lodge power with them to destroy the spirit of fair and honest independent banking in the country, that it will greatly expand branch banking, and enable the big banks to reach their hands into new territory where they have never gone before. That can be done through the system to be established. As I have suggested, all a national bank will have to do will be to furnish the finances for a State institution, set it up in business, have it establish branches, and then the national bank can establish branches in the same territory and the State bank and its branches can come into the system. Should we pass this measure, I feel that we would be opening the way for more extended branch banking. And that in my judgment would be harmful and dangerous to wage earners, farmers, merchants, and small bankers the country over.

Mr. President, there is a great deal more that could be said on this subject, a great deal more that I should like to say, but I have not the time. Money and credits constitute the life blood of business. They who control the money supply and credits of the Nation hold the power of life and death over the business of every person and every community in the country; and when we are called upon to give more power, and extraordinary power, to big banks, we should be exceedingly cautious and careful. We should not hasten to confer more power, We should in the name of the people demand that they exercise the legitimate power they already have, not to produce millionaires and not to produce billionaires, but to meet the requirements of citizens engaged in all kinds of business—to meet the business needs of all the people, to help build up business in every community and to help produce general prosperity in our common country. That is what all banks ought to strive to do, Mr. President.

But under Republican rule you have gotten out of the millionaire class. I remember, when I was a boy, when people talked about a man being worth a million dollars it created great interest and excitement. That is not even interesting

table talk now, under Republican rule. You do not even discuss millionaires at Republican breakfast tables now; you talk of billionaires. The other night—I referred to that occasion the other day—you had a Belshazzar's feast here in the Capital. The richest men of the Nation were here for "some purpose." Mr. Mellon was there with the other high lights in the financial world, a half dozen rich Republicans worth $5,000,000,000, and that is more money than all the money allowed, under Republican rule, to circulate in this Nation to-day—$200,000,000 more than the circulating medium of the United States to-day. Big bankers with their agents are here now; they are in the gallery of the Senate, watching and waiting to see this measure pass. More power is being given to the big moneyed interests of the Nation; more power is being taken from the masses of the people, more curtailment of their currency supply, more opportunities to deflate credits, to contract the currency, and to produce panic, and more opportunity to kill the spirit of independent banking in the United States. These are the things I fear.

Mr. President, why should we hurry about giving a perpetual charter to these banking systems? We have eight years yet for the uninterrupted operation of the Federal reserve system, and as its friend I can not see the necessity for hurrying this thing through. Why do we want to give the New York interpretation of its meaning a hundred years more just now? Why not wait and let all these banks prove by their good conduct their right to have another lease of life? Let them demonstrate by their conduct in responding fairly and generously to the business needs of the people in every community their right to live longer, all of them. Why not do that?

Anybody who knows about this question at all knows that we have not got now enough money in circulation in the United States. All of the old masters of political economy and of fair and honest banking are at war with the small sum that our financial masters now permit to circulate per capita in the United States. Four billions and a little more is all the money that you permit to circulate amongst one hundred and odd millions of people. The business, speculative and otherwise, of New York require a billion and more for its ordinary transactions; and now what is happening? Why, Mr. J. Pierpont Morgan is loaning large sums of money to England and France, and the American supply of money is being drained out. Giannini, of California, has a branch system in Rome, Italy, and he is sending money over there; so these foreign connections are taking money out of the channels of business that should stay here at home to answer the needs of our own people. And here you Republicans have a bill pending in Congress to permit Mr. Mellon to give back to the big and special favorites of the Republican Party a refund of $175,000,000 more, and we have not a single scintilla of testimony, not one line of reason for refunding that money, not the name of a single person to whom it is to be given. He does not tell us why he is handing it out to them.

My! my! what are we coming to in the Senate of the United States; men sent here supposed to be competent to represent their sovereign States sitting about with their arms folded and permitting Mellon to engineer through Congress a bill carrying $175,000,000 to be deposited down there and handed out to these favorites at his will and pleasure.

Senators, it is outrageous. It is scandalously wrong. It ought not to be. The Senate ought to require him to give the list of names, with the amounts opposite the names, with the judgments rendered or the reasons why the refund is made. Is that asking too much? Have we reached the time when we can not require that much of the dreaded money power of the Nation? Have we become truckling cowards, and do we fear these people so much that we dare not lift our hand against them and their miserable and criminal tactics? Mr. President, before that bill is passed I want a roll call on it.

Let me say this in conclusion. My time is about up.

Mr. President, I am protesting against the passage of this measure because I am afraid of some of its provisions. It has some very dangerous provisions in it. I wish we had a chance to discuss it and amend it; but the Senator from Connecticut [Mr. McLEAN], I understand, objected to-day to the Senator from Nebraska [Mr. HOWELL] even offering an amendment, so we are tied hand and foot. The steam roller is under way. The decree has gone forth. The money lords have spoken. The Republican leaders are demanding that they have their way, that the bill must become the law and no amendment can be offered. God knows it ought to be amended. You have stripped it of the features that made it at all fair and just; and it stands here now just as the big banking interests want it, and you have decided to put it over. You will hear from it long after this Congress has adjourned and this system begins to fasten its octopus tentacles about the throat of independent banks and State banks and the interests of the commercial and agricultural business of the people that they now serve. I shall vote against its passage.

RECESS

Mr. CURTIS. I move that the Senate take a recess until 12 o'clock to-morrow.

The motion was agreed to; and (at 4 o'clock and 38 minutes p. m.) the Senate took a recess until to-morrow, Wednesday, February 16, 1927, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

TUESDAY, *February 15, 1927*

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our prayer unto Thee, O God, is: I will lift mine eyes unto the hills from whence my help shall come; my help cometh from the Lord which made heaven and earth. Behold, He that keepeth Israel shall neither slumber nor sleep. O there is one God who is the Father of us all, who is above all, over all, in all, and blessed for evermore. Come Thou and stoop to our needs, minister to our weakness, light the lamp of hope, lead the way. Extend our horizon; may it expand and widen until at the last we shall behold that city that hath foundations, whose builder and maker is God. In the name of Jesus of Nazareth we pray. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Craven, its principal clerk, announced that the Senate had passed with amendments House bill of the following title, in which the concurrence of the House is requested:

H. R. 13446. An act to restore the rate of 1 cent each to private mailing or post cards.

The message also announced that the Senate had passed Senate concurrent resolution and Senate resolution of the following titles, in which the concurrence of the House is requested:

Senate Concurrent Resolution 27

Concurrent resolution relative to the employment of Federal prisoners in United States penitentiaries, United States Industrial Home for Women, and the United States Industrial Reformatory.

Senate Resolution 351

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. AMBROSE E. B. STEPHENS, late a Representative from the State of Ohio.

Resolved, That a committee of 11 Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

Pursuant to the foregoing resolution, the Vice President appointed Mr. WILLIS, Mr. FESS, Mr. SHORTRIDGE, Mr. TRAMMELL, Mr. COPELAND, Mr. ROBINSON of Indiana, Mr. FERRIS, Mr. DENEEN, Mr. ERNST, Mr. DILL, and Mr. NEELY as members of the committee on the part of the Senate to attend the funeral of the deceased.

HOUSE ENROLLED BILLS SIGNED

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled House bills of the following titles, when the Speaker signed the same:

H. R. 1231. An act for the relief of Mary Moore;

H. R. 3432. An act for the relief of Joel C. Clore; and

H. R. 9319. An act to authorize certain officers of the United States Navy to accept from the Republic of Chile the Order of Merit, first class, and the Order of Merit, second class.

SENATE CONCURRENT RESOLUTION REFERRED

Under clause 2 of Rule XXIV, Senate concurrent resolution of the following title was taken from the Speaker's table and referred to the Committee on Rules.

Senate Concurrent Resolution 27

Concurrent resolution relative to the employment of Federal prisoners in the United States penitentiaries, United States Industrial Home for Women, and the United States Industrial Reformatory.

RATIFICATION OF CHILD-LABOR CONSTITUTIONAL AMENDMENT

The SPEAKER laid before the House a communication from the Governor of the State of Montana in regard to the ratification by the Legislature of that State of the proposed amendment to the Constitution relating to the labor of persons under 18 years of age.

PETITIONS, MEMORIALS, AND RESOLUTIONS

Mr. HOWARD. Mr. Speaker, I ask unanimous consent to insert in the RECORD a report filed by the secretary of the Guarantee Fund Commission of the State of Nebraska.

The SPEAKER. The gentleman from Nebraska asks unanimous consent to insert in the RECORD a report of the secretary of the Guarantee Fund Commission of Nebraska. Is there objection?

Mr. UNDERHILL. Mr. Speaker, reserving the right to object, I would like to know what the gentleman seeks to accomplish?

Mr. HOWARD. Answering the gentleman, I have presented a bill for the guaranty of deposits in national banks, and I want to show to the country the vast success of the Nebraska State law to guarantee bank deposits, under the terms of which no depositor has ever lost a dollar since it went into operation. I have received thousands of letters from all over the country in reference to this legislation, and I can think of no better way of carrying to the country the truth of the success of the Nebraska guaranty law, along the lines of which my own bill for guaranteeing the deposits in national banks has been drawn.

Mr. UNDERHILL. Mr. Speaker, in order that I may have an opportunity to discuss this question briefly, I raise the point of order that this is out of order.

The SPEAKER. It is out of order except by unanimous consent.

Mr. UNDERHILL. I ask such time as may be necessary to present my objections.

The SPEAKER. The gentleman reserves the right to object.

Mr. UNDERHILL. The rules of the House, Rule XXII, on petitions, memorials, and resolutions, provides:

> Members having petitions or memorials or bills of a private nature to present may deliver them to the Clerk, indorsing their names and the reference or disposition to be made thereof; and said petitions and memorials and bills of a private nature, except such as, in the judgment of the Speaker, are of an obscene or insulting character, shall be entered on the Journal, with the names of the Members presenting them, and the Clerk shall furnish a transcript of such entry to the Official Reporter of Debates for publication in the RECORD.

That seems to me to be a very clear rule providing for the very thing which some of the Members are asking to do in an entirely different way in violation of a House rule. Mr. Speaker, the Journal of the House is supposed to record the proceedings of the House. Recently it has become an advertising medium, a medical journal, a medium of propaganda, a press-clipping bureau, a national scrapbook.

Mr. CHINDBLOM. The gentleman means the RECORD and not the Journal.

Mr. UNDERHILL. I mean the RECORD.

Mr. GARNER of Texas. If the gentleman will yield, I am in sympathy with the gentleman in cutting out such things that ought not to be in there. A number of us undertook that some years ago and failed. I want to call the gentleman's attention to this situation: If he will look in the proceedings of the Senate he will see absolutely page after page containing not only resolutions of legislatures and societies but private letters to Senators. We have no way of reaching that. The suggestion has been made that, in view of the fact that the Senate admits resolutions from legislatures to be placed in the RECORD, there is no reason why the membership of the House should not have the same opportunity and privilege.

Mr. UNDERHILL. I think the gentleman from Texas is absolutely correct so far as he goes with reference to this frequently ridiculous pastime, but we must not criticize and can not correct the procedure of another body. One of my objections is that State memorials and other matter have been placed in the RECORD by House Members which have already been inserted in the RECORD at the other end of the building. There is no need of duplication, even though it does give our colleagues the same opportunity, the same privilege that others abuse elsewhere.

When I am wrong I want to be corrected. I withdraw the objection I have expressed recently and will withhold similar objections in the future. I do want the House to understand that nothing of a personal nature, nothing of a political or partisan nature, nothing in opposition or support of any legislation which may have been before the House at the time has influenced my frequent objections.

Mr. McKEOWN. Mr. Speaker, will the gentleman yield?

Mr. UNDERHILL. I yield to the gentleman from Oklahoma.

Mr. McKEOWN. The rule the gentleman reads from applies to bills of a private nature?

Mr. UNDERHILL. Oh, no. Let me read again:

> and the reference or disposition to be made thereof; and said petitions and memorials and bills of a private nature * * *.

And then it goes on to say in paragraph 3:

> All other bills, memorials, and resolutions may, in like manner, be delivered, indorsed with the names of Members introducing them, to the Speaker, to be by him referred * * *.

Mr. DOWELL. Mr. Speaker, I demand the regular order.

Mr. UNDERHILL. I hope the gentleman will withhold that for a moment until we settle this matter. I yield to the gentleman from Nebraska.

Mr. HOWARD. Mr. Speaker, I accept the explanation of the gentleman, and I state further that I stand with him, but what am I to do? I see these things inserted in the RECORD day after day. Am I not entitled to speak through the RECORD for my home people as much as any other Representative on the floor? I am only asking for myself that which is every day accorded to others. I am frankly in sympathy with the view taken by the gentleman from Massachusetts [Mr. UNDERHILL], but unless there can be a general rule to forbid all of these things, I do not want to be made the special object of an objection, even though I understand the objection is not personal. That is my explanation to the gentleman for my desire to have this statement printed in the RECORD.

Mr. UNDERHILL. Mr. Speaker, I have tried to the best of my ability to present to the House the abuses which have occurred and which will continue to occur under "unanimous-consent" requests, but I am no longer going to be the "goat"; I am going to let these requests go by when presented by my colleagues, because it is so general on the other side of the Capitol. I withdraw my objection.

The SPEAKER. Is there objection?

There was no objection.

FIFTEEN YEARS OF GUARANTY FUND

Mr. HOWARD. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following:

GUARANTEE FUND COMMISSION,
Lincoln, Nebr.

SIRS: The audit in detail of each insolvent bank in Nebraska since the depositors' guaranty fund law took effect is now completed. As the report covers some 800 pages of typewritten matter, we trust you will appreciate the amount of time and labor which has been required in its making. The report covers the work up to the close of the fiscal year, June 30, 1926. This audit is available in the office for the inspection of anyone interested.

We found no trouble in compiling the work as performed by the commission, but in the 58 receiverships handled under the old system by individual receivers it was difficult to obtain accurate information, because so many of the records are entirely missing. For that reason the figures given as applying to the old receiverships in the hands of individual receivers may not be absolutely correct, but are approximately so. Errors are so small that they would change the results shown but slightly.

No subject is more widely discussed either in this State or surrounding States than Nebraska's guaranty law; neither is any subject more insidiously attacked or its condition more exaggerated. So it seems very appropriate that accurate figures should be furnished at this particular time to show what has been accomplished, the condition of the fund at this time, and a general comparison of the results obtained under the two systems employed in the handling of insolvent banks since the law has been in effect.

A condensed summary of the audit follows, to which I have added a brief explanation of the different items.

Depositors' guaranty law became effective January 3, 1911.

Total banks closed January 3, 1911, to June 30, 1926	151
On June 30, 1926:	
Banks being operated as going concerns	36
Banks in receivership	102
Banks fully liquidated	13
Total	151

Summary of assets

To be realized:	
Shown at date of suspension	$46,517,537.86
Additional coming into hands of receiver	910,660.69
Total	47,428,198.55

Realized:		
By old receivers	$8,571,450.34	
By commission	18,770,125.87	
		27,341,576.21
Not realized—June 30, 1926:		
In going concerns	11,124,943.22	
In receiverships	8,961,679.12	
		20,086,622.34
Total		47,428,198.55

Summary of liabilities

To be liquidated:	
Shown at date of suspension	$42,134,123.35
Additional liabilities proved	1,377,328.94
Total	43,511,452.29

Liquidated:		
By old receivers	$14,610,966.35	
By commission	16,325,453.58	
		30,936,419.93
Not liquidated—June 30, 1926:		
In going concerns	10,917,730.50	
In receiverships	1,657,301.86	
		12,575,032.36
Total		43,511,452.29

Analysis of liquidation

	Per cent
Total liquidation:	
From realization on assets	53.19
From depositors' guaranty fund	39.56
From receivers' certificates	7.25
	100.00

Comparison of liquidation:	
From realization on assets—	
Old receivers	43.54
Commission	58.24
From depositors' guaranty fund—	
Old receivers	48.35
Commission	28.03
From receivers' certificates—	
Old receivers	8.11
Commission	13.73

Operating costs in receiverships

	Cents
Old receiverships:	
Cost per dollar on total realization by old receivers	6.7
Cost per dollar on total realization by commission	2.7
Cost per dollar on cash realization by old receivers	11.6
Cost per dollar on cash realization by commission	15.0
Commission receiverships:	
Cost per dollar on total realization	2.1
Cost per dollar on cash realization	4.01

Balances due depositors' guaranty fund

From 58 old receiverships	$7,706,211.89
From 57 new receiverships	4,531,195.76
	12,237,407.65

Total resources as of June 30, 1926

Cash on hand	$2,214,176.50
Bills receivable	14,898,312.96
Real estate	3,619,761.51
Judgments	1,345,299.98
Other assets	1,032,373.50
Total	23,109,924.45

Total liabilities as of June 30, 1926

Going concerns, deposits		$10,615,795.82
Receiverships:		
Preferred claims	$32,962.42	
Deposits not classified	346,959.16	
Receivers' bills payable	1,000.00	
Trust funds	13,594.86	
Receivers' certificates	2,241,961.00	
		2,636,477.44
Total		13,252,273.26

(General claims of $624,802.20, not being liabilities of the guaranty fund and claims in dispute of $619,501.15 are not included in above.)

Valuation of assets as of June 30, 1926

Cash on hand	$2,214,176.50
Assets in going concerns (65 per cent of face value)	6,509,773.40
Assets in receiverships:	
Old (10 per cent of face value)	330,797.86
New (25 per cent of face value)	1,321,423.75
Sale assets (bought at public sale)	160,102.63
Total estimated value	10,536,274.14
Total liabilities of guaranty fund	13,252,273.26
Total value of assets	10,536,274.14
Leaving a difference of	2,715,999.12
Against which will be applied the realization upon contingent stockholders' liability of	3,588,284.07

In explaining the statement, it might be well to consider the items separately.

TOTAL BANKS CLOSED

During the 16 years the guaranty law has been in effect, 151 banks were closed by the department of trade and commerce. Fifty-eight of these were prior to May 4, 1923, the date the guarantee fund commission took office, leaving 93 which have been handled entirely by the commission. The status of the 151 banks is stated.

SUMMARY OF ASSETS

Under our form of bookkeeping "To be realized" denotes the total assets which come into our hands for realization. This is divided into two items—the amount shown on the books of the bank at the time of its closing and those assets which are later acquired or discovered by the receiver. "Realized" denotes those assets which have been collected or exhausted either by their collection in cash or through compromise settlements. In the above statement the amount of assets realized by the old receivers and the commission is separated. "Not realized" denotes the amount of assets on hand June 30, 1926, and uncollected.

SUMMARY OF LIABILITIES

"To be liquidated" denotes total liabilities coming into the hands of the receiver for liquidation, and is shown under two heads—those shown on the books of the bank at date of closing and those established after the appointment of the receiver. "Liquidated" denotes those liabilities which have been paid in full. "Not liquidated" denotes the amount of liabilities as of June 30, 1926, and unpaid. The principal item, you will note, is that of deposits in going concerns, which will be explained under the head of "Going banks." The larger portion of the liabilities shown in receiverships are claims for which the guaranty fund is not liable, consisting principally of general claims and items which must be carried on the books until authorized by the court to be charged off.

ANALYSIS OF LIQUIDATION

By referring to the item of "Liabilities liquidated," you will note that $30,936,419.93 has been paid to claimants since the guaranty law has been in effect. It is a very material point in the liquidation of insolvent banks to know where the funds to pay depositors are derived. In our State the guaranty fund pays all depositors in full immediately, and is subrogated to the rights of depositors thus paid. So any deficiency between the amount realized from assets and the payments made to depositors must be borne as a loss by the guaranty fund. In other States where there is no guaranty fund the dividends paid to depositors depend solely upon the percentage of realization. The value of any system of handling receiverships or the work of any receiver may be rightfully judged by the percentage of liabilities which is paid from assets.

In Nebraska we have had two systems. During the first 12 years the liquidation of insolvent banks was carried on by individual receivers under the direction of the department of trade and commerce. For the past three years and a half this work has been centralized under the management of the guarantee fund commission.

Under the two systems a total of over $30,000,000 in cash has been paid to claimants. We find that 53.19 per cent was obtained from collection on assets, 39.56 per cent from drafts drawn on the depositors' guaranty fund, and 7.25 per cent from the sale of receivers' certificates.

It is interesting to note the amount of liquidation obtained under each system and where the funds were derived.

The story is thus told:

CASH DERIVED FROM REALIZATION ON ASSETS

Under old receivers (O. R.), $6,361,027.01 or 43.54 per cent.
Under commission (Com.), $9,508,317.15 or 58.24 per cent.

CASH DERIVED FROM DRAFTS ON DEPOSITORS' GUARANTY FUND

Under old receivers (O. R.), $7,064,016.58 or 48.35 per cent.
Under commission (Com.), $4,575,175.43 or 28.03 per cent.

CASH DERIVED FROM SALE OF RECEIVERS' CERTIFICATES

Under old receivers (O. R.), $1,185,922.76 or 8.11 per cent.
Under commission (Com.), $2,241,961 or 13.73 per cent.

The above figures are net after all expenses have been paid. All items of expense are paid out of the collection on assets, and the commission follows the practice of keeping such accounts paid up to date. Under our system there are no receivers' salaries as the commissioner in each district acts as the receiver and draws but $10 per diem for the time actually employed, which is paid each month. Attorneys' bills are not allowed to run, but are paid promptly.

It will be noted from the statement that a large amount of assets remain to be realized. When this is done, it will very materially raise the percentage shown as realized from assets and decrease that drawn from the guaranty fund.

It is very interesting to compare the above figures and percentages with those obtained in like work elsewhere. In Nebraska the receivers of national banks which have failed between January 1, 1916, and December 1, 1925, paid the depositors 25 cents on the dollar. This necessarily came from realization on assets, as they had no other source of funds. Our realization has been more than twice that obtained by national bank receivers in Nebraska. We do not have accurate figures showing the average percentage of liquidation paid from realization on assets over the entire United States, but are reliably informed that it is about 30 per cent.

OPERATING COSTS

Probably no item in the liquidation of insolvent banks causes more comment or is more abused than the item of operating costs. Under

our system of bookkeeping, operating costs include all receivers' per diem and expenses, collectors' salaries and expenses, attorneys' fees and expenses, court costs, as well as the other general items of collection costs, and all expense of the general office at Lincoln.

The costs in receiverships as handled by the old receivers and by the commission have been separated. In figuring the cost per dollar on total realization we have taken the face amount of total realization, while in figuring the cost per dollar on cash realization we have taken only the actual cash which was realized.

The commission can be proud of the record they have made in the cost of collection. The cost is so low that many people are surprised that it can be true. The commission has reduced the cost of collection 68 per cent, which, on the amount of assets realized, amounts to $633,647.69.

COST PER DOLLAR ON TOTAL REALIZATION

Under old receivers (O. R.), 6.7 cents.
Under commission (Com.), 2.1 cents.

COST PER DOLLAR ON CASH REALIZATION

Under old receivers (O. R.), 11.6 cents.
Under commission (Com.), 4.01 cents.

In the above figures and graphs the costs by the commission in the old receiverships were omitted, and only like work compared. The realization in the old receiverships by the commission was on the remaining assets which were turned to us by the old receivers after they had been worked on for about two years. It will be noted, however, that the cost per dollar on total realization on these assets was reduced more than 50 per cent, while the cost per dollar on the cash realization was increased. The increase in the latter cost was due to the fact that the commission handled only very doubtful and worthless assets from which the percentage of cash realized was very small. More than a million dollars in cash, however, has been realized from these assets, so we feel no apology is needed for the costs shown.

BALANCE DUE DEPOSITORS' GUARANTY FUND

This item shows the amount drawn from the guaranty fund to pay depositors less the refunds made. The items have been separated in order that anyone interested might know the amounts drawn to pay depositors in each class of receiverships. Referring to the statement, one will see that under the old receiverships $14,610,966.35 of liabilities were liquidated. This required drafts on the guaranty fund of over $7,500,000. In the new receiverships, under the handling of the commission, $16,325,453.58 of liabilities were paid, and of this amount but a little over $4,500,000 was drawn from the guaranty fund. The difference in the ratio should convince anyone of the fact that it would have been impossible for the guaranty fund to have survived if the drafts had continued up to this time in the same percentage as they did for the first 58 banks which failed.

RECEIVERS' CERTIFICATES OUTSTANDING

The issuance of receivers' certificates is a system of financing authorized by law whereby certificates are sold to investors to obtain cash with which to pay depositors. These are retired semiannually, and at no time has a certificate ever been issued which could not be paid when due. Since being handled by the commission, there has never been a default either in the payment of interest or the principal at due date. In fact, no certificate has ever run until maturity.

TOTAL RESOURCES AS OF JUNE 30, 1926

These include all items at their face value in the hands of the commission as of that date and are divided under the different heads so those interested may know what the assets are.

TOTAL LIABILITIES AS OF JUNE 30, 1926

These include the liabilities for which the guaranty fund is liable. The item of "Claims in dispute" of $619,501.15 is an item for which we think there is very little liability, but are claims on which the courts have not passed so are carried on our books in this manner until disposed of.

VALUATION OF ASSETS

In order to show an approximate idea of the present condition of the guaranty fund, a valuation has been placed on all assets. As a basis for this valuation we have used the percentages which we have been able to realize on assets in the past as well as our estimate of the loss in each individual bank. This, we believe, is a conservative valuation and that it will be realized in full. If sufficient time is given, the actual cash realized will no doubt be more. Using the figures shown it will be noted there is a difference of approximately $2,700,000 between the cash value of assets on hand and the liabilities to be paid. To reduce this is an item of considerable value which has not been listed as an asset, and that is "stockholders' liability." The capital stock of all banks which have failed since the guaranty fund law has been in effect is $4,268,000, which would give a stockholders' liability of the same amount. Of this, but $679,715.93 has been collected, leaving a possible collection upon $3,588,284.07. Unfortunately, and resulting in much loss to the guaranty fund, our constitution provides that no action can be maintained against a stockholder on his stockholder's liability until all assets have been exhausted. This is one of the greatest handicaps we have to meet. It is certain, however, that a very large sum will be realized from this amount, and during the past few months a large number of suits have been started on this stockholders' liability.

Assessments to the guaranty fund available for the payment of losses amount to approximately $1,700,000 per year. Collections from the assets will average more than $1,000,000 per year, thus making at least $2,700,000 available for the payment of losses. It is very evident from these figures that all losses could be paid during this year and next. If immediate action could be secured on stockholders' liability, it is more than probable that all losses could be cleaned up within one year.

GOING CONCERNS

The operating of an insolvent bank as a going concern by the State is something entirely new in banking, but has proven of inestimable value not only to the guaranty fund but to the community as well.

The statement shows liabilities on account of deposits in going concerns as of June 30, 1926, of $10,654,950.93. While this item will probably be a liability against the guaranty fund, yet it has not been so determined at this time; neither should it be so considered. A large amount of this will be paid during the operation of the banks as going concerns. Our practice of handling insolvent banks as going concerns is to carry on a regular commercial banking business. We receive deposits and pay checks. In some instances we have to refuse the transfer of funds to other banks for redeposit, but wherever a real need is shown for the money it is paid to the depositor. We have but very little complaint from the depositors on account of the way their business is handled.

The amount of realization and liquidation secured in going concerns is a surprise to most people. In the banks operated we have obtained a realization on $5,095,452.93 of assets and reduced the deposits $3,104,426.02. The net cost to the guaranty fund of operating 73 banks over a period of three years was $371,848.75. This item includes not only the cost of collection on assets but the cost of operating a going bank as well. This includes taxes, clerk hire, stationery, interest on deposits, and all the other general expenses of a going bank, yet the cost per dollar on the assets realized was but 7.2 cents.

SUMMARY

Truly, Nebraska is a remarkable State and tells a story no other State can tell. For more than 15 years no depositor has ever lost a cent of money through depositing in a State bank, and during that time practically $31,000,000 have been paid to claimants. The depositors' guaranty law is the biggest asset possessed by Nebraska, and has brought to it more publicity than any other resource it has. This wonderful record has been made possible by the State bankers, who have borne all of the expense. It has cost them more than $12,000,000, yet taken over a period of 15½ years this represents but a trifle over 40 per cent of the capital of the State banks of Nebraska, or about 3 per cent per year. The period covered includes the worst period of deflation ever experienced. It is very hard to figure the results obtained by the banks through the operation of the guaranty law, but it is very generally conceded that the much better business conditions which we have experienced as compared with other surrounding States is largely attributable to the guaranty law. Each day it becomes more apparent that the benefit derived by the banks is more than the cost.

While this report covers the work up to July 1, 1926, the condition as of January 1, 1927, is but very little different. During the last six months of 1926 we took over 18 banks, but the loss in these banks is not as much as the loss paid during the same period. On January 1 we were operating 44 banks as against 36 on June 30, but the deposits of these 44 were $100,000 less. The average loss per bank closed is continually growing less and we do not feel that there will be a very large number of banks yet to be closed in which there will be a loss to the guaranty fund.

Respectfully submitted.

VAN E. PETERSON, *Secretary.*

LINCOLN, NEBR., *January 22, 1927.*

WATERS OF THE BELLE FOURCHE AND CHEYENNE RIVERS

Mr. SMITH. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill S. 4411, granting the consent of Congress to compacts or agreements between the States of South Dakota and Wyoming with respect to the division and apportionment of the waters of the Belle Fourche and Cheyenne Rivers and other streams in which such States are jointly interested, with House amendments thereto, insist upon the House amendments, and agree to the conference asked.

The SPEAKER. The gentleman from Idaho asks unanimous consent to take from the Speaker's table the bill S. 4411, insist on the House amendments, and agree to the conference asked. Is there objection?

Mr. CRAMTON. Mr. Speaker, reserving the right to object, the amendment placed on the bill in the House authorized an appropriation to take care of the expenses of the Government

officials acting in this negotiation. It provided that the appropriation should be from the reclamation fund. As I understand it, the objection of the Senate to that amendment is based upon the fact that the appropriation is to come from the reclamation fund. Personally I should object to the appropriation coming from any other fund, because the only purpose of the negotiation is to cover certain claims as to the use of water for irrigation purposes. Feeling as I do with reference to that, and believing that the bill would not have passed here unless the appropriation was to be made from the reclamation fund, as those investigations generally are, I should object to this going to conference unless we could have assurance that the conferees will not agree to a charge being made on the General Treasury outside of the reclamation fund. I may say that if they agreed to make the charge upon the States concerned I would not object.

Mr. SMITH. I think that in conference we can adjust the matter satisfactorily to the gentleman from Michigan.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

Mr. SMITH. I will say to the gentleman from Michigan that we will bring the matter back to the House if we can not adjust it satisfactorily.

Mr. CRAMTON. I know the gentleman will bring it back, but under entirely different conditions than prevail now. For the present I shall object, Mr. Speaker.

The SPEAKER. Objection is heard.

EUROPEAN CORN BORER

Mr. WOOD. Mr. Speaker, I ask unanimous consent for the present consideration of House Joint Resolution 359, making an appropriation for the eradication or control of the European corn borer.

The SPEAKER. The gentleman from Indiana asks unanimous consent for the present consideration of House Joint Resolution 359, which the Clerk will report.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read the joint resolution, as follows:

Resolved, etc., That to enable the Secretary of Agriculture to carry into effect the provisions of the act entitled "An act to provide for the eradication or control of the European corn borer," approved February 9, 1927, including all necessary expenses for the purchase of equipment and supplies, travel, employment of persons and means in the District of Columbia and elsewhere, rent outside the District of Columbia, purchase, maintenance, repair, and operation of passenger-carrying vehicles outside the District of Columbia, and for such other expenses as may be necessary for executing the purposes of such act, there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $10,000,000, to remain available until June 30, 1928: *Provided*, That no part of this appropriation shall be expended until all the States in the proposed control area shall have provided necessary regulatory legislation and until a sum or sums adequate in the judgment of the Secretary of Agriculture to the cooperation of all the States in such area shall have been appropriated, subscribed, or contributed by State, county, or local authorities, or individuals or organizations: *Provided further*, That a report shall be made to Congress at the beginning of the first regular session of the Seventieth Congress setting forth in detail a classification of expenditures made from this appropriation prior to November 1, 1927.

With the following committee amendment:

On page 1, line 9, after the word "Columbia," insert the word "printing."

Mr. WOOD. Mr. Speaker and gentlemen of the House, the purpose of this resolution is to carry out the determination of this House enacted a few days ago in the authorization of an appropriation of $10,000,000 for the purpose of eradicating or controlling what is known as the European corn borer. After the bill passed the House and the Senate a very full hearing was had before the Committee on Appropriations on Saturday last. The Secretary of Agriculture and his assistants were present and gave us all of the information then at hand with reference to this corn borer. It was made evident by those hearings that if this appropriation is to be of any use it must be made immediately, the testimony being to the effect that it should be available not later than the 18th of this month. Members will see by the map which I have here just what the infested area is. It is marked in black. There are 2,500,000 acres represented there in the States of New York, Pennsylvania, Ohio, Indiana, and Michigan. The Secretary of Agriculture and his assistants tell us that it will be impossible to eradicate this corn borer with this appropriation and that the only purpose to which the $10,000,000 may be put is to demonstrate the possibility of checking its ravages until some efficient plan may be adopted later for its eradication.

This corn borer came into this country about 1910 and commenced infesting the sweet-corn fields about the city of Boston in the State of Massachusetts.

This pest spread northward and westward until he was introduced in the States of New York, Pennsylvania, Ohio, Indiana, and Michigan, and about the same time he was introduced into this country he was introduced into Canada. He has been more destructive and has proved a greater pest in Canada than in this country. The evidence discloses that the fields of corn in Ontario have been 100 per cent destroyed. He has not been so destructive in this country; that his commercial devastation has not been great except in a few isolated fields, where he has destroyed 10 to 15 or 20 per cent of the growing crop of corn. But he is moving rapidly westward. He has also come from Ontario down to this country, and he comes across water, flies across water—it does not seem to affect him—and the purpose of this appropriation is to aid the Secretary of Agriculture to make a demonstration showing the farmers how they can protect themselves against its ravages and assist eventually in the extermination of this pest. Now, the purpose of this $10,000,000 is to employ the necessary man power and necessary machinery to do the work.

It seems this moth lives upon some 200 or 250 succulent plants, but he has a preference for corn when he can get corn, and when he can get it he does not bother anything else in particular. So it is the purpose to go into the cornfields in this affected area, which I have pointed out, and assist the farmer in destroying the cornstalk and everything adjacent to the cornfield in which this animal may find lodgment. Among other things, they propose to show to the farmer the work which is required of him, which he himself must ordinarily do as a practical farmer. In other words, if he has been in the habit of plowing his stalks under rather than destroy or burn them, they would assist and show how they should be plowed under—everything on the top of the ground plowed under—so when this worm comes to the top he will find nothing on which to live, and be destroyed or starve or picked up by birds, or something of that character. Another demonstration is in machinery used for gathering and grinding up of all this material; also in burning. Secretary Jardine says that in order for this to be effective all the States that are affected must join in this cooperative work; and if one of the States should fail, there would not be any use in spending any portion of this money. That affords another necessity for the immediate action of Congress. The legislatures in each of the States in the area affected are now in session. The Secretary felt that he has had no authority to request of those States to take action in reference to passing regulatory laws, making appropriations, and so forth, until he could assure them that they would have the support of the Government. Now, in order for the Secretary of Agriculture to go into the States or fields and do work that is contemplated we must have regulatory police provisions in this infested area. When that is done they will commence their operation at once; and in order that that may be effective these several States must be notified at the earliest possible moment of the action of this Congress in making this appropriation. They have been advised of the regulatory laws that they must pass in order for the United States to act upon it.

Mr. EDWARDS. How many States are affected by the corn borer?

Mr. WOOD. Five—New York, Pennsylvania, Indiana, Ohio, and Michigan, and very near the Illinois line.

Mr. RAINEY. It has been discovered in Illinois in two or three fields.

Mr. WOOD. The gentleman from Illinois says it has been discovered in Illinois. The evidence shows it travels or flies at the rate of about 10 miles a day.

Mr. BYRNS. Will the gentleman yield?

Mr. WOOD. I will.

Mr. BYRNS. I think it should be made very clear to the House and the country that the Secretary of Agriculture proposes this only as a demonstration, because it was evident if this kind of work be carried on throughout the country, if this corn borer continues to expand and extend, it will take hundreds of millions of dollars to do it. I think the State farmers themselves should understand clearly this is only a demonstration on the part of the National Government, so they themselves, if the corn borer should begin to infest their land, should take proper steps to eradicate it.

Mr. WOOD. There is another thing that should be impressed upon the several States, that they should not be slow in passing the most drastic police regulations in order that the eradication of this corn borer may be had.

In our State, the State of Indiana, and I dare say in most of the States throughout the West, we have a law compelling a farmer to take and remove Canada thistles that are found growing upon his farm or in the highway adjacent to his farm, and, failing to do that, he is subject to a heavy penalty. We have likewise a law requiring him to cut his weeds. That same kind of a law may now be necessary to eradicate this corn borer, and the farmers of this country ought to be impressed with the idea that this is to them a matter of self-defense and that the action of the United States Government now is for the purpose of aiding them in this initial work, and that the Government of the United States must not be depended upon to do the work which they themselves should do in order to protect their own individual property.

Mr. WEFALD. Mr. Speaker, will the gentleman yield?

Mr. WOOD. Yes.

Mr. WEFALD. Can not the passage of this resolution wait until we have taken a vote on the Haugen bill?

Mr. WOOD. No. We have got to get rid of the corn borer. Otherwise there may be no necessity for the Haugen bill.

The SPEAKER. Is there objection to the consideration of the resolution?

There was no objection.

The SPEAKER. The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. WOOD, a motion to reconsider the vote whereby the joint resolution was passed was laid on the table.

FIRST DEFICIENCY BILL, 1927

Mr. WOOD. Mr. Speaker, I move to take from the Speaker's table the bill H. R. 16462, the first deficiency bill, containing Senate amendments, that the conference asked by the Senate be agreed to, and that conferees be appointed.

The SPEAKER. The gentleman from Indiana moves to take from the Speaker's table the first deficiency bill, with Senate amendments, insist on the disagreement of the House to the Senate amendments, and agree to the conference asked. The question is on agreeing to that motion.

Mr. GARNER of Texas. Mr. Speaker, will the gentleman yield for a question?

Mr. WOOD. Yes.

Mr. GARNER of Texas. I understand this is the third time we have disagreed to these amendments and sent them back to the Senate. I think the RECORD ought to show and the Senate be advised that at one time we took a vote of 187 to 1 and the next time a vote of 349 to 1. It seems to me the gentleman ought to assure the Senate and the House that in case we can not get an agreement of this kind the next motion shall be to adhere, so that the Senate may understand that this is a matter that has been thoroughly discussed and thought out by the House, and that the House insists on its disagreement.

Mr. WOOD. We did not ask for a further conference ourselves at the last conference, and would never have asked it had not the Senate itself asked for it.

The SPEAKER. The question is on agreeing to the motion of the gentleman from Indiana.

The motion was agreed to.

The SPEAKER. The Chair announces as the conferees on the part of the House Mr. WOOD, Mr. CRAMTON, and Mr. BYRNS.

CONFERENCE ON LIMITATION OF ARMAMENTS

Mr. SNELL. Mr. Speaker, I desire to present a rule for printing in the RECORD only.

The SPEAKER. The gentleman from New York presents a privileged report from the Committee on Rules, which the Clerk will report.

The Clerk read as follows:

Report to accompany House resolution providing for the consideration of House Joint Resolution 352, to provide for the expenses of the participation of the United States in the work of a preparatory commission to consider questions of reduction and limitation of armament.

The SPEAKER. Referred to the House Calendar and ordered printed.

SENATE FARM RELIEF BILL

Mr. SNELL. Mr. Speaker, I call up House Resolution 421, with a privileged report from the Committee on Rules; and, pending that, I wish to ascertain if we can arrange for a division of time.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

[H. Res. 421, 69th Cong., 2d sess.]

Resolved, That upon the adoption of this resolution the Committee on Agriculture be discharged from the further consideration of the bill S. 4808, to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities, and it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of said bill. After general debate which shall be confined to the subject matter of said bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman of the Committee on Agriculture and the gentleman from Louisiana [Mr. ASWELL], the bill shall be read for amendment under the five-minute rule. At the conclusion of the reading of the bill for amendment the committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage.

Mr. SNELL. I would like to see if I can make a unanimous-consent agreement with the gentleman from North Carolina [Mr. POU] as to time to be used in the discussion of the rule.

Mr. POU. There have been quite a number of requests for time on this side. In view of the importance of this legislation I suggest an hour on a side. I can take care, I think, of all requests on this side within the hour.

Mr. SNELL. I know it is important legislation, and we are anxious to get it to a vote as soon as possible. If that is the gentleman's idea, I will submit the unanimous-consent request that the debate on the rule be limited to two hours, one hour to be controlled by the gentleman from North Carolina [Mr. POU] and one hour by myself and that the previous question shall then be considered as ordered.

The SPEAKER. The gentleman from New York asks unanimous consent that the general debate on the rule be limited to two hours, one hour to be controlled by the gentleman from North Carolina [Mr. POU] and the other hour by himself, and that at the end of that time the previous question shall be considered as ordered. Is there objection?

There was no objection.

The SPEAKER. The gentleman from New York is recognized for one hour.

Mr. SNELL. Mr. Speaker, I yield 10 minutes to the gentleman from Iowa [Mr. RAMSEYER].

The SPEAKER. The gentleman from Iowa is recognized for 10 minutes.

Mr. RAMSEYER. Mr. Speaker and Members of the House, in the time yielded to me, I shall devote myself entirely to the rule and the reason for it.

We have a practical situation to meet here. Monday a week ago, I think it was, we adopted a rule for the consideration of House bill 15474, which is commonly known as the Haugen bill. On Saturday last there came from the Senate the bill S. 4808, which is commonly known as the McNary bill. The McNary bill introduced in the Senate was almost in the identical language of the Haugen bill as introduced in the House. The purposes of the two bills are absolutely the same.

Now the situation that confronts us here is unusual in this only, and that is that after the House commenced consideration of the agricultural relief bill, H. R. 15474, and before we got through with the consideration of this bill, the Senate passed an identical bill, S. 4808, which was messaged to the House last Saturday. Now, it frequently happens that a House committee reports out a bill which goes to the House Calendar, and before such bill is called up for consideration the Senate passes an identical bill or a bill on the same subject, and then the Committee on Rules, instead of granting a rule to call up the House bill, grants a rule to call up the Senate bill. The reason for that is plain, I think, especially to the older Members.

If we go on with the Haugen bill here and pass it, even though we should amend it so it will read exactly as the Senate bill now reads, that bill would have to go to the Senate for consideration before the bill can be sent to conference or sent to the President for his action. In order to expedite consideration and to bring the farm-relief legislation to a head, the Committee on Rules unanimously agreed it ought to be made in order by a rule to consider the Senate bill, S. 4808. If the rule is adopted we will then consider the Senate bill in the Committee of the Whole House on the state of the Union. If this Senate bill goes through with amendments, it will be sent to conference, and if it goes through without amendments, of course, it will go directly to the President for his action thereon. If this rule is adopted, further consideration of the Haugen bill, H. R. 15474, will be discontinued. If this rule is adopted, then the chairman of the Committee on Agriculture, having the bill in charge, will move to go into the Committee of the Whole House on the state of the Union for the consideration of Senate bill 4808.

I think I have presented to you the purposes of the rule and how it will work. I do not wish to take up the time of the House to-day to speak on any other phase of the problem now

before us. Therefore, Mr. Speaker, if there are no questions on the rule, I yield back the balance of my time.

Mr. SNELL. Mr. Speaker, how much time has the gentleman used?

The SPEAKER. The gentleman used five minutes. The gentleman from North Carolina [Mr. POU] is recognized for one hour.

Mr. POU. Mr. Speaker, I very cheerfully support the special rule now being presented, which provides that the so-called McNary-Haugen bill, which was passed by the Senate on Friday last, be substituted for the bill also denominated the McNary-Haugen bill, which has been considered during several days by the House of Representatives. Even if I had the power to do so, I would not put any obstacle whatsoever in the way of the consideration of farm-relief legislation by this Congress. While I can not divest myself of serious doubts as to the wisdom of this legislation, I speak the truth when I say that I hope these doubts are without any basis whatever. I hope I am mistaken in my views with respect to this legislation. My course from the beginning has been to place no obstacle whatsoever in the way of consideration of farm-relief legislation. I realize, I hope, as fully as any man living the depressed condition of agriculture not only in the Northwest but in the South as well.

Mr. Speaker, I can not help the fears I entertain as to the effect of this legislation, particularly upon the cotton farmers of my own State. Cotton is raised in North Carolina at great expense. The land is not by nature sufficiently fertile to justify the raising of cotton without the application of plant stimulants. There are many farmers in North Carolina who each year buy for each acre of cotton planted commercial fertilizer which costs as much per acre as these farmers received for a bale of cotton in 1894. Having this in mind, knowing it to be true, I stated in a short address delivered last week that the cost production per pound of cotton in North Carolina was not less than 15 cents. Since delivering that address I have received communications from men who have made a study of the question, which confirm my belief that the cost price of a pound of cotton produced in North Carolina is more than 15 cents per pound. Just what the effect of this legislation is going to be upon the cotton farmer of North Carolina, whose cotton costs him not less than 15 cents per pound, as compared with the effect upon the cotton farmer of States very much farther south, where lands are fertile by nature, where commercial fertilizer is not necessary, and wherein the cotton farmer can produce the staple for 9 cents per pound, no man can predict with safety.

In discussing this danger with a gentleman some days ago I was confronted with the suggestion that I if the cost production price of a pound of cotton in North Carolina was 15 cents as against the cost production price in States very much farther south of not more than 9 cents per pound, then the logic of the situation would require the North Carolina cotton farmer to abandon the cotton-raising industry entirely. Herein to my mind lies a danger which has not been fully considered by gentlemen in my State who are insisting upon the enactment of this legislation. One thing is certain if this bill becomes a law and the Federal farm board goes upon the market through its agencies, and purchases cotton at a price based upon the average cost price of cotton throughout the cotton section, such price probably will not yield any profit whatsoever to the farmers of North Carolina and sister States where vast sums are expended for commercial fertilizer. The result may be disastrous.

There is also one feature of the Senate bill concerning which I will make this observation: It really looks as if an effort has been made to obscure the payment of the equalization fee by the verbiage of the bill. Nevertheless, there is no escape from the conclusion that, if the bill becomes a law, every bale of cotton produced in the Nation will be subject to a tax, called in the bill an equalization fee, which must be paid in the end by the farmer, whether the fee is collected at the gin, or from the railroad, or from the cotton factory. Likewise, there is no escape from the conclusion that the amount of this equalization fee is to be fixed by the 13 members of the Federal farm board, sitting in the city of Washington.

Of course, I cherish a particular interest in the effect of this legislation on the cotton farmers of this Nation. The district I represent is largely a cotton-producing district. The county in which I live produces annually about 72,000 bales of cotton. I can not help considering the effect of the bill upon the cotton producers of my State, my district, and my home county. Johnston County is a large, progressive, splendid county, but the cost of producing the fleecy white staple is necessarily high.

If this bill becomes a law, conditions will surely arise which will invite, which will force action by the Federal farm board. When this board decides to stabilize the price of cotton what will be the basis of the price offered by the board through its agents? Let us suppose the Federal farm board is in existence now and ready to function. What would be the price offered for cotton? By what process would the board decide upon a price to be offered? What would be the basis upon which the price offered would rest? Would that basis be the production cost of cotton in North Carolina or the average production cost throughout the cotton-raising section of the Nation? I imagine the board would instruct its experts to investigate and report the average cost of producing cotton throughout the entire Nation; and using that as a basis, I imagine the board would add a reasonable profit. But there is no yardstick in the bill to measure and fix profits as there was in the bill considered in the last Congress whereby the price offered for grain and cotton was to be established. I say there is in no line of the bill any guaranty whatsoever that the North Carolina cotton farmer will receive any profit whatsoever under the operations contemplated by the bill. On the contrary there is a danger, a real danger, that the price put in operation by the board might inflict loss upon the cotton farmers of my State. There is danger that the action of the board may be disastrous to the cotton farmers of my State. If the board uses the average cost-of-production price per pound of cotton throughout the Nation as the basis of action, adding to such average-cost price a fair and reasonable profit, then the cotton farmers in States like North and South Carolina, where enormous sums are expended every year for commercial fertilizer, might be injured rather than helped. In my State there are but few acres which will produce cotton without the application of expensive plant stimulants, mostly commercial fertilizers. There is no guaranty that the stabilized price put in operation by the board will yield any profit to the farmers of the States in which commercial fertilizers are necessary, but every pound of cotton produced in such States must pay the tax or equalization fee fixed by the board. There is no uncertainty about that provision of the bill. The equalization fee is the very heart of the bill, and there is no limit as to the amount of this tax. It must be paid whether the stabilized price yields a profit or inflicts a loss upon the cotton farmers of the Nation.

I very cheerfully agree, Mr. Speaker, that the time has come when the Government must pay more attention to the interest of the farmers of the Nation. Under policies pursued in the past all manner of obstacles have been placed by legislation in the pathway of agricultural prosperity. Of course, it goes without saying that prosperity in agriculture means nation-wide prosperity to all. If the McNary-Haugen bill becomes a law and brings even measurable prosperity to the farmers of the Nation, I, for one, will devoutly thank God for this result. If, however, the bill shall not become a law, let no man suppose this fight is ended. It can never be ended until the handicaps which have prevented agricultural prosperity have been removed. It may require years to accomplish this result. One thing is certain—present conditions can not continue indefinitely.

I say in conclusion, Mr. Speaker, that while fears which I can not remove forbid my support of this legislation, I cherish the hope that, if this legislation fails, before the end of the next Congress some measure will be presented not out of harmony with economic law which the Congress will pass. I realize the plight of the American farmer to-day. I realize that present conditions must not be permitted to continue. Out of just such conditions revolutions have been born. I realize that there must be a change in the relation of the Government to the agricultural producers of the Nation. Just what legislative action can be properly taken is a challenge to the statesmanship of the Nation.

If the legislation we are now considering shall become operative, if the President shall see fit to sign the McNary-Haugen bill, if prosperity comes as a result of the law, no man will be happier than I, and no man will be quicker than I to say, "I am thankful that I was mistaken."

Mr. Speaker, I have consistently supported the Aswell bill and would gladly vote for it to-day. There is no discrimination in the Aswell bill, as I understand it, against the farmers of my State. I might even go further and support the Crisp-Curtis bill, in which I see no discrimination. Just why the McNary-Haugen bill has been selected as the one measure to aid agriculture, I for one have never been able to understand. If the McNary-Haugen bill shall not become a law, I for one hope the President will immediately reconvene Congress in extra session for the sole purpose of considering legislation helpful to the agriculture of America. If the President will

do this, in my humble judgment, the agricultural toilers of America will rise up and call him blessed. [Applause.]

Mr. Speaker, I reserve the remainder of my time and yield five minutes to the gentleman from North Carolina [Mr. BULWINKLE]. [Applause.]

Mr. BULWINKLE. Mr. Speaker, I am going to vote for this rule in order not to delay the consideration of the so-called farm relief bill, but there are some things I can not understand. I can not understand why it is, word has gone out from the proponents of this bill that no amendments that are offered will receive the consideration of this House. Last year we were told the Haugen bill was the acme of perfection and that nothing should be done either to cross a "t" or dot an "i." Last week another bill was presented to the House and the proponents of the bill told us no change should be made in it, yet another body made changes in it; the proponents of the Haugen bill in the House now say they want to adopt the Senate bill and that no changes shall be made in that bill. Do the proponents of the bill mean to suggest, as has been stated in the papers and as has appeared in conversations, that no amendments will be considered even though they be meritorious?

The legislature of the State of South Carolina the other day asked, in regard to the equalization fee, that it be safeguarded. I for one would like to offer an amendment that in no case should the equalization fee on cotton exceed $5 a bale. That is in accord with information I have received from the cooperatives, that my figures of $6.15 a bale were too high and that $5 was sufficient. Then, why not let us limit it to $5 a bale? Why not change the cumbersome machinery provided for in the bill? Another amendment could provide that the commissioners of agriculture in every State should act as members of the advisory council, without pay, but we are told that nothing can be done because, according to a telegram I received, this bill was framed by the best agricultural minds of the United States. Who they are I do not know and I doubt whether 10 per cent of the Members of this House know who they are.

Mr. MACGREGOR. Will the gentleman yield?

Mr. BULWINKLE. Yes.

Mr. MACGREGOR. I am interested in North Carolina, your State, inasmuch as I have been over most of it. I have noticed its wonderful prosperity.

Mr. BULWINKLE. The gentleman's observations are correct.

Mr. MACGREGOR. Millions and millions of dollars have been spent on cotton mills in North and South Carolina. What would be the effect of this bill upon those new industries in that country?

Mr. BULWINKLE. I do not know what the effect would be and I am not speaking about that.

Mr. MACGREGOR. It would drive them out, would it not? It could not do anything else.

Mr. BULWINKLE. I doubt whether it would drive them out but it would increase the cost of operation.

Mr. MACGREGOR. It would mean cheaper manufacturing costs abroad and an increased cost in the United States, would it not?

Mr. BULWINKLE. Yes; it is true that if the surplus is to be dumped abroad and sold at a cheaper price abroad than in America, of course it will hurt every American manufacturer, and it could not help but have that effect. It would injure them seriously, but for the present I will have to confine my remarks on the subject of how it will affect and hurt the farmers. I would like to bring to the attention of the proponents of this bill the fact that there are some amendments which, if adopted, will benefit the producers in America. I am going to support the rule, and again I say I am going to support the Aswell bill, and I say again, as I have said before, I shall vote against the Haugen bill if it is not amended in many particulars.

The SPEAKER. The time of the gentleman from North Carolina has expired.

Mr. POU. Mr. Speaker, I yield five minutes to the gentleman from Missouri [Mr. LOZIER].

Mr. LOZIER. Mr. Speaker and Members of the House, in the five minutes allotted to me it would be impossible to discuss the details of this bill. I have, however, a few observations to make. I have something to say to my friends and colleagues who come from the industrial districts of this Nation.

We have heard a great deal about prosperity. I want to say to you, my friends, that the prosperity which we have in this land is not a nation-wide prosperity; it is not a universal prosperity; it is not a prosperity that touches every section and every vocational group. It is a lopsided prosperity, a jug-handle prosperity, a sectional prosperity, which is vouchsafed to certain vocational groups and denied to those engaged in other occupations.

My friends, the industrial classes, the transportation companies, and the big business interests have been enjoying unprecedented prosperity. About the first of the year in New York City more than a billion dollars were distributed in dividends to stockholders in great industrial concerns. Similar distribution of profits were made in every other great industrial and commercial center. Many of the class I railroads have been making from 16 to 23 per cent on their common-stock valuation.

I quote from an Associated Press dispatch sent out from New York on November 18, as follows:

> In contrast with the poverty pleas of the railroads a few years ago the current earnings appear almost unbelievable. Per cent of earnings on common stock this year, with three months estimated, is here shown for some of the leading stock: Atchison, 23; Chesapeake & Ohio, 23; Norfolk & Western, 25; Nickel Plate, 22; Atlantic Coast Line, 24; Union Pacific, 17; Baltimore & Ohio, 16.5; Southern Railway, 16.5; New York Central, 14; St. Louis & San Francisco, 15.5; Southern Pacific, 12. These figures seem to justify a confident feeling among holders of railroad stocks. Some of them are selling considerably above a reasonable income basis calculated on current dividend rates, but in the case of roads with large current earnings and huge accumulative surplus there is the hope of increased dividend to buoy them up. Directors are naturally slow to make additional distributions to stockholders in view of the effect such action might have on agitation for reduced freight rates and increased wages.

Bear in mind that, in addition to these enormous dividends, most of the Class I roads have been piling up huge surpluses which augment tremendously the earnings of the great transportation companies. It will not be contended that we have a healthy economic condition in the United States when the railroads and big business interests are paying these enormous dividends while the American farmer is not able to balance his budget or sell his commodities at a price that will return to him the cost of production much less yield a profit.

The United States Steel Co., with a capitalization of approximately $1,000,000,000, one-half of which represents watered stock, in 1923 paid a dividend on its common stock of 16.41 per cent. Its dividend on common stock in 1924 was 11.75 and in 1925, 12.81; and, to cap the climax, in 1926 a stock dividend was declared equivalent to 40 per cent.

The enormous earnings of the United States Steel Corporation has been duplicated by practically all of the big business concerns of the Nation. The industrial classes have been making money "hand over fist" for the past few years, while agriculture has been drifting rapidly toward bankruptcy.

But let me say to my colleagues from the industrial district that you are living in a fool's paradise.

You are enjoying an artificial prosperity that is bottomed on special privilege and that can not last indefinitely. You are enjoying a prosperity created by law and that is a result of discriminatory legislation. The prosperity which the manufacturing classes are enjoying is depriving the agricultural classes of this Nation of a fair return for their labor, a reasonable degree of prosperity, or any worthwhile participation in the increase of our national wealth.

The industrial classes of this Nation in dominating Congress and dictating legislation are destroying the purchasing power of the American farmer. When the farmer is in economic distress he can not buy the products of your factories. Why are your textile mills in trouble even under an exceedingly high tariff? Why are your factories in the New England States closing? Why are the boot and shoe factories in Massachusetts moving to Missouri and other western communities? Why are the textile mills moving from New England to the South?

We have approximately 38,000,000 spindles in the United States. About 6,000,000 of these spindles are idle, and 5,000,000 of the idle spindles are in the New England States, and practically none of the idle spindles are in the Southern States.

You men from the industrial districts who are trying to defeat this legislation are destroying the purchasing power of the American farmer. You are destroying your best outlet for your manufactured products. You are destroying the best market for your goods, because when the farmer is not prosperous he can not buy your manufactured products and his lack of prosperity will be reflected in reduced sales of manufactured commodities, in the slowing down of production, and in a reduction of the prosperity of the industrial classes.

The time is not very far distant when the industrial districts of the New England States will be gradually abandoned as great centers of production in the industrial world, and that is because you are not willing to give your best customer, the

farmer, a square deal and are not satisfied to let the other vocational groups share in the increase of our national wealth.

From 1920 to 1925, according to official statistics, there was a decline of $21,000,000,000 in the agricultural wealth of the United States. In 1920 the agricultural wealth of the United States was nearly $78,000,000,000, as against $44,000,000,000 invested in manufacturing and as against $22,000,000,000 invested in railroads. Until six years ago agriculture was the greatest basic industry of this Nation, yet it has been denied equal opportunity with other vocational groups and has not been permitted to enjoy a fair share of our ever-increasing wealth. The accumulation of wealth in the New England States does not represent newly created wealth, but represents a shifting of wealth from the West to the East. In fact, it represents a congestion of wealth in certain favored sections. This wealth that is being concentrated in the East has been drawn largely from other centers of population.

After all, my friends, there is but one thing in this whole world that has ever created any wealth or can create any wealth, and that is labor—labor on the farm, labor in the factory, labor in the mills—labor is the only creator of wealth; and the farm laborer is worthy of his hire. Mr. Lincoln said in one of his memorable debates with Mr. Douglas, "This country can not exist half free and half slave." So I say to you, my colleagues, this country can not long survive half prosperous and half on the verge of insolvency. [Applause.]

The SPEAKER. The time of the gentleman from Missouri has expired.

Mr. POU. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. GREENWOOD].

Mr. GREENWOOD. Mr. Speaker and gentlemen of the House, I have supported the McNary-Haugen bills that have been proposed in the previous Congresses and I am going to support this bill. I believe it is a better bill than either one of its two predecessors. [Applause.]

I am in favor of the rule that will substitute the Senate bill for the House bill. One of the aspirations of any legislator or of any body that is enacting a law is to legislate so the law will pass the judgment of the Supreme Court. I think the present bill has been prepared with a great deal of care. I think it has been strengthened during its consideration by the Senate and I feel the constitutionality of the present bill is sound.

I know it has been attacked in certain details. One is that it curtails the appointing power of the President. It is always true that whenever the President makes an appointment some one advises him. He does not undertake to know of his own knowledge who will fill a particular position with the greatest credit or with the most ability. Many times his adviser is a Member of Congress or some man engaged in politics. This law is not different in its operation concerning the appointing power of the President from the first railroad labor bill, which provided that of the three groups the labor unions should nominate their group, that the operators of the railroads should nominate their group, and the group representing the public should be selected by the President without nomination. It is not altogether different from the civil service law, which permits the three eligibles under the law to be submitted to the President.

Does not this curtail the power of the President and limit his power to the three eligibles? Then this law is not different in that particular.

Further, the President ought to be glad that the nominating power is given to the group that is going to be benefited by the law. He wants his appointees to be efficient to administer the law as it is written. Therefore let those who are nominated come from that group. I should think the President would welcome this provision in the law rather than have to listen to some one who is disinterested.

Furthermore, who is going to raise this question if the President does not do it himself? If he feels that this power of nomination is giving him a better opportunity to make a wise selection and if he does not see fit to raise the question as a curtailment of his power, who then will raise it? I submit it will pass the muster of the Supreme Court, because we have had many laws similar to it.

There seems to be some distress about the equalization fee being unconstitutional.

Some of my colleagues have mentioned this as a tax. If they use it as a burden on the carrying power in a general sense it is a tax, but if they mean that it amounts to the legal requirements of a tax they are in error. Mr. Cooley, an authority on taxation, says:

> Taxation is the exercise of the sovereign power to raise revenue for the expenses of the Government.

This is not an attempt to raise revenue for the expenses of the Government. It is simply placing a carrying charge on these used channels of commerce in order that a more orderly marketing and exporting of products may be better carried out, and will be for the benefit of those engaged in the business.

Mr. BANKHEAD. Will the gentleman yield?

Mr. GREENWOOD. I will.

Mr. BANKHEAD. What effect does the gentleman think this would have on the constitutional situation, the appropriation being made out of the Treasury and afterwards refunded to the Treasury out of the fees?

Mr. GREENWOOD. I think it would be like any other appropriation that goes into a revolving fund to assist industry. You have appropriations for the assistance of transportation. Under the Esch-Cummins bill there is a maximum charge for carrying, and when the earnings of the railroad are in excess of a certain percentage the excess goes into the general fund to be used, not for the benefit of the railroad earning that money but, for the benefit of the railroad below in earning power. Is not that similar to levying a carrying charge in order to help the marketing and export of commodities—none of the money being used except for the benefit of that class on which it is levied?

Mr. BLANTON. Will the gentleman yield?

Mr. GREENWOOD. I will yield to the gentleman from Texas.

Mr. BLANTON. The question that bothers us is this: If under the Haugen bill, the board agrees to pay farmers the average cost of production of cotton, which we will say is 12 cents, the point made by the gentleman from North Carolina [Mr. POU] is that that would not benefit the farmers of North Carolina because their cost of production is 15 cents; then the bill would only help those in the States where the cost of production was low.

Mr. GREENWOOD. On the theory that cotton goes into the export trade, and on the theory of the bill that the price is fixed by the board and they are all being stabilized and regulated for the benefit of export and orderly marketing, it results in a benefit to the people of North Carolina as well as Texas and other States.

Mr. BLANTON. Suppose the board holds the surplus and finally sells it at an immense profit. Will any part of that profit be returned to the farmers who raised the product?

Mr. GREENWOOD. None under the bill; it is kept in the fund for stabilization for the future.

Mr. BLANTON. And much of it will be used, probably, to raise salaries of the army of employees who administer?

Mr. GREENWOOD. No; it will be reflected in the following year by lowering the equalization fee, because the profit will be held for that purpose, thus putting the whole system of export and stabilization on that basis.

Mr. BLANTON. Will not a lot of it be used to raise salaries?

Mr. GREENWOOD. I have no right to presume that it will. I know that many presume that these men will not be honest men.

Mr. BLANTON. Will not it be used just as they used receipts in the Shipping Board, to raise salaries?

Mr. GREENWOOD. The Shipping Board and the Interstate Commerce Commission are acting within the scope and purpose of the legislation as it was enacted.

Mr. WEFALD. If they do good work, they will be entitled to a raise.

Mr. GREENWOOD. Yes; as the details of the business become more difficult and they are working for the benefit of the farmers, we are willing to pay the cost of operation of the system. I am not one of those who think that every piece of new legislation is vicious. I am willing to experiment in any legislation that I think will be of benefit to a large class of the community, and that is the purpose of government. When the Constitution of the United States was first proposed they said it would never stand with all these innovations in it. But for 140 years it has served faithfully. When the transportation act and the Federal reserve act were proposed it was said, "Oh, this is an innovation in legislation; it is new, and it will be vicious because it is new, and it is unconstitutonal." But when it was found to be beneficial, the Supreme Court found a way to find it constitutional, because the purpose of law is to bring benefit to those who come under its operation. [Applause.]

The SPEAKER pro tempore. The time of the gentleman from Indiana has expired.

Mr. SNELL. Mr. Speaker, I yield five minutes to the gentleman from Illinois [Mr. CHINDBLOM].

Mr. CHINDBLOM. Mr. Speaker, I am glad that the gentleman from Indiana [Mr. GREENWOOD] saw fit to give some attention to some of the constitutional questions involved here. The time was when the House and the Senate of the United States were the great forums for the discussion of constitutional questions. I can imagine the species of debate which would have occurred on the floor of this House 50 or 75 or 100 years ago if such legislation as is here proposed had then been under consideration by the intellectual giants who fought the constitutional battles in this House. Now, when you raise a constitutional question there is a shrug of the shoulder, and the remark is heard, "Oh, well, I shall take my chances on the Constitution—my constituents want this." Mr. Speaker, the Constitution no longer means anything "among friends," and yet every Member of this House has taken an official oath to "support the Constitution" of the United States. There has not been a serious discussion of the constitutional questions involved in this legislation so far, and yet we have spent by this time fully 16 hours of debate upon it. In the five minutes I have at my disposal I want to suggest what is to my mind a very important constitutional question, and I want it raised here and now, because it will be raised hereafter, and it should not be said that the House of Representatives sat supinely by and permitted its prerogatives, its duties, and its obligations under the Constitution to be overridden by another body.

If this equalization fee is supported on any ground, it must be supported upon the ground that it is a tax. If it is not a tax, what is it? A service charge? If it is a service charge, it must be exacted in proportion to the value of the services rendered, and that is not done in this bill. This is a tax because it is levied for the purpose of paying the cost of administration and for the purpose of paying back to the Government the revolving fund of $250,000,000 which is advanced. If it is not a tax, it will never stand the scrutiny by any court. If it is a tax, what then? Section 7 of clause 1 of Article I of the Constitution reads as follows:

> All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills.

Not long ago we had under consideration a post office bill, which we sent back respectfully to the Senate with the message to the Senate that the House insisted upon its prerogatives to originate taxation legislation, to originate revenue legislation. That is not merely a prerogative of the House. It was not intended merely to be a privilege granted to its Members. It was put into the Constitution, drawn from the practice in England in the House of Commons, because our forefathers recognized that in this body the purse strings of the people should be controlled in order that the people might be the better protected against unfair, unjust, and vicious taxation. What has happened in the consideration of this very bill, which is a measure to raise revenue? They tell us now that we must accept this bill just exactly as it comes from the Senate for the purpose of convenience of legislation.

The very reason this clause was inserted in the Constitution was to prevent the Senate, the upper body, from coming to this body, which comes fresh from the people at the biennial elections, and attempting in this way to coerce it. The argument now is that we must accept this bill, not exercise our judgment upon it, not adopt any amendment to it—as one gentleman said yesterday—not to cross a "t" or dot an "i," but accept it exactly as it passed the Senate. Why? To facilitate this legislation and to prevent any amendments which would have to go to conference! The prevention of that very thing was intended by the framers of the Constitution, when they provided that such legislation must originate here, so that we may not be permitted to accept legislation of this kind coming to us from the other body. It was intended that we must give it serious and prior attention right here in the House of Representatives without any preconceived proposal or action by our coordinate body.

The SPEAKER pro tempore. The time of the gentleman from Illinois has expired.

Mr. CHINDBLOM. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD.

The SPEAKER pro tempore. Is there objection?

Mr. BLANTON. Mr. Speaker, I shall not object, because we still have one of the intellectual giants left who can expound the Constitution.

Mr. CHINDBLOM. If the gentleman wants to be facetious I think he has not chosen a good time. What is the purpose of the gentleman's remark?

Mr. BLANTON. The gentleman intimated that we were lacking in this Congress in intellectual giants to uphold the Constitution——

Mr. CHINDBLOM. I did not say anything of the sort.

Mr. BLANTON. Such as we had 50 or 75 years ago. And I was felicitating the House on still having one left.

Mr. CHINDBLOM. Does the gentleman object to my discussing a constitutional question?

Mr. BLANTON. Not at all. As a matter of fact the gentleman and I think very much alike on this bill.

Mr. CHINDBLOM. We do?

Mr. BLANTON. Oh, the gentleman is getting so he does not like facetious remarks.

Mr. CHINDBLOM. Oh, no.

Mr. BLANTON. I am glad we still have an intellectual giant left, to uphold our Constitution.

Mr. CHINDBLOM. I just wanted to give the gentleman plenty of time to express himself.

Mr. BLANTON. I did.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. CHINDBLOM. Mr. Speaker, under the leave to extend my remarks, I want to say that the satirical attitude of the gentleman from Texas [Mr. BLANTON] proves my remark that constitutional questions do not receive earnest and serious consideration in this House, particularly on this legislation. The condition is actually such that Members hesitate to discuss constitutional issues in the House because such debate is frowned upon and ridiculed by many of their colleagues. It is surprising that those who are advocating the McNary-Haugen bill are not interested in protecting their procedure against successful attacks in the courts. It is certainly hazardous now to take up the Senate bill, when we have concluded the general debate on the House bill and could well proceed with it. If the Senate bill, as I have suggested, be held to contain revenue legislation by virtue of the equalization fee, the bill, if it becomes a law, will very likely be held unconstitutional by the Supreme Court. This question, however, goes only to the matter of procedure on the Senate bill. Personally, I am convinced that both the House and the Senate bills are subject to constitutional objections by reason of both the equalization fee and the methods provided for appointment of the Federal farm board. For these reasons alone, aside from the economic unsoundness of the proposed legislation, of which I am also convinced, I can not support the rule for the consideration of the Senate bill, S. 4808, or the bill itself if the rule should be adopted.

Mr. LOZIER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. POU. Mr. Speaker, I yield five minutes to the gentleman from Missouri [Mr. CANNON].

Mr. CANNON. Mr. Speaker, the gentleman from North Carolina [Mr. POU] is more considerate of the McNary-Haugen veterans in the allotment of time than our friend the gentleman from Kentucky [Mr. KINCHELOE].

The gentleman from Kentucky seems to have proceeded on the perhaps justifiable assumption that the position of the original advocates of the McNary-Haugen principle—those who have borne the heat and burden of the day and who have stood by in the hour of adversity—is so well known and their contention so well established as to require no further elucidation; and that the time allotted for the discussion of this bill should be monopolized by these new converts, who have suddenly seen the light and have rallied to its support at the eleventh hour; that they naturally should be given ample opportunity for belated deathbed repentances and time in which to make their peace with their political creators and commend their political souls to the mercies of their farming constituencies which gave them.

Chief among these is the gentleman from Kentucky himself; and it is most gratifying to see one who for five long, obstructive years has busily utilized every resource and embraced every opportunity in an industrious endeavor to kick the spokes out of the rear wheel, not only climbing up on the band wagon, but taking the front seat and seizing reins and whip.

There is only one other event that could occasion equal gratification and equal surprise. And that would be to see our esteemed friend from Kansas [Mr. TINCHER] likewise coming down to the mourners' bench on the last ballot. I take this opportunity to remind the gentleman from Kansas of that old revival hymn:

> And while the lamp holds out to burn,
> The vilest sinner may return.

And I believe I can assure him that if he will come over and take his place on the McNary-Haugen band wagon, now moving

resistlessly forward over all opposition, we will give him a place in the front seat right up beside the gentleman from Kentucky. [Applause.]

The SPEAKER. The time of the gentleman has expired.

Mr. POU. I think this has exhausted debate on this side.

Mr. SNELL. Mr. Speaker, I yield 10 minutes to the gentleman from Minnesota [Mr. NEWTON].

Mr. POU. Mr. Speaker, does the gentleman wish to yield on his side now?

Mr. SNELL. If it is agreeable.

Mr. POU. It is entirely agreeable.

Mr. SNELL. I yield 10 minutes to the gentleman from Minnesota [Mr. NEWTON].

Mr. NEWTON of Minnesota. Mr. Speaker, I have heard much during the course of the three debates on the Haugen type of legislation about "orderly marketing." I want to call attention to-day to something equally important at least in the House of Representatives and that is "orderly legislation." We certainly are going far afield in this respect when the Committee on Rules reports a resolution to the House asking that a great committee of the House be discharged from the consideration of one bill and that the House take up another bill which has not been considered by the committee. And yet that is exactly what we are asked to do.

Mr. PURNELL. Will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. PURNELL. The gentleman does not expressly contend that we have gone very far afield when we have brought in an identical bill with a very few minor and I might say in a large degree unimportant amendments?

Mr. NEWTON of Minnesota. The gentleman from Minnesota contends exactly that—that we have gone far afield.

Mr. LEAVITT. Will the gentleman yield?

Mr. NEWTON of Minnesota. I can not, I am sorry. I only have a limited time. If I have time later I will be glad to yield. The gentleman presenting this legislation can not produce a precedent to sustain this procedure. Talk about your minor amendments! The original Senate bill and the House bill differed in two different particulars. The difference is in the declaration of policy.

The Senate bill was amended on the floor of the Senate in 23 or 24 different places. Here is a great committee of the House charged with responsibility to the House. It receives a bill one day. Two days later after having failed to consider it, it asks for a rule that it be discharged from being required to pass judgment upon it and to submit its report to the House. Now let us see what was done here.

Mr. O'CONNOR of New York. Will the gentleman yield?

Mr. NEWTON of Minnesota. I can not yield just now. Let us see what was done. The Committee on Agriculture met during the present session of Congress, considered the Haugen bill which was reported to the House. They asked for a rule that it be made a special order for consideration in the House. The House adopted the rule; I voted for it not because I believed in the bill but because I thought there was sufficient sentiment behind it so it ought to be considered on the floor of the House.

While we were in the consideration of the Haugen bill in the House the Senate considers similar legislation over there. They pass it. It comes over here, a different bill, and is referred to the Committee on Agriculture in due course. The Committee on Agriculture, instead of meeting, taking up the bill, the new features in it, and considering it, and making a report to the House as to what it contains, advising the House what the changes were and just wherein they affected the bill, does nothing of the kind whatever. They did not even read the bill, did not even discuss the amendments or consider them. They held no hearings or anything of the kind. Yet, they ask for a rule that it be discharged from consideration.

Now, gentlemen of the House, if we consider our responsibility here as Members of the House, why is it that we are asked to sacrifice every fundamental principle of legislation in the House?

What changes were made by the Senate bill? There were 23 of them. But before I discuss that let me add to what was said here by the gentleman from Illinois [Mr. CHINDBLOM] in reference to the constitutionality of this Senate bill. Of course, I doubt very much whether on any other subject matter this thing could occur. The equalization fee is clearly a tax, as the gentleman from Illinois pointed out. The Constitution requires bills to raise revenue shall originate in the House. This bill originated in the Senate. It comes over here in violation of the Constitution.

Now, what are the changes? Let me call attention to several of them. In the first place, in the declaration of policy there is a change. The House bill had a provision about preventing surpluses from unduly depressing prices. That is not in the Senate bill. Yet we are going to be asked here to pass this bill—that is the plan—without changing it even to the extent of the dotting of an "i" or the crossing of a "t." What is the use of considering it, then? As long as this is the plan, why did not my good friend from Indiana [Mr. PURNELL] ask for a rule which would have called for a consideration of the Senate bill without any opportunity of amending it in any particular whatever?

Mr. ELLIS. Mr. Speaker, will the gentleman permit me a question right there?

Mr. NEWTON of Minnesota. Yes.

Mr. ELLIS. Should not the rule have recited that the vote adopting the rule also adopted the bill? We have been playing horse here all the rest of the week, judging from the sentiment and spirit descending here from all quarters.

Mr. NEWTON of Minnesota. Certainly.

Here is a change in reference to commodities. Tobacco is put in, and yet a distinction is made with reference to tobacco as apart from all other commodities. They are authorized to levy an equalization fee against one grade of tobacco and exempt another. Now, I would like to know how the cotton and wheat farmer will think about a discrimination of that kind. It was put in there for the purpose of getting a few votes and nothing else.

Mr. BLACK of New York. Mr. Speaker, will the gentleman yield there?

Mr. NEWTON of Minnesota. In just one moment.

Now, I want to call attention to page 21 of the bill in the "comparative print." Let me read it:

> (b) For the purpose of developing continuity of cooperative services, including unified terminal marketing facilities and equipment, the board is authorized, upon such terms and conditions and in accordance with such regulations as it may prescribe, to make loans out of the revolving fund to any cooperative association engaged in the purchase, storage, sale, or other disposition, or processing of any agricultural commodity.

Note the phrase "including unified terminal marketing facilities." Twenty-five million dollars is to be available for that purpose. I read further:

> (1) For the purpose of assisting any such association in the acquisition by purchase, construction, or otherwise, of facilities to be used in the storage, processing, or sale of such agricultural commodity.

What is concealed in this language? Who is it? Who is it, I say, who has warehouses, elevators, grain concerns, packing plants, or other facilities to unload?

This provision was inserted for no other object. We are asked to put it in here without recommendation from the Committee on Agriculture, and later they are going to ask you to vote it without changing it in any form. I have it that the inspiration for this particular provision comes from a source very close to an outfit that has had some very great difficulties in getting along. We at least should find out.

The SPEAKER pro tempore (Mr. ACKERMAN). The time of the gentleman from Minnesota has expired.

Mr. NEWTON of Minnesota. Mr. Speaker, I ask for five minutes more.

Mr. PURNELL. Mr. Speaker, I yield to the gentleman five minutes more.

The SPEAKER pro tempore. The gentleman from Minnesota is recognized for five additional minutes.

Mr. NEWTON of Minnesota. On page 22 you have an insurance feature. In the 1924 Haugen bill and in the 1926 Haugen bill there was no discussion of a provision about insuring any producer or any organization of producers against fluctuations in price. No such thing of that kind was involved, and none such was ever considered by the Committee on Agriculture in the House. But little consideration was given to it in committee in the Senate; and the provision placed on the bill on the floor of the Senate is different from the one discussed in committee. What manufacturer, what man in business can enter into an insurance agreement for the purpose of maintaining prices? Yet we are asked to take this up under this rule and to vote for it simply because it is in the Senate bill.

Mr. CHINDBLOM. Mr. Speaker, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. CHINDBLOM. The gentleman does not intend to forget the tobacco feature on page 8?

Mr. NEWTON of Minnesota. I have already mentioned that.

Mr. BLACK of New York. Mr. Speaker, will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. BLACK of New York. Did the Senate put anything in the bill to safeguard consumers against extravagant prices?

Mr. NEWTON of Minnesota. Not so far as I have been able to ascertain.

Now, take the provision on page 25 of the comparative print.

Mr. LEAVITT. Mr. Speaker, will the gentleman yield?

Mr. NEWTON of Minnesota. Not now. Wait until I get through with this particular feature. In the House bill the equalization fee on cotton was assessed at the ginning. In the Senate bill the equalization fee is assessed at the cotton mill. That is a very fundamental change. It has always been assessed heretofore at the gin. To-day in the Senate bill we have it at the cotton mill.

Now I yield to the gentleman from Montana.

Mr. LEAVITT. The question I wished to ask is this: Has the rule done anything in this connection that is not entirely agreed to by the Committee on Agriculture?

Mr. NEWTON of Minnesota. I do not know what the Committee on Agriculture agreed to, but I know that the duty of any committee of the House in receiving a bill referred to it——

Mr. McLAUGHLIN of Nebraska. Will the gentleman yield?

Mr. NEWTON of Minnesota. I can not yield until I have made my statement.

Mr. McLAUGHLIN of Nebraska. The gentleman said he did not know and I want to tell him.

Mr. NEWTON of Minnesota. I do not yield now. I know that the duty of any committee to which a bill has been referred is to report it back to the House with its recommendations, in order that the House may have an opportunity to consider it. This committee never considered anything of the kind. I now yield to the gentleman from Nebraska.

Mr. McLAUGHLIN of Nebraska. The Committee on Agriculture had a meeting and voted unanimously to ask for this rule.

Mr. NEWTON of Minnesota. But let me ask the gentleman this: Did the committee read the Senate bill?

Mr. McLAUGHLIN of Nebraska. I read it myself.

Mr. NEWTON of Minnesota. Well, the gentleman is not answering the question. Let me ask the gentleman if the committee read any one of the amendments and discussed them?

Mr. TINCHER. Will the gentleman yield to me?

Mr. NEWTON of Minnesota. I yield.

Mr. TINCHER. The gentleman's statement no doubt is not intentionally wrong, but I did not vote to ask for the rule, and I am sure other Members who agree with me did not ask for the rule.

The gentleman from New Jersey [Mr. FORT] asked to be recorded "no," and I heard some other noes. There was no roll call; but it is not fair to state that the committee unanimously voted to ask for this rule because I did not. The fact that you do not obstruct a proposition does not mean you are for it. I am not for the rule and do not believe in the rule.

Mr. JOHNSON of Washington. Will the gentleman yield?

Mr. NEWTON of Minnesota. Yes.

Mr. JOHNSON of Washington. Following out that line of argument, if the House itself should vote to adopt this rule, then the House goes into the Committee of the Whole and finds itself actually foreclosed on the question of the adoption of the amendments inserted by the Senate.

Mr. NEWTON of Minnesota. Yes.

Mr. JOHNSON of Washington. If the rule is adopted, then the intention is to take the Senate bill as we find it and not to change it in any degree which will jeopardize it. I believe the gentleman is right. This House should look into this matter of permitting the purchasing of warehouse sites, and so on. The clamor may be to buy them all in one State and we will find ourselves sold out before we get started. It is a very dangerous proposition and yet the suggestion is made that all amendments will be voted down.

Mr. NEWTON of Minnesota. The purpose is very clear to object to any sort of an amendment to this bill. I do not think this House ought to revolutionize its procedure even in the face of the cry for this sort of legislation. [Applause.]

The SPEAKER pro tempore. The time of the gentleman from Minnesota has again expired.

Mr. POU. Mr. Speaker, I yield five minutes to the gentleman from Alabama [Mr. BANKHEAD].

Mr. BANKHEAD. Mr. Speaker and gentlemen of the House, the gentleman from Minnesota, who has just taken his seat, has indulged in some direct and indirect criticism of the action of the Committee on Rules in reporting this resolution. I think, in view of his statement, it might be well for me to briefly state upon what facts the action of the Committee on Rules were based in offering this resolution.

It will be admitted, of course, that the Committee on Rules has great power. The rules of the House themselves bestow upon this committee the right to bring in forms of procedure that possibly have no precedents in the past. But the facts are that the chairman of the Committee on Agriculture appeared before the Committee on Rules and stated that he desired a rule effectuating the purpose embraced in the bill now pending. At the first meeting of the Committee on Rules the chairman of that committee stated to the gentleman who made the proposal that unless the Committee on Agriculture had a formal meeting of its committee and decided by a majority vote to ask the Rules Committee to take this action it would not be considered by our committee. Immediately thereafter we were informed that the Committee on Agriculture was called into session; that after that it had a meeting and the chairman of the committee reported back to the Committee on Rules that by a large majority of that committee they had directed him to appear before the Committee on Rules and ask for this particular and specific resolution.

Now, gentlemen, the true conception, as I understand it, of the duties of the Committee on Rules is not to obstruct, but as far as possible to facilitate legislation. As a matter of fact, a majority of the individual members of the Committee on Rules is opposed to the Haugen bill and the Senate amendments; and if that majority had desired to assume a narrow attitude upon this question, they had the power, if they chose to exercise it, to prevent the House from having the opportunity now offered of passing this resolution and considering the Senate bill.

We legislate here, gentlemen, by a majority; and if the proponents of the Senate bill have a majority of the membership of this House, they are entitled to an opportunity to express their will, and I think the action of the Committee on Rules is not subject to the criticism leveled at it by the gentleman from Minnesota, but, upon the contrary, if we had stifled the apparent desire and the expressed desire of the majority of the legislative committee and had refused their request, I think we would have laid ourselves open to the criticism that we were not giving the House of Representatives a fair and distinct opportunity to legislate by this majority, if that majority exists.

Mr. NEWTON of Minnesota. Will the gentleman yield?

Mr. BANKHEAD. I yield to the gentleman.

Mr. NEWTON of Minnesota. Does not the gentleman think, under the regular procedure of the House, the House is entitled to have the benefit of the judgment of the Committee on Agriculture as to the Senate bill, and in particular the changes that were made in it?

Mr. BANKHEAD. I assert that the House is going to be entitled to have and is going to have the benefit of the judgment of the Committee on Agriculture, because by its majority report it requested this action, and time is provided under the resolution, if adopted, to afford a fair opportunity to the Committee on Agriculture to express its views and to carry out its recommendations. [Applause.]

This is all I desire to say, Mr. Speaker, with reference to the rule.

Mr. PURNELL. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker and gentlemen of the House, we might just as well be perfectly frank with the House and with the country and say that if we are to get farm-relief legislation at this session of Congress we must adopt this resolution and pass this bill as it came to us from the Senate without the crossing of a "t" or the dotting of an "i." [Applause.] We are not seeking to fool anybody. We are trying to get that which we have been working for for six years—farm-relief legislation.

These bills were identical in character when they were introduced in the House and in the Senate, and such amendments as have been put on in the other body have not vitiated it, but have left intact the strong, outstanding, underlying, basic principles upon which the legislation is founded.

Mr. CHINDBLOM. Will the gentleman yield just for a question?

Mr. PURNELL. Yes.

Mr. CHINDBLOM. I simply want to ask whether the two bills were identical in phraseology. I noticed the gentleman used the word "character."

Mr. PURNELL. I think also in phraseology. I did not compare them carefully for that purpose, but I think they were identical in phraseology.

Now, I do not find any fault with my good friend from Minneapolis [Mr. NEWTON], who feels constrained to come in here and make a fight for the farmers of his district. [Laughter.] I do not have any complaint to lodge against my good friend from Chicago [Mr. CHINDBLOM], who does represent a few farmers and who is very jealous of the Constitution; but we are meeting exactly what we have met in every fight we have had before—the combined opposition of the gentlemen in the House who represent the cities, coupled with all the

strength that can be mustered by unfriendly newspapers, representatives of consumers, and a few gentlemen of great wealth throughout the country, who are overzealous in their effort to protect the consumers of this country against what they believe will be an increase in prices.

Every morning we still must read the stinging editorials in that great agricultural paper here in Washington known as the Post [laughter] seeking, as it does, to shape the agricultural policy of the Congress of the United States. One of their recent statements is to the effect that the farmers themselves do not want this legislation. I can not imagine by what stretch of imagination this gentleman whom I termed a featherbed farmer the other day can read the minds and the hearts of six and a half million farmers in this country and announce to us that they themselves do not want the thing which the Representatives who have been with us for six long years have told us they want. I do not recall that the gentleman who wrote this editorial or anybody connected with his paper has ever crossed the threshold of the Committee on Agriculture offering a single suggestion.

Some of these gentlemen feel constrained to wait until we have labored night and day as we have for six years before expressing themselves. They wait for us to bring out a bill and then sit back and try to pick it to pieces—some of these men who could not build a house but are artists in destroying houses. [Applause.]

Then, I noticed this morning in the paper that that other great farmer and agriculturalist, Henry Ford, has denounced as asinine and senseless this proposed legislation. He suggests as a remedy for the present agricultural problem that the farmers all move to town and drive out to their farms daily—in Fords, of course—and do all of their farming by machinery. He advocates further the doing away with cattle and chickens in the country as a solution of the farm problem—driving us all to Fords. I have had some experience in my lifetime in cranking Fords and I know they will kick, but I never knew before that they would give milk or lay an egg. [Laughter and applause.] I will just say, in passing, if Henry Ford knows no more about the settling of this agricultural problem than he knew about settling the World War, he would better confine his activities to manufacturing Ford automobiles. However, he did more than many others have done—he suggested a remedy.

Also, in the morning press, as another part of this great program to stifle what six and a half million farmers want, our Secretary of the Treasury has seen fit to send up a letter, which is his custom, thereby seeking to influence the membership of this House. I have no objection to this, and I have great respect and admiration for the Secretary of the Treasury, Mr. Mellon. I think when he takes his rightful place in history he will stand out perhaps as second to none, and will surely be entitled to a place beside the great Alexander Hamilton; but I can not forget that this same gentleman who tells us it will cost $800,000 per year to administer this law and that the equalization fee will be hard to collect is the same gentleman who, on the 10th of November, 1923, in a letter addressed to the chairman of the Committee on Ways and Means of the House, when we were considering the bonus question, said that the bonus bill, if passed, would postpone tax reduction, not one year but for many, many years to come; and that, indeed, it would probably mean an increase in taxes.

I have a great respect for Mr. Mellon and for his great ability and his judgment, and he may be right when he says the equalization fee will be hard to collect, but if he thinks that is hard to collect, let me suggest now that "he ain't seen nothing." He ought to own and depend for a living upon a 160-acre farm, with a first and second mortgage on it, and try to collect enough from the sale of his products to pay his taxes, buy clothing for his family, and educate his children. He would then understand what we mean when we say that is also very hard to collect. [Applause.]

My good friend from Maine [Mr. HERSEY] yesterday, in an effort to bring in more power and influence against this bill, dragged in our good friend, Will Rogers, who in a humorous squib from Augusta, Ga., suggested that the way to settle the farm problem for you fellows in the cotton country is to hit with a hammer between the eyes every one of your farmers who continue to raise cotton year after year.

Gentlemen, there appeared a little article a few days ago in the Progressive Farmer, written by Gee Magee, who has laid down 10 specific rules for helping your cotton farmers. His rules will also apply with equal force to those in our country who raise corn, wheat, oats, hogs, and cattle. Here are the rules:

1. Rent a good farm for part of the crop, and shoot your landlord if he ever mentions his part to you.

2. Buy your guano on credit. Steal your mule feed and plow tools from your neighbor. Give checks for groceries.

3. Stay away from church, so's your preacher won't expect you to pay him anything, and if he sends a collector around, why, turn him down.

4. Borrow a shoat to raise on halves. When he gets fat kill him, and tell the man you got it from that his half died.

5. Spend every Sunday with your wife's kinfolks, if she's got any fit to go to see, and borrow enough rations to live on through the following week.

6. Hire a hand and promise him two bales of cotton for his services, and run him off before you begin to gather your crop. (N. B.—Make him board himself while working for you.)

7. Get some man to indorse your note for $50 and don't speak to him again.

8. Trade at every store you find that will sell you on credit till "next Saddy." If any of them turns you down—buy one load anyhow with a check.

9. As soon as crops are laid by—take your mules back to the man that you bought them from, and tell him you are ruint. (He will be glad to get his mules back by that time.)

10. Pick your cotton as fast as it opens. Have it ginned, and charge the ginning to your landlord. Sell your seed and cotton as soon as possible. Dodge everybody you owe, and move just as soon as you think that somebody else is thinking that you are planning to leave the State. That's all.

[Laughter.]

Gentlemen, you can not laugh out of court this problem. Like the poor, you have it with you always, and you will have it until we settle it. In 1920 the farm indebtedness in this country was $3,500,000,000. In 1926 that indebtedness had grown until it was $12,450,000,000. Since 1920 hundreds of thousands of farmers have lost their homes and nearly a million people have left the farms and gone to the cities. They tell us that the bright lights of the city are enticing the farm boys and girls to the city and away from the farms. Let me tell you, coming as I do from one of the finest agricultural sections in the whole United States, that there is a great army of farmers leaving the farm for the city, and it is because the farms are not profitable. When once they are made profitable, or become so, we will find the same army anxious and willing to come back and enjoy the pleasures of the farm, because there are pleasures on the farm. There likewise should be a reasonable profit.

Mr. McDUFFIE. Will the gentleman yield?

Mr. PURNELL. I will yield.

Mr. McDUFFIE. Every Member of this Congress recognizes and wishes to relieve the emergency and distressing conditions of agriculture. I am wondering if the gentleman has considered the proposition that this legislation will probably be tested out in the courts, even if the President approves it; and does not the gentleman fear that for at least two or three years, if we pass this bill, there will be no relief for agriculture? Should we not try to meet the emergency by passing some other bill, which is more satisfactory to the President, and without provisions which so many contend are unconstitutional?

Mr. PURNELL. Let me say this in reply to the gentleman: Men came from every nook and corner of the United States before our committee; and without deviating one whit in their several stories—and they had not talked them over in advance—they all agreed upon and detailed certain conditions which exist in our country. They were agreed; and it is not now disputed that agriculture is not on an equality with industry and labor; that agriculture is not now on a paying basis. It was agreed that the time had finally come when we must seek a legislative remedy. Not 2 per cent of them who came before the committee detailing conditions in agriculture had the temerity to walk in and lay down any concrete remedy by which they thought it might be solved. That duty they were all willing to leave with the Committee on Agriculture. The representatives of more than 4,000,000 farmers, however, did agree finally upon the proposal that is now before you; and in the almost unanimous judgment of our committee this is the best plan that is offered. We think it is sound. We think it is fair and that it will work. If it does not, we will as quickly urge its amendment or repeal. I hope the resolution will be agreed to and that the bill will be passed without amendment. [Applause.]

The SPEAKER pro tempore (Mr. ACKERMAN). The time of the gentleman has again expired.

Mr. O'CONNOR of New York. Mr. Speaker, I yield 10 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Speaker, I am very glad to support this rule and I shall vote for it and vote for the bill. I do not share the fear that some people have expressed this afternoon of a steam roller on the part of the House. As I understand it, the House will be given ample opportunity to vote on every amendment, and if the majority votes down the amendment it is at least the steam roller of the majority, and that should be permissible. For that matter, if it is applied in this instance, I, for one, shall be glad to see the time arrive in this Congress when the steam roller for once may be applied in favor of the farmer. [Applause.] Let us apply it the way it was applied in the last session of this Congress when we took $85,000,000 out of the Treasury of the United States and refunded it to a few millionaire families in this country. I would say to the Secretary of the Treasury, who has complained of the cost of $800,000 a year for the operating expenses of this bill——

Mr. CHINDBLOM. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I would rather wait until I am through with my statement. I have only a little time. If I have time then, I shall gladly yield.

Mr. CHINDBLOM. But the gentleman says that he has complained. That is not fair. Neither the Secretary of the Treasury nor myself, who obtained the letter, complained about the cost. I wanted to find out what the cost would be and I asked him.

Mr. KVALE. I call it complaint on his part.

Mr. CHINDBLOM. Read the letter.

Mr. KVALE. I have read the letter.

Mr. CHINDBLOM. Is there any complaint in it?

Mr. KVALE. He says there will be an expense of $800,000 a year.

Mr. CHINDBLOM. Does he complain?

Mr. KVALE. I say that it amounts to a complaint. I say again, let us take the $85,000,000 that we took out of the Treasury and refunded to a few millionaires and apply that here and we can operate the McNary-Haugen bill in favor of the farmer for 100 years. [Applause.]

But, Mr. Speaker, I want to speak about one phase of the subject that has not been touched upon very much by any of the speakers, and I have listened attentively for days. Before going into that, however, let me say that it is gratifying to those of us who have led the van in the fight for the recognition of the rights of the farmers to find so many agreeing with us at this time.

Six years ago Senator SHIPSTEAD, then Doctor SHIPSTEAD, was on the hustings in Minnesota, and some of the rest of us joined him. We pleaded for the rights of the farmer, and men smiled; some laughed out loud, and some of them said things about us that would not look well in the CONGRESSIONAL RECORD. Those same men are not laughing now. During the last 10 days two key banks in county seats in my district have closed their doors.

We are gratified that the Nation has at last been aroused to the necessity of doing something for the farmer. It reminds me of an incident which took place on Mount Carmel on the east shore of the Mediterranean nearly 3,000 years ago. The prophet sent a man to look toward the western horizon to see if there was a cloud or storm coming. The man returned and said there was nothing, and the prophet sent him again, and he again returned and said there was nothing. He sent him seven times, and the seventh time he returned and said, "There is a little cloud the size of a man's hand," and in a little while the heaven was black with clouds and with wind. That is precisely what has taken place here. The "powers that be" have sent scouting parties out to look on the western horizon to see if possibly there might be a storm brewing, and those scouts have returned year after year and said, "There is nothing; they are all good Republicans out west and are voting the Republican ticket; there is no sign of any storm brewing," until the seventh time, in the seventh year, they have returned and said that there is a cloud on the horizon the size of a man's hand. And I tell you, Mr. Speaker, that in a little while that cloud will have grown so that the heavens will be black with clouds and with wind; and that is why we finally are going to get some legislation now.

Mr. LOZIER. Is it not true that practically every Republican who was elected from the Middle West and from the Northwest was elected upon a platform of hostility toward the Coolidge plan for farm relief?

Mr. KVALE. The gentleman is entirely correct. I think it safe to assert that every Republican from agricultural districts in the whole West and Middle West was elected on a platform in direct opposition to the Coolidge-Mellon-Jardine agricultural policy. I do not know of a single exception.

I do not hold the view that this legislation is a cure-all for the farmer. I agree with those who have spoken of different remedial measures that should be enacted into law. I subscribe to much of what was said by the gentleman from Alabama [Mr. HUDDLESTON]—and, by the way, what he says is always worth listening to and worth reading. I have said repeatedly on the floor of this House what the gentleman from Kentucky [Mr. KINCHELOE] called attention to—that the farmers of the Nation, after sessions with the Committee on Agriculture, should appear before another committee, the Committee on Ways and Means, and ask them to rewrite the Fordney-McCumber tariff schedules.

And in a short time the farmers of the West will go before still another committee of Congress, the Committee on Banking and Currency.

What has been taking the heart out of the farmer and bleeding him white is not only the iniquitous Fordney-McCumber tariff, not only the unjust Esch-Cummins law, but it is the usurious interest rate by which the West is bled and its substance fed into the money power who, little by little, are coming to own us out West. Our farmers are becoming serfs and vassals to the money power of the East by virtue of this high rate of interest, and that will have to be remedied in a few years if the farmer is ever to be prosperous again.

Mr. Speaker, who are the people that are so strenuously opposed to this bill? In the main they are the grain gamblers and the speculators. Read the hearings of the Committee on Agriculture. I refer you to page 1244 of those hearings, where a number of boards of trade and chambers of commerce in Minneapolis, Duluth, Kansas City, Omaha, Milwaukee, and Chicago are given as the ones who are opposed to the bill. A gentleman said that the Minnesota wheat growers are opposed to it. That is not the case. The president of the Minnesota Wheat Growers' Cooperative Marketing Association, Mr. Edward Hagen, a fine type of gentleman and a good friend of mine, wires that the wheat-growers' association has always stood squarely back of the McNary-Haugen bill from its first draft in 1923.

If we pass this legislation here and the President of the United States vetoes it, that will be proof positive that the boards of trade and the grain gamblers and the food speculators of the United States have more influence in the White House than they have in either branch of Congress. This propaganda emanates from them. I want to read to you now from page 13 of the report on the bill before us. It reads:

> As heretofore explained, these problems arise out of the fact that prices of farm products are uncertain and unprofitable, due (1) to seasonal variations in yield, and (2) to competition with the products of European and Asiatic peasant labor and of new lands with low production costs.

I agree that those are some of the reasons. But I would change the numbering and put No. 2 as No. 3, and as No. 2 I would put "The operations of the grain gamblers and speculators of the United States on the boards of trade and the chambers of commerce." The minority report, on page 7, practically admits this when it voices concern for the commission merchant.

Some time ago, January 30 of last year, I made a speech here on the grain-gambling activities in this country, and I suggest that you read the correspondence I placed in the RECORD between Mr. J. W. Brinton, of the Minnesota Wheat Growers' Association, and Mr. Duvel, of the Department of Agriculture, who handles the grain futures act in that department. That correspondence will reveal to you that the very department of our Government which was established to protect the interests of the farmers is in reality being made use of as a protection for the grain gambler and the food speculator in preying upon the farmer.

I ask, is this the reason why Mr. Jardine is opposed to this legislation?

I hold that the creation of such a board as is contemplated in this bill, the bare knowledge that such a board exists, with power to buy and to sell, backed by our Government, will by its very existence act as a powerful curb on gambling activities. And, as we all know, it is this very gambling and speculating which has robbed the farmer out of hundreds of millions, yes, billions of dollars, of his hard-earned wealth these many years.

In the speech I refer to I asked Secretary Jardine a question which I consider pertinent. Evidently he thought it impertinent, for he has ignored it. The question, which I repeat here, is: Does the Secretary of Agriculture, by virtue of the grain futures act or other laws on the statute books, have the power to stop this gambling? If he does have the power, the farmers of the Nation would like to know why he does not use it. If he does not have the power, will he have his legal advisers draft a law that will give him the power? It is time something were done about it. [Applause.]

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. KVALE. Could the gentleman give me three minutes?

Mr. POU. I am sorry, but I am unable to do so.

Mr. PURNELL. Mr. Speaker, I yield 10 minutes to the gentleman from Michigan [Mr. KETCHAM].

Mr. KETCHAM. Mr. Speaker and Members of the House, I think practically everyone who has spoken upon this bill has taken the pains to say something about his own record in reference to past legislation of this sort. I want to follow precedent in that regard. In 1924 I voted for the McNary-Haugen bill and did all I could to assist in its passage. The hearings on the second bill—that of 1926—will show that my attitude was entirely and completely friendly, and that I intended to go along with the proponents of the bill until about 36 hours before it was to be reported to the House, when what I regarded as a real vital part of it was traded off deliberately, in my judgment, in the hope of securing votes for the measure. Then it was I announced I would have to part company, because I believe the subsidy provided would defeat the main object of the legislation, namely, surplus control, be it seasonal or regional or exportable. I followed that course of action through the various parliamentary stages in the House and spoke and voted against the bill.

If my personal attitude in regard to this legislation is of any interest, I would say that looking at it in a practical way it has seemed to me that the widely published intention of a presidential veto and the strong intimation of court procedure to test the validity of the equalization fee in the present bill would make it advisable for the friends of farm relief to accomplish their purpose through the medium of one of the other bills mentioned in connection with the McNary-Haugen bill.

More than that, I have felt that our Michigan agricultural conditions would be benefited to a greater extent by the enactment of the Curtis-Crisp bill than by the McNary-Haugen bill. Still further, I feel that both the House and Senate forms of the McNary-Haugen bill are deficient in that no provision is made for placing other crops within the provisions of the bill except by further congressional action.

The question of personal attitude, however, is purely academic. As I understand the situation, the action of the Senate last Friday in passing the McNary-Haugen bill in the form we now have it before us for consideration, coupled with our certain action to-day in adopting the rule in order to substitute the same for all bills under consideration now before the committee, simply resolves the whole question into one proposition, namely, Are we to secure any farm relief at this session and, if so, shall we vote for or against the McNary-Haugen bill, the only form of such legislation that can actually be considered?

With that statement of the proposition there is only one thing that I want to do and that I can conscientiously do, and that is to stand before you and say I am going to vote for the McNary-Haugen bill. [Applause.]

Mr. Chairman, if anyone is seeking for a sentiment or statement upon which he may base his action in regard to all farm-relief legislation, I think it can possibly find expression in the words of Henry Van Dyke, who says:

> In the game of life as we play it here in America the rules must be the same for all, the penalties must be the same for all, and the prizes, so far as we can make them such, must be the same for all, and may the best man win.

In the vote upon the pending measure we are seeking to modify the rules of this great game of life as it is played so superbly here in America in the interests of the great farming group.

The problem which this legislation presents is not unlike that which occasionally confronts the House itself in connection with the rules governing its procedure. Although to-day we may think that absolutely the last modification in our House rules has been made to care for every new situation that may arise, hardly a session passes that some new adjustments are not found to be necessary.

So it is in connection with our Nation's economic life. The social order is constantly shifting and changing, particularly in its economic phases.

With each change new rules are required, and these rules, of course, take the form of legislation. The advantage of machinery, the practical revolution in transportation of the last two decades, improvements in communication, have all naturally led to modification of the laws which govern this great game of life as we play it, and it is therefore but fair to heed the Nation-wide appeal of the farmers of the country for a modification of the rules that will enable them to play this greatest of all games in America—the "game of life"—on equal terms with the rest of us.

I repeat, Mr. Chairman, this bill is an effort, a conscientious attempt, to write into the legislation of the country some "rule," if you please, that will enable the farmers of the country to play this grand old game, the greatest game in the world, the game of life, on an equal footing, if you please, with all other groups of our people. [Applause.] If that is a fair statement, of course it follows if we are to be at least decent in our intellectual processes, that we must endeavor to find some sort of a fair, sound basis of comparison between the present situation of the farmers of the country and that of other groups that have been affected by legislation, and let that be our point of departure; and then, following that, see whether other legislation has affected other groups favorably, and finally draw our own conclusion as to what ought to be done with this bill.

I shall not weary the House with a review of legislation that has unquestionably modified the rules to the advantage of other groups of our people, nor shall I attempt to inveigh against either such legislation or the sponsors of it, but I would like to restate in terms of indexes the results that have come to agriculture during the course of the last 10 or 15 years, a part of which can fairly be attributed to the legislation that has been written to meet the needs of our advancing civilization as well as the demands of certain groups who champion such legislation.

Taking the wages of union labor as our first illustration. Starting with 1913 as our base and 100 or our index. We have come along up through the war period and on into the adjustment years following, with these indexes continually increasing until in 1924 they reached 228.1; in 1925, 237.9; and in 1926, 250.3.

Certainly no one who is informed upon the subject will say that the Adamson law of 1916 and the recent immigration acts have not materially contributed to the increase of this union labor index, and to that degree certainly the rules have been changed to the advantage of this great and important group of our people.

Look at freight rates from the same standpoint. Starting again with 1913 as our base and 100 as the index, freight rates are at present 172.5. No one will dispute that the Adamson law and the Esch-Cummins law have contributed to this 72 per cent raise in freight rates.

Taking farm labor and the index for 1913 at 100 and in 1926 approximately 163, we readily see how this important factor in the farmers income has been reflected by the modification of the laws which have been written to the advantage of union labor.

Taking 1914 as a base and 100 as the index, farm taxes since 1914 have advanced 150 per cent. These include State, county, and local taxes.

In 1910 there was a mortgage indebtedness on owner-operated farms of $1,700,000,000, in 1920 it was $4,000,000,000, in 1925 according to the latest agriculture census it was $4,200,000,000.

The total farm mortgage debt, including all farms in 1920, amounted to $7,857,000,000, and at the present time this total mortgage debt is estimated at approximately $8,400,000,000.

Land values increased from 1910 to 1925, 43 per cent.

Mortgage indebtedness increased something like 140 per cent.

The value of land and buildings in 1910 was $34,800,000,000.

In 1925 this total value was $49,500,000,000.

An increase between 1910 and 1925 of something more than 40 per cent.

The increase of mortgage indebtedness between 1910 and 1925 on owner-operated farms, however, was much larger, amounting to 140 per cent.

The gross income from all farm products in 1925 was $12,400,000,000.

This compares with $9,200,000,000 in the worst year of the postwar depression.

During the present season of 1926–27 the Department of Agriculture estimates that the gross income from all farm products will be at least 5 per cent less than in 1925–26, and a study of the department's Outlook report for 1926–27 suggests that there may even be a moderate decline next year.

This recent falling off in income is reflected in the changes that have taken place in agricultural prices in cotton and grain.

While I do not wish to inject a political argument into this debate, yet I can not let pass the statement that has been reiterated time and time again during the course of the debate to the effect that the Fordney-McCumber Tariff Act has robbed the farmer.

Referring to the indexes of nonagricultural products, which includes 404 articles of commerce classified in different groups, I ask your consideration to the following comparison:

Between September, 1922, the date when the Fordney-McCumber tariff became effective, and 1926 it will be observed that in every one of the groups where tariff intervenes the price level for 1926 is below that of 1922, and this in spite of the fact that the labor indexes, which are the principal factor,

have increased from 193.1 to 250.3. In the same period of time farm indexes have gone from 124 to 135, 134, and 146.5. Nonagricultural indexes have gone from 178.6 to 160.8.

Indexes, 1922

Farm products	133
Cloth and clothing	183
Metal and metal products	134
Building material	180
Household furnishings	173
Agricultural	124
Average nonagricultural	178.6

Indexes, 1926

Farm products	142.2
Cloth and clothing	175.9
Metal and metal products	126.7
Building material	173.4
Household furnishings	161.8
Agricultural	146.5
Average nonagricultural	160.8

Before I leave the floor I want to challenge again my good friend from Minnesota, the gentleman who has just left the floor—and he is not alone in the error. I know he will be glad to be corrected and does not want to make a misstatement; I refer to Mr. KVALE, who has never missed an opportunity on this floor to say that a part of the condition of the farmer in America is due to the iniquitous Fordney-McCumber tariff law. I want the gentleman from Minnesota and every other man who believes that to look me in the eye while I tell him again what the facts are. [Applause.]

The SPEAKER pro tempore. The time of the gentleman from Michigan has expired.

Mr. KETCHAM. Mr. Speaker, that was very unkind. [Laughter.]

Mr. PURNELL. Mr. Speaker, I yield to the gentleman from Michigan another minute.

Mr. KVALE. Not wholly due to the tariff.

Mr. KETCHAM. I want to repeat the statement that when the gentleman charges that the present condition of the farmer has been due to the operation of the Fordney-McCumber law——

Mr. KVALE. In part——

Mr. KETCHAM. He is not stating the exact facts. These are the figures: In 1922, in September of that year, when the Fordney-McCumber tariff law went on the statute books, as the gentleman from New York [Mr. JACOBSTEIN] showed very clearly by means of his chart, the nonagricultural products had reached their highest price point since the war, and from that good hour until now they have been on the decline. That should be an adequate answer to the gentleman from Minnesota, who always wants to be very fair. I am grateful to the gentlemen of the committee for the opportunity to make that statement, based upon the official figures gathered from the Bureau of Economics. They will prove my statement to any man who is not biased on the subject. If the gentleman from Minnesota looks into it, I am sure he will be absolutely convinced on that proposition.

One of the chief arguments against the McNary-Haugen bill is the claim that it is unworkable. A complete answer to that is that, try as he will, the farmer under present conditions is unable to take advantage of the protective tariff in crops where seasonal or exportable surpluses are produced. Even the most ardent opponents of this legislation admit that if the farmer could control production he would receive the benefits of the tariff.

Proponents of the bill rightly insist that the farmer is entitled to have machinery set up whereby he can not only care for orderly marketing but also reach the more troublesome problem of controling surpluses. It is no sound argument to predicate opposition to this bill upon the feeling that the farmer will abuse the privileges given under the McNary-Haugen bill by overproducing. Our responsibility is to give him machinery whereby both his friends and his opponents in this Chamber admit he can accomplish this purpose, if wisely used.

The following table, from a series prepared by our good friend, Sydney Anderson, shows clearly how the bill is planned to work, so far as wheat is concerned:

Wheat production (million bushels)	Equalization fee	Price to United States farmer
600	None.	$1.92
700	$0.07	1.85
800	.14	1.78
900	.21	1.71
1,000	.28	1.64
1,100	.35	1.57
1,200	.42	1.50

The farmer will readily see the difference between an equalization fee of 7 cents and 42 cents per bushel, and that the difference will be a strong restraining influence on all farmers as a group as well as hit straight home to each individual farmer, and therefore unquestionably effective.

In the table just referred to from the brilliant brain of Sidney Anderson, a very extreme estimate does not contemplate an increase in price of more than 42 cents per bushel for wheat; namely, the world price, plus the tariff.

It will therefore be readily seen that there is no warrant for the argument that this is an "urban holdup," a phrase that has become somewhat stereotyped. Present conditions are a rural "hold down."

But granted, for the sake of argument, that 1 cent per pound loaf of bread is added to the cost, for which there can be no reasonable justification, is it not a fair presumption to say that the average city dweller who is dependent upon steady employment with good wages, would be willing to pay that extra cent, if, by the payment of that cent he could be assured that the farmers of the country, who are consumers of the product he produces, would be in the market for these products to an added degree.

Probably the strongest opposition to this bill will come from those who conscientiously believe that it will unduly raise the price paid by consumers of the products enumerated in the bill.

In the first place, may I say that the testimony that has been given before our committee justifies me in the statement that any price lifting due to the enactment of this bill will be based merely upon a desire to raise prices rather than any valid reason that can be given for so doing.

Take wheat, for instance; probably more will be said about raising the cost of bread to every family in the city than upon any one single item mentioned in the bill.

I call your attention to the direct testimony given by one of the most brilliant men who ever appeared before our Committee on Agriculture in my experience, Mr. Elwood Rabenold, of New York City, attorney for the bakers. He stated unequivocally that under present conditions a raise in price of $2.50 a barrel for flour would have to be charged before an increase of 1 cent per pound loaf of bread would be warranted. He further stated, with a great deal of emphasis, that a baker could absorb an increase of 50 cents a bushel for wheat without any justification for charging an extra cent for a pound loaf of bread. This is due to the fact that a very small portion of the cost of a loaf of bread is in the material that goes into it.

Mr. POU. Mr. Speaker——

Mr. KETCHAM. I thought I had an additional minute left. It is a source of sincere gratification to me, as a stalwart Republican, that I have seen on the floor of this House one of the stalwart members of the other party, a gentleman from the South, turn turtle upon this proposition and make in your hearing one of the best speeches I have heard in behalf of the McNary-Haugen bill, and the principle of protection which it carries. I welcome to the ranks of the protectionists of the country the Hon. DAVID H. KINCHELOE and his Democratic colleagues from the great State of Kentucky. [Laughter and applause.]

Mr. POU. Mr. Speaker, I yield five minutes to the gentleman from Oklahoma [Mr. MCKEOWN]. [Applause.]

Mr. MCKEOWN. Mr. Speaker, speaking for the farmers and the business interests dependent upon agriculture in my district, I desire to appeal to those Representatives from industrial districts to aid in the passage immediately of farm-relief legislation. The farmers are so busy with their individual financial difficulties they have little or no time to devote to the study of the various bills offered for their relief. They depend upon their organization leaders and upon Congress. In the final analysis they depend upon you and me to give them the best bill our judgment dictates. They are not responsible for any mistakes their leaders may make but they will hold us responsible for any mistakes we may make in not giving them an opportunity to better their financial condition. The McNary bill may not do all the good claimed for it, but legislation for the farmers is imperative and speed in enacting a relief measure is the essence of the necessity.

Speaking for myself, I am convinced that many amendments to the bill will eventually be required before the legislation will work satisfactorily but this is no reason why we should hesitate to take the steps necessary to give immediate relief to agriculture. Many constructive acts have required much amending but the enactment of the required legislation was beneficial and wise. As long as certain protected interests in this country assume a "dog in the manger" attitude toward agriculture just so certain is destruction destined to overwhelm them in the end. To those of you unacquainted with the plight of the farmers let me appeal to you to listen to the true

facts in their case before you vote to close the door of hope in their faces.

Since the deflation program of 1920–21 the farmers of my country have seen their earnings of a lifetime vanish like a mist before a sea-born gale. Their profits turned overnight to losses; their livestock and farm implements were then listed in chattel mortgages and went out of their hands on foreclosure; the home with the fireside, around which the children were raised and to which fond memories of happy days cling, went into the hands of alien owners; bankrupt merchants and closed banks have taken his credit, and now we find the farmer left helpless to the mercy of the money lenders, freight rates, and profiteers. The home-owning independent farmer is fast passing out of the picture of American life, leaving the memory of childhood's fondest hours as a heritage of only a few. Childhood on a farm, now the sweetest recollections of some of America's greatest men and women, will soon change to childhood days in a busy mill. What profit to the Nation will we gain if we become the first Nation in the world in industry, wealth, and influence and we lose agriculture? I appeal to you to vote to take little children from the cotton fields and send them to school, to give tired housewives an opportunity to rest, to give the overburdened husbandmen a ray of hope.

A few days ago in this city, the proud Capital of the Nation, a poorly clad old man and woman were walking along looking into various trash cans. The woman said, "I knew you would not find it." This attracted the attention of a passer-by, who made inquiry as to what they had lost, and the reply was that they were looking for something to eat. They were taken to a near-by restaurant and given a hearty meal and some money. They were asked why they had not applied to some charitable institution, and this brought the information that they were strangers and did not know of such a place. It was disclosed that they had lost their little farm and everything they owned and were trying to find a relative who had come to the city. Not all farmers are poor, not all farmers are in needy circumstances, but the great majority face bankruptcy. They have asked you for bread, will you give them a stone? I for one am going to give my best thought and energies to pass a measure that promises some real relief. While I personally believe that the equalization feature of the bill ought to be postponed for one year, yet I am not willing to deny the farmer the opportunity to vote upon the question whether he will have it applied to his product.

Give us an opportunity to bring back happy days on the farm, prosperous business to our merchants, and strengthen our banks. [Applause.]

Mr. PURNELL. Mr. Speaker, I yield two minutes to the gentleman from Wisconsin [Mr. SCHAFER].

Mr. SCHAFER. Mr. Speaker, some of the opponents of this legislation have repeatedly stated that those from city districts are opposed to this farm relief bill. I have the honor to represent an industrial district, a district in which there are very few farmers, and I am going to vote for this farm relief bill. [Applause.]

The industrial workers and farmers of this country realize that their interests are mutual. The prosperity of the farmers is closely interwoven with the prosperity of the employees and business institutions of the city. When the farmers are prosperous they are able to purchase the production of industrial workers and business institutions.

The farm organizations in this country are in favor of the pending legislation. They want it enacted, and if my vote can help the farmers get what they want, they will get it. If this bill is enacted into law and does not solve the farmers' problems as the chosen representatives of farmers believe it will, then I would strongly urge that those representatives put their shoulders to the wheel and support legislation having for its purpose the modification of the Volstead Act.

I believe we could materially assist a great many of the farmers if we would pass a bill to amend the Volstead Act and permit the sale and manufacture of light beer. [Laughter.] We know that one of the main ingredients of beer is barley, and that barley is one of the best rotating crops that a farmer can plant. When we look for the time that the farmers' distress began, we find it was about the time the so-called Volstead Act was placed upon the statute books.

I hope this farm relief bill will pass.

Mr. PURNELL. Mr. Speaker, the last word having been spoken, I ask for a vote.

The SPEAKER. Under the unanimous-consent agreement, the previous question is ordered, and the question is on agreeing to the resolution.

The question was taken; and on a division (demanded by Mr. NEWTON of Minnesota) there were—ayes 201, noes 62.

Mr. NEWTON of Minnesota. Mr. Speaker, I ask for the yeas and nays.

The SPEAKER. The yeas and nays are demanded. [After counting.] Thirty gentlemen have arisen, not a sufficient number, so the yeas and nays are refused.

So the resolution was agreed to.

Mr. HAUGEN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 4808, to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of Senate bill 4808, with Mr. MAPES in the chair.

The Clerk read the title of the bill.

Mr. CHINDBLOM. A point of order, Mr. Chairman. The bill should be read. This is the first reading of the bill.

Mr. HAUGEN. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that the first reading of the Senate bill be dispensed with. Is there objection?

Mr. BLANTON. Mr. Chairman, with the understanding that at this point the bill be printed in the RECORD without reading, I shall not object.

Mr. HAUGEN. I have no objection to that.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa that the first reading of the bill be dispensed with?

Mr. BLANTON. Mr. Chairman, reserving the right to object, will the gentleman have the bill printed in the RECORD at this point?

Mr. HAUGEN. I have no objection.

Mr. BLANTON. Will the gentleman so amend his request?

Mr. HAUGEN. I will agree to such an amendment if the gentleman offers it. I will accept that amendment.

Mr. BLANTON. The gentleman from Iowa says he will accept the suggestion that the bill be printed without reading.

The CHAIRMAN. The gentleman from Texas [Mr. BLANTON] couples with the request that the bill be printed in the RECORD at this point. Is there objection?

There was no objection.

The bill (S. 4808) is as follows:

Be it enacted, etc.—

DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of Congress to promote the orderly marketing of basic agricultural commodities in interstate and foreign commerce and to that end to provide for the control and disposition of surpluses of such commodities, to enable producers of such commodities to stabilize their markets against undue and excessive fluctuations, to preserve advantageous domestic markets for such commodities, to minimize speculation and waste in marketing such commodities, and to encourage the organization of producers of such commodities into cooperative marketing associations.

FEDERAL FARM BOARD

SEC. 2. (a) A Federal Farm Board is hereby created which shall consist of the Secretary of Agriculture, who shall be a member ex officio, and 12 members, one from each of the 12 Federal land-bank districts, appointed by the President of the United States, by and with the advice and consent of the Senate, from lists of eligibles submitted by the nominating committee for the district, as hereinafter in this section provided.

(b) There is hereby established a nominating committee in each of the 12 Federal land-bank districts, to consist of seven members. Four of the members of the nominating committee in each district shall be elected by the bona fide farm organizations and cooperative associations in such district at a convention of such organizations and associations, to be held at the office of the Federal land bank in such district, or at such other place, in the city where such Federal land bank is located, to which the convention may adjourn. Two of the members of the nominating committee in each district shall be elected by a majority vote of the heads of the agricultural departments of the several States of each Federal land-bank district, at a meeting to be held in the same city and at the same time of the meeting of the convention of the bona fide farm organizations and cooperative associations in each district. One of the members of the nominating committee in each district shall be appointed by the Secretary of Agriculture.

(c) The Secretary of Agriculture shall, within 30 days after the approval of this act and biennially thereafter, with the advice of such farm organizations and cooperative associations as he considers to be representative of agriculture in any district, (1) fix the date on which a convention in such district shall be held, (2) designate the farm

organizations and cooperative associations in the district eligible to participate in such convention, and (3) designate the number of representatives and the number of votes to which each such organization or association in the district shall be entitled. The date fixed for the first convention in each district shall be not later than 45 days after the approval of this act, and the date fixed for subsequent conventions in the district shall be, as nearly as practicable, two years after the preceding convention. The Secretary of Agriculture shall mail, at least 15 days prior to the date on which a convention is to be held, to each organization and association eligible to participate in such convention, notice of the date and place of such convention. The Secretary of Agriculture shall prescribe uniform regulations for the procedure at the conventions and for the proper certification of election of the members of each nominating committee.

(d) The term of office of each member of a nominating committee first elected or appointed shall expire two years from the date of his election or appointment, and the term of office of a successor shall expire two years from the date of the expiration of the term for which his predecessor was elected or appointed. Any member of a nominating committee in office at the expiration of the term for which he was elected or appointed, may continue in office until his successor takes office.

(e) The members of each nominating committee shall serve without salary but may be paid by the Federal Farm Board a per diem compensation not exceeding $20 for attending meetings of the committee. Each member shall be paid by the board his necessary traveling expenses to and from the meetings of the nominating committee and his actual expenses while engaged upon the business of the committee.

(f) Each nominating committee shall, as soon as practicable after the approval of this act, meet, organize, select a chairman, secretary, and such other officers as it deems necessary, and submit to the President a list of three individuals from its district eligible for appointment to the board.

(g) Whenever a vacancy occurs in the board, or whenever in the opinion of the chairman of the board a vacancy will soon occur, in the office of a member from any Federal land bank district, the chairman of the board shall notify the nominating committee in such district. The nominating committee shall, as soon as practicable thereafter, meet and submit to the President a list of three individuals from such district, eligible for appointment to the board.

QUALIFICATIONS AND TERMS OF BOARD MEMBERS

SEC. 3. (a) The terms of office of the appointed members of the board first taking office after the approval of this act shall expire, as designated by the President at the time of nomination, four at the end of the second year, four at the end of the fourth year, and four at the end of the sixth year, after the date of the approval of this act. A successor to an appointed member of the board shall be appointed in the same manner as the original appointed members, and shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed.

(b) Any person appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term.

(c) Any member of the board in office at the expiration of the term for which he was appointed, may continue in office until his successor takes office.

(d) Vacancies in the board shall not impair the powers of the remaining members to execute the functions of the board, and a majority of the appointed members in office shall constitute a quorum for the transaction of the business of the board.

(e) Each of the appointed members of the board shall be a citizen of the United States, shall not actively engage in any other business, vocation, or employment than that of serving as a member of the board, and shall receive a salary of $10,000 a year, together with necessary traveling expenses and expenses incurred for subsistence or per diem allowance in lieu thereof, within the limitations prescribed by law, while away from the principal office of the board on business required by this act, or if assigned to any other office established by the board, then while away from such office on business required by this act.

GENERAL POWERS

SEC. 4. The board—

(a) Shall annually designate an appointed member to act as chairman of the board.

(b) Shall maintain its principal office in the District of Columbia, and such other offices in the United States as it deems necessary.

(c) Shall have an official seal which shall be judicially noticed.

(d) Shall make an annual report to Congress.

(e) May make such regulations as are necessary to execute the functions vested in it by this act.

(f) May (1) appoint and fix the salaries of a secretary and such experts and, in accordance with the classification act of 1923 and subject to the provisions of the civil service laws, such other officers and employees, and (2) make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as may be necessary for the execution of the functions vested in the board.

SPECIAL POWERS AND DUTIES

SEC. 5. (a) The board shall meet at the call of the chairman, or of the Secretary of Agriculture, or of a majority of its members.

(b) The board shall keep advised, from any available sources, of crop prices, prospects, supply and demand, at home and abroad, with especial attention to the existence or the probability of the existence of a surplus of any agricultural commodity or any of its food products.

(c) The board shall advise cooperative associations, farm organizations, and producers in the adjustment of production and distribution, in order that they may secure the maximum benefits under this act.

CONTROL AND DISPOSITION OF SURPLUS

SEC. 6. (a) For the purposes of this act, cotton, wheat, corn, rice, tobacco, and swine shall be known and are referred to as "basic agricultural commodities," except that the board may, in its discretion, treat as a separate basic agricultural commodity one or more of such classes or types of tobacco as are designated in the classification of the Department of Agriculture.

(b) Whenever the board finds that the conditions of production and marketing of any other agricultural commodity are such that the provisions of this act applicable to a basic agricultural commodity should be made applicable to such other agricultural commodity, the board shall submit its report thereon to Congress.

(c) Whenever the board finds, first, that there is or may be during the ensuing year either (1) a surplus above the domestic requirements for wheat, corn, rice, tobacco, or swine, or (2) a surplus above the requirements for the orderly marketing of cotton, or of wheat, corn, rice, tobacco, or swine; and, second, that both the advisory council hereinafter created for the commodity and a substantial number of cooperative associations or other organizations representing the producers of the commodity favor the full cooperation of the board in the stabilization of the commodity, then the board shall publicly declare its findings and commence, upon a date to be fixed by the board and published in such declaration, the operations in such commodity authorized by this act: *Provided,* That in any State where not as many as 50 per cent of the producers of the commodity are members of such cooperative associations or other organizations, an expression from the producers of the commodity shall be obtained through a State convention of such producers, to be called by the head of the department of agriculture of such State, under rules and regulations prescribed by him. Such operations shall continue until terminated by the board. Any decision by the board relating to the commencement or termination of such operations shall require the affirmative vote of a majority of the appointed members in office, and the board shall not commence or terminate operations in any basic agricultural commodity unless members of the board representing Federal land-bank districts which in the aggregate produced during the preceding crop year, according to the estimates of the Department of Agriculture, more than 50 per cent of such commodity, vote in favor thereof and until the board shall become satisfied that a majority of the producers of such commodity favor such action.

(d) During the continuance of such operations in any basic agricultural commodity, the board is authorized to enter into agreements, for the purpose of carrying out the policy declared in section 1, with any cooperative association engaged in handling the basic agricultural commodity, or with a corporation created by one or more of such cooperative associations, or with processors of the basic agricultural commodity.

(e) Such agreements may provide for (1) removing or disposing of any surplus of the basic agricultural commodity, (2) withholding such surplus, (3) insuring such commodity against undue and excessive fluctuations in market conditions, and (4) financing the purchase, storage, or sale or other disposition of the commodity. The moneys in the stabilization fund of the basic agricultural commodity shall be available for carrying out such agreements. In the case of any agreement in respect of the removal or disposal of the surplus of a basic agricultural commodity, the agreement shall provide both for the payment from the stabilization fund for the commodity of the amount of losses, costs, and charges, arising out of the purchase, storage, or sale or other disposition of the commodity or out of contracts therefor, and for the payment into the stabilization fund for the commodity of profits (after deducting all costs and charges provided for in the agreement) arising out of such purchase, storage, or sale or other disposition, or contracts therefor. In the case of agreements insuring such commodity against undue and excessive fluctuations in market conditions, the board may insure any cooperative marketing association against decline in the market price for the commodity at the time of sale by the association, from the market price for such commodity at the time of delivery to the association.

(f) If the board is of the opinion that there is no such cooperative association or associations, or corporation created by one or more cooperative associations, capable of carrying out any such agreement, the board may enter into such agreements with other agencies.

(g) If the board is of the opinion that there are two or more cooperative associations capable of carrying out any such agreement, the board in entering into such agreement shall not discriminate unreasonably against any such association in favor of any other such association.

(h) During any period in which the board is engaged under this act in operations in any basic agricultural commodity other than cotton, or tobacco, the provisions of subdivisions (d), (e), and (f) of this section shall have the same application in respect of the food products of the commodity as they have in respect of the commodity.

COMMODITY ADVISORY COUNCILS

SEC. 7. (a) The board is hereby authorized and directed to create for each basic agricultural commodity an advisory council of seven members fairly representative of the producers of such commodity. Members of each commodity advisory council shall be selected annually by the board from lists submitted by the heads of the agricultural departments of the several States within the Federal land bank district and from lists submitted by cooperative marketing associations and farm organizations determined by the board to be representative of the producers of such commodity. Members of each commodity advisory council shall serve without salary but may be paid by the board a per diem compensation not exceeding $20 for attending meetings of the council and for time devoted to other business of the council and authorized by the board. Each council member shall be paid by the board his necessary traveling expenses to and from meetings of the council and his expenses incurred for subsistence, or per diem allowance in lieu thereof, within the limitations prescribed by law, while engaged upon the business of the council. Each commodity advisory council shall be designated by the name of the commodity it represents, as, for example, "the cotton advisory council."

(b) Each commodity advisory council shall meet as soon as practicable after its selection at a time and place designated by the board and select a chairman. The board may designate a secretary of the council, subject to the approval of the council.

(c) Each commodity advisory council shall meet thereafter at least twice in each year at a time and place designated by the board, or upon a call duly signed by a majority of its members at a time and place designated therein.

(d) Each commodity advisory council shall have power, by itself or through its officers, (1) to confer directly with the board, or to make oral or written representations concerning matters within the jurisdiction of the board, (2) to call for information from the board and to make representations to the board in respect of the commodity represented by the council in regard to the time and manner of operations by the board, the amount and methods of collection of the equalization fee, and all matters pertaining to the interest of the producers of the commodity, and (3) to cooperate with the board in advising producers and cooperative associations and farm organizations in the adjustment of production in order to secure the maximum benefits under this act.

EQUALIZATION FEE

SEC. 8. In order that each marketed unit of a basic agricultural commodity may contribute ratably its equitable share to the stabilization fund hereinafter established for such commodity; in order to prevent any unjust discrimination against, any direct burden or undue restraint upon, and any suppression of commerce with foreign nations in basic agricultural commodities in favor of interstate or intrastate commerce in such commodities; and in order to stabilize and regulate the current of foreign and interstate commerce in such commodities—there shall be apportioned and paid as a regulation of such commerce an equalization fee as hereinafter provided.

AMOUNT EQUALIZATION FEE

SEC. 9. Prior to the commencement of operations in respect of any basic agricultural commodity, and thereafter from time to time, the board shall estimate the probable advances, losses, costs, and charges to be paid in respect of the operations in such commodity. Having due regard to such estimates, the board shall from time to time determine and publish the amount for each unit of weight, measure, or value designated by it, to be collected upon such unit of such basic agricultural commodity during the operations in such commodity. Such amount is hereinafter referred to as the "equalization fee." At the time of determining and publishing an equalization fee the board shall specify the period during which it shall remain in effect, and the place and manner of its payment and collection.

PAYMENT AND COLLECTION OF EQUALIZATION FEE

SEC. 10. (a) Under such regulations as the board may prescribe there shall be paid, during operations in a basic agricultural commodity and in respect of each unit of such commodity, an equalization fee upon one of the following: The transportation, processing, or sale of such unit. No more than one equalization fee shall be collected in respect of any unit. The board shall determine in the case of any class of transactions in the commodity whether the equalization fee shall be upon transportation, processing, or sale.

(b) The board may by regulation require any person engaged in the transportation, processing, or acquisition by sale of a basic agricultural commodity—

(1) To file returns under oath and to report, in respect of his transportation, processing, or acquisition of such commodity, the amount of equalization fees payable thereon and such other facts as may be necessary for their payment or collection.

(2) To collect the equalization fee as directed by the board, and to account therefor.

(3) In the case of cotton, to issue to the producer a serial receipt for the commodity which shall be evidence of the participating interest of the producer in the equalization fund for the commodity. The board may in such case prepare and issue such receipts and prescribe the terms and conditions thereof. The Secretary of the Treasury, upon the request of the board, shall have such receipts prepared at the Bureau of Engraving and Printing.

(c) Every person who, in violation of the regulations prescribed by the board, fails to collect or account for any equalization fee shall be liable for its amount and to a penalty equal to one-half its amount. Such amount and penalty may be recovered together in a civil suit brought by the board in the name of the United States.

STABILIZATION FUNDS

SEC. 11. (a) In accordance with regulations prescribed by the board, there shall be established a stabilization fund for each basic agricultural commodity. Such funds shall be administered by and exclusively under the control of the board, and the board shall have the exclusive power of expending the moneys in any such fund. There shall be deposited to the credit of the stabilization fund for a basic agricultural commodity, advances from the revolving fund hereinafter established, premiums paid for insurance under section 12, and the equalization fees and profits in connection with operations by the board in the basic agricultural commodity or its food products.

(b) The board, in anticipation of the collection of the equalization fees and the payment of premiums for insurance under section 12, and in order promptly to make the payments required by any agreement under section 6 or by the insurance contracts under section 12 and pay salaries and expenses of experts, may in their discretion advance to the stabilization fund for any basic agricultural commodity, out of the revolving fund hereinafter established, such amounts as may be necessary.

(c) The deposits to the credit of the stabilization fund shall be made in a public depositary of the United States. All general laws relating to the embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys of the United States, shall apply to equalization fees collected by any person and to profits payable to the credit of a stabilization fund, whether or not such fees or profits have been credited to the appropriate stabilization fund, as well as to moneys deposited to the credit of the fund or withdrawn therefrom but in the custody of any officer or employee of the United States.

(d) There shall be disbursed from the stabilization fund for any basic agricultural commodity only (1) the payments required to be made by any agreement under section 6 or by an insurance contract under section 12, (2) the salaries and expenses of such experts as the board determines should be payable from such fund, and (3) repayments to the revolving fund of any amounts advanced in respect of the agricultural commodity from the revolving fund to the stabilization fund and remaining unpaid, together with interest on such amounts at the rate of 4 per cent per annum.

(e) When the amount in the equalization fund for cotton is, in the opinion of the board, in excess of the amount adequate to carry out the requirements of this act in respect of such commodity, and the collection of further equalization fees thereon is likely to maintain an excess, the board may retire in their serial order as many as practicable of the outstanding receipts evidencing a participating interest in such fund. Such retirement shall be had by the payment to the holders of such receipts of their distributive share of such excess as determined by the board. The amount of the distributive share payable in respect of any such receipt shall be an amount bearing the same ratio to the face value of such receipt as the value of the assets of the board in or attributable to the fund bear to the aggregate face value of the outstanding receipts evidencing a participating interest in such fund, as determined by the board.

LOANS AND INSURANCE

SEC. 12. (a) The board is authorized, upon such terms and conditions and in accordance with such regulations as it may prescribe, to make loans out of the revolving fund to any cooperative association engaged in the purchase, storage, or sale or other disposition of any agricultural commodity (whether or not a basic agricultural commodity) for the purpose of assisting such cooperative association in controlling the surplus of such commodity in excess of the requirements for orderly marketing.

(b) For the purpose of developing continuity of cooperative services, including unified terminal marketing facilities and equipment, the board

is authorized, upon such terms and conditions and in accordance with such regulations as it may prescribe, to make loans out of the revolving fund to any cooperative association engaged in the purchase, storage, sale, or other disposition, or processing of any agricultural commodity, (1) for the purpose of assisting any such association in the acquisition, by purchase, construction, or otherwise, of facilities to be used in the storage, processing, or sale of such agricultural commodity, or (2) for the purpose of furnishing funds to such associations for necessary expenditures in federating, consolidating, or merging cooperative associations, or (3) for the purpose of furnishing to any such association funds to be used by it as capital for any agricultural credit corporation eligible for receiving rediscounts from an intermediate-credit bank. In making any such loan the board may provide for the payment of such charge, to be determined by the board from time to time, upon each unit of the commodity handled by the association, as will within a period of not more than 20 years repay the amount of such loan, together with interest thereon. The aggregate amounts loaned under this subdivision and remaining unpaid shall not exceed at any one time the sum of $25,000,000.

(c) Any loan under subdivision (a) or (b) shall bear interest at the rate of 4 per cent per annum.

(d) The board may at any time enter into a contract with any cooperative marketing association engaged in marketing any basic agricultural commodity, insuring such association for periods of 12 months against decline in the market price for such commodity at the time of sale by the association from the market price for such commodity at the time of delivery to the association. For such insurance the association shall pay such premium, to be determined by the board, upon each unit of the basic agricultural commodity reported by the association for coverage under the insurance contract, as will cover the risks of the insurance.

EXAMINATIONS OF BOOKS AND ACCOUNTS OF BOARD

SEC. 13. Expenditures by the board for loans and advances from the revolving fund and expenditures by the board from the appropriation under subdivision (b) of section 16 shall be allowed and paid upon the presentation of itemized vouchers therefor, approved by the chairman of the board. Expenditures by the board, including loans and advances, from the stabilization funds shall be made by the authorized officers or agents of the board upon receipt of itemized vouchers therefor, approved by such officers as the board may designate. Vouchers so made for expenditures from the revolving fund or any stabilization fund shall be final and conclusive upon all officers of the Government; except that all financial transactions of the board (including the payments required by any agreement under section 6 or by the insurance contracts under section 12) shall, subject to the above limitation, be examined by the General Accounting Office, at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination in respect of expenditures from the revolving fund or from any stabilization fund shall be for the sole purpose of making a report to the Congress and to the board of expenditures and contracts in violation of law, together with such recommendations as the Comptroller General deems advisable concerning the receipt, disbursement, and application of the funds administered by the board.

COOPERATION WITH EXECUTIVE DEPARTMENTS

SEC. 14. (a) It shall be the duty of any governmental establishment in the executive branch of the Government, upon request by the board, or upon Executive order, to cooperate with and render assistance to the board in carrying out any of the provisions of this act and the regulations of the board. The board shall, in cooperation with any such governmental establishment, avail itself of the services and facilities of such governmental establishment in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the board with such information and data pertaining to the functions of the board as may be contained in the records of such governmental establishment. The order of the President may provide such limitations as to the use of the information and data as he deems desirable.

(c) The board may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

DEFINITIONS

SEC. 15. (a) As used in this section and in section 10 (relating to the equalization fees)—

(1) In the case of wheat, rice, or corn the term "processing" means milling for market of wheat, rice, or corn, or the first processing in any manner for market (other than cleaning or drying) of wheat, rice, or corn not so milled, and the term "sale" means a sale or other disposition in the United States of wheat, rice, or corn for milling or other processing for market, for resale, or for delivery by a common carrier—occurring after the beginning of operations by the board in respect of wheat, rice, or corn.

(2) In the case of cotton the term "processing" means spinning, milling, or any manufacturing of cotton other than ginning; the term "sale" means a sale or other disposition in the United States of cotton for spinning, milling, or any manufacturing other than ginning, or for delivery outside the United States; and the term "transportation" means the acceptance of cotton by a common carrier for delivery to any person for spinning, milling, or any manufacturing of cotton other than ginning, or for delivery outside the United States—occurring after the beginning of operations by the board in respect of cotton.

(3) In the case of swine the term "processing" means slaughter for market by a purchaser of swine, and the term "sale" means a sale or other disposition in the United States of swine destined for slaughter for market without intervening holding for feeding (other than feeding in transit) or fattening—occurring after the beginning of operations by the board in respect of swine.

(4) In the case of tobacco the term "sale" means a sale or other disposition to any dealer in leaf tobacco or to any registered manufacturer of the products of tobacco.

(5) The term "transportation" means the acceptance of a commodity by a common carrier for delivery.

(6) The term "sale" does not include a transfer to a cooperative association for the purpose of sale or other disposition by such association on account of the transferor; nor a transfer of title in pursuance of a contract entered into before, and at a specified price determined before, the commencement of operations in respect of the basic agricultural commodity. In case of the transfer of title in pursuance of a contract entered into after the commencement of operations in respect of the basic agricultural commodity, but entered into at a time when and at a specified price determined at a time during which a particular equalization fee is in effect, then the equalization fee applicable in respect of such transfer of title shall be the equalization fee in effect at the time when such specified price was determined.

(a) As used in this act—

(1) The term "person" means individual, partnership, corporation, or association.

(2) The term "United States," when used in a geographical sense, means continental United States.

(3) The term "cooperative association" means an association of persons engaged in the production of agricultural products, as farmers, planters, ranchers, dairymen, or nut or fruit growers, organized to carry out any purpose specified in section 1 of the act entitled "An act to authorize association of producers of agricultural products," approved February 18, 1922, if such association is qualified under such act.

(4) The term "tobacco" means leaf tobacco, stemmed or unstemmed.

REVOLVING FUND AND APPROPRIATION

SEC. 16. (a) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $250,000,000, which shall be administered by the board and used as a revolving fund, in accordance with the provisions of this act. The Secretary of the Treasury shall deposit in the revolving fund such amounts, within the appropriations therefor, as the board from time to time deems necessary.

(b) For expenses in the administration of the functions vested in the board by this act, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $500,000, to be available to the board for such expenses (including salaries and expenses of the members, officers, and employees of the board and the per diem compensation and expenses of members of the commodity advisory councils and the nominating committees) incurred prior to July 1, 1928.

SEPARABILITY OF PROVISIONS

SEC. 17. If any provision of this act is declared unconstitutional or the applicability thereof to any person, circumstance, commodity, or class of transactions in respect of any commodity, is held invalid, the validity of the remainder of the act and the applicability of such provision to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby.

SHORT TITLE

SEC. 18. This act may be cited as the "Surplus control act."

Mr. GARRETT of Tennessee. Mr. Chairman, may I have the attention of the gentleman from Iowa? I think it might be well to have the understanding now in the committee that the bill will not be read for amendment this afternoon.

Mr. HAUGEN. That is perfectly agreeable to me.

Mr. RAMSEYER. We might read the first section and then rise.

Mr. GARRETT of Tennessee. The amendment to be offered will come upon the reading of the first section of the bill.

Mr. HAUGEN. We might just read the first section.

Mr. CRISP. That is where the amendment will be offered.

Mr. HAUGEN. We may simply read it and then it would be in order to offer the amendment later.

Mr. GARRETT of Tennessee. It will be all right to read the first section with the right reserved to offer amendments.

Mr. RAMSEYER. Certainly.

Mr. GARRETT of Tennessee. The reading will not go beyond or pass the stage of amendment.

Mr. HAUGEN. That is agreeable to me.

Mr. CRISP. I understand then, Mr. Chairman, if the first section is read, then to-morrow, or when we resume consideration of the bill, anyone will have the right to offer an amendment to strike out the first section and offer a substitute, provided, of course, the substitute is germane and proper.

Mr. HAUGEN. Whatever is permissible under the rules.

The CHAIRMAN. The gentleman from Iowa [Mr. HAUGEN] is recognized for one hour.

Mr. HAUGEN. I yield five minutes to the gentleman from Nebraska [Mr. SIMMONS].

Mr. SIMMONS. Mr. Chairman and gentlemen of the committee, when I came to Congress four years ago I received a bit of good advice from one of my Democratic friends [applause], and that was it was mighty easy to get something in the RECORD, but when it got there it was mighty difficult to get it out.

This morning the Secretary of the Treasury told the country in a letter that was inserted in the RECORD what dire things would happen if the McNary-Haugen bill should pass. My thought went back to the controversy we have had in Congress the past four years over the adjusted compensation bill. I desire to read now some of the awful things the Secretary of the Treasury predicted about that bill in the light of what has since happened in order that we may better judge how much credit to give to his predictions about this bill.

President Harding, in his veto message on the adjusted compensation bill, said:

> The latest Budget figures for the current fiscal year show an estimated deficit of more than $650,000,000 and a further deficit for the year succeeding.

Mr. Mellon, in a letter dated December 18, 1923, to PIATT ANDREW, our colleague from Massachusetts, assumed responsibility for that estimate. That estimate, on which the President acted, has been proven to have been in error $1,200,000,000.

Then, in a letter of November 10, 1923, which the gentleman from Indiana [Mr. PURNELL] read, he predicted that if we passed the bonus bill there would be not only a deficit and no reduction of taxes, but an increase of taxes. Later, in the letter to Congressman ANDREW, he said that statement was one that was "well founded"; yet since he made that statement we passed the adjusted compensation bill, have twice reduced the taxes of the country, and the President is of record asking us to reduce the taxes yet a third time.

Then in this letter to Congressman ANDREW he made a statement about the loan feature of the adjusted compensation bill, and I read this to you, because we have just now passed through the period which he prophesied about and the dire situation he said would happen did not happen. But exactly the contrary did happen. About the loan feature of the bonus certificates he said:

> The bill gives the right in the first three years to borrow from the banks of the country, and that this right would be exercised by the great majority of the certificate holders none denies. The consequent demand for credit would raise the interest rates which the Government, as well as the general public, will have to pay on borrowed money. At the same time, the mere passage of the bill would depress the price of Government bonds and increase their basis of return. In such a money market the Government would have to take care of $8,000,000,000 of its securities which mature within the next five years, and to do so would, of course, have to meet the higher rate of interest. The continuing cost of an increase in interest rates on such a volume of refunding would be very large. The Government, like every other person in the United States, would also have to conduct its business at greatly increased expense, due to the higher price level generally which would inevitably follow the credit expansion and decreased production brought on by the bonus law. Soon the disturbance to business by this and other factors would reduce the income of the people and thus the Government's revenue, so that any estimated surplus would no longer exist, and recourse would have to be had to additional taxes.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. McLAUGHLIN of Nebraska. Mr. Chairman, I yield the gentleman three more minutes.

Mr. SIMMONS. This is the estimate of the Secretary of the Treasury as to what would happen in the United States when the adjusted compensation bill became a law and the service men began to borrow money on the bonus certificates, as they did two weeks ago. Not one of his predictions about the adjusted compensation law, to which he was personally opposed, has come true.

Then, in a letter to Senator SMOOT, of Utah, on the 7th of March, 1924, in discussing the cash features of the Copeland bill, he makes this statement, referring to the revenue bill then pending in the Congress wherein the proposal was to reduce taxes and revenues about $450,000,000:

> This estimated reduction is greatly in excess of the surplus for the year 1923 and will undoubtedly result in a deficit. To add expenditures resulting from the proposed bill would necessarily mean a further increased deficit, which would only be met by taxation in some form and would undo the work of tax reduction.

That deficit did not occur and a surplus did come to the Treasury.

I read this because it has been the habit of the Secretary of the Treasury to issue statements as to the cost of bills which he opposes and to predict many things which somehow never come true. I submit them to the Congress for the consideration they deserve in showing that in these other matters his guesses have been far from the facts, as the situation has developed, and in this case it probably will be likewise. As a Secretary of the Treasury, in handling the Nation's funds, he has been a marked success. On the effect of legislation such as this he has failed in his prophecies, and there is nothing to indicate that this prophecy will be better than those which he has heretofore made. [Applause.]

Mr. ASWELL. Mr. Chairman, I yield 15 minutes to the gentleman from Texas [Mr. JONES].

Mr. JONES. Mr. Chairman and gentlemen of the committee, I expect to offer at the proper time—and I hope it may be held in order—a substitute which in my judgment is a better plan than any that has been suggested. It is generally known as the export premium or debenture proposal. It provides, in brief, that when any of the basic agricultural commodities are exported a premium certificate somewhat equivalent to the items in the tariff shall be issued to the cooperative organization or the individual farmer or other exporter who exports the commodity. That premium certificate is to be made negotiable and would be legal tender in payment of any and all customs duties.

I want to state this proposition, that if those who are advocating farm-relief legislation really want to adopt a plan that will make equality in prices between the products of agriculture and the products of industry, this is the one plan that has been offered that will do it. I am conceding that other plans that have been offered may have some effect along the line suggested; but if you take something away in the form of a fee or otherwise it will not leave equality. If 1,000 bushels of wheat were exported by a cooperative organization and a certificate for 30 cents a bushel, or $300, were issued to the organization and made legal tender in payment of tariff duties, that would bring to the farmer who owns the wheat $300, or approximately that, and would give him the benefit of those certificates both in what he exported and in the reflected price that it would bring him. It would encourage the exportation of the surplus.

Every proposal that has been made in the Congress strikes at the surplus, which is the problem of agriculture. Everyone who has studied the question admits—and it was stated by the economist, Mr. JACOBSTEIN, yesterday—that the reason for the farmer's present plight is the fact that he produces a surplus. Every thinking man knows that if the surplus were lifted and disposed of in an orderly way better prices would result.

Under this proposition we would encourage the exportation of the surplus and the disposition of it without any new machinery and without any expense to the farmer, whereas these other propositions are necessarily burdened with complicated machinery.

Mr. JOHNSON of Texas. You do it under your proposition without any more machinery or any more officials.

Mr. JONES. It does not require any new machinery nor any new officials of any kind or character, but would give the farmer the full benefit of the increase of the price of his commodity.

Mr. ARNOLD. Will the gentleman yield?

Mr. JONES. Yes.

Mr. ARNOLD. Will the gentleman's proposition be in conflict with the McNary-Haugen bill?

Mr. JONES. It will not be in conflict with the Haugen bill. This bill is prepared in such a way that it will follow the lines of the Haugen bill, but if you adopt this premium plan you would have no use for any other measure because you would accomplish the same purpose as is designed in the Haugen bill. The effect would be this: Everyone admits that the farmer when he produces a big surplus can not get the advantage of the tariff. This would give him the same advantage enjoyed by the tariff-protected article. The effect of

this bill, stated in another way, would be to enable the farmer to ship his products away, dispose of them, and bring in other articles without cost to him. Instead of doing it directly it would be done indirectly because the certificates would be acceptable in payment of tariff duties.

Mr. LARSEN. Would not that plan bring a conflict with other countries?

Mr. JONES. No; because it does not provide for dumping but for an orderly marketing of the surplus, and paying a premium for it in the form of a certificate, which would not be in conflict with the laws of other countries. Imports can come from other countries and the certificates used in the payment of the duties. It would simply bring up the prices of farm products in this country.

The oldest farm organization in America, the National Grange, with a membership of 800,000, has indorsed this plan as the best plan for agricultural relief that has been offered. They have indorsed it unqualifiedly and say it is sound in principle, that it establishes no new bureau but is simple and direct and effective and will give price equality to the farmer.

Mr. LARSEN. Will the gentleman explain to the House what practical force his proposal would have on cotton?

Mr. JONES. I provide in the bill that commodities upon which there is no tariff duty shall have an equivalent in the form of a certificate, which would be, on cotton, 2 cents per pound. Of course, that can be varied to any amount found advisable. Not only would he get this additional amount, but at the same time he would get all the benefits of the pooling system, the same as under other measures that have been proposed.

It will give him all of the advantages because it provides that the cooperative farm organization may do exporting.

Mr. LARSEN. But suppose the cotton was 6 cents below the cost of production, how would the 2 cents help him?

Mr. JONES. Oh, the gentleman will admit that 2 cents would help in any event.

Mr. LARSEN. Why not put it up to the price of production?

Mr. JONES. That is a matter that has to be acted on reasonably. You get all of the benefits of the pooling system, and all of the benefits of any bill that has been proposed, and the additional benefits that may come from the export premium. You can not complain of that fact.

Mr. GREENWOOD. The gentleman says that he would provide no new machinery or officers. Who fixes this export fee, and who issues the debentures?

Mr. JONES. The export fees are fixed in the terms of the bill, and certificates are to be issued by the Treasury Department, and are to be acceptable by the Treasury Department in payment of customs duties. It would be simply a matter of printing them, having the customs officer certify to the amount exported, and the acceptance of the certificate in payment of import duties.

Mr. GREENWOOD. Is a flat amount issued there that runs through one season with another, or how is that regulated?

Mr. JONES. That might be variable, but the bill provides a specified amount.

Mr. ARNOLD. Mr. Chairman, will the gentleman yield?

Mr. JONES. Yes.

Mr. ARNOLD. I will be glad to hear the gentleman as to the effect of his bill on the orderly marketing of domestic consumption.

Mr. JONES. It provides for the same encouragement of cooperative organizations that the other bills provide, and would give them all of the advantages those bills provide for the orderly marketing of products, and would enable them to have the additional advantage of an export premium in handling those things. It would not increase production more than any other bill which increased the net price to the farmer. It would have a tendency to stimulate production, and would, like all such measures, have to depend upon the inevitable consequences of overproduction. Any bill which enhances the net price must do this.

But whatever may be the defects along those lines, I do not believe it is a valid objection to any bill that it will stimulate production to the extent that the raising of the price to the proper level with other commodities will so stimulate it. Since I can remember I have never known a time when the price of the products of agriculture were on a level with those of industry. I have never known a time when the rewards of labor on the farm were on a parity with the rewards of labor in industry. I expect to vote for any measure that will accomplish that purpose in part or in whole, but I would like to see the Congress while it is at the proposition do the thing that every thinking man must admit will accomplish the purpose, and do it without extra cost. Whatever machinery is used in any bill will be charged in the cost of operation.

Mr. LOZIER. Mr. Chairman, will the gentleman yield?

Mr. JONES. Yes.

Mr. LOZIER. If the gentleman's bill should become enacted, in its practical application it would mean the introduction into the United States of several hundred million dollars' worth of foreign commodity duty free, would it not?

Mr. JONES. Not necessarily, because any importer would be compelled to pay substantially par for any certificate, and the matter would be thus adjusted. Even so, since the farmer has to sell in a free market, would it be wrong to permit him to purchase in a free market? Is that unfair?

Mr. LOZIER. No; but inasmuch as that is the result, and these products would sell for several hundred million dollars a year, and the proceeds be invested in foreign commodities under the gentleman's bill, does the gentleman from Texas think that the New England States would ever consent to the enactment of such a law?

Mr. JONES. Does the gentleman think that they would consent to the enactment of the McNary-Haugen bill?

Mr. LOZIER. Oh, no; but it will be enacted over their protest.

Mr. JONES. I would like to enact this over their protest and objection, if they see fit to make it. But perhaps they would be fair enough to admit its justice. At least, they should do so.

Mr. LOZIER. The gentleman's theory and bill are wholesome and economically sound. There is no question about that; but it is impossible because of the dogmatic attitude of the New England school of political economy which is dominating this House and this Nation.

Mr. JONES. The gentleman may find them dogmatic as to any bill that really gives equality for agriculture. They should do this or quit sailing under the banner of protection.

Mr. PEERY. Mr. Chairman, will the gentleman yield?

Mr. JONES. Yes.

Mr. PEERY. Does the schedule of premiums in the gentleman's amendment correspond with the schedule in what is known as the Adkins bill?

Mr. JONES. They correspond measurably, but not all the same. They run along similar lines.

Mr. PEERY. Do I understand the Adkins bill with the schedules therein provided for was indorsed by the National Grange?

Mr. JONES. They indorsed the principle, using the schedules in that bill as a basis. About three years ago I introduced into this House the first export premium bill introduced at least in recent years. I sent copies of this measure to various farm organizations. About a year or 18 months ago Doctor Stewart, a university economist, wrote out a proposal that in a measure is embodied in the Adkins bill. Utilizing some of the same ideas, I drew a measure along similar lines, changing the schedules and methods of operation somewhat, but it is on the same basis.

Mr. PEERY. There is no very material difference between the gentleman's proposal than in the Adkins bill?

Mr. JONES. That is right.

Mr. WEFALD. Will the gentleman yield?

Mr. JONES. I will.

Mr. WEFALD. The gentleman knows that the farmers' biggest bill is farm machinery?

Mr. JONES. Yes.

Mr. WEFALD. Where will the farmer be able to buy machinery as cheaply as in the United States?

Mr. JONES. There are various countries, but very few competing with this country along that line. However, if he can get the privilege of having these certificates issued to him and then could dispose of them, he would have the benefit of the increased price of his own products not only by virtue of the premium, but also because that increase would be reflected in the sale of all his products in this country. This would give him more money to buy farm machinery, as well as other things.

Mr. WEFALD. The gentleman's logic is that it decreased the price of the farmers' machinery?

Mr. JONES. Not except as to imports, but increased his own price of his own products. For instance, there were about 194,000,000 bushels of wheat exported annually—average—during the last five-year period; about 808,000,000 was the average annual production for the same five-year period. That 194,000,000 on which the export premium of 30 cents would be paid certainly would naturally lift the price of wheat sold in this country approximately 30 cents per bushel, and would give this to him without the expense that is incident to the other proposals. One of these days, if the tariff system remains a part of our economic policy, this fair measure of equality will also be written into our laws.

The CHAIRMAN. The time of the gentleman has expired.

Mr. CHINDBLOM. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CHINDBLOM. Does the rule adopted in the House provide for any discussion of the differences between the Senate bill now before the committee and the House bill which has been before another Committee of the Whole House for 12 hours?

The CHAIRMAN. The Chair does not understand the rule makes any attempt——

Mr. CHINDBLOM. There is no provision whatever for any discussion of the amendments of the Senate to the bill that we have been discussing for 12 hours?

Mr. RAMSEYER. I make the point of order that is not a parliamentary inquiry.

Mr. CHINDBLOM. I have not had an opportunity in this matter that the gentleman has had. I am not a member of the Committee on Rules or the Agricultural Committee.

Mr. RAMSEYER. The rule provides for a discussion of the bill.

Mr. CHINDBLOM. This bill is different from the one we have been considering, and the rule might be construed as providing for discussion of the differences between the two bills——

Mr. RAMSEYER. The gentleman has read the rule and knows what the rule provides for.

Mr. KINCHELOE. The chairman of the committee has agreed to yield me 30 minutes.

Mr. WILLIAMS of Illinois. On behalf of the chairman of the committee I yield 30 minutes to the gentleman from Kentucky.

Mr. KINCHELOE. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. BLACK]. [Applause.]

The CHAIRMAN. The gentleman from Texas is recognized for 10 minutes.

Mr. BLACK of Texas. Mr. Chairman, on February 16, 1921, I made a brief speech in the House of Representatives in which I discussed the maladjustment between agriculture and organized industry and organized labor. To-morrow will be six years since that speech was delivered, and I think what I said then is as proper now as it was at that time, and with the permission of the House I will read just a few brief extracts from the speech which I delivered at that time. I said:

> Mr. Chairman, I picked up from my desk last night a bulletin which is issued each month by the National City Bank, of New York City, dealing with economic and business conditions, and I see in one of its columns a statement of the declines in commodity prices which have taken place as to certain commodities during 1920. Cotton has declined 62½ per cent; wool, scoured, 56.55 per cent; hides, 52½ per cent; wheat, 20 per cent; corn, 53 per cent; rice, 58 per cent; steers, 38 per cent; hogs, 33⅓ per cent; pork, 38⅓ per cent; and lard, 47 per cent.
>
> Most of these products which I have enumerated are products of the farm.
>
> Studying this column of figures in the bulletin which I have before me still further, I see that steel billets have only declined 9⅓ per cent; that pig iron has only declined 8⅓ per cent.

In continuing the discussion, I said further:

> The trouble with some of these large industries is this: They are wanting to keep their scale of profits on the high, inflated basis of the war period, and unless they are willing to set their own houses in order and put their earnings at a more moderate rate it seems to me that Congress, as reluctant as we may be to go into the subject, will have to do something to relieve the situation.

After continuing the discussion, I closed with this statement:

> It has been very well said: "We can not look for a restoration of full employment and prosperity until something like the old balance between agriculture and the other industries has been restored." When a pound of cotton and a bushel of wheat and a pound of pork and a pound of wool will buy measurably as much of goods in the stores as they would buy in 1919 and 1920, and will buy as much transportation as they bought then, the farmer will be able to resume his position in the trading circle; not before. And until the farmer can resume his position in the trading circle we will not have general prosperity.

Now, my friends, six years have elapsed since I made these remarks and there has been no improvement in the situation of agriculture except in spots. If anything, it is worse to-day, speaking of it as a whole, than it was at that time. Two times I have voted against the McNary-Haugen bill because I had hoped that this situation would be corrected without the intervention of Government. I voted against it because I hesitated to cast my vote for the Government to embark upon this uncharted sea. But the situation has not improved.

Mr. ROMJUE. Mr. Chairman, will the gentleman yield?

Mr. BLACK of Texas. I gladly yield to my good friend from Missouri.

Mr. ROMJUE. I wanted to call your attention to the matter which you put into the RECORD about 10 days ago, where the United States Steel Corporation had declared a stock dividend of 40 per cent, which shows that industry is enjoying unexampled prosperity, whereas as the gentleman says, the relative situation of agriculture is fully as bad as it was six years ago.

Mr. BLACK of Texas. Yes; that is true. The situation is intolerable and impossible. We must do something to correct this unbalanced condition. Therefore, I am going to support the McNary-Haugen bill. [Applause.]

And, my friends, if it fails, as it may fail, then we of the agricultural region are going to demand that something else be done, because we are not going to submit to the intolerable and impossible situation that now exists if we can help it.

Mr. MICHENER. What does the gentleman demand?

Mr. BLACK of Texas. We will demand, for one thing at least, the reduction of the unreasonable rates of tariff contained in the Fordney-McCumber tariff law. That is one thing which has helped to bring about the present maladjustment between agriculture and industry.

Mr. CHINDBLOM. Mr. Chairman, will the gentleman yield?

Mr. BLACK of Texas. I wish I had time. I would be glad to yield to my friend from Illinois, but I can not afford to ask the gentleman from Kentucky for another extension of time. He already has promised to others all the remaining time at his disposal.

There is one economic law, which economists assert perhaps more frequently than almost any other, and that is that in order to improve the standard of living of the people, the workers of the country must increase their production of useful and wholesome commodities. And that is so. No one can gainsay the truth of that when you apply it to the masses of the people. But we of the South have just witnessed the spectacle of our farmers receiving $500,000,000 less for a crop of 18,000,000 bales of cotton than they received for 16,000,000 bales in 1925. Now, it is that situation which we must try to correct.

Mr. HUDSPETH. Mr. Chairman, will my colleague yield there for a short question?

Mr. BLACK of Texas. Yes. I will gladly yield to my friend.

Mr. HUDSPETH. I have great confidence in the judgment of my colleague. I am undecided on this proposition. Does my colleague believe that this bill will relieve the situation in the farming regions? My district, of course, is not in that situation.

Mr. BLACK of Texas. I put confidence in this bill because it is the product of some of the best and most intelligent minds in the agricultural world. [Applause.] I do not think anybody can dispute that and be fair.

Now, continuing the discussion further, I have no doubt that the wheat farmers and the corn growers have had a similar experience as we have had in the cotton-growing sections when they have happened to produce somewhat larger than an ordinary crop.

There is another law of economics which is absolutely true, regardless of all the sophistry and false reasoning which you may throw against it, and that is that all wages and all profits must in the end be paid out of production. Therefore, if any one class of labor or any one class of industry receives more wages than its share, or more profit than its share, it means in the long run that some other class of labor or some other class of industry must bear more than its share of the burden. And right there is the heart of the difficulty of agriculture of which I complain.

Organized industry and organized labor, by reason of their superior organizations, have been able to hold in a large measure the vantage points which they gained during the war period, whereas agriculture, because of its unorganized condition, has had to bear the full brunt of readjustment. It has had to bear more than its share. Therefore, Mr. Chairman, because this bill makes a serious attempt to deal with what I regard as our greatest economic problem, to wit, the disposal of the agricultural surplus in such a manner as not to bankrupt the farmers who have produced it, I shall support it.

The bill does seek to bring about a correction, in part at least, of what I regard as an impossible and intolerable situation and therefore I shall give it my support. [Applause.]

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. HAUGEN. Mr. Chairman, I yield to the gentleman from Alabama [Mr. ALMON] five minutes.

The CHAIRMAN. The gentleman from Alabama is recognized for five minutes.

Mr. ALMON. Mr. Chairman, the McNary bill as it was introduced in the Senate was practically the same as the Haugen bill introduced in the House. Some very material amendments were made to the McNary bill before it passed the Senate. The rule which has just been adopted by the House substitutes the McNary bill, as it passed the Senate, for the House bill.

It seems to me that the Senate bill as amended has some good features not contained in the House bill. One of the Senate amendments gives all of the producers of the commodity, both in and outside of the cooperative associations, a voice in determining when there shall be an operating period and when the operating period is to be discontinued after it has once been inaugurated. It also defines the terms processing, sales, and transportation as applied to the equalization fees. It also contains what is known as the Bledsoe insurance feature, which has been fully explained by the gentleman from Mississippi [Mr. WHITTINGTON].

I understand that the Aswell bill will be offered as a substitute for the Senate bill and if it fails that the Crisp bill will be offered as a substitute for the Senate bill, so all of these different measures will be before the House for consideration and determination.

I think that there are some other amendments which should be made to the Senate bill, but will not take the time to discuss them now except to call attention to an amendment which I think should be made postponing the equalization fee as to cotton for two years.

I am glad that an opportunity will be given for a discussion of these measures and amendments which may be offered thereto. I have not fully decided as to how I shall vote, and may not until the completion of the reading of the proposed legislation under the five-minute rule for amendments as I will not know until then the contents and provisions of the measures to be voted on.

I have simply risen at this time to call attention, as I have, to some features of the Senate bill added by way of amendment which were not contained in the House bill, which we have been considering. [Applause.]

Mr. ASWELL. Mr. Chairman, I yield five minutes to the gentleman from Louisiana [Mr. O'CONNOR].

Mr. O'CONNOR of Louisiana. Mr. Chairman, and gentlemen of the committee: You might liken this utterance to the wail of the banshee. I know that whatever I might say is not going to have any effect on the attitude of this House with respect to the McNary bill. It is going through. I dare say there will be a firing squad to shoot full of holes every amendment that is offered. You are in the majority and I am not offering any great protest against your having your will and way about the matter. But I do want to express my surprise at a few things that have happened on the floor of this House in connection with the consideration of this bill. We find that the opponents of this measure sit by supinely and do not even try to have a roll call on the substitution of the McNary bill for the Haugen bill. In other words, the opponents are endeavoring to expedite the movement of a bill which they consider anathema. I do not understand that form of procedure or that method of warfare.

There is another matter of considerable surprise to me and that is that one of the pundits of this House, or one of the so-called pundits I might better say, one who established some sort of reputation for himself last year as one well informed on agricultural matters and who was applauded most vigorously and almost effervescently by the House for his platitudinous utterances with reference to the welfare of the people engaged in the great basic enterprise, should take 45 minutes in order to elucidate that which was already clear, or should be clear, to the House. He declared the bill was unconstitutional, illegal, null, and would be declared void by the courts. He declared it was economically unsound and a heresy from the standpoint of the experts who had studied the matter; that it was thoroughly unworkable and would produce profound changes if not chaos, and yet, to the astonishment of those who secured him so much time and who expected him to oppose the three bills, the one pending and the other two in the offing, he said that he was going to vote for the bill.

Mr. Chairman and gentlemen of the committee, as I said, this is the wail of the banshee. Probably that is not entirely clear to you. It simply means that it is futile to expect to defeat this McNary bill. It is the wail of the banshee to the hopes of those who have been hoping that it would fail. I have always thought that the agricultural policy of this country ought to have been adopted long ago through some national convention, where real agriculturalists would meet and discuss the great problem of agriculture and in some way, if not through one convention through other and successive conventions of a similar nature, make a pronouncement that would have some valid effect instead of having the condition that obtains here to-day. You and I know that on both sides of the House men are going to vote for this bill who are at least doubtful of its constitutionality, who snicker at its economic absurdities and who know that it is unworkable on the theory that the President will veto it, and I hope he does. If he does he will be regarded from ocean to ocean as the outstanding, bold and courageous figure in the public life of this country and all the political forces of the country will not be able to keep him out of the nomination. [Applause.] The Lowdens and the Butlers may as well not go to the next Republican Convention, in that event. That is my idea of the whole matter. I do not know that I have contributed to your political information or to the value of this discussion, but I have the satisfaction of knowing that I have not done anything less than the pundits or the many learned agriculturists who in high-sounding and platitudinous sentences point the way to success and to fortune for the farmers through this bill. [Applause.]

One more observation and I am through. I heard some one say that the board created by the McNary bill, however great the power reposed in it, and regardless of the tyrannical manner in which they may use it, could not possibly do the American people as much harm as the board of directors of the Steel Trust who forced a value into more than a half a billion of stocks and bonds that were merely water issued after the organization of that great trust, by demanding extortionate prices for a product of which they had virtually a monopoly, from an expanding transportation and industrial order. It was this ruthlessness which made for such a price of rails and locomotives and the parts of cars that has bowed agriculture through excessive freight which had to be put into effect to secure a return on the "hold up" prices to which the railroads were subjected. My friends, one wrong does not justify another. And again, who are responsible for the exactions of the Steel Trust? Many of the constituencies whose representatives are fighting furiously for the passage of this bill were foremost among those who flattered themselves that they were among the chosen of the defenders and advocates of the established order.

Some men—good, true, and honest in their viewpoint—will tell you and me that the big, powerful corporations which control the foodstuffs and clothing of the people, almost their very life in this civilization have been able, through their boards, to depress and elevate, to bull and bear, the markets upon the necessities of human existence, and that their arrogant tyranny would pale into insignificance any action the McNary board may feel compelled to take. Perhaps so; but who stood by while corporate control unrestrained fastened its tentacles around the writhing bodies of our people? What effort was made by the agricultural representatives to prevent the Atlantic Ocean being turned into stock by these tremendous giants of industry engaged in interstate commerce from sandbagging their millions of helpless victims in the big cities of our country, and the farmer, too, with extortionate prices which the people had to pay or die? All the traffic will bear was the slogan in the big commercial and industrial world as well as in transportation: "So wills the fierce avenging sprite, and blood for blood must atone." Seems to have a distant application. The agricultural bloc is in the ascendancy, and industry and commerce and the poor common people for another time will get a dose of what a powerful board can do. The people are used to squirming, and they repeat the performance not joyfully nor enthusiastically but somewhat philosophically. But industry and commerce! What a weeping and wailing and a gnashing of teeth when they have to swallow the dose they have so jocosely handed to others. But, seriously once more, the operation of this bill would necessarily revolutionize and dislocate a marketing system that has come into existence through the individualistic and joint efforts of Americans since the white man first put his foot on this continent. It would take us out onto an unknown sea without a compass, chart, or rudder to guide us. I hope the President may veto it.

Mr. KINCHELOE. Mr. Chairman, I yield five minutes to the gentleman from South Dakota [Mr. CHRISTOPHERSON].

Mr. CHRISTOPHERSON. Mr. Chairman and members of the committee, it is gratifying to me that the House is again considering agricultural relief and with promise of favorable action. It is pleasing to me because some six years ago I had the pleasure and privilege of offering in Congress what I believed was the first farm-relief measure presented. That was the bill which embodied what is known as the Lyon stabilization plan. This took into account the fact that the small surplus we produce goes into the world's markets into competi-

tion with commodities produced on cheaper land and lower cost of production; that the price paid for this exportable surplus governed the price in our home markets.

Hon. W. H. Lyon, of my home city of Sioux Falls, S. Dak., was the first one, so far as I know, to urge this as a factor in the farmer's problem.

At the time I presented that bill the farmer's plight had not fully developed and was not seriously considered. It is my belief that had we passed that bill at that time, it would have averted, or at least greatly lessened the subsequent difficulty which beset this industry. Of course I am not at this time complaining because of the failure of that measure. The Agricultural Committee was generous in the time allotted to witnesses who appeared in behalf thereof and gave careful consideration thereto.

The present measure, though more elaborate in its provisions, nevertheless takes into account the surplus as a factor in the problem we seek to correct and provides a method for the orderly disposition thereof.

I shall not attempt, at this time, to discuss this measure in detail. It has been fully analyzed in this and former sessions of Congress. I simply wish to say to the Members from the eastern part of our country, and who apparently are not enthusiastic over this particular bill, that we from the Middle West have, from time to time, given our support quite generally to legislation of vital import to your industries.

Now we are urging a measure we believe will be of help to us. Therefor we hope you will now, in voting on this bill, evince a spirit of reciprocity and lend your support thereto.

The bill may have its defects. It is not claimed to be perfect, but help us put it into effect, and experience in its administration will soon develop its weak spots, if any, and suggest amendments and changes to the end that it shall assure to the farmer that same degree of prosperity now enjoyed by other industries. By so doing you will allay a wave of discontent and unrest that in the midwest is assuming formidable proportions, and not only that, but a fair degree of prosperity for the agricultural industry will assure a continued prosperity for the entire Nation. Give us your support to this bill; help us expedite its passage. Only a few days of this Congress remain and the farming interests of the Middle West, at least, are watching with keen interest the action of Congress upon this measure. [Applause.]

Mr. KINCHELOE. Mr. Chairman, I yield to the gentleman from Tennessee [Mr. BYRNS] such time as he may desire.

Mr. BYRNS. Mr. Chairman, during the general debate on this important subject I have been busy and was unable to hear it on account of attending the hearings of the Appropriation Committee on the second deficiency bill. Last year I voted against the so-called McNary-Haugen bill. It is my intention to support the Senate bill which has been sent to the House [applause], and which I understand will be considered under the rule which has been adopted in lieu of the pending Haugen bill. I wish briefly to explain some of the reasons for my vote.

The Senate substitute bill is identical with the pending Haugen bill, with the exception of certain amendments adopted by the Senate, including tobacco as one of the basic agricultural commodities, and another amendment intended to more surely guarantee to the producers the right of voice in whether or not operation in their commodity shall commence under the provisions of this bill. It differs from the bill against which I voted last session in that it eliminates the tariff, which the former bill made the yardstick by which the value was to be determined. Neither does it carry a subsidy such as was carried in the former bill. It is true it provides for an equalization fee, which I have never favored, but, as I have stated, it is left to the producers themselves to say whether a particular commodity shall be taken under operation and the equalization fee made to apply. There was no such provision in the bill against which I voted. In other words, this is a permissive bill, whereas the former bill was what might be called a force bill.

Under the terms of this bill an advisory council of seven members are to be chosen for each basic agricultural commodity. The members are to be representative of the producers of such commodity and are to be chosen from lists submitted by the heads of the agricultural departments of the several States and from lists submitted by cooperative marketing associations and farm organizations representative of the producers of such commodity.

Under the provisions of this bill there can be no operation in any commodity unless it is found that there will be a surplus above domestic requirements and above the requirements for orderly marketing. Even then operations can not commence unless the advisory council created for such commodity and a substantial number of cooperative associations or other organizations representing the producers of the commodity favor the full cooperation of the board in the stabilization of the commodity. And where in any State 50 per cent of the producers of the commodity are not members of such cooperative associations or other organizations, then a State convention of such producers is to be held by the head of the State department of agriculture to determine the will of the majority of the producers in that State. Even then the board will not and can not commence operations unless all of the members representing Federal land-bank districts which in the aggregate produced during the preceding crop year more than 50 per cent of such commodity vote in favor thereof, and then not until a majority of the board is satisfied that a majority of the producers of the commodity favor such action. And the producers have the right at any time to terminate operation in the same manner that they may initiate operations.

It seems to me, Mr. Chairman, that this provides for as complete and fair a referendum as is possible without a direct vote of each producer, and that, of course, is impracticable. For my part, anxious as I am to vote for some measure of farm relief at this session, I am going to vote for this bill and leave it to the farmers themselves, who best know their own needs, to say whether or not they wish to come under its provisions. I am fortified in this conclusion by the fact that every farm organization in the entire country, with the single exception of the Grange, has indorsed this bill and urge Congress to enact it into law. Everyone realizes the sad plight of agriculture, and I do not want to see this Congress adjourn without having passed some law looking to its relief.

This is the bill the farmers want and we all know perfectly well that it is the only one that has the slightest chance to become a law. Shall we deny to the farmers, whose industry is basic to the prosperity of the whole country, the relief they demand? I am constitutionally and fundamentally opposed to any class legislation. However, we all know that the Federal Government has enacted class legislation in various forms, and one of the chief beneficiaries is the manufacturer through the medium of the high protective tariff law, and to this is largely due the depressed condition of agriculture to-day. It has resulted in the present low purchasing power of the farmer's dollar to-day, for it is now only about 65 cents when converted into other commodities. The farmer is able to name neither the price for which he will sell nor the price which he pays for things he has to buy. As some one has said he must buy in a protected market and sell in a world dictated market.

There are three bills pending—the Aswell bill, the Crisp-Curtis bill, and the McNary-Haugen bill. They are all designed to stabilize production, marketing, and the price of basic farm products.

In the limited time at my disposal I can not enter into a detailed discussion of all or any of these bills. Each of them proposes to appropriate $250,000,000. The Curtis-Crisp bill provides for this sum to be loaned to farm organizations, but makes no provision for repayment in event of losses occurring in the administration of the act. The Aswell bill provides for the appropriation for private corporations to be organized and which shall also have the power to issue bonds without requiring the sum to be repaid.

The McNary-Haugen bill, indorsed, as I have said, by all the farm organizations, is based upon the idea that farmers do not want and are not asking any bonus or subsidy. They know full well that in the end such a policy would bring a worse condition than now prevails. A subsidy would increase production, and that, of course, can not go on every year. But if an equalization fee must be paid to take care of the surplus, the ultimate result will be to restrict production. It provides for this sum as an advancement until the system can be put into operation. It provides for an equalization fee to be imposed upon any basic commodity coming under the operation of the act only in the manner I have described, the funds so derived to be used in repaying the Government and also to provide a revolving fund for the operation of the act. Each commodity is to furnish its own funds, which are to be kept separate from those of other commodities.

I come from a district, Mr. Chairman, which can and does produce nearly every kind of crop grown in the Temperate Zone. In the greater portion of the district dark tobacco is the chief money crop. About 80 per cent of it is exported. Due to steadily increased production in foreign countries, the markets for our export tobacco are gradually disintegrating. Increase in the area of production in the United States is adding to the difficulty of the dark and light tobaccos. The tobacco grower finds himself to-day in as bad a situation so far as securing a fair price for his product as the grower of any other kind of crop. Something must be done to regain old markets and secure new ones or his condition will steadily become worse. Last

summer and fall I went all over my district urging the tobacco growers to get together, revive their association, and pool their crops.

I believe the orderly and systematic marketing of tobacco is the only salvation of the tobacco grower as conditions exist to-day. In one of the largest counties of the district over 91 per cent of the tobacco acreage joined the association and over 80 per cent in the other counties. The dark tobacco association and other farm organizations, and also the Burley Association of Kentucky have forwarded to me resolutions urging that I vote for this bill. Their officers have told me that the passage of this bill will go far toward insuring the success of these associations. And I am going to stand by them with my vote in the hope that if this bill is enacted into law, it will aid not only the tobacco growers but all the farmers of the country to secure fair and reasonable price for the product of their labor, and that is all they ask—all they want. It is conceded by nearly every advocate and opponent of this bill that if there is any class of farmers to which it will bring relief it is the growers of dark tobacco, whose product is so largely exported.

The object of this bill is to provide funds to enable the surplus of a commodity to be held until such time as it can be sold in an orderly way and not dumped on the market in a manner that will cause a break in the market below a fair and reasonable price for the product. And the board is authorized to contract with cooperative associations, or other organizations to take charge of and dispose of the surplus.

The advocates of this measure very earnestly insist that it will relieve the situation. Its opponents insist that it will not do so. In times of stress the Government has never failed to come to the relief of every other kind of industry. Agriculture has never been in such a plight as it is to-day within my knowledge. Why, then, should not the Government extend its helping hand to agriculture as it has to other industries? I feel very sure the measure is not perfect. Indeed it may not be the proper remedy. The conflict of opinion can only be settled by a trial. Why not give it the test of actual experience and perfect it where it is wrong rather than content ourselves with the declaration that it will not sustain the claims of its advocates, which of course proves nothing.

I do not know, nor do I say that the passage of this bill will bring the relief which is expected. But I do know that it is the only chance to enact legislation at this session looking to the relief of the farming industry. I hope that it will give this relief. It if does we will all rejoice and the whole country will be more prosperous. If it does not, then any commodity can withdraw from its provision and the act can be repealed.

Even if the bill should fail to give the full relief which its advocates expect it would certainly be a stimulus to agriculture and give renewed hope to the farmers of the country, whose industry has been so depressed during the past four or five years. As I have said, the purpose of this bill is to stabilize the price of the particular commodity. Experience shows that stabilization covering a period of years will not serve to increase the cost to the consumer, but it will serve to insure the farmer against undue, violent, and excessive fluctuation in the price of his product through the manipulation of his markets.

There are 34,000,000 people directly interested in agriculture and, in addition, 19,000,000 who are interested in business and manufacture growing out of agricultural products. The annual cost of farm products to the consumer is about $40,000,000,000, of which the 34,000,000 people directly interested in production get only about 25 per cent, or $10,000,000,000. This wide difference between what the producer gets and the consumer pays shows the injustice under which both the producer and consumer are laboring and the necessity of something being done to relieve the situation. The advocates of this bill believe it will solve the problem. The farmers want it tried out, and I am not going to quibble over technicalities and specious objections, but propose by my vote to give the measure a chance to see if it will not afford the relief which everyone admits is so badly needed.

None of the bills suit me in their entirety. There are features in all of them which I do not approve. Legislation is always a matter of compromise. One Member can not have his own way. In the final analysis we will be called on to vote for or against one bill, and I think we must concede that will be the McNary-Haugen bill. I shall cast my vote in accordance with what I conceive to be best and my duty in the premises.

Mr. Chairman, I submit as a part of my remarks some of the resolutions to which I have referred:

HOPKINSVILLE, KY., *January 31, 1927.*

Hon. J. W. BYRNS,
Washington, D. C.:

Board of directors of the Dark Tobacco Growers' Cooperative Association, representing 75,000 farmers of Kentucky and Tennessee, indorse the McNary-Haugen bill and ask that tobacco be included as one of the basic commodities, and that you use your influence and vote for its passage.

DARK TOBACCO GROWERS' COOPERATIVE ASSOCIATION.

DARK TOBACCO GROWERS' COOPERATIVE ASSOCIATION (INC.),
Clarksville, Tenn., January 29, 1927.

Hon. JOS. W. BYRNS,
House of Representatives, Washington, D. C.

DEAR SIR: The advisory board of the Clarksville district in a meeting at the Association House in Clarksville, Tenn., on January 29, unanimously passed a resolution indorsing the action of the joint executive committees of the Burley Association and Dark Tobacco Growers' Association in their indorsement of the McNary-Haugen bill, and they join with these committees in recommending to you the passage of this bill, believing that ultimate good will result to the tobacco section as well as other sections growing other products, such as grain, cotton, livestock, etc. Therefore, we most respectfully request that you give this bill your earnest support and do all within your power to aid its passage.

Respectfully,

DAN HAWELL,
E. H. STONE,
W. L. MACON, M. D.,
J. H. PUCKETT,
ANDREW RAINEY,
Advisory Board, Clarksville District.

SPRINGFIELD, TENN., *February 5, 1927.*

Congressman JOSEPH W. BYRNS,
Washington, D. C.

DEAR SIR: The board of directors of the Robertson County Farm Bureau in a regular monthly meeting at Springfield, Tenn., passed the following resolution:

"Whereas American agriculture is now facing the most critical period in the history of the Nation due to the fact that the American farmer is not receiving proper consideration at the hands of Congress; and

"Whereas he is placed in a disadvantageous position as compared to industry and all articles he must purchase are selling at high prices and his products are selling at very low prices; and

"Whereas we realize that should present conditions continue it would mean ruin to the American farmer: Therefore be it

"*Resolved by the board of directors of the Robertson County Farm Bureau,* That we petition all Members of Congress from Tennessee to actively support the McNary-Haugen bill."

Trusting that you will do all in your power to secure passage to the McNary-Haugen bill, I remain,

Yours very truly,

GRAYDON L. MORRIS,
President Robertson County Farm Bureau.

Whereas we realize and agree with all fair-minded thinking citizens of our country that something should and must be done to better equalize the business conditions of farming and relieve that important industry from its present unfair, unprofitable, and dangerous plight; and

Whereas we have fully and carefully considered the relief bills offered in Congress looking to that much desired and greatly needed end, and feel that Congress can help to cure the unfortunate and unhappy existing situation: Therefore be it

Resolved by the board of directors of the Burley Tobacco Growers' Cooperative Association, in regular meeting assembled, at Lexington, Ky., this February 2, 1927, That it is the sense of said board, representing 109,106 farmers engaged in the growing of Burley tobacco in the States of Kentucky, Ohio, Indiana, West Virginia, Tennessee, Virginia, North Carolina, and Missouri that the Congress of the United States should promptly proceed with the enactment of what is known as the McNary-Haugen agricultural surplus control bill into law, especially embracing therein its equalization-fee provisions: Be it further

Resolved, That we most earnestly petition our Senators and Representatives in Congress to have tobacco included in said bills as a basic agricultural product, and to vote for and assist in securing the passage of said bill during the present session of Congress: Be it further

Resolved, That a copy of these resolutions be immediately sent to our Senators and Representatives in Congress.

Mr. TINCHER. Mr. Chairman, I yield 15 minutes to the gentleman from New Jersey [Mr. FORT].

Mr. FORT. Mr. Chairman and gentlemen of the House, for the first time since general debate began on the pending bill we had yesterday from the gentleman from North Dakota [Mr. BURTNESS], and the gentleman from Mississippi [Mr. WHITTINGTON], some discussion of the bill on the part of its proponents. Until that stage in the debate had been reached, the bill itself had rarely been mentioned, except by name, by anyone who spoke for it.

The gentleman from North Dakota [Mr. BURTNESS] attempted to dispute the reasoning heretofore put in the RECORD as to the working of the equalization fee on wheat. In his argument, incidentally, he attacked the figures of the gentleman from Kansas [Mr. TINCHER] but at the same time admitted that he was wrong last year in the debate on the subject of freight rates, and, because of that fact, wrong in stating the amount of the equalization fee that would be required in the case of wheat. He concedes that the wheat equalization fee would have to be 13 cents a bushel, and even in making that concession, he omits from his calculation at least four major points which will go to swell the fee. He omits altogether from the discussion the fact that an increase in price to the domestic consumer must bring a decreased consumption and, therefore, an increased amount to be sold abroad at a loss. He assumes a stable and unchanging production, which, of course—as has been proven in debate repeatedly and denied by no one—is impossible with a perpetually stabilized price at a higher level. He omits all reference to processing charges which the board is permitted to assume and pay. He omits the losses to be taken on mill feeds if his theory of the bill be correct that by milling all the wheat in the United States they will be able to sell mill feeds cheaper to the American consumer. Of course, the export of wheat in bulk carries the full unmilled wheat value. If it is to be milled here and the mill feeds to be sold cheaper than at present, additional losses on the flour above the losses on the unmilled wheat will have to be absorbed through the equalization fee.

In spite of those omissions, the figures the gentleman put in the RECORD—and I will ask any Member who has yesterday's RECORD to refer to it—still prove that in 1923 the American farmer of hard northwestern wheat secured practically the full benefit of the tariff; that in 1925 he secured a benefit ranging from 20 to 35 cents; and in 1926 a minimum range of 12 cents at Minneapolis. And under his argument and exhibits attached thereto, a still larger amount of the tariff at Buffalo.

The gentleman overlooks in his entire argument that the Buffalo price of wheat is the import price in the United States; that the freight from Fort William to Buffalo is identical with that from Duluth to Buffalo, so that the import point for wheat is at Buffalo. At that point, he admits the tariff benefits prevail far more than at Minneapolis.

Even with his Minneapolis figures, however, if the American wheat farmer of hard northern wheat had the full benefit of the tariff in 1923, if he had 35 cents out of 42 in 1925, what benefit could he possibly gain by paying 13 cents equalization fee? He could not lift his price more than 42 cents over the foreign price—since the tariff is only 42 cents. So he would have the North Dakota farmer who received 35 cents benefit of the tariff pay 13 cents equalization fee to get a net advance in price of 7 cents. After he received the 7-cent increase and paid the 13-cent fee, he would have 6 cents less per bushel than he had before the Haugen bill passed. He pays the 13 cents fee to raise the price of wheat for the lower grades that will not come up to that level without governmental aid. Taking his own figures and his own argument unchanged, the gentleman from North Dakota concedes every point made by the gentleman from Kansas [Mr. TINCHER] and the gentleman from Minnesota [Mr. NEWTON], who said the other day that the raiser of high-grade wheat is asked under this bill to pay the full equalization fee for only an occasional benefit to him and have the money used to lift the price of the competing low-grade wheat, whose presence in the country creates a statistical surplus which now holds down the price of all wheat and provides the bulk of our exports.

What does that mean? That means that the passage of this legislation puts a premium on growing low-grade wheat, because you can get more of it to the acre. The Oregon wheat figures show 20 or 21 bushels on an average per acre as against 10 or 11 bushels to the acre on an average in North Dakota. The benefit of the legislation goes to the man who to-day raises what we do not want in this country as against the man who raises what we do want. He further states that the equalization fee being levied at the processing point in this country on imported wheat is equivalent to an increased tariff. If that is all it amounts to, let us increase the tariff if you need it. Why go through all this rigmarole and put on an equalization fee?

Mr. BURTNESS. Mr. Chairman, will the gentleman yield?

Mr. FORT. I am sorry, but the gentleman refused to yield on this point yesterday. The gentleman further estimates that the cost of operating this plan which the American farmer will have to pay as a part of the equalization fee will be 1.2 cents per bushel on 711,000,000 bushels, or seven and a quarter million dollars of additional overhead on the American wheat farmer, if this plan be adopted. This is the first time that the proponents of this bill have undertaken to give us figures. This is the first time that a proponent of this bill has gotten up and told us what they claim it will cost, and when the farmer wants to cut down the cost of marketing they come along and put seven and a quarter million dollars additional cost on the operation.

The gentleman from Mississippi [Mr. WHITTINGTON] is a recent convert. I have noticed that those who stood away from this bill the longest, and therefore showed themselves in possession of reasoning power, make the best argument for it when they are finally converted. The gentleman from Mississippi, even when he argued for it, said that he would not be for it if it did not have the insurance feature in it. He said that he would not support the bill if it did not contain the insurance plan. He said it twice. This insurance plan is something new that came over here from the Senate. I happen to be in the insurance business. I have been attacked on the floor several times when I have spoken on farm relief, because I am not a farmer, but I am in the insurance business. Of all the half-baked schemes, from an insurance standpoint, that was ever put before any kind of a body this one surely takes the medal. In the first place, what is the language? The language is that the premium must cover the risk, and under the bill you are only working under operating periods. So each year that you declare an operation and make the insurance plan operative, you collect a premium big enough to cover the whole risk of loss, and if you do not lose anything the Government makes the profit. Read the bill. Then you are going to collect the equalization fee on top of that. So that under this beautiful insurance scheme, the way it is in the Senate bill, the cotton farmer of the South is going to pay an equalization fee just the same as he would if it was not there, and then he is going to pay an insurance premium on top of that which is big enough to cover any possible loss, and if the loss does not occur, the profit from the insurance premium goes to the United States Government.

Mr. ALMON. But the insurance is optional, is it not?

Mr. FORT. It is optional with the board; but I am talking to the gentleman who would not vote for the bill unless it is in. He is voting for the bill because he wants the insurance, and he is going to pay the equalization fee and the insurance premium, which must be big enough to pay any loss. If they do not happen to have many losses, then the profits go to the Government.

Incidentally, on the question of the constitutionality of the bill, the United States Supreme Court has held a good many times that insurance is not commerce and can not be regulated under the interstate-commerce clause of the Constitution.

The rest of the bill is claimed to be constitutional under the power of Congress to regulate interstate commerce. If there is one doctrine that is absolutely settled—and most insurance men wish it could be upset—it is that the United States Government can not control insurance, that it is not commerce, and is not interstate commerce if it is commerce at all.

The gentleman said in addition to that that we, the opponents of the bill, had on several occasions stated that there was not a permanent overproduction of farm commodities. That is true. We have said whatever has been produced has been consumed in time. That is true. It has been consumed in time and at a low price and when the price has not been high enough you have left 2,000,000 bales of cotton unpicked, as you have this year. You have 9,000,000 bales of cotton as a carry-over, estimated, at the end of this season as it is. You left 2,000,000 bales of low-grade cotton unpicked, and the world's average consumption of our cotton is 11,500,000 bales a year. If your price were high enough to justify picking the other 2,000,000 bales, you would go into the next crop year with one entire year's supply in the warehouses, and if you raise your prices as a gentleman who is at the head of a southern cooperative association said to me, you will be ruined. He said, "Do not pass the Crisp bill because it will put cotton to 15 cents, and if we get 15-cent cotton we are ruined, because we will have too much crop planted next year." I do not agree with that in all respects.

I am not carrying cotton as the gentleman at the head of the cooperative organization probably is, which he wants to work off, but I do say that if you are going into a Government policy of lifting the price and holding it up, no matter what the production is, then, by gracious, you will get your overplanting and your continuous overproduction—and starting on a policy of

overproduction with 9,000,000 bales in the warehouses, it is going to be a long and a tedious process to get rid of it. [Applause.]

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. ASWELL. Will the gentleman from Kansas yield some time?

Mr. TINCHER. I do not care to take time just now.

Mr. ASWELL. The gentleman has 15 minutes more.

The CHAIRMAN. If there is no other debate the Clerk will read.

Mr. ASWELL. Will the gentleman yield some of his 15 minutes time?

Mr. HOWARD. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HOWARD. In view of the fact there seems to be a lull in the argument might I suggest, if it would be proper, to announce that the lamp still holds out to burn? There might be some late conversions.

Mr. ASWELL. Mr. Chairman, I promised to yield this time to a gentleman who is not on the floor at this moment. There has been an objection made to my bill that it might provide a subsidy. I would like to call the attention of the committee to these facts of record as to what has been done for the railroads:

Aid to railroads

Total costs of operating the Interstate Commerce Commission to date has been	$46, 141, 587. 00
Amount certified to the Treasury for settlement to date	529, 892, 619. 00
In addition to these sums, the Government now holds railroad bonds in the sum of	265, 388, 800. 00
Total aid to railroads under Esch-Cummins law	841, 423, 006. 00

APPROPRIATIONS

1918	500, 000, 000. 00
1919	750, 000, 000. 00
1920	500, 000, 000. 00
1921	65, 575, 832. 03
1922	330, 817. 00
Total	1, 815, 906, 649. 03
Total aid to railroads under Esch-Cummins law	841, 423, 006. 00
Grand total aid to railroads	2, 657, 329, 655. 03

Appropriations to shipping

Year	Shipping Board	Merchant Fleet Corporation
1917	$101, 316	$405, 000, 000
1918	517, 500	635, 000, 000
1919	842, 500	1, 807, 201, 000
1920	772, 986	356, 000, 000
1921	442, 500	[1] 36, 852, 000
1922	459, 000	[1] 73, 500, 000
1923	459, 000	[1] 100, 000, 000
1924	411, 500	[1] 50, 000, 000
1925	344, 000	[1] 30, 000, 000
1926	330, 000	[1] 24, 000, 000
1927	298, 574	[1] 23, 900, 000
Total	4, 978, 876	3, 541, 453, 000
Grand total		3, 546, 431, 876

[1] And receipts.

The bill I proposed has a revolving fund of $250,000,000 to stabilize agriculture. Yet, some gentlemen who support the billions for shipping and the railroads fear that a revolving fund for agriculture might be a subsidy. You can not give immediate relief, overnight relief, as you shout for, without appropriating money to agriculture. I propose to do it frankly, in the open, in a sane, practical, and business way.

It is interesting to note, gentlemen, when the supporters of the Haugen bill gave up the ghost and surrendered their bill and accepted the McNary bill they admitted, thereby, that it was the worst of all bills, and they would take the next worst, the McNary bill. It is exceedingly interesting for gentlemen of this committee to be reminded at this moment that, although the supporters of the McNary bill in the House and on the Committee on Agriculture made an earnest appeal for two hours more of general debate this afternoon, two hours on the rule, claiming that the object was to explain the new material in the McNary bill that was not in the Haugen bill and claiming that they would want to present some explanation of the new matter in the McNary bill which is now before this House, yet the four hours have passed, another day has been wasted, and not a single word by any supporter of the Haugen bill has been uttered on this floor in an effort to explain a single point of the new matter. In the name of the distressed farmers, I protest against this political gesture, this insincerity, this wobbling, this scheming, as you continue to fool the farmers when you know the McNary bill can never become operative. You are leaving the farmers unaided. It is a sad commentary upon the intelligence of honorable gentlemen who would support the McNary bill yet have not enough courage to explain a word of it, knowing if they explained it would make it worse. There is not a Haugen Member on the floor who dared to explain it. The only conclusion men outside of the Congress can reach is that the amendments as well as the bill itself were written by lobbyists on the outside and handed to Members in the other body. They swallowed the amendments and present the bill without understanding. The Haugen supporters dare not make any effort to analyze the new matter. It is a bill, gentlemen, written on the outside for political purposes and in selfish interests.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. TINCHER. I yield to the gentleman five minutes more.

The CHAIRMAN. The gentleman from Louisiana is recognized for five minutes more.

Mr. ASWELL. I made a mistake the other day in that I called attention on this floor to the fact that the number of jobs offered by the Haugen bill was only 156, not quite enough to give all the lobbyists infesting this Capitol at the expense of the farmers each one a job. I should not perhaps have called attention to that fact, for the reason that another body in this Capitol proceeded at once to amend the bill and put in 24 more jobs, adding two to each nominating committee. One hundred and fifty-six plus 24, I am informed reliably, will about cover all the prominent lobbyists around this Capitol.

I said to a distinguished gentleman—not strong but loud in his support of the Haugen bill [laughter], "I do not understand you; you propose now to substitute the Senate bill for the Haugen bill, and add another fact in the unconstitutionality of the bill, because you propose to have a tax bill originate in the Senate when you do that." And he said, "I don't give a d——— about that, because you can not make the d——— thing any worse." [Laughter.] Yet he said, "I am for it; I have got to support it, because the crowd at home are on my trail."

Gentlemen, let me repeat what I have already said three times: I can not, will not, support the Haugen bill, because I know the agricultural conditions of this country are in a deplorable condition; I know my own farmers are distressed and depressed, and I will not cast my vote to tax them further with the equalization fee.

The Haugen bill not only is a tax bill but it proposes a most infamous form of taxation. It proposes a sales tax on the necessities of life. I can not support a bill of that kind. No responsible party in this country, under this Government, and no responsible party in any country in the world, ever imposed a sales tax on the necessities of life; and this is what the Haugen bill does—levies a sales tax on the things that the poor, depressed farmer has to sell. In other words, the Haugen bill supporters would have you believe that if you take a farmer, depressed and distressed, and tax him, by some magic Houdini sleight-of-hand performance under the Haugen bill that tax will be transformed into a profit of 3 to 1. I can not support any such legislation, and when the other bills are offered as substitutes, if they do not prevail, I feel that I shall be rendering my farmer constituents the highest order of service when I vote "No" on the final passage of the Haugen bill. [Applause.]

If you substitute my bill, the farmers will get prompt relief without the equalization-fee sales tax. The McNary-Haugen bill can not give relief because it will never become a law. [Applause.]

The CHAIRMAN. If there is no desire to speak on the part of others, the Clerk will read the bill for amendment.

Mr. GARRETT of Tennessee. Just a moment before the reading begins.

Mr. KINCHELOE. Mr. Chairman, I yield such time as he may desire to the gentleman from Alabama [Mr. ALLGOOD].

Mr. TINCHER. Mr. Chairman, how much time have I?

The CHAIRMAN. The gentleman from Alabama is recognized.

Mr. ALLGOOD. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD by inserting the House resolution which I introduced to-day concerning Muscle Shoals, to give relief to agriculture.

The CHAIRMAN. The gentleman from Alabama asks unanimous consent to extend his remarks in the RECORD as indicated. Is there objection?

There was no objection.

Mr. ALLGOOD. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following resolution:

House Joint Resolution

Whereas it is apparently impossible for Congress to enter into a contract with a private corporation for the operation of Nitrate Plant No. 2 and other facilities, including Wilson Dam, at Muscle Shoals; and

Whereas under the present temporary lease between the Government and the Alabama Power Co., the farmers receive no benefit from Muscle Shoals, and the Government receives an inadequate return from the sale of Wilson Dam power; and

Whereas there is every indication that the same conditions which now and for many previous years have prevented the consummation of a lease between the Government and a private corporation on a 50-year basis, will continue to prevail through succeeding sessions of Congress for an indefinite period; Therefore, be it

Resolved, etc., That the President of the United States be authorized and instructed to put Nitrate Plant No. 2, at Muscle Shoals, into operation for the production of fixed nitrates for fertilizer and explosives, and for extensive experimentations in order that this Government might be kept abreast of other governments in preparing for any war of the future; as provided under section 124, national defense act of 1916.

(2) That the President be authorized to make use of any or all Wilson Dam power for the manufacture of fertilizers and explosives and for other Government purposes, and sell whatever power might remain surplus to any distributing company which might desire to enter into a contract on the following terms:

(A) The power to be sold by the Government to bring a price not less than the average price paid for similar power throughout the United States.

(B) That the lease shall endure for a minimum of 5 and a maximum of 10 years, with the distinct understanding that at the conclusion of the lease period, whether 5 or 10 years, the lessee will have brought into use all 18 units of Wilson Dam: Be it also

Resolved, That in the operation of Nitrate Plant No. 2, the President be authorized, if it should be deemed necessary, to make use of all rentals, or any part thereof, which might accrue to the Government from the sale of surplus power.

The CHAIRMAN. The gentleman from Alabama has consumed one minute.

Mr. KINCHELOE. Mr. Chairman, may I ask how the time stands?

The CHAIRMAN. The gentleman from Iowa [Mr. HAUGEN] has 16 minutes remaining, the gentleman from Louisiana [Mr. ASWELL] 5 minutes, the gentleman from Kentucky [Mr. KINCHELOE] 10 minutes, and the gentleman from Kansas [Mr. TINCHER] 10 minutes.

Mr. KINCHELOE. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. RAINEY].

The CHAIRMAN. The gentleman from Illinois is recognized for 10 minutes.

Mr. RAINEY. Mr. Chairman, at last big business has spoken through its representatives. This morning the metropolitan papers carried an interview given out yesterday by Henry Ford, the biggest business man in all the world, and this morning the CONGRESSIONAL RECORD contains an article or a letter from Andrew W. Mellon, the next biggest business man in the world; and Mr. Mellon selects as his exponent, as his mouthpiece, my distinguished farmer friend and colleague, Mr. CHINDBLOM, who represents here the gold coast district of Chicago. [Laughter.]

One hundred and twenty years ago in the section now represented by Mr. CHINDBLOM, according to a legend that is still extant up there, an Indian raised there 62 bushels of corn, and that is the only agricultural result ever obtained in that district. [Laughter.] Of course, until the Volstead law they consumed large quantities of corn there in liquid form, but they do not do it now. They get along with renatured denatured alcohol, which is not made out of corn at all. My farmer friend, Mr. CHINDBLOM, who speaks for the second most important business man in the world, does not know much about farming; at least I am not impressed with his knowledge of farming and farm products. But he can learn—I know that—and if Mr. CHINDBLOM should devote a week's intensive study to farm problems at the short farmers' course of our State university, I am sure that at the expiration of that course of study he could tell the difference between a threshing machine and a milking machine. [Laughter.]

Mr. CHINDBLOM. Mr. Chairman, will the gentleman yield?

Mr. RAINEY. I have only seven minutes.

Mr. CHINDBLOM. I want to suggest that I actually did hope to learn something from almost 18 hours of discussion on this subject, but there has been no information forthcoming.

Mr. RAINEY. The gentleman ought not to take up my time. If the gentleman will read now in addition to the letter he has published in the RECORD the interview with Henry Ford, he will learn something. Henry Ford says the Haugen bill is "asinine and senseless," and he submits as a substitute for farming a plan to eliminate cows, chickens, pigs, and such things from the farm, and invites all the farmers to move to town.

He insists that in the future we are going to live on oatmeal crackers made out of pecans, olive oil, and some other ingredients. We all now know why the Haugen bill is wrong and uneconomic.

Henry Ford proposes to eliminate chickens and eggs, which yield every year to the farmer $1,050,000,000 of money. He proposes to eliminate cattle and hogs and sheep, and we produce $3,000,000,000 worth of them every year. He proposes to eliminate corn, and we produce $2,000,000,000 worth of that every year. He proposes to eliminate cows and dairy products, and we produce of dairy products $2,500,000,000 every year. Henry Ford's plan is absolutely simple. All we have got to do is to abandon the farms and from $8,000,000,000 to $10,000,000,000 worth of the things which the farmers produce, have the farmers move into town and ride around in cheap automobiles. Of course, they will be Ford automobiles. Then we are to use synthetic foods made out of pecans and olive oil, but there is no explanation from him as to where we are going to get enough pecans and olive oil with which to feed 116,000,000 people. His assertions and his propositions are as absurd as was the voyage of his peace ship and the announcement that he proposed to get the "boys out of the trenches before Christmas."

Mr. BARKLEY. What part does sawdust play in these synthetic foods?

Mr. RAINEY. Sawdust might do, and there are a great many of these big business men in the East who would like to see the farmer reduced to a position where he has to live on sawdust, and they are getting him into that condition just as fast as they possibly can. Now, these are the suggestions made by Henry Ford, the biggest business man in the world, and big business is speaking through him.

The suggestion made by Andrew W. Mellon through my distinguished farmer friend from Illinois amounts to this: If we adopt the Haugen bill we will have an overhead in the way of expenses appalling, indeed; and then through his Bureau of Internal Revenue he figures out how much it is going to cost and how many we are going to add to the army of employees in the United States.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. KINCHELOE. Mr. Chairman, I yield the balance of my time to the gentleman from Illinois.

Mr. RAINEY. He figures it all up. I do not know how much it is—$1,000,000, or considerably more than that. I am never impressed with the figures given out by the Internal Revenue Bureau of this Government under the direction of Mr. Mellon. I have had considerable experience with them. We have a "flexible tariff" which does not always work to the satisfaction of everybody, but we have some experts up there in the Internal Revenue Bureau who give out "flexible figures" that always suit Mr. Mellon. I remember that in 1922, when we had up the soldiers' bonus bill, there came out from Mr. Mellon's Bureau of Internal Revenue the statement that we had confronting us a deficit for 1923 of nearly $300,000,000, and they defeated with those flexible figures of his the soldiers' bonus proposition, which would have given to the soldiers something better than graveyard insurance. But the months went on, and then we heard from the same source and from the same authority that we had a surplus of over $200,000,000, which we proceeded to hand back just before the elections all over the country in the shape of rebates on taxes, which, I can assure you, my friends, I found in my district to be a most convincing campaign document in favor of the Republican candidate for Congress that year. Then, I remember that afterwards when Mr. Mellon appeared before the Ways and Means Committee, having personally suffered considerably on account of these flexible figures, I called his attention to them. It all appears in the hearings. And Mr. Winston answered. He always has some of these young fellows around with elastic consciences to answer. I called his attention to the fact that he had made a mistake in the estimate of that year amounting to something like $500,000,000. I said "How do you account for that?" And Mr. Winston—it appears in the hearings—made this very clear and—to him and to Mr. Mellon—satisfactory statement. He said it just happened this way: "What we did was to underestimate the receipts and overestimate the expenses. That is the way it happened." Of course that made it all perfectly clear.

MISTAKES OF MELLON

In order to call attention to the absolute unreliability of estimates and figures presented by Mr. Mellon and his "flexible" Bureau of Internal Revenue, I want to quote now from a letter addressed by Secretary Mellon to the chairman of the Ways and Means Committee of the House of Representatives and dated January 24, 1922. May I call attention to the fact that this letter from which I propose now to read this extract is printed in the hearings before the Ways and Means Committee when they were considering the question of the soldiers' adjusted compensation bill, and when it became necessary from Mr. Mellon's standpoint to defeat the bill and to give the soldiers only the "graveyard insurance" they now have. This letter accomplished its purpose. It defeated the soldiers' bonus bill. You will find it printed at page 68 of the hearings on this subject before the Ways and Means Committee, which extended from January 31, 1922, to February 7, 1922. I now read:

It appears from these statements that for 1922 the Budget estimates indicate a deficit of over $24,000,000, and for 1923, a deficit of over $167,000,000. These figures make no allowance for expenditures not covered by the Budget, as, for example, $50,000,000 already requested by the United States Shipping Board for the settlement of claims; $7,000,000 to be spent by the United States Grain Corporation on account of Russian relief, under the act approved December 22, 1921; $5,000,000 to be paid as the 1923 installment under the treaty with Columbia; and a possible $50,000,000 on account of additional compensation to Government employees; a total of $112,000,000, chiefly for 1923. The results of the first half of the fiscal year, 1922, after making due allowance for extraordinary items, indicate that the Budget estimates for the year are substantially correct. It is still too early to say whether deficits can be avoided, but it is almost certain that in neither 1922 nor 1923 will there be any surplus. At any rate, it is clear that in order to balance the Budget, expenditures must be still further reduced, rather than increased, and the net reductions below the Budget figures within the two years must aggregate about $300,000,000, in order to overcome the indicated deficits. At the same time, the Government faces a heavy shrinkage in receipts, and internal-revenue collections in particular are subject to great uncertainty. As a matter of fact, in view of the depression in business, there is grave doubt whether the estimates of receipts which appear in the Budget can be realized, and up to date the shrinkage has rather more than kept pace with the shrinkage in expenditures. It is clear that under these conditions there is no room for new or extraordinary expenditures, and that if new items should be added, which are not included in the Budget, it would be necessary to make simultaneous provisions for the taxes to meet them.

In the rest of the letter he discusses the items which he expected would make up this very large deficit, to wit: Maturing Liberty loans, maturing Treasury certificates outstanding, interest payments on the public debt, and so forth, and the letter was accompanied by extended statements from his "flexible" Bureau of Internal Revenue intends to sustain this estimate.

In order to obtain evidence of this pretended deficit, Mr. Mellon entirely ignored the estimates of Mr. McCoy, nearly always accurate, the Government actuary, and accepted the estimates of some clerk in the Internal Revenue Bureau. And now may I quote from the hearings before the Ways and Means Committee on the 13th day of February, 1924, in which hearings there was considered the question of "estimates of revenue." Mr. Joseph S. McCoy, the Government actuary, was testifying. I read:

Mr. RAINEY. On January 24, 1922, the Secretary of the Treasury, in a letter addressed to the chairman of this committee, announced that the deficit for 1922 would exceed $24,000,000, and that the deficit for 1923 would exceed $279,000,000.

Now, I understand, he says there was a surplus in 1923 of over $200,000,000. There was a mistake there, of $479,000,000 at least, in the estimates for 1923; and he goes on to state that he got these figures from the actuary.

Mr. McCOY. The figures used in the Secretary's report for 1922, upon which the deficit or surplus was based, were not my figures. I did supply figures estimating revenues, but they were not used.

Mr. RAINEY. He says he got them from the actuary.

Mr. GARNER. Let me get that statement straight. Let us follow that up.

Mr. RAINEY. Yes; in fairness to the witness.

Mr. GARNER. As I understand it, Mr. McCoy, when your figures suit the Secretary's purpose, he uses your figures?

Mr. McCOY. No, sir.

Mr. GARNER. And when his purpose is not served by your figures he uses some other figures?

Mr. McCOY. No.

At a later date, when Mr. Mellon himself appeared before the committee, I called his attention to these stupendous mistakes and asked him how it happened. Mr. Winston, his Undersecretary, answered for him and stated that the mistake occurred on account of the fact that they underestimated the receipts for that year and overestimated the expenditures. This, of course, made the matter very clear. Since that time other mistakes have been made in the estimates amounting to hundreds of millions of dollars, and all of them evidently made for the purpose of carrying out some policy of the Treasury Department. The figures we get from Mr. Mellon's "flexible" Internal Revenue Bureau are not worthy of serious consideration, and the estimates and figures he gives out now as to the overhead expenditures connected with operating this bill are not, in my judgment, entitled to serious consideration, in view of the expressed opposition of Mr. Mellon to this bill and in view of his record of furnishing always figures intended to kill the measure opposed by him.

THE EQUALIZATION FEE

The equalization fee theory has come to stay. Farmers are up against the cheapest labor in the world—the peon labor of India and Turkey and Russia. No political party in the future will ever oppose a tariff which simply has for its object the equalization of labor costs. What some of us are opposed to is a tariff which protects the graft in industry. We believe in maintaining the standard of living of Americans whether they work in factories or on the farms. There will always be a tariff. Whether it is low or high, the farmer is entitled to enough to equalize wage differences, and we know that the only effective method of protecting the farmer in this particular is through the application of the equalization fee. This is the only way to make his tariff effective, and I propose that whatever tariff we give him, whether it is low or high, shall be effective if I can make it effective. Of course, a reduction of the tariffs on articles other than farm products will make possible a lower tariff on farm products in order to keep up the purchasing power of farmers, but whatever the tariff is, it must be made effective.

STANDARDIZATION

We have standardized the business of every other class of our citizens, and we have done it by law. I challenge any opponent of the McNary-Haugen bill to call attention to the income and the profits of any class of our citizens which has not been standardized and assured by legal enactments. I expected to support the McNary-Haugen bill. I expect, now, to support the McNary bill. Changes made in this bill in the Senate are largely academic and do not seriously affect the application of the bill. I realize that any amendments to the McNary bill, which will be substituted for the Haugen bill, will result in the defeat of all agricultural relief at this session. I shall vote against all amendments and I shall vote for the bill.

Mr. TINCHER. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Kansas is recognized for 10 minutes.

Mr. TINCHER. Mr. Chairman and gentlemen of the committee: The first McNary-Haugen bill came on this floor at a time when there was an emergency in agriculture and when every legitimate basic agricultural commodity was selling below a fair ratio price. It was suggested as an emergency measure, and its term of life was defined in the bill. It failed. However, the man who was here suggesting the equalization fee as a method for enforcing the fair ratio price did not die. His name is Peek, and he comes from Illinois. He was sold on the proposition right after the war by reason of some Government activity with which he was connected during the war. The ratio price had to be abandoned because since that time every agricultural product, depending somewhat on whether we had a surplus that year or not, has gone way above the ratio price. It makes a good deal of difference. This is the year for the cotton boys to howl. They are not getting the ratio price. The first year cattle, hogs, wheat, and corn were way below the ratio price; so that a lot of us from the corn and wheat regions supported that emergency measure in order to get the ratio price. The Agricultural Committee has studied the problem ever since, and it is not unfair to state that 90 per cent of that committee actually believe that the selling of the surplus product by levying an equalization fee will be a failure. But expediency and conditions at home influence all of us.

We are now going to vote right away on a bill that we have not had a hearing on. It has an insurance problem in it that I understand is unique in the fact that it is the only insurance proposition that was ever put up to Lloyd's that they said they would not touch. [Laughter.]

However, some of us can not stand the equalization fee, and if they can get a little insurance problem in here in some way, maybe they can justify themselves when they are levying

the equalization fee and collecting it by saying, "We thought the insurance proposition would work." It is so delicate it can not be considered in committee. It is so delicate that no witness must ever testify concerning it; and it is so worthless that the entire time of general debate on this floor has not found a sponsor for it for one minute. Nay, more, it is so delicate that it will not stand an amendment, and you will hear the great DICKINSON, the spokesman for Peek, and the Iowa conservator of agriculture, close this debate in a few minutes, and mark my prediction: He will say to you, "If you want to defeat the Haugen bill, amend it in any particular." He will stand up and tell you that this fabric is so delicate that this great lawmaking body at this end of the Capitol must not exercise its prerogatives to the extent of dotting an "i" or crossing a "t." This is to be the closing argument in the debate this afternoon in this House.

Shall we surrender if we think we can do something that will help the bill? Is it not a good joke to say, "Do you know the only way you will get farm legislation is to pass this bill without amending it," when it is a well-known fact that there are 100 men in this House who are going to vote for this thing who would not vote for it if they thought there was any chance in the world of its becoming a law? [Applause.]

I yield back the balance of my time.

Mr. HAUGEN. Does the gentleman from Louisiana want to use some time now?

Mr. ASWELL. I yield back my time.

Mr. HAUGEN. I yield 15 minutes to the gentleman from Iowa [Mr. DICKINSON]. [Applause.]

Mr. DICKINSON of Iowa. Mr. Chairman and members of the committee, I want to say that to me the number of statements that have been made here where men have come in and confessed their recent conversion to this legislation has been sweet music to my ears. [Laughter.]

This fight has continued for more than five years. It is now put in a peculiar parliamentary situation, and I want to say to this committee that I make no apologies in coming here on behalf of the farmers and saying to you that if you dot an "i" or cross a "t" of the Senate bill that is now substituted for the House bill you deliberately and premeditatedly kill farm legislation for this session, and I want the gentleman from Kansas to pay particular attention to this statement. [Applause.]

Mr. ASWELL. Will the gentleman yield?

Mr. DICKINSON of Iowa. No; I do not yield. The gentleman has had two or three hours here, and I have had no time at all in this general debate.

Mr. ASWELL. Too bad. [Laughter.]

Mr. DICKINSON of Iowa. If I had had a little more time, I might have enlightened the gentleman from Louisiana on the fact that this is not a tax at all; that under the best authorities it is not considered a tax, but is a charge collected upon a commodity for the purpose of accumulating a sinking fund for payment of losses; and the gentleman from Louisiana knows that when he comes in here and offers his bill as a substitute, as he is going to offer it, if it passes, it is going to kill farm relief legislation for this session.

I was amused at the statement of the gentleman from Kansas that this was emergency legislation when we first presented it here in 1924. What is the difference between the emergency now and the emergency in 1924 when the gentleman from Kansas supported the legislation? The difference is that they transferred the emergency from the district out in the southwest section of Kansas, where they produce wheat, down into the southwest and into the southern sections, where they produce cotton, and out in the middle western States like Iowa, where they produce corn. That is the difference in the emergency, and it is largely responsible for the difference in the attitude of the gentleman from Kansas on this legislation. [Applause.]

They thought they had the whole proposition solved here when they were going to say to you that the Canadian man could bring in wheat here cheaper than you could buy it from the producers here, and then they found after they got out all of their propaganda with three or four pages of figures that they had forgotten to read the bill; and the gentleman from Kansas [Mr. TINCHER] spent two columns of his remarks the other day in paying his respects to me on the theory that he had discovered something in this bill that we did not know about.

The gentleman from Kansas knows that whenever the cost of transportation from Canada plus the tariff is greater than the amount of the equalization fee plus the cost of transportation of the original producer here, this plan would work and the equalization fee would be effective for the benefit of the producers of this country.

And when he put the equalization fee at 25 cents a bushel, which he knew is a higher rate than ever will be charged if this machinery is ever put into operation, he fixed the amount high for the purpose of his illustration. The gentleman from Kansas never read the bill; he guessed at it; and then he spent two columns of his speech trying to show what a disaster that would be to the wheat producer and the country, and all at once discovered that the bill prevented them from doing the thing complained of.

Now, with reference to the lobbyists. I make no apologies for George Peek, Frank Murphy, or Chester Davis. They are just as good businessmen and just as good economists as Dave Tenney, of the city of Minneapolis. I know several cotton men, and I want to say that they are lobbyists only because they have the interest of the people they represent at heart, and they do represent the sentiment of their people on this proposition. Do not let the gentleman from New Jersey [Mr. FORT] or the gentleman from Kansas [Mr. TINCHER] or the gentleman from Louisiana [Mr. ASWELL] disabuse your minds for a minute that these people represent the real sentiment of the farmers of their locality. [Applause.] Because if they did not they would lose their jobs, and so would any other Representatives of the farmers, because they have to be selected one year after another.

Next, I have read with a good deal of interest the minority report signed by the gentleman from Kansas [Mr. TINCHER]. In that report he says:

> It is absolutely inconceivable that the great packing-house interests of America would have remained silent in regard to a bill which plans to take over the entire trade of the Nation in swine, unless convinced that the bill would operate in their interests.

On May 30, 1924, Mr. TINCHER said in discussing the farm bill:

> In the first place, the packers are against this bill. The grain exchanges are against the bill. Their lobbyists are in Washington and they appeared before the committee, and they testified against the bill and they are fighting it. They have been in these galleries ever since we have been considering it, and they are not for it. That is one statement. How ridiculous to say that this bill would help the packers so much that you ought not to pass it.

There is the quotation of the gentleman in May, 1924, and there is the signature on the minority report with reference to the present bill.

Mr. TINCHER's speech was largely a ridicule of the Members of the House. He was entertaining for some 40 minutes. He named a new cabinet. He named new officers, but when it came to a discussion of the fundamentals of the bill he evaded that. Let me suggest that—

> Ridicule is a weak weapon when leveled at a strong mind;
> But common men are cowards and dread an empty laugh.

Now, I want to take up the suggestion of another gentleman, the gentleman from Massachusetts [Mr. LUCE]. The other day the gentleman from Massachusetts said if any one wanted "to add to his unanswerable argument he would yield to him." Then he yielded to the gentleman from Alabama [Mr. HUDDLESTON] who is absolutely at a different end of the equation in his views from the gentleman from Massachusetts. One is a high protective tariff man and the other is a free trader.

The amusing part to me was the fact that the gentleman from Massachusetts spent the first 10 minutes claiming that this bill would result in overproduction in all commodities, and then he spent the last 10 minutes of his speech telling you how it was going to increase the cost to the consumer. What is the best guaranty that a consumer can possibly have that he is going to buy food at a reasonable rate? Why, it is a good supply. Nothing on earth will hold up the price of a commodity if you have an overproduction of that commodity, and the gentleman from Massachusetts ought to know that if he is an economist at all. And yet, when I asked him to yield he would not yield to me because his position was inconsistent. He was either wrong in the first 10 minutes of his speech or was wrong in the last 10 minutes.

If you have overproduction you can not have increased cost to the consumer, because sooner or later the machinery will get down to a level where you can only market the commodity at what the consumer will absorb it at, and when you have reached that price, you will stabilize the price of that commodity, and there the producer will have to be satisfied and will have to go along and continue to produce. For that reason the gentleman from Massachusetts [Mr. LUCE] was inconsistent in his argument, and you can not maintain both ends of the equation because one works absolutely against the other. Therefore, both results can not be maintained. As a matter of fact, he is wrong at both ends of the equation. Overproduction is not going to result from a fair return to the farmer, and increased cost to the consumer is not going to result from the operation of this bill only after the general level finds itself in the economic equation of the country,

as you add to or take from the various ingredients that go into the commodity. The raw materials that go into the food commodities are so small a per cent of the cost of the commodity, that it is scarcely reflected in the actual price that the consumer pays. The gentleman from Ohio [Mr. BRAND], showed that with his illustration in respect to bread. It has been shown here numerous times and in numerous cases.

On the 10th of July, 1925, at Ames, Iowa, the Secretary of Agriculture, W. M. Jardine, said:

The present troubles of agriculture in no small measure have grown out of the excessive production and the loss of foreign markets, a situation that was brought on by the World War.

In the Fourteenth Annual Report of the Secretary of Commerce for the fiscal year ending June 30, 1926, on page 97, under the caption "The status of agricultural exports," appears the following paragraph:

Without attempting to trace the ups and downs of our agricultural exports during recent years, it is sufficient to point out that on the average they have materially exceeded the pre-war volume. In the fiscal year 1925–26 they amounted to $1,892,000,000, as compared with an average of $1,038,000,000 from 1910 to 1914. For the calendar years 1921 to 1925, after allowing for change in prices, the exports of agricultural products were about 23 per cent greater than from 1910 to 1914.

It would seem, therefore, that the figures compiled by the Department of Commerce do not confirm the statement of the Secretary of Agriculture that we have had a "loss of foreign markets." The situation is one created by governmental policies within the United States and is clearly not one produced by a loss of foreign markets for agricultural products.

In his speech in the House of February 11, 1927, Congressman FORT, of New Jersey, summed up the case of the opposition to surplus control legislation in the statement that the present condition of agriculture is due to overproduction, and continued:

Then came the war, and we speeded up everything in the United States to force production as a war measure. We did that whether it was farming or manufacturing, whether it was transportation or what you please; everywhere we could get an additional ounce of production of any kind we went out and got it. Consequently we opened millions of additional acres of land in this Nation to production. We are not through with the demobilization of agriculture yet.

I challenge the policy of this administration in proceeding further with the demobilization of agriculture.

Farmers did speed up agricultural production during the war. But industry also speeded up industrial production during the same period. The increase of industrial production was greatest in the territory represented in part by Mr. FORT and including New England, New York, New Jersey, and part of Pennsylvania and Ohio.

The war concentrated the Nation's emergency business within a radius of relatively few miles of New York. Of the thousands of war contracts placed in the early stages of the war, nearly all were crowded into the East to such an extent that it became necessary for the War Industries Board to prohibit the placing of more business in that district. To support this wartime expansion of industry in the industrial East labor was moved in vast numbers from other sections of the country and the flow of raw materials was directed into this region. Old plants were enlarged and new ones were built in large numbers.

When the war closed and a return to peace-time demand was inevitable a desperate policy was adopted to maintain the industrial expansion in the East by expanding industrial exports regardless of its effect upon the rest of the country. Agriculture was deflated promptly, deliberately, and ruthlessly.

It is now more than eight years since the armistice; agriculture has been completely demobilized, but industry has not been, and here arises the true reason for the opposition of the industrial East to the rehabilitation of agriculture. Over a period of years our exports can not materially exceed our imports. A further reason for this is the fact that as the United States now has more than its proper share of the world's gold, our war debts and commercial loans can only be paid with imports. This raises the tremendously important question, Shall agriculture continue to contribute its proper share of exports to balance our imports or shall our agricultural exports be restricted to the vanishing point, leaving to industry the unrestricted opportunity to expand its exports and avoid demobilization of its war-time inflation?

This conclusion is strengthened by the fact that spokesmen for industry, such as Congressman FORT, Secretary Hoover, Secretary Jardine, Secretary Mellon, and numerous writers persistently advise agriculture to reduce its production to the low point of domestic demand. The effect of this would be to create a vacuum in our exports which would furnish the opportunity for industrial expansion or at least for the maintenance of war-time expansion. If successful and the result is a shortage of farm products resulting in higher prices, their next move would be to remove all tariffs on farm products but maintain them on industrial products.

This view is further supported by the fact that these same industrialists inconsistently urge against this legislation that its effect will be to increase prices of farm products and raw material in the United States and hold reduced production out to farmers as the only hope of higher prices. As a matter of fact these gentlemen and the interests they represent, do not want higher prices on farm products and raw materials. Under ordinary circumstances they would welcome a generous production, even to the point of overproduction, because it would mean low prices of farm products and raw materials. Thus in one breath the opposition to this legislation say they believe it will raise farm prices and in the next they urge farmers to reduce production to the point that prices will be advanced.

The only logical explanation of this obvious inconsistency, is that these gentlemen want agricultural production reduced below pre-war volume, or, as they express it, to the point of merely supplying the domestic market. With agricultural production reduced to a basis of domestic needs, our balance of trade would be maintained only by increasing industrial exports and thus the National Government would be behind the policy of industrializing the Nation for the benefit of a limited section of the East and at the expense of the rest of the Nation.

This further demobilizing of agriculture advocated by Mr. FORT means not merely a continuance of low prices for agriculture, but it means demobilization of the agricultural plant, involving further destruction of land values, further abandonment of farms, and the reduction of our farm population to a condition of peasantry.

We want to maintain our food-producing people on a parity with other interests, and the only way that you are going to do it is by giving them the same opportunity to maintain themselves that you are giving the industries in the East to maintain themselves.

I was very much amused the other day at the statement of the gentleman from Vermont [Mr. BRIGHAM]. His people, he said, are against the bill, not because of the dairy features, but because they are against price fixing. I ask the Members of this House whether or not in their minds the additional duty of 4 cents per pound put on dairy products had anything to do with raising the price of dairy products in the State of Vermont? Of course it did. It maintained the price at a higher level and helped the dairy interests of this country. Yet there is the dairy interest, so selfish that they think they ought to be able to maintain themselves under this protection and say to the cotton producer and to the wheat producer and to the swine producer and to the rice producer, "You take care of yourselves, we are in under the weather and do not care whether you get in or not." That is not the attitude that we should assume in this country. You can not protect the dairy interests as against the other interests of the country and maintain it as a national policy, and it ought not to be attempted. [Applause.]

With reference to the price of dairy feeds in which Mr. BRIGHAM says I am mistaken, will say that at a later date I shall place in the RECORD data showing that the price of bran and shorts has no relationship to the price of wheat. Bran and shorts constitute the major portion of dairy feeds.

It has been said that President Coolidge will veto this measure if it is passed by Congress.

I do not know whether or not he will do so. In this connection, however, I wish to call the attention of the House to certain excerpts from statements of President Coolidge since 1923, and to the position taken by cooperative marketing and farm organizations toward this legislation:

PRESIDENT COOLIDGE ON COOPERATIVE MARKETING

First message to Congress, December 6, 1923:

"He [the farmer] must have organization. His customer with whom he exchanges products of the farm for those of industry is organized, labor is organized, business is organized, and there is no way for agriculture to meet this unless it, too, is organized. The acreage of wheat is too large. * * * Systems of cooperative marketing created by the farmers themselves, supervised by competent management, without doubt would be of assistance, but they can not wholly solve the problem."

Lincoln Day dinner of National Republican Club in New York, February 12, 1924:

"I have already encouraged organization and cooperative marketing that organized agriculture may cope with organized industry."

Livestock Exposition in Chicago, December 3, 1924:

"It [the Government] must encourage orderly and centralized marketing as a substitute for the haphazard and wasteful distribution methods of the past. The principle of cooperation in producing, financing, buying, and marketing must be encouraged to the utmost practicable development."

National Cooperative Marketing Conference, Washington, January 6, 1925:

"As a last word, let me assure you again of the profound sympathy which your Government feels for all your efforts, and its eager purpose to help in every practical way the achievement of the ends you are seeking."

American Farm Bureau Federation, Chicago, December 7, 1925:

"The most important development of late years has been the cooperative movement. * * * I propose actively and energetically to assist the farmers to promote their welfare through cooperative marketing."

Message to Congress, second session, December 1926:

"It has appeared from all the investigations that I have been able to make that the farmers as a whole are determined to maintain the independence of their business. They do not wish to have meddling on the part of the Government or to be placed under the inevitable restrictions involved in any system of direct or indirect price fixing which would result from permitting the Government to operate in the agricultural markets."

Message to Congress, second session, Sixty-ninth Congress:

"The development of sound and strong cooperative associations is of fundamental importance to our agriculture.

"Surpluses affect prices of various farm commodities in a disastrous manner, and the problem evidently demands a solution, and it is my hope that the basis will be found for a sound and effective solution upon which agreement can be reached. If a sound solution of a permanent nature can be found for this problem, the Congress ought not to hesitate to adopt it."

In the same message he said:

"In my opinion cooperative-marketing associations will be important aids to the ultimate solution of the problem. It may well be, however, that additional measures will be needed to supplement their efforts. I believe all will agree that such measures should not conflict with the best interests of the cooperatives, but rather assist and strengthen them. In working out this problem to any sound conclusion it is necessary to avoid putting the Government into the business of production or marketing or attempting to enact legislation for the purpose of price fixing. The farmer does not favor any attempted remedies that partake of these elements. He has a sincere and candid desire for assistance."

In a reasoned statement in behalf of the McNary-Haugen bill presented to this Congress practically all large cooperatives handling the basic agricultural products named in this bill declared:

* * * No cooperative can afford to burden its members only with the entire cost and risk of borrowing money to buy seasonal surplus and carry it over to other years or to sell it in foreign markets. * * * We, therefore, respectfully petition Congress to pass at this session legislation which will create a Federal farm board with whose cooperation surpluses can be effectively handled by cooperative agencies created by farmers and distribute the costs of managing such surpluses as broadly as the resultant benefits are distributed, that is, over each marketed unit of a particular commodity through an equalization fee.

Similar statements of the inability of cooperatives to assume the burden of managing the surplus and petitioning Congress to pass farm-surplus-control legislation have been made to committees of the House and Senate and printed in the CONGRESSIONAL RECORD.

In the entire history of this legislation, beginning with my original tentative draft of the Dickinson bill, efforts have been made by farm organizations and Members of Congress to conform with the views of the President which I have just read.

The bill before the House does not "put the government into the business of production or marketing or attempting to enact legislation for the purpose of price fixing." The substitute measures, both the Crisp and Aswell bills, do both; and, since neither do not meet either the views of the farm organizations or the President they should be given no further consideration.

In the light of the statements of the President which I have just read, I do not see how he can do otherwise than sign the measure and applaud Congress for so effectively carrying out his expressed desires.

Here I insert the findings of the North Central States Agricultural Conference, Chicago, Ill., October 8, 1926:

I

Our national policy as it relates to agriculture does not fit present conditions. But instead of statesmen who can see its failure we have at the head of administrative affairs of the Nation many men who are aggressively pushing a program of favoritism to industry that will not only continue but must inevitably increase the disadvantage not only of the farmers' position but the position of all those great sections of the United States which are primarily agricultural.

The need is for men whose vision and statesmanship can deal with this crisis in a way fair to American agriculture and to the rest of our people. Instead, we have many national leaders, who not only condone existing inequalities, but are coolly developing a program that will demand yet further sacrifices from agriculture.

We need to develop a national consciousness of this situation—an understanding that will lead to solidarity in pressing for a policy to build up instead of tear down the basic industry of the Nation. This must inevitably project its force into political as well as economic fields although it should be kept entirely apart from influences of partisan politics. It should lead to the selection of Representatives in Congress from the Middle West, West, and South, who, regardless of party, realize that their duty lies first to the economic interest of their constituents, and secondly to political parties.

Now, before election, is the time for candidates from agricultural States, to be made to understand this. It may be said that this is a sectional stand. If so, it has been forced upon us by the sectional position already taken by the industrial East. The need is for men in Congress who have vision enough to see the problem and having seen it, to rise above the crack of the party whip in working courageously for its solution.

II

The sound policy for America must aim toward the development of a well-balanced national life, careful that its effect be not to stimulate any one form of productive effort at the expense of other equally essential producers.

Laws and governmental institutions and sanctions may be general in their form but may work out inequitably in practice because of differences inherent in the groups affected by them. In such a case it is not enough to say, "The provisions of the system of which you complain are general; if you can not secure the advantages from it that others take for themselves the fault is yours." If the end itself is sound—equality among the essential productive industries—then the laws and institutions through which the policy operates should be altered or added to whenever necessary to secure it.

When a surplus agricultural production was necessary to repay foreign investors in the United States and to buy what we must import, our national policy of expanding agriculture upon an export basis worked admirably. When our greatest national test came it was our surplus agricultural production that fed the Allies and decided the issue of the World War. But the international balance shifted as a result of the war. We have the gold. The rest of the world owes us. These facts inevitably limit the volume of exports, both industrial and agricultural, from the United States. Our wheat, corn, pork, cotton, and sometimes beef can bring the farmers only the price which foreign buyers will pay for what is left after the domestic need is satisfied. This condition is crucifying agriculture. It is directly due to our past policy of agricultural expansion, and to the development of the American protective system, which keeps farm costs on a high domestic plane while farm prices remain relatively low due to the influences of world competition.

Every thinking man realizes this condition. The farm debt has more than trebled and the actual exchange value of farm lands has declined 20 per cent during the past 15 years. There is continuing in this country on a vast scale a redistribution of wealth away from the farms into the cities—from those who have produced it to those who have not.

III

If the Hoover-Mellon policy of expanding industrial exports, no matter at what cost, to other groups means anything at all, it means the definite submergence of agriculture. These men and their policies say in substance that American farmers must provide the food and raw material for American industry and labor at prices no higher than foreign manufacturers and labor pay. Why? In order that American industry may export manufactured goods in competition with Europe.

In other words, Hoover and Mellon and all they stand for are pushing as America's new policy toward agriculture the proposition that it is the American farmer's duty and place to produce and sell here at home just as cheaply as does the Russian peasant and the South American peon in Europe.

Their aim is to develop the capacity of the United States to compete for world markets with industrial exports. They suggest that to make this possible the American farmer must provide the basic materials on the same level as the foreign industrialists are supplied. They hope the American farmer can do this and maintain his standard of living by superior and increasing efficiency in production and distribution. If he can not, that is his hard luck. No matter what happens to him, he must make it possible for our industrial exports to continue.

To apply this same reasoning to labor would mean that the American wage scales should be brought down to foreign levels; it is precisely equivalent to a demand for foreign price levels in the United States, but only upon products of the farm.

Such a policy prefers an export market for manufacturers, made possible by sacrificing agriculture, to an improved domestic market made more prosperous by the extension of the American protective system to include the farmers.

IV

The Hoover-Mellon doctrine is dangerous. Its vicious effect on agriculture needs no further demonstration. But it is equally unwise and shortsighted as a policy for our industry and commerce.

The buying power of the farm population of America is incalculably more important to our manufacturers as a whole, even including those who manufacture for sale abroad, than an export market. The Nation's economic position in the world does not require or even sanction stimulated industrial exports.

This is true of the Nation as a whole. For the Middle West, West, and South the case is even more overwhelming. Their direct interest in industrial export trade is infinitesimal; their interest in agriculture's buying power is everything. There are some manufacturers in these districts who export some of their goods, but give them the choice between their export sales and a sustained home market built on agricultural prosperity and they could not hesitate for a moment.

The 1923 census of manufacturers placed the total value of all manufactured goods that year at $60,556,000,000; the Department of Commerce reports the value of the manufactured exports at $2,625,000,000. Only 4.3 per cent of our manufactures exported, and yet our policy makers gloat over that 4.3 per cent as if it were of more consequence in our economic welfare than the prosperity of 30,000,000 American farm consumers.

In considering the importance of our exports it must be remembered that between 40 and 50 per cent of them come from the farm. In 1925 farm products and their manufactures accounted for 47 per cent of the total exports. Of the nonagricultural exports, the following commodities lead in order—mineral oils, automobiles and parts, machinery, copper and manufactures, iron and steel, coal and coke, lumber and agricultural machinery. None of the scattering remainder in the classification reaches 2 per cent of the total. Of those enumerated, how many are there in the United States, and in the Mid West, West, and South particularly, to whom an industrial export market is of more importance than a sustained farm market based on farm prosperity here at home?

Let Mr. Hoover and Mr. Mellon answer.

V

Mellon and Hoover are regarded as the spokesmen for the policy makers of the present administration. Hoover is the administration's agricultural adviser. Jardine is hardly in a position to oppose him.

The Department of Commerce policy to expand industrial exports is too generally known to require elaboration here. Two or three years ago Mr. Hoover held, and on occasion publicly suggested, that the American farmers ought to get out of the export markets, presumably in order to make room for the manufacturers, and reduce their production to the needs of the domestic market. It is reported that more recently he has backed up on that opinion, or at least will not sanction its publication as coming from him.

Congressman FORT, of New Jersey, a former associate of Mr. Hoover, was Hoover's spokesman in the House of the Sixty-ninth Congress. The two speeches he delivered against the Haugen bill were currently understood in Washington to have been prepared in the Department of Commerce.

Mr. FORT said, May 4, 1926 (CONGRESSIONAL RECORD):

"Our labor in America is going to buy bread on a basis at least 47 cents a bushel higher for wheat than British labor and German labor and French and Canadian labor. We are going to cheapen the cost of production of foreign-made articles by selling foodstuffs cheaper to foreign labor than we sell them to our own. * * *

"You are going to make it cheaper for the foreign competitor of American labor to live, but you are going to make it cost more for the American laborer to live, and therefore the cost of production to the American manufacturer must go up while the foreign cost goes down and his world market is lost."

Senator FESS, of Ohio, was generally regarded as the administration's agricultural spokesman in the Senate. In a speech in the Senate on June 9, 1926, he said:

"Mr. President, I do not propose to vote for any measure that will feed at a lower cost the producer of competitive articles that come in competition with American production."

The same note was struck by Mr. Mellon in his official letter of June 14, 1926, in which he said:

"Foreign consumers * * * under the proposed plan will secure American commodities at prices below the American level. European labor could purchase American products at a lower price and could live more cheaply than American labor. Foreign industrial costs would be lowered and the foreign competitor assisted in underselling American products abroad and in our home market."

It has been repeatedly pointed out that these men stand for the industrialization of America at the expense of agriculture.

VI

In our international position the volume of export business which we can maintain is limited by—

(a) Our ownership of half of the world's gold supply.

(b) Foreign governments' debts to us.

(c) Our increasing capital investments abroad.

(d) Our tariff policy of restricting imports.

Under such strict limitations anything which expands our industrial exports makes it increasingly difficult to market our farm surpluses abroad. Our farm surpluses are the results of past and continuing Government policies. The farm business can not expand and contract its output or regulate its production in the way industry can.

The reflex advantage of industrial activity to certain important branches of our agriculture is a doubtful one as long as the price at which the American laborers take our farm products is the price at which they can be sold abroad. After the commodity leaves the farm it is of little practical interest to the farmer whether the laborer who eats it lives in New England or Lancashire, as long as he gets the same price for it in each instance.

The farmers' interest in maintaining price levels in this country comes also from a different quarter. Their indebtedness has mounted from about $4,000,000,000 in 1910 to over $12,000,000,000 in 1925—a staggering sum vastly greater than the original foreign debt to the United States. If the farmers are ever going to pay that debt, it must be with commodities as high in dollar value as when the debt was incurred—or as near to that figure as possible. To reduce the dollar value of other goods and services might raise the exchange value of farm crops, but if the price level for all commodities, including agricultural, were thereby lowered and held down the debt-paying power of the farmer would be immeasurably damaged.

VII

Secretary Jardine said (August 25, Long Island, N. Y.):

"The swing of the pendulum in agriculture is now toward the East. There are more opportunities for farmers in New England and Long Island to-day than in the West."

The Secretary is mistaken. It is not a pendulum but a lever. It is not the swing of natural forces but the compulsion of an artificial national program that fixes it. Several conscious national policies account for the fact that agricultural distress pressed less heavily in these industrial districts, than in the Middle West, West, and South.

Our tariff policy tends to build up the industrial districts. To the degree that it promotes inequality in the exchange between the farm and the factory it tends to do so at the expense of farming districts.

The war concentrated the Nation's emergency business within a radius of relatively few miles of New York. Of the thousands of war contracts placed in the early stages of the war nearly all were crowded into the East to such an extent that it became necessary for the War Industries Board to prohibit the placing of more business in that district. They were protected from loss when the war ended. It is apparent that the East is resisting the inevitable deflation of war-time facilities to peace-time requirements by attempting expansion of industrial exports regardless of the effect of such a policy upon the rest of the country.

Our transportation policy penalizes the South, West, and Middle West to build up the East. Think of a situation which requires manufacturers of Illinois to ship to the Pacific coast by way of Atlantic and Gulf ports!

Though farm conditions may be better in the industrial East than in the West they are not such even there as to attract capital from other lines into agriculture.

VIII

Less than a month remains in which to secure a statement of the opinions and intentions of candidates for Congress on this program of equality for agriculture. The farmers of the United States—North, South, and West—should not support in office indefinitely men who think their responsibility ends when they vote for a particular measure. They need advocates who will permit no other duty to displace that to agriculture until the problem is solved.

The CHAIRMAN. The time of the gentleman from Iowa has expired. All time has expired and the Clerk will read.

Mr. ASWELL. Mr. Chairman, a parliamentary inquiry. Was it agreed to-day that after the first section of the bill is read notice will be given of amendments and no further proceedings taken on amendments to be offered?

The CHAIRMAN. It was agreed that amendments might be offered at the time the committee reconvenes on either to-morrow or Thursday after the reading of the first section.

Mr. DOWELL. The agreement was to read the first section this evening. That of course leaves the matter under the rule open for amendment.

Mr. CRISP. It was distinctly understood that the section read was to be open for amendment when the committee reconvenes.

The CHAIRMAN. The Chair understood it was the understanding on the part of the gentleman from Iowa [Mr. HAUGEN] and the gentleman from Tennessee [Mr. GARRETT] that after the reading of the first section the committee would rise, and that any germane amendment might be offered to the section when the committee reconvened.

The Clerk read as follows:

DECLARATION OF POLICY

SECTION 1. It is hereby declared to be the policy of Congress to promote the orderly marketing of basic agricultural commodities in interstate and foreign commerce and to that end to provide for the control and disposition of surpluses of such commodities, to enable producers of such commodities to stabilize their markets against undue and excessive fluctuations, to preserve advantageous domestic markets for such commodities, to minimize speculation and waste in marketing such commodities, and to encourage the organization of producers of such commodities into cooperative marketing associations.

Mr. GARRETT of Tennessee. I suggest to the gentleman from Iowa, the chairman of the committee, that the gentleman from Louisiana be permitted to offer his amendment as a substitute without having it read.

Mr. DOWELL. I think it ought to go over until to-morrow under the agreement.

Mr. GARRETT of Tennessee. The agreement was either way. The agreement was it would not be voted on nor discussed to-day. If the gentleman wants it to go over——

Mr. DOWELL. I think it ought to go over, in view of the understanding everyone has.

Mr. RAMSEYER. There is no objection——

Mr. DOWELL. I will withhold any objection; I have——

Mr. PURNELL. I hope the gentleman will not object to its being put in the RECORD for the information of the House.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana.

Mr. ASWELL. Mr. Chairman, I move to strike out section 1 and give notice that if the motion prevails I shall offer the matter contained in House bill 15655.

The CHAIRMAN. The gentleman from Louisiana [Mr. ASWELL] moves to strike out section 1 and insert the amendment which the Clerk will report.

Mr. DOWELL. Mr. Chairman, as I understand it that is not the motion.

Mr. ASWELL. To strike out section 1 and substitute the following, which is the Aswell bill, and give notice that I will move that if it prevails to strike out all the remaining sections of the McNary bill, and I ask unanimous consent that it be inserted in the RECORD without reading.

The CHAIRMAN. The Chair suggests that the gentleman submit his request in writing.

Mr. DOWELL. Mr. Chairman, I make the point of order on the amendment when it is presented.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Mr. ASWELL moves to strike out section 1 and substitute the following; and he gives notice that if the motion prevails he shall move to strike out all the remaining sections of the bill (S. 4808).

The CHAIRMAN. And the gentleman from Louisiana asks unanimous consent that the amendment may be printed in the RECORD without reading.

Mr. DOWELL. I reserve a point of order on the amendment.

Mr. BLANTON. Mr. Chairman, I ask for the regular order, which is that the point of order ought to be disposed of now.

The CHAIRMAN. The question is on the unanimous request of the gentleman from Louisiana [Mr. ASWELL] to have the amendment printed in the RECORD without reading. Is there objection?

Mr. CANNON. Mr. Chairman, reserving the right to object, may I ask the gentleman from Louisiana if this is the original bill as originally introduced, or if there have been alterations made in it for the purpose of offering an amendment?

Mr. ASWELL. No alterations.

Mr. BLANTON. Mr. Chairman, I ask for the regular order on the point of order.

The CHAIRMAN. The point of order will not come until the amendment is read or printed. The regular order is the request of the gentleman from Louisiana [Mr. ASWELL] that the amendment be printed in the RECORD without reading. Is there objection? [After a pause.] The Chair hears none.

The amendment is as follows:

FEDERAL FARM BOARD

SECTION 1. (a) There is hereby created a board to be known as the Federal farm board (hereinafter referred to as the "board") and to consist of the Secretary of Agriculture, who shall be a member ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. In accordance with designations to be made by the President at the time of nomination, one of the appointed members shall be a representative of the public, and each of the remaining appointed members shall be a representative of the domestic producers of one of the following: Wheat, cotton, corn, swine, rice, or tobacco. Nominations of members of the board shall be so arranged that there shall not be more than one member of the board representing the producers of any one commodity and that there shall not be at the same time a member of the board representing the producers of corn and a member of the board representing the producers of swine.

(b) The President shall before nominating any member of the board representing the producers of a commodity consult with such farm organizations and cooperative associations as he considers to be representative of the producers of such commodity. The member of the board representing the public shall be the chairman of the board.

QUALIFICATIONS AND TERMS OF BOARD MEMBERS

SEC. 2. (a) The terms of office of the appointed members of the board first taking office after the approval of this act shall expire, in accordance with designations to be made by the President at the time of nomination, two at the end of the second year, two at the end of the fourth year, and two at the end of the sixth year after the date of the approval of this act. A successor to an appointed member of the board shall be appointed in the same manner as the original appointed members, and shall have a term of office expiring six years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and any member of the board in office at the expiration of the term for which he was appointed may continue in office until his successor takes office.

(b) Vacancies in the board shall not impair the powers of the remaining members to execute the functions of the board, and a majority of the appointed members in office shall constitute a quorum for the transaction of the business of the board.

(c) Each of the appointed members of the board shall not actively engage in any other business, vocation, or employment than that of serving as a member of the board, and shall receive a salary of $10,000 a year.

GENERAL POWERS OF BOARD

SEC. 3. The board—

(a) Shall maintain its principal office in the District of Columbia, and such other offices in the United States as it deems necessary.

(b) Shall have an official seal which shall be judicially noticed.

(c) Shall make an annual report to Congress.

(d) May make such regulations as are necessary to execute the functions vested in it by this act.

(e) May (1) appoint and fix the salaries of a secretary and such experts and, in accordance with the classification act of 1923 and subject to the provisions of the civil service laws, such other officers and employees, and (2) make such expenditures (including expenditures for rent and personal services at the seat of government and elsewhere, for law books, periodicals, and books of reference, and for printing and binding) as may be necessary for the execution of the functions vested in the board.

SPECIAL POWERS AND DUTIES OF BOARD

SEC. 4. (a) The board shall meet at the call of the chairman, or of the Secretary of Agriculture, or of a majority of its members.

(b) The board shall keep advised, from any available sources, of crop prices and prospects, and the supply of and demand for agricultural commodities and their food products, at home and abroad, with especial attention to the existence or the probability of the existence of a surplus of any agricultural commodity or any of its food products.

(c) The board shall advise cooperative associations, farm organizations, and producers in the adjustment of production and distribution, in order that they may secure the maximum benefits under this act.

CONTROL AND DISPOSITION OF SURPLUS

SEC. 5. (a) For the purposes of this act wheat, cotton, corn, and swine, rice, and tobacco shall be known and are referred to as "basic agricultural commodities," and corn and swine shall be deemed a single basic agricultural commodity.

(b) Whenever the board finds that the conditions of production and marketing of any other agricultural commodity are such that the provisions of this act applicable to a basic agricultural commodity should be made applicable to such other agricultural commodity, the board shall submit its report thereon to Congress.

(c) Whenever the board finds, first, that there is or may be during the ensuing year either (1) a surplus above the domestic requirements of wheat, corn, swine, rice, or tobacco, or (2) a surplus above the requirements for the orderly marketing of cotton, or of wheat, corn, swine, rice, or tobacco, and, second, that a substantial number of the cooperative associations or other organizations representing the producers of the basic agricultural commodity favor the full cooperation of the board in the stabilizing of the commodity, then the board shall publicly declare that an emergency exists and shall establish a Federal agricultural export corporation, or continue an existing Federal agricultural export corporation, for the conduct of the operations in the

basic agricultural commodity and its food products as authorized by this act. Any finding by the board under this subdivision shall require the affirmative vote of the majority of the appointed members in office, including the vote of the members representing the producers of the commodity in respect of which the finding is made.

(d) Whenever the board finds that the emergency has terminated, the board shall publicly declare such finding. Thereafter the corporation shall remain in existence for such additional period only as the board finds and by order designates as necessary solely for the purpose of adjusting, liquidating, and winding up its affairs. If during such additional period the board makes a further finding and public declaration under subdivision (c), the corporation shall be continued in existence without regard to the finding theretofore made under this subdivision.

FEDERAL AGRICULTURAL EXPORT CORPORATIONS

SEC. 6. For the purpose of promoting the orderly marketing of basic agricultural commodities in interstate and foreign commerce and to that end to provide for the control and disposition of surpluses of such commodities, to enable producers of such commodities to stabilize their markets against undue and excessive fluctuations, and to preserve advantageous domestic markets for such commodities, the board may from time to time establish, as authorized under section 5, a Federal agricultural export corporation for each basic agricultural commodity. For the purpose of establishing such corporation, the board shall elect five individuals as incorporators and as the original directors of the corporation. Such individuals are hereby declared to be incorporated as a Federal corporation commencing at such time as the President of the United States proclaims that the board has certified to him that the five individuals so elected have accepted office as incorporators and directors of the corporation. The corporation shall be designated by the name of the commodity which it represents, as, for example, "The Federal Cotton Export Corporation." Any corporation established under this section is referred to in this act as a Federal agricultural export corporation. Not more than one such corporation shall be in existence at any time for each basic agricultural commodity. The making of any proclamation by the President under this section shall be conclusive evidence that the Federal agricultural export corporation has been duly established.

DIRECTORS

SEC. 7. (a) The directors of a Federal agricultural export corporation shall be the individuals certified under section 6 and their successors to be elected by the board from time to time. No member of the board shall be a director of the corporation. Any vacancy in the office of a director shall not impair the power of the remaining directors to act. Three directors of a Federal agricultural export corporation shall constitute a quorum for the transaction of business.

(b) The directors shall elect from their number a chairman and the principal officers of the corporation.

(c) A director, officer, or employee of a Federal export corporation shall not be held to be an officer, employee, or agent of the United States, but each such director, officer, or employee shall take the oath of office provided in section 1757 of the Revised Statutes.

(d) The board shall fix the compensation of the directors of a Federal agricultural export corporation for their services in any capacity for the corporation, to be paid from the treasury of the corporation.

(e) The directors of a Federal agricultural export corporation shall direct the exercise of all powers vested in the corporation and the observance of all duties imposed upon it.

GENERAL CORPORATE POWERS

SEC. 8. A Federal agricultural export corporation—

(a) Shall have succession in its corporate name during its existence.

(b) May sue and be sued in its corporate name.

(c) May adopt a corporate seal, which shall be judicially noticed, and may alter it at pleasure.

(d) May make contracts.

(e) May purchase or lease such property as it deems necessary or convenient for the purposes of the corporation and may dispose of any property held by it.

(f) May appoint and (except in the case of officers also serving as directors) fix the compensation of such officers, employees, and agents as are necessary for the conduct of the affairs of the corporation, and may remove any officer, employee, or agent appointed by it. Each officer, employee, or agent of the corporation responsible for the handling of money or property or for the custody of an agricultural commodity or its food products, shall give bond in such amount, with such penalties and upon such terms, as the corporation shall determine.

(g) May adopt, amend, and repeal by-laws.

(h) Shall have such powers not specifically denied by law as are necessary and proper to conduct, under this act, the business of purchasing, handling, storing, selling, and exporting the basic agricultural commodity and food products thereof, and such further business as is necessary and incidental thereto.

CAPITAL STOCK

SEC. 9. (a) The original capital stock of the Federal agricultural export corporation shall be fixed by the board, and, if the board deems it necessary in order to carry out the purposes of the corporation, may from time to time be increased by the board in amounts of $5,000,000 or multiples thereof. All the capital stock of each such corporation is hereby subscribed by the United States; except that the total unpaid subscriptions outstanding at any one time shall not exceed the amount of moneys in the revolving fund (created hereinafter in this act) at such time. The amount of such subscription shall be subject to call in amounts of $5,000,000 or multiples thereof. Payment of an amount so called shall be made by the board from the revolving fund. Upon any such payment, shares, fully paid and of a par value of $100 each, shall be issued to the United States and delivered to the board in the amount so paid. In fixing the amount of capital stock of a Federal agricultural export corporation the board shall have due regard to the moneys available in the revolving fund for allocation to the subscriptions to the capital stock of the Federal agricultural export corporations and other such corporations established or to be established under this act. No payment of any amount called under this section shall be made from any moneys other than those in the revolving fund.

(b) No dividends or other distribution of assets shall be paid upon the shares of a Federal agricultural export corporation, except that the corporation may from time to time retire the whole or any part of its outstanding shares by the payment to the board of the par value of such shares plus interest thereon at the rate of 4 per cent per annum from the date of issue to date of retirement. The amount paid upon any such retirement shall be covered by the board into the revolving fund.

(c) Shares of a Federal agricultural export corporation shall be without voting powers and shall be nonassessable and nontransferable.

(d) The United States shall not be liable directly or indirectly in respect of any share or for any bonds, notes, or other evidences of indebtedness issued by a Federal agricultural export corporation, and all such bonds, notes, and other evidences of indebtedness shall so state on their face.

BONDS

SEC. 10. A Federal agricultural export corporation may borrow money and issue its bonds or other evidences of indebtedness therefor, except that the corporation shall not have power to issue or obligate itself in an amount of bonds or other evidences of indebtedness outstanding at any one time in excess of ten times the amount of the par value of its outstanding share. The rate of interest, the maturity, and other terms of the bonds or other evidences of indebtedness, and the security therefor, may be determined by the corporation.

SPECIAL CORPORATE POWERS

SEC. 11. A Federal agricultural export corporation is authorized, at such times, for such prices, and to such extent, as it deems advisable—

(a) To purchase the basic agricultural commodity in respect of which the corporation is established, and food products thereof.

(b) To construct, purchase, or lease, and to operate storage warehouses for such commodity and products purchased by the corporation, facilities for transportation (otherwise than as a common carrier) in connection with the storage of such commodity and products, and facilities for processing such commodity and products.

(c) To store and process such commodity and products.

(d) To export such commodity and products.

(e) To sell such commodity and products in domestic or foreign markets.

DISPOSAL OF ASSETS

SEC. 12. Upon the termination of the existence of a Federal agricultural export corporation all moneys of the corporation shall be covered into the Treasury of the United States to the credit of a special fund, and all unliquidated property of the corporation shall be transferred to the United States and placed under the control and jurisdiction of the board. Such moneys and property shall thereafter be disposed of as the Congress may direct.

OFFICES—BOOKS AND ACCOUNTS

SEC. 13. (a) Each Federal agricultural export corporation shall maintain its principal office in the District of Columbia and may establish such agencies or branch offices at such places as it deems advisable.

A Federal agricultural export corporation shall be held to be an inhabitant and resident of the District of Columbia within the meaning of the laws of the United States relating to venue of civil suits.

(b) Each Federal agricultural export corporation shall keep at its principal office correct books showing the original or a transcript of the minutes of the directors' meetings and showing the accounts of the corporation's business transactions. The books shall be open to examination by the General Accounting Office as hereinafter in this section provided and to inspection by the board, by any other governmental agency or by any person designated by the board, by any governmental agency authorized by concurrent resolution of Congress, and

by any committee of the Senate or House of Representatives authorized by resolution of the Senate or House of Representatives, respectively.

(c) Expenditures by the board from the revolving fund and expenditures by the board from the appropriation under subdivision (b) of section 15 shall be allowed and paid upon the presentation of itemized vouchers therefor, approved by the chairman of the board. Expenditures by any Federal agricultural export corporation from the treasury of the corporation shall be made by the authorized officers or agents of the corporation upon receipt of itemized vouchers therefor, approved by such officers as the corporation may designate. Vouchers so made for expenditures by the board from the revolving fund or by any Federal agricultural export corporation shall be final and conclusive upon all officers and employees of the Government; except that all financial transactions of the board or of any Federal agricultural export corporation shall, subject to the above limitation, be examined by the General Accounting Office, at such times and in such manner as the Comptroller General of the United States may by regulation prescribe. Such examination in respect of expenditures by the board from the revolving fund or by any Federal agricultural export corporation shall be for the sole purpose of making a report to the Congress and to the board or corporation of expenditures and contracts in violation of law, together with such recommendations as the Comptroller General deems advisable concerning the receipt, disbursement, and application of the funds administered by the board or corporation.

COOPERATION WITH EXECUTIVE DEPARTMENTS

SEC. 14. (a) It shall be the duty of any Government establishment in the executive branch of the Government, upon request by the board or upon Executive order, to cooperate with and render assistance to the board or to any Federal agricultural export corporation in carrying out any provision of this act. The board and each Federal agricultural export corporation shall, in cooperation with any such governmental establishment, avail itself of the services and facilities of such governmental establishment in order to avoid preventable expense or duplication of effort.

(b) The President may by Executive order direct any such governmental establishment to furnish the board or any Federal agricultural export corporation with such information and data pertaining to the functions of the board or such corporation as may be contained in the records of the governmental establishment. The order of the President may provide such limitations as to the use of the information and data as he deems desirable.

(c) The board and any Federal agricultural export corporation may cooperate with any State or Territory, or department, agency, or political subdivision thereof, or with any person.

REVOLVING FUND AND APPROPRIATION

SEC. 15. (a) There is hereby authorized to be appropriated the sum of $250,000,000, which shall be administered by the board as a revolving fund and expended solely for the payment of subscriptions to the capital stock of Federal agricultural export corporations, in accordance with the provisions of this act. The Secretary of the Treasury shall deposit in the revolving fund such amounts, within the appropriations therefor, as the board from time to time deems necessary.

(b) There is hereby authorized to be appropriated the sum of $250,000 to be available for expenditures by the board for expenses incurred prior to July 1, 1928, in administration of the functions vested in the board by this act.

TAXATION

SEC. 16. The real property and tangible personal property of a Federal agricultural export corporation situated in any State, Territory, or possession, or within the District of Columbia, shall be subject to taxation by such State, Territory, or possession, or any political subdivision thereof, or by the District of Columbia to the same extent, according to its value, as other real and tangible personal property is taxed by such State, Territory, or possession, or political subdivision, or by the District of Columbia. The income of a Federal export corporation and the bonds or other evidence of indebtedness of such corporation, and the income derived in respect thereof, shall not be subject to taxation by any State, Territory, or possession, or political subdivision thereof, or by the United States or the District of Columbia.

PENALTIES

SEC. 17. (a) All general laws relating to the embezzlement or conversion, or to the improper handling, retention, use, or disposal of public moneys of the United States shall apply to moneys of a Federal agricultural export corporation in the custody of any director, officer, employee, or agent thereof.

(b) Any person who, with intent to defraud a Federal agricultural export corporation, or any director or officer of the corporation, or any officer or employee of the United States, or any person, makes any false entry in the books of the corporation, or makes any report or statement for the corporation which is false, shall upon conviction thereof be fined not more than $10,000 or imprisoned not more than five years, or both.

ANTITRUST LAWS

SEC. 18. A Federal agricultural export corporation and its directors and officers shall be relieved from the operation of the "antitrust laws" as designated in section 1 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, and from the operation of the provisions of section 2 of the act entitled "An act to authorize association of producers of agricultural products," approved February 18, 1922.

SEPARABILITY OF PROVISIONS

SEC. 19. If any provision of this act is declared unconstitutional or the applicability thereof to any person or circumstance is held invalid, the validity of the remainder of the act and the applicability of such provision to other persons and circumstances shall not be affected thereby.

RESERVATION OF RIGHT TO AMEND

SEC. 20. The Congress of the United States reserves the right to alter, amend, or repeal any provision of this act.

SHORT TITLE

SEC. 21. This act may be cited as the "Federal agricultural export corporation act."

Mr. BLANTON. I ask for the regular order on the reservation, so that the point of order may be settled now.

Mr. DOWELL. Mr. Chairman, until the amendment is read it will be very difficult to determine the question of order.

Mr. BLANTON. The gentleman knows what it is; it is the Aswell bill.

Mr. DOWELL. My reservation was only that we might know, when the amendment was read, whether or not it is germane. If it appears to be germane, of course, I do not desire to take any time; but I do not want something put in here that is not known now without proper reservation being made.

Mr. TILSON. The gentleman will not lose his right to make a point of order. He can make it when the amendment is offered to-morrow.

Mr. DOWELL. I make it now when it is presented.

Mr. CRAMTON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CRAMTON. The amendment having been inserted and a point of order having been reserved by the gentleman from Iowa [Mr. DOWELL], and the regular order having been demanded, if the gentleman from Iowa [Mr. HAUGEN] should move to rise, the point of order can be made when we sit again.

The CHAIRMAN. The Chair thinks that under the agreement that has been entered into the proper thing now is to make a motion that the committee rise.

Mr. HAUGEN. I move that the committee rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. MAPES, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having under consideration the bill (S. 4808) to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities, had come to no resolution thereon.

STATE, JUSTICE, COMMERCE, AND LABOR APPROPRIATION BILL—CONFERENCE REPORT

Mr. SHREVE. Mr. Speaker, I ask unanimous consent that I may have until 12 o'clock to-night in which to file for printing under the rule the conference report on the bill H. R. 16576, the State, Justice, Commerce, and Labor appropriation bill.

The SPEAKER. The gentleman from Pennsylvania asks unanimous consent that he may have until 12 o'clock to-night in which to file for printing under the rule the conference report on the bill H. R. 16576, the appropriation bill for the Departments of State, Justice, Commerce, and Labor. Is there objection?

There was no objection.

WAR DEPARTMENT APPROPRIATION BILL—CONFERENCE REPORT

Mr. BARBOUR. Mr. Speaker, I present for printing under the rule the conference report on the bill (H. R. 16249) making appropriations for the War Department for the fiscal year 1928.

The SPEAKER. The Clerk will report the bill by title.

The Clerk read as follows:

A bill (H. R. 16249) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1928, and for other purposes.

The SPEAKER. Ordered printed.

Mr. BLANTON. Mr. Speaker, I reserve points of order on it, and on the conference report which the gentleman from Pennsylvania [Mr. SHREVE] got permission to file until midnight, I also reserve points of order. Is it necessary to do that now?

The SPEAKER. The Chair does not think it is necessary. It can be done when the report comes up.

LEAVE TO EXTEND REMARKS ON THE M'NARY FARM RELIEF BILL

Mr. TILSON. Mr. Speaker, with respect to the former bill, the McNary-Haugen bill, considered here for several days, I asked and obtained leave of the House that Members might extend their remarks for five legislative days. That bill having gone by the board and another bill being under consideration, I make the same request for the so-called McNary bill (S. 4808); that from the completion of the consideration of that bill in the House Members may have five legislative days in which to extend their remarks.

Mr. O'CONNOR of Louisiana. Does that apply to the remarks made to-day?

Mr. TILSON. Yes.

The SPEAKER. The gentleman from Connecticut asks unanimous consent that Members may have five legislative days after the completion of Senate bill 4808 in which to extend their remarks on that bill. Is there objection?

Mr. CHINDBLOM. Reserving the right to object, I would like to ask the gentleman from Connecticut does he not think there should be some disposition of the House bill by a motion to lay it on the table?

Mr. RAMSEYER. It is not customary to lay a House bill on the table until after a similar Senate bill is passed.

Mr. NEWTON of Minnesota. Does the gentleman think there is anybody who desires to resurrect the House bill?

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

THE M'NARY BILL

Mr. GARBER. Mr. Speaker, Members of the House, the discussion of the problems of agriculture has proceeded for a period of 10 days, covering many phases, conditions, and remedies proposed, and yet but little has been said concerning the actual facts in the transaction of present-day merchandising—facts which confront the farmer upon every hand when he purchases his necessities. The major problem of farm relief is one of the successful merchandising of farm products, and it is my purpose to call your attention to existing conditions concerning this phase of the subject; in other words, to request you to face the facts of domestic trade and commerce, as they actually exist in their operation of vicious discrimination and disadvantage to agriculture.

THE NEW EPOCH—ELIMINATION OF COMPETITION IN MERCHANDISING

As competition in the merchandising of nonagricultural products has decreased by reason of the growth and development of the collective-bargaining power of labor and the trade associations to establish and maintain uniformity in price, so in equal degree prosperity in agriculture has decreased by reason of the disadvantages thus created. The postwar revolution has intensified the disadvantage. It has ushered in a new epoch, an epoch of corporate organizations and controls, price controls sufficient to enforce the cost-plus system against the farmer.

Let me speak to you as a dirt farmer, out of an experience of 25 years in that industry. When I purchase lumber for my improvements I am compelled to pay a price fixed by the cost-plus system; when I purchase implements for equipment, I am compelled to pay a price fixed by the cost-plus system; when I send my products to market, I am compelled to pay a price for transportation fixed by the cost-plus system; when I employ a commission merchant to sell my products, the price is fixed by the same system; when I purchase flour, sugar, coffee, tea, groceries, clothing, I must pay the price fixed by the cost-plus system.

It is a cost-plus system for everything I have to buy and unrestricted competition for everything I have to sell. This is the down-to-now system of merchandising by price controls that prevails throughout the country for the sale of nonagricultural products. It is the new system that has finally succeeded in eliminating from the old economy in merchandising the material factor of competition that largely controlled in every transaction. This economy in its present-day merchandising through price controls attempts to justify itself for the elimination of competition in price by the elimination of waste from the system.

THE FARMER THE VICTIM OF THE COST-PLUS SYSTEM

By reason of his numbers, the farmer has been unable to conform to this new economic complex. This rapid revolutionary readjustment of price controls for nonagricultural products has left him at its mercy. In its presence he is helpless; he must pay the price demanded, while the prices of farm products are subject to a ruinous competition from within by the farmers themselves and organized raids for price depression from without. Thus against the cost-plus system for everything he buys, in his helpless and unorganized condition, he must submit to the price depression of unrestricted competition for everything he sells. He is without the power of organization; he has no bargaining power; he is unable to make the public pay; he has only the plaintive plea, "Please, Mister, I will have to take whatever you are willing to give." As a consequence, through his own competition and outside organized price depression, the raiders have been taking the profits on farm products which should rightfully accrue to the producer.

FACE THE FACTS!

With the cost-plus system for everything it buys and unrestricted competition for everything it sells agriculture has been and now is the "happy hunting ground" of the raiders to pillage and plunder. What are the results?

The purchasing power of farm products during this period has ranged from 69 to 85 and now has receded to 80.

Once prosperous, agriculture now presents conditions of dilapidation and despair, with a mortgage indebtedness increasing in amount from $4,000,000,000 to $12,250,000,000 since 1910.

The depreciation in agricultural values and prices of farm products during this period has been appalling. It is reflected in shrunken values and failed banks throughout all the agricultural States. Out of 3,068 bank failures in the United States for the period 1920–1926, 95 per cent were in agricultural areas.

Such depression, depreciation, and increased mortgage indebtedness is in striking contrast with the prosperity abounding in the industrial East. It is reflected in the number of farm foreclosures for the period between 1910 and 1924, which shows an increase of over 1,000 per cent, in contrast to that of commercial failures, which have remained practically the same.

It is reflected in the capital investment of farm property, which decreased from $47,000,000,000 in 1920 to $32,000,000,000 in 1925, a loss of approximately $3,000,000,000 per year.

In 1913 the total value of all farm property was $45,227,000,000; in 1920, $79,607,000,000; and in 1925, $59,154,000,000. Reduced to terms of 1913 purchasing power, however, the total value of all farm property in 1925 was only equal to $38,188,000,000 of 1913 purchasing power. In other words, all farm property in the United States in 1925 had only 84.4 per cent of its purchasing power in 1913. As the experience of every farm landowner will fully verify, the purchasing power of farm lands has decreased in excess of 20 per cent as compared to 1910. In fact, farm lands at the present time might be classed as unsalable property, generally recognized as unprofitable investments.

According to a recent announcement of the Department of Agriculture, there has been a slump in the value of farm crops in the United States for the year 1926 amounting to $1,148,000,000 over the previous year, a decline due primarily to lower prices for most of the farm products rather than to decreased production, although production in some crops was slightly less than that in 1925. A little over half of this decline was due to the lower price of cotton. The revised estimates of the crops of 1925 placed their value at $8,949,321,000. The principal crops for 1926, based on the December 1 farm prices, were valued at $7,801,313,000. Thus during 1926 more than $1,000,000,000 in losses has been added to those already sustained by the overburdened industry.

The average annual net income of the farmer in 1924 was $730, compared with $1,250 for the common laborer, $1,678 for preachers, $1,298 for teachers, $1,650 for Government employees, and an average of $1,450 for all walks of life outside of agriculture.

The average earnings of the people engaged in farming are 23.1 cents an hour, compared with 56.1 for factory workers, 58.3 cents for railroaders, 83.4 cents for anthracite miners, and $1.05 for workers in the building trades.

The farmer, with his average investment of $9,000, working from 12 to 16 hours per day, aided by the members of his family, receiving a net income of $730 per year, and this at a time of almost unprecedented prosperity for all other lines of industry! What a magnificent sum it is! Does it not show that he is still permitted to enjoy too much? Why, that amount is only $520 less than the common laborer, with no capital and no aid and working but eight hours per day, receives.

THE REMEDY IS NOT IN FOREIGN MARKETS

What is the remedy for such conditions? Some say the remedy lies in an increase of exports of agricultural products and their sale in the world markets. Reduce the tariff! Permit competitive nations to sell their goods in our markets in consideration of our selling our surplus farm products in foreign markets. And yet, at the very time we were selling more farm products in the markets of the world than we ever did before, farm values and farm prices were depreciated to the lowest point here. In order that there may be no mistake about this,

no speculation or mere guesswork, we herewith insert a table of agricultural products showing the amount of their export during the year 1923 when the purchasing power of farm products and farm values were at their lowest point, as compared with the pre-war average,

Agricultural products

[From the Manufacturers Record, Aug. 30, 1923]

		Pre-war average	Fiscal year 1923
Wheat	bushels	56, 913, 228	154, 950, 971
Corn	do	39, 809, 690	94, 060. 000
Rye	do	854, 765	51, 410, 000
Barley	do	7, 895, 521	18, 190, 000
Potatoes (white)	do	1, 511, 000	2, 980, 000
Oats	do	8, 304. 203	18, 573, 000
Wheat flour	barrels	10, 678, 635	14, 882, 714
Oatmeal and rolled oats	pounds	24, 297, 000	123, 115, 317
Rice	do	16, 215, 000	318, 940, 870
Sugar	do	79, 368, 000	749, 855, 325
Lard	do	482, 159, 000	952, 641, 705
Bacon	do	188, 750, 000	408, 282, 000
Ham and shoulders	do	172, 859, 000	318, 186, 689
Butter	do	3, 110, 777	9, 409, 837
Cheese	do	2, 654, 315	8, 446, 321
Milk, condensed and evaporated		16, 473, 782	157, 000, 000
Wheat, including flour	bushels	104, 967, 085	221, 923, 184

SUCCESSFUL MERCHANDISING—THE ONLY SOLUTION

What is the remedy? Better prices for farm products, prices that will yield him a reasonable profit on his investment, and reasonable wages for his work. How can such be obtained? It is a question of successful merchandising, and in order that I may quote from high authority, permit me to digress for a moment to call your attention to the annual meeting of the Railway Business Association of the country, which was recently held at the Commodore Hotel in New York City. Whitefoord R. Cole, president of the Louisville & Nashville Railroad, was the principal speaker of the occasion. He congratulated his fellow executives upon the earnings of the roads for the year 1926, exceeding those of any previous year in the history of the country. He said:

> I point you to the unparalleled transportation performance of the railroads of this country for the last three years, when in each of those years, and in almost every month, the railroads have broken all previous records in the handling of tonnage without congestion and without appreciable car shortage or any of the attendant evils that we have been so accustomed to for many years prior to the Transportation act of 1920.

The act inaugurated a new era of prosperity for the roads. It strengthened and increased the value of their stock. It gave them revenues sufficient to invest $4,000,000,000 in equipment and betterments. It enabled them to break all records in tonnage hauled, in net revenues received, and in dividends declared.

A RAILROAD EXECUTIVE'S ADVICE TO THE FARMERS

With all these good things in mind, with a record-breaking year for prosperity just closed, and standing on the pinnacle of high achievement, the speaker, filled with brotherly love and good spirits, digressed from his subject of transportation long enough to inadvertently give the farmers of the country the benefit of some wholesome advice. Speaking of the farmer, he said:

> Let him take a leaf out of the book of the labor unions and the trade associations. Let him put up a solid front and make us pay for the things he has to sell like we are making him pay for the things he has to buy.

The rate of constructive return on the stock of the Louisville & Nashville Railroad for 1925, of which the distinguished speaker was president, was 16.74 per cent, and the rates of constructive return on stocks of roads represented by his associates ranged from 4.82 to as high as 21.40 per cent. The conditions thus warranted the felicitations and congratulations of his fellow executives.

In referring to the Transportation act, the distinguished speaker said:

> I have sometimes thought that in view of the fact that the Government fixed the rates which, of course, fixes the income of the railroads and largely fixes the price they must pay for labor, and they had to buy everything else in the open market when market conditions fixed the price of things—I have very often thought that the average railroad president did not have much to do but to hunt up the money with which to pay the deficits. That is not altogether true; certainly not in the last two or three years. The sun of prosperity has been shining on them in a large degree as a result of this enlightened policy.

THE COST-PLUS SYSTEM AND THE ROADS

The enlightened policy referred to is the cost-plus system of the roads in selling their transportation to the consuming public. That is the system afforded the roads under the Transportation act of 1920. Government administration had wrecked their properties, depreciated their values, and depressed their stocks to a point where they were unsalable. In fact, the roads were in the same condition that agriculture was. But the roads were given a cost-plus system under the act of 1920, which during the short period of five years has rehabilitated their systems, reconstructed and reequipped their roads, restored their credit, and doubled the value of their stock, with substantial dividends to every stockholder.

Knowing what the Government has done for the rehabilitation of the roads, the speaker of the occasion was competent to give first-hand advice to the farmers. When he told them to "put up a solid front and make us pay for the things he has to sell, like we are making him pay for the things he has to buy," he hit the bull's-eye of the major problem for farm relief.

THE FARMER MUST HAVE HIS COST-PLUS SYSTEM, TOO

The farmer must have better prices for his products; he must have prices that will yield him a reasonable profit, the same as is enjoyed by labor and industry. In order to exact such prices he must have a bargaining power; he must be able to demand instead of being compelled to beg; he must be able to enforce a cost-plus system in the sale of his products to match against the cost-plus system for everything he has to buy; he must have a cost-plus system that will enable him to add on the costs, the same as class 1 roads have been doing during the past three years under the Esch-Cummins Act, and the same as organized labor is doing, protected by the Immigration act.

THE GOVERNMENT MUST HELP THE FARMER HELP HIMSELF

What is the remedy for present agricultural conditions? In the language of the railroad executive, "The farmer must put up a solid front and make the public pay as he is compelled to pay!" The power of organization to merchandise his products must be extended for his relief—organization that will enable him to exact a reasonable price for his products, a price that will yield him a reasonable profit sufficient to maintain the family on the farm.

To place the business of the merchandising of farm products upon an equality and plane equal to that of the merchandising of industrial products is beyond the power of the individual farmer. It is beyond the power of his scattered organizations to solve. The Government alone, through a Federal commission with funds sufficient to stabilize the market, can furnish him such power. Through the Transportation act of 1920 it furnished such power to the railroads of the country; through the Federal Reserve act it furnished such power to the banks of the country; through the Immigration act it enabled labor to acquire such powers. Why not furnish such power to the farmers of the country, representing the most important industry of all, the basic industry that alone furnishes the necessary food that appears each day upon the tables of the consuming millions to sustain the life of all?

"ACRES OF DIAMONDS" AT HOME!

Equality of purchasing power for the 30,000,000 people living on the farms would afford a market here at home equal to that of 60,000,000 people in any foreign country. Why neglect the development of the purchasing power of this market? It is a case of "acres of diamonds" at home!

Give the farmer equality of purchasing power, "Pass prosperity around" and it will return to you! If you believe in the doctrine of protection, establish and maintain the purchasing power of your home people, your best customers, the people who have always voted protection for you!

Surely our Government should be as greatly concerned in agriculture as it has been and now is in other lines of industry in this country and as the governments in other countries are concerned in their agriculture. The farmers of this country have contributed their part toward the building of this Nation.

The agricultural industry exercises normally a purchasing power of nearly $10,000,000,000 annually for goods and services produced by others.

It purchases about $6,000,000,000 worth of manufactured products annually, or about a tenth of the value of the manufactured goods produced.

It supplies materials upon which depend industries giving employment to more than half of our industrial workers.

It pays directly or indirectly $2,500,000,000 of the wages of urban employees.

It supplies about an eighth of the total tonnage of freight carried by our railroad system.

Its products constitute nearly half of the value of our exports.

It pays in taxes about one-fifth of the total cost of Government.

Our farms and farm property represent nearly one-fifth of our tangible national wealth, and agriculture has contributed in recent years about one-sixth of the national income.

THE HOME MARKET FOR THE HOME FARMER

To say the very least, under your slogan "Trade at Home," the farmers are entitled to the full benefit of the home market, a market worth more to us than the entire markets of the world. Yet during the year 1925, out of an approximate total of $1,818,000,000 worth of imported agricultural commodities admitted into this country, $1,056,000,000 worth, or more than 50 per cent, were such as to be in direct competition with the *products* of the American farmer. They included the following items: Animals, approximately $8,800,000 worth; meat, $7,252,000 worth; eggs and egg products, $8,988,000; milk and cream, $10,114,000; butter, $2,646,000; cheese, $17,349,000; animal fats, $637,000; hides and skins, $96,746,000; leather and partly manufactured leather, $36,266,000; miscellaneous animal products, $25,000,000; grains and grain preparations, $26,237,000; fodders and feed, $11,850,000; vegetables and vegetable preparations, $36,244,000; fruits (excepting bananas), $24,500,000; nuts, $34,283,000; oil seeds, $64,725,000; vegetable oils and fats, $75,000,000; sugar, sirups, and honey, $266,008,000; seeds, $11,870,000; tobacco, $83,881,000; miscellaneous vegetable products, $5,000,000; cotton, $52,775,000; flax, $3,575,000; straw materials, $3,798,000; wool, $141,976,000.

GIVE THE FARMER EQUALITY

The farmer is not asking for a subsidy but for equality, for relief from the conditions created for prosperity for labor and industry which now operate against him and place him at a disadvantage with which he is unable to cope. Give him the machinery to successfully merchandise his products, a bargaining power with which he will be able to make the public pay a reasonable price and the prosperity you now enjoy will be given a reserve to make it permanent!

Mr. DICKSTEIN. Mr. Speaker and Members of the House, the McNary-Haugen bill is another instance of paternalism which unfortunately is creeping into the Government by leaps and bounds. It is another instance where special interests are seeking to undermine the foundations of this Republic. It is another instance when organized minority is seeking to fasten its pernicious propaganda on the Nation; and if a stop is not put to it immediately, this is only the beginning of other influential minority interests taking hold of the Government and making it do their will, simply because they happen to be organized and determined to do what they set themselves out to do.

To be sure, the bill before us seeks to accomplish its object in an indirect and underhand manner. The chairman of the committee, in making his report to this House, particularly refers in some part of this report to what he calls "absence of price-fixing formula." But in the final analysis this bill is nothing else but an attempt at price fixing. The fact that the term "price fixing" is not used makes it so much the worse, because it fails to admit its real object. It would be much easier to fight a proposal when its object is evolved than it would be in a case where its object is hidden, and its purpose is just as pernicious. As a matter of fact, no amount of persuasion can alter the fact that this bill is nothing else but a desire on the part of its framers to create a Government subsidy for the farming interest of the country. All talk of relieving distress or other high-sounding phrases are only a cloak to conceal the real purpose of this attempted legislation.

It is nothing new in the Halls of Congress to have a body of the Government propagandists endeavor to sway it with the object of accomplishing their desires at the expense of general welfare. We saw an attempt in that direction carried out very successfully when prohibition legislation was fastened upon this country. We have continually interests of all kinds appeal to us for special legislation. I say we ought to stop this kind of business and deliver it a blow which will once for all put an end to this incessant propaganda. Let us call a halt to this business in such an emphatic manner that never again will such propaganda dare to raise its head.

I know that my voice is a voice of one crying in the wilderness. I know that farming interests in this country are solidly entrenched behind this bill. If it were only the farmer who is to be benefited by it, even though I am opposed to any special legislation, I would, nevertheless, keep silent and let this bill go through from the standpoint, perhaps, of humanitarian desire to help the poor and downtrodden farmer.

I say, if such were the case, even though I am opposed to it and even though my party stands for equal rights to all and detests any special legislation which may be brought up on the floor of this House from time to time, nevertheless I would desist perhaps out of sympathy for the farmer who may be benefited by such legislation. But, is it really for the benefit of the farmer? I believe a glance at the provisions of the bill will show beyond a scintilla of doubt that the only group of people who will really benefit by it will be the packers and the millers. It is class legislation of the worst type, because class legislation for the benefit of a few rich middlemen is against the interests of the city dweller and even the farmer himself.

For, let it be known, the farmer of this country is not only a producer, but a consumer, and he is a consumer to a larger extent than he is a producer. The individual farmer may produce wheat. He may produce corn. He may produce livestock. But how much of his product does he really consume himself. Isn't he really a consumer rather than a producer? Must he not go to the market and buy his supplies the same as the rest of us and pay for it the same as the rest of us?

Assuming that this bill will give him a chance to dispose of his surplus products at a price above that which the market pays him, will not the entire surplus have to be diverted to pay to other producers for as much as he himself needs to satisfy his personal needs.

I say it is a vicious circle. It starts at one end and goes back to where it started from. The only persons whose profits are guaranteed are the packers and the millers. Their profits are assured. The farmer is left in the cold. Will this Government lend itself to become the underwriter and guarantor or profits to packers and millers? Can we sink so low, that an organized minority will compel us to capitulate to its demands and enable such minority to grow fat at the expense of the Nation? Should my constituents, many of whom are poor and hardly able to maintain their daily existence, be compelled to pay a high price for the products of the farmer and enrich the pockets of millers and packers, to satisfy the ever clamoring wild minority? There can not be any doubt in the mind of any person who examines the provisions of the proposed bill that its object is simply to enable packers and millers to obtain large profits at the expense of the American people.

The bill creates a board to be known as the "Federal farm board," which board shall among other things, as the bill provides, "Keep advised from any available sources of crop prices, prospects, supply and demand at home and abroad, with especial attention to the existence of any surplus of any agricultural commodity or food products." Remember, this board is to discover an existing surplus. The moment the surplus is found, to quote the provisions of this bill, "the board shall have the right to determine in its discretion what is the proper price to be charged for such products," and if it finds, for instance, that the price is too little based on some standard which the board itself may determine, it shall have the right to "stabilize" that price, which really means fix it, and to fix it in a manner in which the general public will not derive any benefit, but the benefit will go directly to only one or two classes of people. A small part of the benefit will go to the farmer. The vast part of the benefit will go to the packer and miller.

Who is to pay for the ultimate difference in price? Why, the consumer, you and I, all of us; even the farmer will have to pay for the difference in price.

Understand well, the bill provides for no machinery by which the prices may be adjusted so as to be reduced in the event that such might be found to be for the public interest. The Crisp bill had this meritorious protective principle in it. All the board can do is to increase the price. Then, of course, you and I will pay that increase.

There is no question that the increase in the price of wheat will necessarily result in the increase of the price of bread, and an increase in the price of livestock because of an increase in price of feed will result in an increase in the price of meat and poultry. The burden of such increase will necessarily fall upon such as are unable to meet it.

The rich man will certainly be able to pay an increased price, and it certainly will not in any way hurt him, but the poor man, the average householder, the man who finds it hard enough in the present economic condition to maintain himself and his family, will have to put up with the additional burden so as to enable this minority, this propaganda, to find a proper outlet for its activities.

The danger of the McNary-Haugen bill is that in times of shortage or scarcity of food products the producers or middlemen, or both combined, will prey upon the consuming public by enhanced prices. If by artificial and arbitrary power the farmers through the Government machinery can operate like a

monopoly, then the consumer will be at the mercy of the producer. We had an example of this a short time ago in my very district when there was a great shortage of potatoes. The middlemen and speculators bought up the crop at $4 a bag and sold it later for $15 a bag. The Federal Government refused to give the consumer relief by lifting the embargo so as to admit into this country potatoes from Denmark. What is to prevent the farmers under this McNary-Haugen bill from repeating on a large scale by artificial means the same sort of price control at the expense of the poor consumers—the poor workingmen, who now have a hard time to make both ends meet.

Shall we, representing 110,000,000 people, submit to the demands of a small minority to enable some of the legislators coming from the so-called "farm States" to become reelected in this party when their terms expire? Since when has this Government become an adjunct to the "farm bloc"?

I urge you earnestly to defeat this legislation. Let there be a stop put once for all to such legislation of the kind to benefit only one special class.

I repeat, it is not the farmer I am opposed to, but the middleman, who will reap the major share of the prospective profits. The middleman deserves no consideration, while the poor householder, eking out a bare existence under the strain of present economic conditions which make it difficult for him to earn his daily bread, requires all the consideration in this case, especially since it is very doubtful if the farmers would benefit permanently from this legislation.

THE FEDERAL RESERVE ACT AND THE M'NARY-HAUGEN BILL

Mr. BRAND of Ohio. Mr. Speaker, the President will have two bills of a very similar nature before him immediately for his signature. The one is a bill which extends indefinitely the Federal reserve act. The other will be the McNary-Haugen bill. One is a McNary-Haugen bill for the bankers and the country and the other is a McNary-Haugen bill for the farmers and the country. The two are identical in principle and purpose and they each have an equalization fee.

The Federal reserve act is for the purpose of control of the surplus of credit and to provide against deficiency of credit. The McNary-Haugen bill is to provide a control of the surplus of agricultural products and to provide against a deficiency of agricultural products.

The Federal reserve act secures control of the surplus of credit in this way: The Federal Reserve Board is empowered in the act to take out of each national bank in the United States 6 per cent of the capital and reserve of such a bank and put same in the vaults of the Federal reserve bank. In addition, the Federal Reserve Board is authorized to take 10 per cent, on an average, of all of the deposits in each of the national banks of the country out of those banks and deposit same in the vaults of the Federal reserve bank, thus piling up a huge mountain of the money of the country, and the board can then release or withdraw this 16 per cent of all the credit in the country as they see fit, giving them power over interest rates, undue expansion, and panic conditions.

With this percentage of control of any farm product the agricultural board created by the McNary-Haugen bill can control any agricultural product in America.

The McNary-Haugen bill gives a like power to the agricultural board, through its agencies, to buy up surpluses and store them, if it sees fit, to cover any deficiencies that may occur in another crop.

The equalization fee in the two bills seems to me to be about the same in intent and in effect. Each one of the member banks loses on an average 10 per cent of its deposits, for which it receives no returns in the way of interest, and this makes a very large loss to each of these banks, which they seem glad to pay because of the benefits of the law.

The equalization fee in the McNary-Haugen bill is a fee which I believe the farmers will be equally willing to pay, because I think for each dollar they expend in equalization fees they will receive $10 in return.

The President will have these two bills before him at one time, and I can not conceive of a President of the United States granting to the bankers of the country what he denies to agriculture.

I append a letter from the office of the Comptroller of the Currency as to the facts:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, January 25, 1927.

Hon. CHARLES BRAND,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: In accordance with your request over the telephone to-day, I am submitting the following information with regard to the obligations and rights of member banks of the Federal reserve system.

Every national bank is required to be a member of the Federal reserve bank in whose district it is located, and is required to subscribe to the capital stock of its Federal reserve bank in a sum equal to 6 per cent of its paid-in capital stock and surplus. Only one-half of the amount of this subscription, however, is required by law to be actually paid in, the remainder being subject to call when deemed necessary by the Federal Reserve Board. Under the terms of the law, after all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders—that is, the member banks—are entitled to receive an annual dividend of 6 per cent on the paid-in capital stock, which dividend is cumulative.

Every member bank of the Federal reserve system is required to maintain reserve balances with its Federal reserve bank as follows:

"(a) If not in a reserve or central reserve city, an actual net balance of not less than 7 per cent of aggregate demand deposits and 3 per cent of time deposits.

"(b) If in a reserve city, an actual net balance of not less than 10 per cent of aggregate demand deposits and 3 per cent of time deposits: *Provided*, That if located in the outlying districts of a reserve city or in territory added thereto by the extension of the corporate charter it may, upon the affirmative vote of five members of the Federal Reserve Board, maintain the reserve balances specified under (a).

"(c) If in a central reserve city, an actual net balance of not less than 13 per cent of aggregate demand deposits and 3 per cent of time deposits: *Provided*, That if located in the outlying districts of a central reserve city or in territory added thereto by the extension of the corporate charter it may, upon the affirmative vote of five members of the Federal Reserve Board, maintain the balances specified under (a) or (b)."

A Federal reserve bank, under the terms and conditions prescribed in the Federal reserve act and in the regulations of the Federal Reserve Board pursuant thereto, may discount for its member banks notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes. The maturity at the time of discount exclusive of days of grace is limited to 90 days in the case of commercial paper and to nine months in the case of agricultural paper.

I trust that this will give you the information which you desire, and, if not, I shall be glad to assist you further.

Very truly yours,

E. W. STEARNS,
Deputy Comptroller.

SHALL WE HAVE PEASANTRY IN AMERICA?

We are deciding whether or not the American farmer will fall to the position of the European peasant. I have been with the European peasant on his plot of land, in his home, in several countries. They live horribly. One house covers their swine, their geese, and their cattle, and their children and their wives. The slop from the house and the manure from the stock are made into a pile in front of the front door and the women carry it in vessels on their head to the little plot of ground. The faces of these peasants reflect their condition. Their eyes have never seen the beauties, their palates have never tasted the good things, their senses have never been touched with the finer things of life. They have little education.

Is the American food and clothing producer to come to this because the consumer is selfish? The consumer in Europe predominates. Is he to exercise the same power in America?

The Senate last week plowed a furrow around this country to keep out that nasty thing. The House now has plowed another furrow for the same purpose. The Representatives of the people in their National Congress are determined to protect agriculture from peasantry.

Will the President sign the bill? He says agriculture is at a disadvantage. He said in his message to Congress:

Surpluses affect prices of various farm commodities in a disastrous manner, and the problem evidently demands a solution, and it is my hope that the basis will be found for a sound and effective solution upon which agreement can be reached. If a sound solution of a permanent nature can be found for this problem, the Congress ought not to hesitate to adopt it.

Gentlemen of the House, the President put it up to us. We have studied the question for four years. Agriculture over the Nation has studied the question for four years.

Is the McNary-Haugen bill sound?

It will raise the price of farm products. That is the only way to give relief. The grain exchanges of the country in the last month have shown that the McNary-Haugen bill will work. The cotton exchanges of the country have shown that the McNary-Haugen bill will work. The traders are gambling their money on the prospect of the bill becoming a law, and cotton

has advanced about 20 per cent and wheat and corn have responded.

Mr. Mellon a year ago implied that the McNary-Haugen bill will work and raise the price of farm products.

Is the McNary-Haugen bill sound?

If the Federal reserve act is sound, then this farm bill is sound, because they are both built on the same principle and have an equalization fee. The bankers of the country have a McNary-Haugen bill now, and the surplus and deficiency of credit of the Nation are under control and the bankers pay a bigger equalization fee than the farmers will ever be called upon to pay under the McNary-Haugen bill.

Is the equalization fee in the McNary-Haugen bill constitutional? Is the recapture clause in the transportation act constitutional? Is the power in the tariff act, given to the President to raise or lower the tariff tax, constitutional? You men who oppose this bill on constitutional grounds have voted for an equalization fee in the Federal reserve act, the transportation act, and you have delegated the powers of Congress to tax to others at least three times.

The President has advised us to act. He states publicly the condition of inequality of agriculture. I challenge any man on this floor to say that the President has ever stated publicly that he is opposed to the McNary-Haugen bill.

I do not believe the President will refuse to try this carefully studied plan for the relief of the American farmer.

I believe I have addressed as many farmer audiences on this question as any other one person. They do not all know thoroughly the McNary-Haugen bill but each one knows his condition and the reason.

I do not believe city people are opposed to fair treatment of agriculture. I was told last winter by a leading Member of this House that a city representative could not vote for this bill and go home and be returned.

I made up my mind to try that out and I made five speeches, confining my remarks to the McNary-Haugen bill, in the principal city in my district—a city of 70 or 80 thousand people—and the newspapers carried what I said.

When the ballots were counted in the fall I had a greater percentage of the vote in that city than I had ever received. The city people in Ohio are fair-minded and there is considerable evidence that they need not pay additional prices as a result of the enactment of this law.

Mr. TREADWAY. Mr. Speaker, under the steam-roller conditions prevailing when the McNary bill was discussed, under the so-called five-minute rule, any comment or effort to present amendments was entirely unavailing in spite of the understanding when the Rules Committee reported favorably a rule for consideration of the bill that ample opportunity would be given for its discussion, both under general debate and under the five-minute rule.

While it is never in keeping in any way to question Members' motives, many Members of the House have a right to wonder why a large number of our colleagues voted differently on this measure this year from last year; 47 Members voting against the bill last year changed and voted for it on roll call this year. The difference in the purport and language of the bill were certainly not sufficiently marked to warrant this action. So far as I recall, no one offered any explanation of this change from the floor. It is, therefore, fair to assume that there must be some element of truth in the rumors so current in the corridors that there were numerous trades and exchanges involving other measures, particularly the so-called Parker coal bill. Methods of this kind are a very fruitful means of bringing Congress into discredit. It is fortunate that these methods are seldom used, but indications are plain in this case and rumors of the trades have been so persistent that, no specific denial having been made, the assumption naturally follows that they were in existence and carried through.

It may be proper to call attention to the way this type of legislation appears to a man who, while a Member of the other branch, showed a spirit of independence and freedom of both speech and action which were thoroughly commendable. Now, having retired from public life, he is in a position to judge the actions of Congress from the standpoint of experience as well as the viewpoint of a private citizen. In the Washington Post of February 17 is a letter from former Senator Thomas, of Colorado, of which the following is an extract:

> What are our rivers and harbors bills, public building bills, and all other of the pork variety but "votive" tributes to compact minorities organized to raid the Treasury? And last but not least what is the pending Haugen-McNary bill, ostensibly for farm relief, but a surrender of the National Legislature to the compact forces of an agrarian minority strenuously demanding an initial appropriation of $250,000,000 as an alternative to its political displeasure? The demand failed last year. It now renews its assault with an apparent certainty of success, because its forces are augmented by a compact with the cotton planter and tobacco grower, with whom the coveted spoils are to be shared.
>
> Here is a trinity of power before which many Senators heretofore in opposition are obsequiously kotowing. Their previous objections to the bill were both sincere and genuine. They were based upon irrefutable principles. They are as irrefutable now as they were last spring, yet they are silenced in large degree by the coalition of wheat, cotton, and tobacco.
>
> The scheme is as fantastic as Plato's ideal republic. It defies economic law and all human experience. Even if it were capable of practicable administration and within constitutional warrants of power, it would carry the Government far afield from its legitimate functions. But it is a vote getter and as such easily commands the majority of the legislative branch of the Government, which instinctively appeals for its conduct to many like precedents of its own establishment.
>
> Between the candidate who uses his own fortune to secure political advancement and the legislative majorities devoting the public moneys to the same purpose there is no difference in principle or in morals unless it be that the latter is the more reprehensible.

New England is regarded as a manufacturing and industrial section. It is very seldom referred to as an agricultural section. Some of my colleagues from Massachusetts have spoken on the bill and have shown the great injury which this measure, if enacted into law, would do to industries in New England, particularly the manufacturers of cotton cloth. I desire to refer to New England and particularly to Massachusetts as an agricultural section. The values of some of the principal crops, both in New England and in Massachusetts, according to the statistics of the Department of Agriculture, for last year, as well as the total values of all crops, were as follows:

1926 crops

	New England		Massachusetts	
	Production	Crop value	Production	Crop value
Hay ... tons	4,565,000	$77,510,000	2,606,000	$14,377,000
Apples ... bushels	1,900,000	9,978,000	4,100,000	3,690,000
Tobacco ... pounds	38,758,000	14,152,000	9,412,000	3,294,000
Potatoes ... bushels	46,380,000	64,753,000	2,015,000	3,627,000
Onions ... do	1,746,000	1,083,000	1,746,000	1,083,000
Butter ... pounds			2,026,000	
Total value of all crops:				
New England		231,324,000		
Massachusetts				44,762,000

So far as we are concerned, every one of these crops is basic and is as much entitled to the benefits of legislation supposedly in behalf of agriculture as are the crops designated in the McNary bill as basic. The argument of the proponents of the bill largely revolves around so-called tariff protection to the industries of New England. If the McNary bill provides protection to the agricultural interests of the country, can any good reason be offered why the New England and Massachusetts farming industry should not be entitled to the same class of protection as the agricultural products of the Central West? I am proud, however, to say that not a single agricultural organization or a single individual farmer in my district, so far as I have been informed, regards the McNary bill other than as repugnant to all the best interests of the country.

There is another crop basic for New England to which no reference has been made and to which I desire especially to draw attention. The principle on which the McNary bill is framed is disposition of surplus. Now, New England is noted for its attractiveness as a summer resort section. We have the attractions of the mountains and the sea, combined with the very best of highways and the most wonderful natural scenery, as well as a delightful summer climate, all tending to make New England a great recreation and vacation center. Naturally, in sections and for various periods the supply of accommodations has been too liberal; in other words, there is a "surplus" of accommodations for tourists and vacationists. Another unfortunate factor is the fact that the summer business is seasonal, lasting not to exceed three months. Assuming that there are 20,000 rooms available for tourists in New England, it is safe to figure that at least 10 per cent of those accommodations are idle throughout the summer season. They are, therefore, absolutely surplus. They are just as much surplus as the extra bushels of wheat raised in Iowa. While there would be no way of dumping this surplus abroad, speaking in behalf of this large industry I maintain that there is as much logic in the hotel men of New England asking to be reimbursed for their surplus supply of rooms as the wheat and corn growers of the Middle West and the rice and cotton

growers of the South asking to have a fictitious method established by Government authority to care for their surplus stocks.

Admitting this argument to be correct, instead of the Government providing a revolving fund of $250,000,000, I suggest that it be increased to $300,000,000 to care for the surplus agriculture of New England and the surplus rooms of the summer hotel men.

Mr. McKEOWN. Mr. Speaker, now that the great battle for farm protection is over and a splendid victory won, it is only natural that we who have labored so hard for this legislation should now be rejoicing, for we have at last written upon the records of Congress the principle of honest recognition of agriculture and the stabilization of the farmer's dollar.

I rejoice to have had a part in formulating and passing this legislation, and I, with others who labored with me, believe it means the sunrise of a new day, a better day, out in the millions of farm homes that have been made desolate by unfair laws which have given to other interests an undue advantage over our basic industry.

I believe that I voice the sentiments of all friends of agriculture, both in Congress and throughout the Nation, when I say that very much of the success which we have attained has been largely due to the consistent and continual support given our cause by that splendid newspaper, the National Farm News, published here in Washington. Week in and week out for many months this newspaper has been spreading the gospel of fair play to American farmers. That its voice has been heard is clearly shown by the marked change in the vote of this House and by the hundreds of letters which we have been receiving from the people back home. It is refreshing to know that we have here in the Nation's Capital a newspaper which can not be "bullied," bribed, or threatened into subjection by those who desire to continue to profit at the expense of the happiness and contentment of the more than 30,000,000 Americans residing and laboring on the farms of our beloved country. In my judgment, when the true history of this great fight for equal justice has been finally written, that volume will contain much space devoted to a story of the great aid given to this righteous cause by this paper. My colleagues, the soul of our old comrade, Charles I. Stengle, breathes through the editorial columns of that newspaper. We who served with him in this House, remembering his high character and devotion to duty, feel fully assured that so long as he writes for the printed pages of a farmer's newspaper the cause of the soil tillers are safe from the poisonous "fangs" of a subsidized press which would seek the downfall of agriculture.

Mr. HULL of Tennessee. Mr. Speaker, I have never given any bill more earnest and sympathetic study than I have the pending McNary-Haugen bill. I have done this with, I think, a full knowledge of the deplorable condition of agriculture and, I know, with a most anxious desire to support any and every proposal calculated to afford the desired relief. If I could be at all satisfied that the pending bill meant salvation to agriculture, or a substantial step in that direction, although certain of its provisions violate all the economic ideas for which I stand, I would unhesitatingly vote for it. I would even support it if I could persuade myself that in its permanent operation and effects it would help more than it would hurt agriculture, notwithstanding my contrary view that much sounder and more comprehensive remedies are and have been available. I regret that those equally sincere and devoted to the welfare of agriculture find themselves divided in their honest judgment about the merits of the pending McNary-Haugen measure. An examination of the bill and a contrast of it with other remedial measures will, however, very clearly explain in part, at least, the reason for this difference of opinion. I would not for a moment censure any sincere friend of the farmer who may honestly differ with me about remedies. I have nothing but praise for their efforts. I have found that in the past even the ablest men with the same objective have differed on the greatest questions that have arisen in government.

What is the agricultural evil that it is sought to remedy, and how will the proposed remedy operate? The primary purpose of the McNary-Haugen bill as to cotton and tobacco, which are not involved by tariffs, is to stabilize their markets against undue and excessive fluctuations, with the object of enabling the grower to derive a fair and stable price each year. The primary object of the bill as it relates to wheat, corn, rice, and swine is in the main to raise the home or domestic prices up to the amount of the tariff on each of these commodities or at least to raise the prices behind the tariff. The tariff on wheat is 42 cents per bushel; on corn, 15 cents; on swine, ½ cent per pound; ham and bacon, 2 cents per pound; rice, 1 cent to 2 cents per pound. It is proposed thus to raise the home prices on these commodities, subject to tariffs by segregating and removing the surplus of each to the extent of creating a scarcity in the home market sufficient to raise the prices to, or as nearly as possible, the height of the tariff rates. The surplus would be dumped on other countries and sold at whatever price it might bring. The inevitable losses would be met by the American grower or producer, who under the proposed bill is subject to a tax called an "equalization fee," which it is contemplated will be levied on the farmer's production in a sufficient amount to pay the losses on all surplus sold abroad. Cotton carries no tariff, while American tobacco has no appreciable competition from abroad, with the result that there is no tariff wall with respect to cotton and tobacco behind which price raises can be attempted, as in the case of rice, wheat, corn, and swine.

It here becomes both interesting and important to ascertain why it is thus sought to secure full tariff benefits on these latter products. The answer is that under the operation of the Fordney tariff system, American manufacturers are able to sell to farmers and other American citizens at far higher prices than otherwise, under the protective aid of the tariffs, while the farmer, except as to minor products, must sell both at home and abroad at world prices unaided by tariffs.

The farmer, in other words, buys in a highly protected market and sells at world prices. The price he receives for his surplus sold abroad fixes his domestic prices at home. The result is that in the United States the price level of what the farmer sells is considerably below the price level of the commodities he must buy. The fact is now freely conceded that but for the operation of the Fordney tariff one price level for the manufacturer and another price level for the farmer would not exist. It is equally true that with suitable tariff reduction and more liberal trade relations, the manufacturers' price level would be brought down and the farmers' price level brought up, to a certain extent, with result that the present disparity would not exist. Under the operation of the Fordney tariff as just described, a rapid redistribution of property as between agriculture and manufacturing has been taking place in this country during recent years. High freight rates are not the chief cause of the difference in price levels of farm products and manufactured products, because they are common to both. The same is true as to wages paid labor. The existing high tariffs, therefore, are the seat of the farm disease as to two price levels. The farmer is not only helpless to invoke tariff rates to raise his prices as does the manufacturer, but high tariff prices on virtually all the farmer busy to eat, wear, and use greatly increase his cost of production, cost of living, and cost of transportation, besides having the effect of greatly restricting his foreign market opportunities and prices.

In this situation, since all of the real friends of agriculture, both in and out of Congress, are agreed that existing high tariffs are the chief seat of the farm difficulties, why is it not easy for them to agree on the remedy by a joint movement to lower existing tariffs? Why, in other words, duck and dodge and run away from the seat of the disease and attempt another artificial expedient in lieu of the plain, direct, and effective remedy? Right here arises one point of difference among friends of agriculture with respect to the McNary-Haugen bill.

It is evident that those who dictate the course of farm relief through the agency of the McNary-Haugen bill either still stand for the Fordney high tariff or are unwilling to assault it. I do not question the honesty of their motives. One supporter of the pending bill suggested that it was not practical or possible to reduce the tariff. Any Member of this House knows that the professed friends of agriculture in Congress could within five days deadlock Congress and literally compel attention to the real evils afflicting agriculture and early remedies therefor. And, furthermore, since 85 per cent of the American people derive no tariff benefits but only tariff injuries, to say that they are helpless to rise up and take charge of their Government and force sound relief for agriculture is a confession that popular government is a failure in this country. If this be the situation, it is needless to discuss any kind of legislation for the benefit of the general public.

The defects or objections to the McNary-Haugen bill are, first, the question of constitutionality. The equalization tax in large-crop years will amount to several hundred millions of dollars on the farmers producing the commodities embraced in the bill. The bill undertakes to empower the Government to authorize the farm board to impose this equalization tax, in effect, on the producer of the commodities mentioned in the bill, and in turn to expend the taxes so collected chiefly for the purpose already stated. It is not a tax levied by the Federal Government for a general public purpose and turned into the Treasury with other tax receipts, as is contemplated by all other laws and judicial decisions relating to the levying of

taxes. The general economic question also arises as to why the manufacturer should receive 100 per cent benefit from his tariffs without charge, while the farmer must pay an equalization tax running into the hundreds of millions for the mere privilege of attempting to get the benefit of some of the farm tariffs.

A second objection to the pending bill relates to that old law of human nature, to the effect that when satisfactory prices are assured producers, increase of production inevitably follows. If the pending bill should reverse this uniform experience of the past, I shall be astonished. The third objection to the bill is that by statute it seeks to force compulsory cooperation among producers, unless farmers in State convention revoke it. This conflicting policy is absurd and unworkable. While I am, and long have been, a strong advocate of cooperation in every branch of agriculture, I am of opinion that the country is not ripe for compulsion in this respect. A fourth objection is that the proposed legislation is so filled with complexities, technicalities, and artificialness that it can not be made workable at all to the extent contemplated or necessary for measurable relief. The proponents of the bill themselves do not undertake to define in any detail the manner in which the law would operate. They can not do so. Some supporters say they think it is worth trying out; others frankly admit that it is an experiment; others say they do not know, but they believe it would work; while still other supporters admit that they do not even guess, what the effect of the law would be, but that they are voting for it merely through sympathy for the deplorable farm situation. I can appreciate these viewpoints, but my own belief is that the farmers expect their Representatives to exercise their very best judgment as to the wisest course to pursue with respect to farm-relief proposals, and vote accordingly. Should I be of the honest belief that a given measure would not accomplish what its supporters represent I would not be discharging my duty to the farmers of my district unless I should vote accordingly. In the fifth place, assuming that the pending bill should pass Congress, be approved by the President, escape the ban of the courts, and, to a fairly workable extent, be placed in operation, the next thing that would happen would be that early in the new Congress the producers of many farm commodities would come posthaste for still higher tariffs, and the manufacturers would meet them and say "Yes, you are entitled to any tariff rates you desire; we will aid you in securing them." They would then add that there were a few instances in which their own rates were not absolutely prohibitive and that they desired to make them airtight, which would be done. Everybody everywhere would be strenuously undertaking to out-Herod Herod with respect to securing higher and still higher tariff rates during the years to come. There would be a permanent tariff partnership between agriculture and industry.

The tragedy of all this would be that the manufacturer in his economic situation would be able to secure $4 tariff benefits where the farmer would secure $1 under any kind of artificial device that might be adopted. This is another condition revealing the difference of opinion among real friends of agriculture as to the wisdom of the McNary-Haugen bill. Its frank proponents admit that the Fordney tariff has wrecked agriculture, but they say that we must not touch the monstrous high tariffs of the Woolen Trust, the Steel Trust, the Sugar Trust, and other favored and fattened creatures of extortionate tariffs. When the tinplate tariff was enacted in 1890, Daniel G. Reid plunged into the business and accumulated $30,000,000 within 12 years. William B. Leeds also entered tinplate manufacturing and accumulated $40,000,000 in about 15 years. How many farmers under any sort of tariff devices possible to apply to agriculture would be required to accumulate these vast amounts within a lifetime? The aluminum industry, with tariffs of 77 per cent on household utensils, has built up a capital of $250,000,000, all out of profits except near $7,500,000. How many farmers would be required to net this amount of profits under all the most-favorable farm-tariff devices that human ingenuity could conceive? These illustrations might be carried throughout the tariff schedules as they relate to manufacturing.

Since 1921 many of us have been earnestly warning agriculture that typical manufacturing tariff systems, such as the Fordney tariff, would ultimately destroy the farmers of America. We pointed out in vain in 1921 and succeeding years that among the farmer's needs were low costs of production, of living, and of transportation, and wider and better foreign markets for his surplus. We earnestly preached farm cooperation in production, transportation, and marketing. Western farm leaders, however, whose sincerity I do not question, insisted that high tariffs were all the farmer needed and all he wanted. The farm bloc in Congress, led by these western farm spokesmen, who in large measure are now speaking for the farmer in connection with the Haugen bill, were permitted to write the agricultural rates in the Fordney tariff law. They shortsightedly imagined that they were bestowing on the farmer an infallible remedy for prosperity.

Many of those same gentlemen now urge the Haugen bill for the sole purpose of lifting the farmer up above the outrageous injuries which the Fordney tariff has been inflicting upon him since 1922. I do not believe that these gentlemen will now censure me for having dissented from this demonstrated course of folly and destruction. May I again remark that I do not indulge in these personal allusions for the purpose of criticism, but in order that the American farmer may thoroughly understand the course and attitude of others of us who at all times in the past have striven according to the lights before us to advance the cause of agriculture.

In harmony with the general ideas advanced by many of us since 1921, I, in January, submitted in the form of a House resolution a broad, sound, and comprehensive policy and program with respect to agriculture, as follows:

Resolved, That it is the sense of the House of Representatives of the United States that the following legislative measures and economic policies should be adopted and pursued for the relief and recognition of agriculture:

1. Tariff reduction, thereby materially diminishing the farmer's cost of production, transportation, and his cost of living.

2. International trade agreements, eliminating by mutual consent the harsher forms of discrimination in trade or commerce, and the development of more liberal trade relations with broader and better foreign markets.

3. Financial and other aid and encouragement of efficiency in agriculture and in the wider expansion and development of cooperative organizations in each branch of the agricultural industry for the purposes of transportation and marketing, and also production to the extent practicable and desirable.

4. Continued exemption from antitrust laws of farm cooperative organizations or associations.

5. Any additional and more desirable short-term and other credit facilities, actually needed and justified by good business principles.

6. Reduction and readjustment of railway rates, especially as to agricultural products.

7. Abolition by the States of State taxes on farm lands, with the possible retention of a small rate for schools, leaving the same to counties and villages.

8. Systematic suppression of monopolies in the distribution of farm products.

9. Speedy enactment for temporary relief purposes of H. R. 15655, the Aswell bill, or H. R. 15953, the Crisp bill, with certain amendments, for the purchase and orderly marketing of the surplus of the principal basic agricultural commodities, and the stabilization of prices on a reasonable basis.

10. The greater utilization of the Mississippi and other important water courses for the transportation of farm products, and the fullest utilization of water power on farms and for farm purposes: Be it further

Resolved, That the appropriate committees of the House of Representatives be, and the same are hereby, authorized and instructed at the earliest practicable date to report suitable bills to the House, embracing the subject matter of the proposals set out in section 1 to the extent that such proposed legislation comes within the functions of the Federal Government.

I have found but few earnest supporters of real and sound farm-relief ideas, even supporters of the Haugen bill, who have not heartily approved in principle the proposals contained in this resolution. They agree that they go to the fundamentals of the agricultural situation. Why, then, have these remedies not been pursued? It seems to me that the answer is that dominant farm leaders in the West, having been educated that way, still seek to cling to the unnatural and contradictory alliance and partnership between manufacturing and agriculture which the Fordney tariff law created and still maintains.

These in a large sense are the same leaders who in 1922 proclaimed with absolute confidence and cocksureness the Fordney high tariffs as the salvation for agriculture and questioned the judgment of those who condemned this view as not being for the best interests of the farmer. Now that these same tariffs have almost destroyed agriculture, these gentlemen propose to leave the tariffs intact and offer an additional artificial proposal about the workability of which they do not claim to be at all sure. In these circumstances, if the loyalty of any persons to the farmer is involved, it is certainly not those whose views experience has demonstrated to have been sound during the worst six-year period that agriculture has ever undergone. Had the farmers of the West been under the leadership of Senator Dolliver during the past three years, as they were in 1909 and 1910, I dare say that the Fordney high tariffs, which are

eating up agriculture, would have been directly assaulted as were the Payne-Aldrich tariffs assaulted under the Dolliver leadership. Some of these days the farmers will themselves go to the heart of the tariff problem, and then every farm leader will, instead of embracing, as many now are, the deadly tariff partnership between manufacturing and agriculture, fight for its speedy dissolution. The very intimation that the Democratic platform of 1924 contemplated "economic equality" between agriculture and industry by the plan of the Haugen bill, which would perpetuate and from time to time increase the existing Fordney high tariffs, is an outrageous libel on the Democratic Party and its doctrine of equal rights and opposition to special priyilege. Do not forget that our farm difficulties have been years in developing, and they can not be removed overnight.

The numerous farm-relief proposals contained in the resolution I offered are in the main easily understood. Either the Aswell or the Crisp bills, with certain amendments, are proposed as the most effective method of dealing with fluctuations and stabilization during emergency periods.

The Federal Finance Corporation financed itself at near a Government interest level and conducted wide financial operations for some six years following the war. It made numerous loans to farm cooperatives, among other functions. The sum total was that this corporation realized profits of about $62,000,000 and losses of about $62,000,000. The Aswell bill, for illustration, provides for similar corporate organization to finance itself and on emergency occasions to purchase, store, and feed out in an orderly marketing way existing surpluses such as cotton or tobacco, as the case may be. I am wholly at a loss to understand why this plain, simple, and tried method which does not burden the farm producer with the equalization tax would not prove far more effective than the complicated machinery provided by the McNary-Haugen bill. The Aswell and the Crisp bill provides the same appropriation of $250,000,000 from the Federal Treasury as does the McNary-Haugen bill. The two former omit the equalization tax on the farmer and at the same time propose to stabilize prices occasioned by fluctuations on emergency occasions due to substantial surpluses during good crop years. I can see no earthly reason why this method would not be far preferable, at least to the cotton and tobacco industries. The financing corporations, in line with the actual experience of the Federal Finance Corporation, should be able adequately to deal with the cotton and tobacco situation without losing any money. The other plan is probably invalid and unworkable. The officers would keep in close touch with the growers, and all would cooperate in regulating production to the extent that this would be possible. Their efforts in this respect would, in my judgment, be equal to if not superior to the theory of regulating production through the equalization tax. The fact that the McNary-Haugen bill has made every possible effort to conceal the equalization tax from the farmer greatly minimizes any virtues it might otherwise have in aiding regulation of production. I cheerfully support either the Aswell or the Crisp bill, with certain amendments. Since they carry appropriations of $250,000,000, it is thus apparent that one dividing line between supporters of the McNary-Haugen bill and others equally anxious to aid in farm relief is the equalization tax on the farmer and perpetuation of the Fordney tariffs.

If it were seriously desired to promote economic equality between agriculture and industry through the McNary-Haugen bill, it would be wise and perfectly easy to omit the equalization tax on the farmer and levy a corresponding amount of money off the manufacturer, who is receiving 100 per cent of his tariff benefits. This would require him to equalize to that extent the advantages derived under the Fordney tariff. This the manufacturer could do without ever feeling the burden. But again, some of our friends among the farm leaders are unwilling thus far to touch the enormous tariff profits of the manufacturers.

Some Haugen-bill supporters who seem to consider the Fordney tariff sacred, although it is literally destroying their farm constituents, suggest that prices of certain tariff-protected manufactured products have slightly declined since 1922, when the Fordney law was enacted. The vice and sophistry of this suggestion is that even the Fordney tariff could not maintain vastly inflated war-price levels in this country. In any event, as inflation disappears following the war, price levels should correspondingly and gradually decline. Automobiles, for illustration, have been selling at a lower price level than before the war. Except for the Fordney tariff other manufactures would have gradually declined until a substantially lower price level than the present would by this time have been reached, and besides the wide difference in their price level and that of agricultural products would not exist to-day. And if it be conceded that the small decline in prices of manufactured products under the operation of the Fordney tariff reflected a natural tariff course, the fact, most important to agriculture, remains that directly and wholly on account of the Fordney tariff we still have a high price level for manufactures and a low price level for agriculture.

Since 1921 this Nation has had the opportunity to pursue either one of two economic policies, each, however, entirely repugnant to the other. One policy would have recognized the fact that the World War left America a great creditor Nation with a mountain of gold and credit; a huge manufacturing plant unrivaled in efficient productive capacity in all history, and unlimited foodstuffs and raw materials. The war at the same time left other nations exhausted and prostrated financially and economically. They were without foodstuffs or raw materials, and their economic situation was hopelessly dislocated and demoralized on account of vast inflation of currencies, unbalanced budgets, and broken-down exchanges. The world, thus at our mercy for a number of years, was never in greater need of foodstuffs, raw materials, and many kinds of manufactures. America had but to adopt a system of moderate or competitive tariffs for revenue, cooperate in maintaining the international exchange, credit, and trade situation, insist on liberal trade relations and fair trade methods, and extend her commerce in all lines throughout the world. We have an overproduction capacity of 30 per cent. The automobile industry is a conspicuous illustration of the wise course which other industries, including agriculture, might easily have pursued, even though not so effectively. High wages, the use of modern machinery, horsepower, the greatest degree of efficiency, low production costs, and profit margins not too large, was our true policy. The moral and financial influence of this country, including the reciprocal obligations that go with vast loans to other countries, would have enabled this Nation to expand foreign markets and prices for our surpluses in every part of the world. It is tragical that we deliberately turned our back on this wise and sound economic course. Our exports to-day would have been $8,000,000,000 instead of less than $5,000,000,000.

While we must look to Europe to purchase our surplus wheat, cotton, and meats, it is a fact that Europe is to-day purchasing from us in all twice the amount that we purchase from her. It is also a fact that of the $13,000,000,000 of private loans made abroad during past years, near $10,000,000,000 have been made to Canada, South and Central America, and the Far East, none of which countries buy foodstuffs, but sell foodstuffs and buy manufactures. The inevitable result has been that exports of our manufactures, made possible largely through our foreign loans, have doubled, while exports of our foodstuffs to Europe in value have hopelessly declined. The future outlook for American agriculture under existing economic policies is, therefore, very dark. Many countries already are undertaking to grow more of their foodstuffs and to construct tariff walls against those we seek to export. We threw away this great opportunity and policy.

We pursued the opposite course of economic isolation and aloofness since 1921. We announced to the world that America would pursue a policy of extreme high tariffs, with the network of trade restrictions, reprisals, embargoes, retaliations, and boycotts that inevitably accompanies an airtight system of high tariffs. The direct effect of this policy, with a few individual exceptions, has been high artificial production costs, living costs, and transportation costs, to say nothing of the tremendous restrictions of our foreign trade and market situation, which has only been maintained to a certain extent thus far by our huge foreign loans with which to pay for our exports. Other nations naturally followed suit, so that to-day Europe alone has some twenty-odd tariff walls which hopelessly restrict trade among those peoples. The stifling of trade there has greatly restricted the capacity to produce and sell surpluses, and this in turn has correspondingly reduced and held down the purchasing power of the peoples of Europe on whom we depend to take our agricultural surpluses. In these circumstances, how could we expect the condition of American agriculture to be maintained, how could we expect other than ultimate drying up of our export markets at suitable prices for surplus farm products?

The Fordney high-tariff system, which is more nearly prohibitive than any other in fiscal history, is either the controlling factor or a major factor in the following outstanding conditions vital to the American people: (1) The high cost of living; (2) the high cost of production; (3) excessive freight rates to the extent of over $200,000,000; (4) the measurable preventing of the repayment of $21,000,000,000 of public and private debts owed us from abroad; (5) inability to maintain and develop a suitable merchant marine; (6) existing barriers,

obstructions, and restrictions against international commerce; (7) trade retaliations, reprisals, boycotts, and holdups, as in the recent instance of rubber; (8) the growing number of trusts and other price-fixing combinations; (9) the use of unlimited slush funds to corrupt and buy elections and control the Government; (10) the long delay in the restoration of credit and commerce and the economic rehabilitation of European countries; and (11) the redistribution of wealth as between agriculture and industry in this country.

None except the hidebound ultrahigh tariff partisan will controvert this analysis of the deadly and destructive effects of the Fordney tariff upon this giant Nation. While this tariff system only involves directly about $5,000,000,000 of excessive prices to our people, it is true that the injuries and losses of benefits and advantages in other respects less tangible but equally real will aggregate $15,000,000,000 or more each year. I can not agree with those other friends of agriculture who would force that great industry toward a condition of further permanent decay by insisting on the maintenance of existing high tariffs under the plain and patent policy of the McNary-Haugen bill. These tariffs and the narrow trade policies which they compel present an irreconcilable conflict between agriculture and tariff-protected manufacturing in this country, with the latter having all the advantage. If the disastrous experience of agriculture during the past six years has not conclusively demonstrated this fact, then human reason is fallible, indeed. The McNary-Haugen bill simply proposes to patch up in a certain crude, artificial, and hopelessly inefficient way the existing high-tariff partnership between manufacturing and agriculture, with some additional theoretical benefits to the latter, and continue it indefinitely in the future. Economic rather than political leadership is what the prostrate farmers most need.

Even the Farm Federation Bureau after an investigation in 1923 found that agriculture, after balancing off every possible tariff benefit against tariff losses, was suffering an annual net loss of $301,000,000 under the operation of the Fordney tariff, and this was less than half the true amount, if we even omit the injury to foreign markets. In the name of high heaven and in the friendliest spirit, I ask how can those leaders still insist on the existing high-tariff partnership between manufacturing and agriculture which has proven so deadly to the latter? The average farmer will pay more in extortionate tariff prices on his clothing and his iron and steel and aluminum products alone than he will get back through the miserable tariff driblets from his wheat, corn, and meats under the operation of the McNary-Haugen bill.

The McNary-Haugen bill must first make up to the farmer the $301,000,000 he is now losing under the Fordney tariff, and then and in addition see that the farmer secures enough further tariff advantages to equal those of the manufacturer, or the farmer's case is still hopeless. I seriously doubt if the bill accomplishes even the first step.

Moderate or competitive tariffs for revenue and more liberal trade policies would mean much lower production costs and wider and better markets to the farmer for his surpluses. At these points is where his profits are now being eaten up. The time is not far distant when America's high and artificial level of production costs in both agriculture and manufacturing, on account of excessive tariffs, will largely eliminate this country from the honest and fair commerce of the world. "Dumping" of surpluses will become the only alternative. This practice, too, will be in repudiation of our own antidumping law and policy, as well as that of a number of other countries. We are sadly in error if we imagine that competitive nations will allow us systematically to "dump" upon them.

Some high-tariff champion of the manufacturer has convinced a number of our well-meaning farmers that it would be wholly unwise to interfere in the least with their unconscionable tariffs for the secret reason that it would interfere with their present and future plan to rob and plunder agriculture to the point of absolute destruction. The Fordney tariff law should have been entitled "An act to impoverish agriculture and to subsidize a certain segment of manufacturers."

Some one also whispers to farmers who already are not unfriendly to the fallacy of high tariffs that decent tariff reduction would lower living standards and wages of labor. They are most careful to avoid the naming of the particular class of labor in this country that is supposed to be tariff benefited, but very definitely leave the impression that it is all American labor. Let us see just what number of American laborers are under the high-tariff shelter. Is it the 1,700,000 railway employees and their families? No; they receive no tariff benefits but only tariff injuries in the way of high living costs. And yet they have among the highest wages and living standards of any labor in America. Is it the millions of employees in the great building industry and trades of America? No; they likewise suffer tariff injuries rather than benefits. And yet their wages and living standards are among the highest in America. Is it the 1,000,000 coal miners and their families? No; they are in the same situation of labor as the railway and building industries. Is it the millions of laborers employed in the automobile industry? No; that great industry dominates the world and receives no tariff benefits but only burdens on its vast materials for manufacture. And yet this industry—wholly unsheltered by tariffs—took the lead many years ago in establishing the highest wages and living standards for labor. The same is true as to the tens of millions of laborers in the agricultural industry, the publishing and printing industry, the packing industry, the boot and shoe industry, the great field of professions, and in scores of other employments and industries with no tariff benefits. The whole truth is that of the 43,000,000 people engaged in gainful occupations in this country less than 6,000,000 are employed in the tariff-sheltered industries. And even among these latter are included 550,000 laborers in the textile industries, which for 60 years have enjoyed the highest tariffs and received the lowest wages.

Hundreds of thousands of still other laborers in the iron and steel industry afforded the pretext of the manufacturers to demand high tariffs for two generations past in order to pay high wages to their labor, although they were all the time and until recently importing the cheapest and coarsest foreign labor and themselves raking off the tariff profits. The fact so astounding is that this pure myth about high tariffs guaranteeing high living standards and high wages has been blindly accepted for 50 years. No farmer, therefore, need worry about suitable living standards and wages as a result of high tariffs. Russia, Spain, and numerous other countries in Europe have long had high tariffs, but the level of prices paid to their labor has constantly remained far below that paid to British labor with no tariff protection. The simple truth is that the intelligence, the skill, and energy of American labor, coupled with modern machinery, horsepower, and efficient management in many lines, with the resultant increased output of products per man, accounts for the high wages and high living standards which American labor enjoys and will continue to enjoy.

I need not repeat the figures showing the tremendous decline of agriculture since 1921. I have done that many times. I append to my remarks an exhibit containing a House resolution I offered in February, 1926, which sets out many of the exorbitant and prohibitive tariff rates which are chiefly responsible for the deplorable condition of the American farmer. Our Government since 1921 has been conducted by and for the tariff-protected manufacturer and to the corresponding detriment and injury of the American farmer. There is not room in the world for another solely manufacturing nation without a great agricultural industry to supply food. America, therefore, can not afford, as the present economic policies of the Coolidge administration unerringly propose, to destroy our great agricultural industry. On some other occasion, when time permits, I hope more elaborately to present the tariff and trade situation, and to point out the precise manner in which it is enriching protected manufacturers beyond reason and correspondingly impoverishing agriculture. No farmer or laborer ever gets rich under high tariffs, but thousands of manufacturers are annually made millionaires under this system of gross favoritism. The very purpose of tariffs is to transfer the substance of one person to another through increase of prices which the latter is enabled to charge. Tariffs, in other words, transfer the property of one person to another without his consent and without compensation.

Tariffs always imply two classes, one to be protected and the other to protect it. Tariffs bestow full benefits on some, less on others, and none at all on still others. Probably 80 per cent of farm products fall in the latter class. The true test of the competitive nature of tariffs in this country relates in the main to finished dutiable manufactures. If we deduct burlap imports of $85,000,000 for 1925, which we do not produce, and equalize prices, we find imports of dutiable finished manufactures were $465,450,000 for 1914, compared with $442,000,000 for 1925, notwithstanding our consumption has virtually doubled and our production vastly increased during those 11 years. Our imports under the Fordney Act mainly comprise raw materials, products we either do not produce or produce in insufficient quantities, such as sugar, wool, and costly articles which the rich import on account of fashion, design, or pattern, tariffs or no tariffs. Price increases, as in the case of rubber, coffee, tin, and so forth, account for an immense portion of the present value of imports.

While the present tariff rates on wheat, swine, and other commodities embraced in the Haugen bill are not specifically mentioned in the present bill as they were in the bill voted on

last year, they are nevertheless just as indispensable to the operation of the present bill as they were to that of the bill of 1926. The platform plank of the Republican convention of Iowa in 1926, after the defeat of the Haugen bill, set forth the object of this legislation as follows:

The Republican Party of Iowa is united in its demand that the Republican policy of economic equality of agriculture with other industries shall be carried into effect by the enactment of legislation which will permit the establishment of an American price level for agricultural products above the world-price level, just as the protective tariff accomplishes that result for manufactured products.

This utterance is in complete harmony with the frank expressions of leading spokesmen for the pending bill. The fact, therefore, that this bill omits mention of the tariff rates in no sense changes the tariff connection as compared with the Haugen bill of 1926. Repeal those Fordney tariff rates and this bill would be abandoned at once. In the entirely different economic situation of agriculture as compared with manufacturing, I am confirmed in the opinion that agriculture will be at a hopeless disadvantage in competing under the Haugen bill for tariff benefits with manufacturing industries.

Sir Josiah Stamp, of England, whom the proponents of this bill quote as favoring its theoretical operation, points out such difficulties as the following: (1) To make the plan successful the volume of exports must be greatly increased; (2) following this, domestic prices would rise; (3) increased price would react upon domestic consumption, thereby making still larger exports necessary; (4) world prices would, in consequence, be lowered; (5) higher domestic prices would stimulate production and add to the amount necessary to be exported; (6) there might be an international reaction against the practice of dumping the surplus abroad that would be unfavorable to us. These are just some of the many difficulties of the proposed measure. The logic of such a plan would suggest, if it does not require, prohibitive tariffs or an embargo on the imports of agricultural products. If the Haugen measure could be operated to the extent of exposing the existing high-tariff situation and thereby bringing about its downfall, I would cheerfully support the measure from this viewpoint. I am convinced, however, that at the very most the bill would only be able to secure to the farmer just enough small tariff benefits to induce him to pursue this plan indefinitely in the future, with the result that the manufacturer, with his vastly superior tariff benefits, would utterly destroy the farmer, as I have heretofore indicated.

Class rule, class legislation, or governmental favoritism have ever been the bane of popular government. No free government can last where the general public stands for this sort of favoritism called special privilege. The benefits of special privilege can no more be equalized than can the strength of the weak and the strong. The more powerful always secure the chief share, while those less organized and less able become the helpless victims. If this great Republic is to live, special privilege wherever it raises its slimy head must be grappled with and destroyed. If the political party to which I belong should abandon its ancient doctrine of equal rights and opposition to special privilege and embrace the policy in the future of fighting to equalize governmental favoritism for the benefit of each and every class and group not getting as much as the manufacturing industry, a new political organization standing for the doctrines of Jefferson will take its place. There is not room in this country for two leading parties who support the infamous doctrine of special privilege. It is not possible to pursue this doctrine even temporarily, because this would be folly on the one hand and disloyalty to the principle of equal rights on the other.

May I say in conclusion that it is my candid view that the very fact that a measure labeled "farm relief," if enacted, creates a psychology among the people which at the time will somewhat stimulate and hearten farmers and may result in some fluctuations upward of certain farm prices, but in its permanent operation and effect agriculture, I greatly fear, will be worse rather than better off. The tragedy of the situation, as I see it, is, let me repeat, that even if the measure should prove workable the farmer would at most derive such slight tariff benefits as would lead him along in future partnership with high tariff manufacturers, who would continue to derive all the lion's share of tariff advantages to the gradual destruction of agriculture. The real reason for the opposition of spokesmen of high tariff manufacturers to the McNary-Haugen bill thus far is that for two generations they have taught the western farmer almost as a part of his religion the economic falsehood that typical high tariffs benefit all classes and sections alike and guarantee prosperity equally to industry and agriculture. It has been upon this monstrous fallacy alone that unconscionable high tariffs have been fostered and fastened upon the country since the Civil War. For high-tariff champions now to confess that the farmer is receiving no tariff benefits from his staple products, but instead is being robbed and has been robbed for 60 years would for the first time disillusion the American people as to high-tariff sophistries and would inevitably result in the speedy breakdown of the manufacturer's tariffs. These vocal champions must, on the contrary, continue to cry lustily that the farmer is, in fact, getting his 42-cent tariff on wheat, 15 cents on corn, and his rates on the other commodities included in the McNary-Haugen bill. A supporter of the present high tariffs on manufactures is estopped under every rule of decency and fairness from opposing any additional artificial device the farmers may contrive to get some tariff benefits. One who has always fought high tariffs and the vicious special privilege and wholesale corruption and debauchery of both officials and voters which always accompany such tariffs, is in an entirely different attitude.

I am not surprised that Secretary Mellon and other spokesmen of the high-tariff group of manufacturers are slow to confess that their preachments of "protection and prosperity" to the farmer during the past two generations have been an outrageous falsehood from the beginning. If the proposed measure should by any sort of chance become a law and serve agriculture in a really beneficial way, my surprise will only be exceeded by my gratification.

I have never opposed any measure merely because it was new or because it was drastic. My only inquiry in such circumstances has been, will it uproot a deep-seated evil or prevent one from taking root? I am not disturbed, therefore, about the "newness" or the "drastic nature" of the pending bill, but rather by the certain belief that it will not offer permanent relief to agriculture and will perpetuate the Fordney tariffs.

EXHIBIT

IN THE HOUSE OF REPRESENTATIVES,
February 1, 1926.

Mr. HULL of Tennessee submitted the following resolution, which was referred to the Committee on Ways and Means and ordered to be printed:

House Resolution 116

Resolved, That it is the sense of the House of Representatives of the United States that immediate investigations and public hearings shall be had and a bill reported to the House of Representatives at the earliest practicable date repealing duties in schedule No. 3 of the tariff act of 1922, the iron and steel or metal schedule, which are useless both from the standpoint of revenue and appreciable competition, and reducing to a moderate or competitive basis for revenue such duties as are either excessive or prohibitive.

Such bill shall propose the repeal of such existing duties, among others, as pig and scrap iron; iron in bars, slabs, blooms, coils, loops, or rods, and muck bars; steel rails; structural shapes, not assembled; boiler and circular saw plates; galvanized wire for fencing and baling hay; blacksmith's tools; horseshoes, horseshoe nails, and cut nails; tacks and brads of iron or steel; hand, mill, circular, and cross-cut saws; cream separators; dynamite and other explosives, scythes, sickles, corn knives, motor cycles, pruning and sheep shears; cash registers; sewing machines; steam and internal-combustion engines.

Such bill shall also propose and carry reductions to a moderate or competitive basis for revenue of other rates in the said iron and steel schedule No. 3, including such existing excessive or prohibitive rates as 20 to 35 per cent ad valorem on steel ingots; 21 to 29 per cent on sheets of iron or steel; 20 to 33 per cent on tubular products; 64 to 74 per cent on table, kitchen, and household knives; 87 per cent on razor blades; 34 per cent on safety razors; 137 per cent on costly razors other than safety, and 336 to 355 per cent on cheaper razors; 131 to 169 per cent on pruning and sheep shears; 101 to 185 per cent on scissors; 100 per cent on the costliest to 140 per cent on the cheaper nail and barber's clippers; 96 per cent on the costliest to 179 per cent on cheaper pocketknives; 58 per cent on the costliest to 177 per cent on cheaper rifles; 40 per cent on axes; 40 per cent on hinges; 42 to 68 per cent on padlocks; 40 per cent on tinware not specially provided for; 56 per cent on bathtubs; 79 per cent on table, kitchen, and household utensils of aluminum.

SEC. 2. That it is also the sense of the House of Representatives that following presentation to the House of a bill revising the iron and steel schedule as aforesaid, suitable investigations and open hearings on the other schedules of the tariff act of 1922 shall be had with a view to ascertaining and reporting moderate or competitive rates for revenue, and repealing obsolete rates, in the form of a bill or bills, thereby providing suitable reductions of such excessive or prohibitive rates as the following, among others, in the various schedules of the tariff act of 1922; 35 per cent on textile machinery; 25 per cent on automobiles; 10 per cent on automobile tires; 25 to 38 per cent on rubber manufactures; 20 to 40 per cent on electrical machinery and

apparatus; 98 per cent on lemons; 80 per cent on cheap or imitation jewelry; 70 per cent on toys; 90 per cent on corsets with imitation or other lace; 20 to 27 per cent on jute bags; 30 to 45 per cent on certain cotton cloths; 25 to 45 per cent on cotton blankets; 77 per cent on cheaper woolen blankets; 35 per cent on cotton suspenders; 132 per cent on woolen suspenders; 50 to 71 per cent on cotton gloves; 35 per cent on men's cotton shirts; 60 per cent on cotton-lace window curtains; 25 per cent on cotton towels and sheets; 71 per cent on knit fabrics and knit goods of rayon; 97 per cent on cheaper woolens, and 73 per cent on the costliest woolens; 57 per cent on wool socks; 55 to 58 per cent on wool clothing not knit; 62 per cent on knit woolen underwear; 70 per cent average on silk wearing apparel; 50 to 55 per cent on table and kitchen articles of glassware; 7½ to 12 per cent on brick; nearly 20 per cent on salt; 30 per cent on asphaltum and bitumen; 40 per cent on mechanic's tools not specially enumerated; 64 to 74 per cent on clocks with jewels, and 60 to 104 per cent on cheap clocks without jewels; nearly 10 per cent on sulphate of ammonia; 30 per cent average on paints, pigments, and varnishes; 40 per cent on pianos; 25 per cent on slate pencils; 45 per cent on fishhooks; 45 per cent on cheap collar and cuff buttons; 60 per cent on tobacco pouches; 45 per cent on tooth and paint brushes; 25 per cent on shoeblacking; 50 per cent on fans; 128 per cent on thermos bottles; 282 per cent maximum on certain cheaper and coarser raw wools; undecorated china, 60 per cent; glass table and kitchen utensils, pressed and unpolished, 50 per cent; limestone, 77 per cent; certain cement, 16½ to 20 per cent; magnesite, 46 per cent; saddlery and harness hardware, 35 to 50 per cent; fountain pens, 100 per cent; pliers, pincers, and nippers, 60 per cent; lawn mowers, 30 per cent; stoves, 40 per cent; broom handles, 33⅓ per cent; indigo, 60 to 91 per cent; wood fence posts, 10 per cent; hoop or band iron for baling cotton, 9.34 per cent; kindling wood, 33⅓ per cent; bookbinders' calf leather, 20 per cent; twine for binding wool, 35 per cent; textbooks, 25 per cent; coal, 8 per cent (countervailing duty). Repeal section 315 of the tariff act of 1922 (the flexible provision).

Mr. EVANS. Mr. Speaker, for the third time in four years the Congress has before it a farm relief bill. Six million farmers, who produce the food of this Nation, are again knocking at the doors of the American Congress asking for relief. Not less than 4,000,000 of these farmers desire the enactment of the bill which is presented before you by the Committee on Agriculture, and known as the McNary-Haugen bill.

Who are these 6,000,000 farmers who are asking for relief? They are the people who own and control the largest business we know anything about in this country, the business of farming. Six millions of them live on the farm. They provide the food of this Nation. Thirty millions of men, women, and children live on the farms, and their business in dollars and cents is worth more than the combined valuation of all the coal mines, plus the manufacturing plants, plus the railroads, plus the capital, surplus, and undivided profits of all the banks and trust companies in the United States of America. Their business represents an investment of about $70,000,000,000.

There are undoubtedly imperfections in this bill. It will not, in all probability, work a millennium for the farmer; but the farm organizations of the country have employed some of the best economists to work out a plan of relief. They have presented it to Congress and asked its passage. We have unhesitatingly passed legislation for the relief of the manufacturers, for the relief of the railroads, for the relief of the bankers, and passed legislation for the relief of other groups. If I had my way, I would approach this question from a different angle; instead of trying to raise the price of the farmers' product I would try to equalize it by reducing the price of the manufactured articles he has to buy; in short, I would reduce the tariff.

Do not misunderstand me, gentlemen; I am not a free trader. I am not opposed to a tariff. I voted for a tariff on wheat, wool, cattle, flax, manganese, and a hundred other articles. I am for a tariff that will protect the American people from any unreasonable foreign competition, but it must be a tariff that protects the producer of raw material equally with the producer of manufactured articles. I am unalterably opposed to the existing tariff law that allows a few thousand tariff barons of New England and the other manufacturing States to extort from the American people billions of money every year. A condition and not a theory now confronts us. It is impossible, as the Congress is now constituted, to lower the tariff and thus put the farmer on a parity with the manufacturer, so it becomes necessary to try raise the farmers' end of the scales.

I wish to point out that we have before us for consideration a measure which has the indorsement of organized labor, representatives of business associations, an increasing number of States legislatures, and a large number of farm organizations representing every principal section of the United States. There is no other measure which has been considered by this Congress which has anything like the support which this measure has. There is no reference in the measure, whatever, to price fixing or price levels.

It does not put the Government into buying or selling farm crops on its own account. Government funds, which are loaned to the cooperatives, are amply safeguarded. The measure uses and builds upon the cooperative movement which has already been developed rather than setting up a new system. It takes care of all commodities by authorizing the board to assist in disposing of the surpluses of five of the major farm commodities and to assist the producers of other commodities through extending amortized loans to cooperatives handling such commodities. It is not an attempt at securing unwarranted, artificial, and arbitrary prices through a Government monopoly, but it provides a means by which the producers, through their own organizations, assisted by the farm board, can dispose of farm surpluses in such a way as to give the producers the full value of their products. In short, it is a business proposition which will make it possible for the farmers to market their crops in an orderly manner so that they will be able to obtain the best price which market conditions and other economic factors justify and which will give to the farmers equal bargaining power and equality of opportunity with other groups. If this bill is passed, it will stabilize the most important industry in this country on a basis of economic equality with other groups. I do not believe that Congress should deny these benefits to the farmer by refusing or neglecting to pass this legislation.

It is said that this bill is a "price-fixing" measure. I deny it, but granting it be so, the most gigantic price-fixing measure that was ever given the dignity of law is the American tariff, which substantially fixes the domestic price at the world price plus the tariff rates. Of course, it is all right to provide a price-fixing measure for industry, but the beneficiaries of the tariff price-fixing law condemn it as economically unsound to give the farmers a price-fixing measure of protection. Price fixing is all right for big industrial enterprises, but all wrong for unprotected farmers.

Price fixing has become more or less of an accepted practice in American business, and no one seems to think it is economically unsound and dangerous. Why, even organized labor has had the benefits of price fixing in connection with the labor they have to sell, and the right to do it is now recognized by both law and custom. Various professions get together in districts and agree upon minimum rates of charge for various types of service. Even the banks of various communities get together and agree upon the rate of interest they will pay and the rate of interest they will charge.

Why is it economically sound and proper to let everyone else fix prices for the things they have to sell, as now seems to be the accepted practice, and deny the same right to agriculture, which is the most important and basic industry of all? The farmers are the only people in America who have no voice in fixing the prices of what they buy or what they sell. They are the victims of a price-fixing era. This argument, coming as it does from the beneficiaries of price fixing, is the most unfair and ridiculous and unsportsmanlike argument that could be advanced.

In my opinion, it would be utter stupidity for this Government not to attempt through legislation to bring the price level of farm products to the price level of those things the farmer has to buy. I realize that any and all legislation in respect to this effort is an experiment. I am willing and anxious to support either of the bills prepared to this end and which are now being considered by this Congress. I have carefully studied each of the bills; there are provisions in each of them to which I do not subscribe. But realizing as I do, that the gentlemen who prepared these measures were conscientiously endeavoring to meet a national crisis and bring relief to the American farmer, I do not feel that I can afford to dally with so serious a proposition.

It ought to be self-evident that a prosperous agriculture is necessary to continuous industrial prosperity. The future success of every business enterprise in America is dependent directly or indirectly upon the buying power of the agricultural part of our population. The most selfish provincialism and the most isolated viewpoint ought to realize that the prosperity of agriculture is a necessary condition to continued national prosperity.

When you think of the vast number of farms that are being abandoned, and the multitudes that are flocking into the cities to gain a livelihood where money has been flowing more freely; when you think of the millions of American farmers who are struggling on in the face of persistent adversity with insufficient income to meet their maturing obligations; when you think of the innumerable farmers who have had to borrow money just to pay their taxes; and when you think of the disastrous de-

crease in the buying power of American agriculture, you must recognize that we have in this situation a national problem, and it can not be solved by merely a local viewpoint or by raising the age-old cry against everything new that it is economically unsound and dangerous. Something must be done to help agriculture in order to help America, and the McNary-Haugen bill is the only thing in sight that offers any promise. Its advocates believe it will mean the difference between failure and success in agriculture.

In common justice to the agricultural life of America, this Government should endeavor to right the wrong of the deflation panic of 1920. This was nothing less than the assassination of the American farmer's business. The policy inaugurated by an agency of our Government laid its ruthless hand of destruction upon the crop prices of America and wrecked hundreds of thousands of homes, and left in its wake bankruptcy, suicide, and buried hope. The debt of the American farmer is to-day $14,000,000,000. His property and crop values, as compared with the predeflation period, have decreased since then $30,000,000,000.

This is one-tenth of the value of the wealth of this Nation; it is ten times as much as the debt of this Nation in 1900; and it is more than our national debt was immediately after the World War. In 1923 the national income of the United States, the annual wealth produced, was $70,000,000,000; the farmer had one-fifth of the wealth engaged in the production of this annual income and one-third of the population engaged in its production, and yet he only realized 14 per cent of this income, and his percentage of this income is now less than then. Crop prices have decreased to below the cost of production, and the farmers' average earnings per annum is just one-half as much as the average earnings of the other laborers of America. With this decrease of property values and income, the farmers' taxes in this Nation have increased 236 per cent within the last 10 years. Most of his income now is consumed in payment of taxes and interest on his indebtedness; his family is neither fed, clothed, nor educated as it used to be, and his property is passing away from him by foreclosure sales each day; even our Federal land banks, which I believe have been of great service to the landowners of the Nation, have been compelled to foreclose 5,000 homes occupied by farmers in order to satisfy loans made to them aggregating more than $18,000,000. Most of these foreclosure sales have occurred within the last four years, and these are but a small per cent of the total farm foreclosure sales had in our country.

Why are not the farmers entitled to some consideration at the hands of this Government? They work and toil almost day and night. They love their families the same as other people, and they want to educate their children like the rest of our citizens. They want to furnish them with good food and proper clothing. The farmers have the same feelings, are fired by the same ambitions for their children as others, and are impelled by the same motives. They should have sufficient prices for the products of their toil that would enable them to have a holiday occasionally like city folks. They should receive prices that would enable them to lay aside something to care for their families and themselves in their old age. Some say that they spend too much, that they sometimes have an automobile or a radio. Well, are they not as much entitled to these as others? Why are they begrudged a Ford and other conveniences of life? One thing certain, they have not had much to spend since the advent of this Republican administration.

It is not true, as some assert, that the farmer's condition is due to his own laziness, thriftlessness, and bad management; the fact is that, although the farmer has abandoned the farm because the industrial occupations offered a much larger income to him and his family, nevertheless those who have remained upon the farm have been sufficiently industrious and intelligent, and who are now comparatively a much smaller per cent of our population than 25 years ago, to produce in volume and in value per capita much more than he ever did. This can not be said of any other American labor; every other class of labor, though receiving now the highest prices ever realized, works less time and produces less than ever. I should be glad, if I had time to do so, to discuss this fact. It simply illustrates what organization can accomplish; and I do not undertake to criticize organized labor. In my opinion it has been justified in making most of its demands. There are some who would deny this farm legislation because, as they see the matter, his trouble is that he now produces too much, and certainly this can not be attributable to laziness, thriftlessness, or bad management.

One other suggestion and I have finished. It seems unfortunate that the great eastern press has been so unfair in the discussion of this legislation. I read for the benefit of the Congress and the country a brief editorial from the New York World commenting on this subject:

SOMEBODY ELSE CRIES "THIEF!"

The gods of irony must chuckle at some of the horrified indignation displayed by the conservative eastern Republican press over the McNary-Haugen bill. Yesterday one of the Republican papers in this city worked itself into a fine white heat to denounce this measure, all within the confines of a single paragraph, as "tarred with demagogy," "a brazen bid for a veto," a bit of "unscrupulous politics," a measure which will "debauch agriculture," a "flagrant betrayal of the public," and "a hold-up for the benefit of a special interest."

And what, if you please, is the Republican tariff, from whose principle of "protection" the farm bloc leaders have lifted the theory for their plan?

What is a tariff which has increased the duty on crude aluminum and aluminum sheets and bars by 150 per cent for the benefit of the Aluminum Trust?

What is a tariff which under the guise of providing flexible duties has provided a means for jacking up the rates ten times where they are lowered once?

What is a tariff which has raised the sugar duty 76 per cent and added $150,000,000 a year to the American grocery bill?

What is a tariff which increased duty on cement 200 per cent while the activities of the cement manufacturers were under investigation by the Government?

What is a tariff which has taken off the free list cream separators, scythes, sickles, horseshoes, baling wire, wire fencing, nails, hoop iron, and various other articles of which farmers are the chief consumers and has imposed upon these articles a stiff duty?

What, in short, is a tariff which costs American consumers at least $3,000,000,000 a year, with three-fourths of this amount going straight into the pockets of protected manufacturers?

Mr. BLACK of New York. Mr. Speaker, it has been extremely interesting in the last week to listen to the various Members who specialize as being friends of the farmer explain, first, what is the matter with the farmer; and, second, how to cure it.

We know there is a wide variety of opinion in both directions.

I am not a farmer, do not pose as a friend of the farmer, have not a single farmer in my district, and yet there is no man in the House who is more anxious to see the farm problem solved sensibly. In the effort to dig out for myself some information on this subject, I developed a set of facts which, while they correspond with my previous sensing of the situation, nevertheless are, I think, a contribution to the serious thought on this subject. The knowledge—which the figures which I shall shortly quote reveals—has been available, and has been possessed by these friends of the farmer, but they have not had the courage to tell the truth.

The truth is: The farmer has brought his present situation upon himself. There is nothing the matter with the farmer except prohibition, and he is responsible for prohibition.

We are told very much about surpluses.

If I understand what a surplus is, it is an excess of a supply over a demand. The farmer through prohibition has destroyed in the case of some of his cereals substantially all of the demand, and in the case of others a very large proportion of the demand. He has, by that act, destroyed his own American market. Having done this, he has no right to assert through his spokesman on the floor of the House, that he is compelled to buy in a protected market and sell in a world's market, for such is not the truth. He has by his own act adopted his position, as a matter of policy, and it has not been forced upon him as the result of compulsion from any group of citizens outside of his own group.

Dealing with the crops thus affected, in the order of their importance, we examine first the corn situation.

I have here precise and accurate information obtained from the Treasury Department, which indicates that in the years 1915, 1916, and 1917, the three crop years immediately preceding the adoption of prohibition, the use of corn by the distilling and brewing industries was as follows:

	Bushels
In 1915	27,143,000
In 1916	45,643,000
In 1917	49,324,000

or a total consumption by that industry in the period named of 122,110,000 bushels. This represents an average consumption per year in the period named of 40,703,484 bushels. These are striking figures, and their significance will immediately develop when we realize that the consumption of corn during the last three years viz, ending on January 1, 1927, was as follows:

	Bushels
1924	5,357,000
1925	7,496,000
1926	8,262,000

or a total during the three-year period of only 21,116,000 bushels. An average use under present conditions of only 7,038,000 bushels per year. It will be readily seen that as contrasted with the preprohibition period, the last three years represents to the corn farmer a direct loss of American markets aggregating over 100,000,000 bushels. The significance of the loss of this market will be further appreciated when we realize that with all the talk that has been going on here, about the exportable surplus dragging down the price of the American farmer's corn; upon examining this surplus we find that in the year 1926 we exported in round numbers 23,000,000 bushels of corn; in 1925 about nine and three-fourths million bushels of corn; in 1924, about 23,000,000 bushels of corn. Getting down close to the facts of the immediate present we therefore observe that the average corn surplus as represented by our volume of exports of corn during the last three years amounts to less than 19,000,000 bushels per annum.

It is therefore, most plainly apparent that if the American farmer had not deliberately thrown away his own domestic market for over 40,000,000 bushels of his corn per annum, he would have nothing to complain about in the way of an American market for his corn. He has deliberately destroyed his domestic market of more than twice the size of his present export surplus.

When we consider that the primary receipts of corn at all terminal markets during the year runs in the neighborhood of 200,000,000 bushels, we will then see that he has destroyed an American market for practically one-fifth of the corn he ships to market. In other words, he has destroyed the market at home for one of every five carloads of corn that he ships.

This is bad enough, for not only has he done this, but when we consider concurrently the barley situation we see that in the same three preprohibition years, namely, 1915, 1916, 1917, the brewing and distilling demand for barley and malt aggregated in—

	Bushels
1915	65,349,000
1916	62,164,000
1917	85,738,000

or a total demand in that period of 213,252,000 bushels. Practically equal to one crop of barley, or an average annual use of barley by that American industry of 71,084,166 bushels. Incidental to this situation it should be remembered that these industries used the best qualities of barley, for which it paid always substantial premiums. In the present situation, namely, in the last three years, we find the use by that industry to be—

	Bushels
1924	5,831,000
1925	5,468,000
1926	5,863,000

or an aggregate use during the period of 17,162,568 bushels.

This represents an average annual use at the present time of 5,720,856 bushels per annum. By contrast with these two average figures we find that by prohibition the American market for the American farmers' barley has been reduced by 65,363,000 bushels per year.

And this is not all.

What barley the American farmers now sell in the domestic market is, of course, not now sold to that industry (which paid the premiums) because of the comparatively small consumption now, but is sold substantially as feed barley and comes therefore into competition directly with corn and oats.

Both the barley and the corn farmer are thus the victims of this situation. On the other hand, the corn farmer has lost an American market of more than twice the size of his exportable surplus, and, on the other hand, he is compelled to compete with barley now used as a feed largely in place of corn, because most barley used as feed displaces that much corn.

This would not be an embarrassing situation for the northwestern farmer were it not for the fact that he has lost the market which pays his premiums for his good grain and has not been given in return anything more than a chance to compete with corn. Substantially, therefore, he confronts this situation: That to the extent at least of 65,000,000 bushels per annum of barley, or nearly one-third of the barley crop, the northwestern barley farmer and the middle western corn farmer are engaged in a competitive struggle for the feed business. The result is, of course, injury to both.

When we look at rice—and our southern friends will perhaps be able to explain some of the inconsistencies in this cereal—we find a most astonishing situation in dealing with these same years 1915, 1916, and 1917. We find that in 1915 the brewery consumption of rice was nearly 168,000,000 pounds.

In 1916 somewhat over 141,000,000 pounds.

And in 1917 about 125,500,000 pounds.

A total use during that three-year period of over 434,000,000 pounds.

An average use per annum of nearly 145,000,000 pounds.

Now, then, when we look at the present situation as revealed in rice we find that in 1924 we exported 227,757,000 pounds of rice, and, strange to say, in the same year we imported over 38,000,000 pounds.

In 1925 we exported 112,000,000 pounds and imported over 57,500,000 pounds.

In 1926, last year, a most astonishing situation developed, namely, we exported over 44,000,000 pounds and imported 118,000,000 pounds. In other words, we imported last year, 1926, nearly 74,000,000 pounds of rice more than we exported. How is this equalization fee going to be applied to that situation? I leave the answer to the ingenious intellects who are able to reason that the bill before us is not a price-fixing measure, but deals seriously with the practical results of prohibition upon rice.

We find that in the three years concluding on January 1 last, our net export of rice averaged 171,000,000 in excess of our import, and this whole excess was confined to the one year, 1924. Yet it is apparent that if we retained our domestic market for rice, averaging nearly 145,000,000 pounds per annum, taking our 3-year average experience just cited, we would be substantially on an import basis on rice all the time.

Which means, of course, that the American rice production, were it not for prohibition, would be inadequate to satisfy American domestic demands.

Dealing now with hops, and this should be of very particular and peculiar interest to one of the parents of the bill before us, Senator McNARY, we find that the domestic consumption of hops in the year 1915 was 38,839,000 pounds. In the year 1916, it was 37,451,000 pounds; in 1917, was 41,958,000 pounds. A total consumption during that period of 112,249,000 pounds, or an average annual consumption of 37,500,000 pounds. In the preprohibition years the United States was the largest hop-growing country in the world; now it produces around 20 per cent of the world's crop. It is not surprising that there is something radically wrong with the prosperity of the farmer in the northwestern hop country, referred to so eloquently by our colleague, Mr. TINCHER, a few days ago. The figures indeed are eloquent, for we find that in 1924 domestic consumption of hops by the beer industry was reduced to 3,814,000 pounds, in 1925, 3,256,000 pounds; in 1926, 3,425,000 pounds; an average annual use of about three and one-third million pounds per annum. I think it is very plain to all of us that the American people can not be made to drink near beer. This is sad, but it is true, and certainly prohibition may be charged up by the Oregon hop farmer with the blame for the loss of his own domestic market. I claim, gentlemen, that the facts of this situation should be faced and that the American farmer should be told the truth by those whom he trusts as his advisers and by his representatives. Again I reiterate, prohibition is responsible for the farmer's troubles because it is prohibition that has largely destroyed the farmer's domestic market and has created the present exportable surplus. I question, therefore, the honesty of an idea which asks that the American farmer be permitted to correct his legislative mistake in the case of prohibition by making another mistake in the attempt to reimburse himself for his loss of markets by collecting for that loss through an equalization fee or through the avenue of an appropriation of which the $250,000,000 is only the beginning and the ultimate aggregate of which no man may now calculate for the succeeding years. And the plain purpose is that the costs shall be borne by the consumers of his products.

Mr. MARTIN of Massachusetts. Mr. Speaker, as a Representative of one of the largest industrial districts in the country, I want to record my opposition to the McNary-Haugen bill.

No one sympathizes with the farmer any more than I do. No one desires his prosperity any more than I, because I realize that upon his prosperity depends the prosperity of the rest of the country. When agriculture languishes, every industry in the country is vitally affected.

But I can not vote for this measure, which is a striking departure from sound economics, which its advocates admit is at best only a hopeful experiment, and which I firmly believe will be of no lasting benefit to the farmer but, on the other hand, will be harmful to millions of other people.

This measure is a price-fixing bill—a dangerous path to tread. It is designed to increase materially the cost of living. No one can dispute this, because it would not be here if it was not hoped to accomplish this. I can not vote for a bill which would place a heavier burden upon the great masses of this country, particularly when it can not be shown definitely wherein it would benefit the farmer.

Why bring increased burdens to the millions of toilers for the simple purpose of making a political gesture to the farmer?

The condition of the agricultural industry is not what we would like to have it. May I say that other industries have found the journey just as rough. The textile industry, employing 500,000 people directly and 3,000,000 indirectly, has been obliged to face decidedly adverse conditions. This is particularly true of the plants which have been located in New England and the Northern States.

There is a brighter light on the horizon, but we are not out of danger. We can not afford to rock the boat if we are to save an industry which provides a great purchasing power for the profit of the farmer and every other industry in America.

One clause in this bill would permit the selling of American cotton in Europe from 2 to 5 cents a pound cheaper than here. The dumping of the surplus in that manner would be decidedly dangerous to the textile industry. It would paralyze the industry and ultimately would be harmful to the cotton grower himself.

An American manufacturer with this added handicap could not hope to compete successfully with the manufacturer of Europe, who already has the advantage of lower labor costs and other lower costs of production. We might save the home market by a corresponding increase in the tariff rates, but we would destroy the real hope of taking care of the present surplus of manufactures in textiles through foreign trade.

In South America and the Far East, we have a good chance for a share of their cotton-goods trade. These countries are continually increasing their demand for cotton goods. We can not win this trade if our cost of production is greatly increased through a heavy equalization fee on cotton and the foreign manufacturers are further helped by being able to purchase cotton cheaper than we can.

One word to the cotton grower of the South. May I remind him that New England, Georgia, and the Carolinas are his best customers. They are customers who can be depended upon to buy his cotton even if the Egyptian planter should in the future press him closely for the world markets. You who represent the cotton grower well know how in certain grades of cotton it is difficult, even now, to compete with Egyptian cotton. How much more difficult is it going to be when you put on your equalization fee?

The equalization fee will strangle the cotton grower. With the fee and without a protective tariff schedule, the cotton grower is going to have his troubles marketing his goods in the future.

So I say to you, who represent the cotton grower, do not destroy with your vote your best customers in this country, because when you have put them out of business, you will find it difficult to persuade the English manufacturer to give you preference over cotton grown on English soil in Africa.

Mr. HAUGEN. Mr. Speaker, in response to questions asked by the gentleman from Minnesota [Mr. NEWTON] in respect to the Senate amendments to H. R. 15474, the farm relief bill, as stated, in order that the bill might be disposed of before adjournment on Thursday, time did not permit discussing the proposed amendments in detail during the reading of the bill. Inasmuch as the bill and amendments had been before the House and under consideration for four days, and in order that the bill might be passed on that day, Thursday, it did not seem necessary or advisable to discuss the bill or amendments further in detail, and, therefore, as stated I would, avail myself of the privilege, under the rule, to print, to set out, and briefly comment on the amendments.

Senate 4808, as introduced in the Senate, and H. R. 15474, as introduced in the House, are identical in principle and in text, except in section 1, in respect to the declaration of policy. Line 8 of the Senate bill, after the word "commodities," the following words are eliminated:

> To prevent such surpluses from unduly depressing the prices obtained for such commodities.

And section 6, page 10, lines 21 to 26, inclusive:

> The operation of the board in any basic agricultural commodity under this act shall be conducted in such manner, and the agreements entered into by the board during such operations shall be upon such terms as will, in the judgment of the board, carry out the policy declared by section 1.

While the specific direction of policy—that is—

> to prevent such surpluses from unduly depressing the prices, and that the operations of the board and the agreements entered into shall be upon such terms and in such manner as to carry out the policy declared—

would make it clear as to the purposes of the bill and serve the board as a guide, and eliminate discussion in that respect, the declaration of policy, section 1, declares it to be the policy of Congress to promote the orderly marketing of basic agricultural commodities; to provide for the control and disposition of surpluses of such commodities; to stabilize the market against undue and excessive fluctuations; to preserve advantageous domestic markets; to minimize speculation and waste in marketing such commodities; and to encourage the organization of producers of such commodities into cooperative marketing associations, which gives the board power to promote orderly marketing, to stabilize markets, and to enter into agreements with cooperative associations to remove, withhold, or dispose of the surplus of basic agricultural commodities, and to thus bring about a balanced condition between agriculture, industry, and labor, and to prevent the exportable surplus from establishing the price of the whole crop, and thereby carry out the outstanding purpose of the bill. Of course, anything short of that particular purpose would fail to carry out the policy.

Considering the make-up of the board, and the responsibility of its make-up lodged in the producers, as well as the board's responsibility in the matter, it is fair to assume that we may have the service of a board in sympathy with the particular purpose of the bill, and it would seem safe, therefore, to place confidence in the board to carry out the outstanding purpose of the bill, to establish a parity between agricultural commodities and the products of industry and labor.

Section 2 (b) is amended which adds two members to the nominating committee, and provides that two of the members in each district shall be elected by a majority vote of the heads of the agricultural departments of the several States in each Federal land bank district, which, in effect, adds two members to the nominating committee, and provides that two additional members in each district shall be elected by the heads of the agricultural departments of the various States.

Section 6, at end of line 19, page 8, paragraph "c" in respect to the board commencing operations, is amended by providing that "in any State where not as many as 50 per cent of the producers are members of cooperative associations, an expression from the producers of the commodity shall be obtained through a State convention of such producer," and at the end of line 4, page 9, there is added that "until the board shall become satisfied that a majority of the producers favor such action," which in effect provides that the board shall be satisfied that the majority of the producers favor the commencement or termination of the operating period. These last two mentioned amendments place additional safeguards, to the extent that two additional members are added to the nominating committee and requires an expression from the producers of the commodity in States where not as many as 50 per cent of the producers are members of the cooperative associations.

Section 6, paragraph (a), section 15 (4) and (a) (4) are amended so that the board may in its discretion treat as a separate basic commodity one or more of such classes or types of tobacco as are designated in the classification of the Department of Agriculture. This in effect leaves it to the discretion of the board to add tobacco as a basic agricultural commodity.

With the prevailing conditions in the tobacco market, there can be no objection to giving them the benefit of the advantages offered by the bill.

Section 6, paragraph (e), and section 11, paragraphs (a), (b), and (d), are amended, giving the power to the board to insure such commodities against undue and excessive fluctuations in market conditions and to insure any cooperative marketing association against decline in the market price for the commodity, at the time of the sale by the association, from the market price of such commodity at the time of delivery to the association. This makes it more clear as to the power of the board in protecting cooperative associations or producers against losses under agreements entered into. It goes without saying that any agency or producer entering into agreement with the board, as provided in section 6, paragraph (e), which provides for—

> the payment into the stabilization fund for such commodity of profits after deducting the costs and charges provided for in the agreement of any such association, corporation, or person, arising out of such purchase, storage, or sale, or other disposition or contract therefor—

can not, of course, if they may not share in the profits above the specified amount agreed upon be expected to carry the losses. Although the bill provides a guaranty against losses, there can be no objection to adding the insurance provision.

Section 12, pages 17 and 18, the following words are added to paragraph (b):

> For the purpose of developing continuity of cooperative services, including unified terminal marketing facilities and equipment.

And this section is also changed to make funds available for the purpose of furnishing funds to cooperative associations engaged in the purchase, storage, or sale, or other disposition, or processing of any agricultural commodity, and provides funds to be used by it as capital for any agricultural credit corporation.

Again referring to the make-up of the board, it goes without saying that the board having the best interests of the producers at heart, and the purposes of the bill in mind, would not enter into agreements to carry out any of the numerous impracticable plans promoted in the past, resulting in millions of dollars of losses to the investors.

Section 15 definitions, (2) is amended so as to read "the term processing means spinning, milling, or any manufacturing of cotton other than ginning." The House bill provided that processing means ginning. The amendment provides the equalization fee may be collected at spinning, milling, or other manufacture of cotton other than ginning, which I understand meets with the general approval of the representatives of cotton growers, and to which, in my opinion, there can be no objection.

I append to my remarks the following memorandum:

MEMORANDUM UPON TRANSACTIONS SUBJECT TO EQUALIZATION FEE

This memorandum notes illustrative transactions subject to the equalization fee or excluded from the imposition thereof under the bill H. R. 15474.

The equalization fee can be collected upon either transportation, processing, or sale of the basic agricultural commodity. The fee may, if the board so determines, be collected as to some units of the commodity upon the transportation thereof, as to others upon processing, and as to others upon sale. The board is not limited at any one time to collection of the fee upon transportation alone, upon processing alone, or upon sale alone.

1. WHEAT, RICE, AND CORN

(a) Processing: The term "processing" means milling for market or the first processing in any other manner for market. It does not include home milling where the product is to be used by the miller for his own consumption.

(b) Transportation: The term "transportation" means the acceptance of a commodity for delivery by a common carrier. No distinction is to be drawn upon the basis of whether the commodity is to be transported to a point within or without the United States. Neither is any distinction to be drawn as to whether the transportation is on the one hand between points in different States or between a point within the United States and a point outside the United States, or is, on the other hand, between two points within a State.

(c) Sale: The term "sale" means a sale for milling or other processing for market, for resale, or for delivery by a common carrier. Local sales are not covered by the definition, as, for example, the sale of wheat for seed purposes or the peddling of corn to consumers, where no transportation by railroad or other common carrier is involved.

The definition of "sale" covers all sales regardless of place of production of the commodity sold. For instance, the sale of Canadian wheat in the United States could be made subject to the equalization fee. On the other hand, sales without the United States are excluded so that the sale in Canada of Canadian wheat to a Minneapolis miller could not be made subject to the equalization fee. Such wheat, if it is to pay its pro rata share, must have the equalization fee collected at the point of processing in the United States.

The definition of "sale" covers all sales made in the United States regardless of whether the commodity sold is to be transported to a point in the United States or to a point outside thereof in pursuance of a sale. It does not cover, however, sales made abroad of wheat in the United States to be transported abroad in pursuance of the sale. In order for such wheat to pay its pro rata share the equalization fee would have to be collected upon the transportation.

(d) Future sales: Future sales are not, legally speaking, "sales" at the time the future contract is made. They are merely contracts to sell and contracts to purchase. No equalization fee could therefore be collected upon such transactions. In some instances, however, such transactions would at the future date result in an actual transfer of title—i. e., sale of existing units of the commodity in pursuance of the contract to sell or contract to purchase. The equalization fee would then be collectible upon the actual sale.

(e) Sales to cooperative associations: The definition of "sale" does not include transfers by a member of a cooperative association to the association for the purpose of sale by the association on the account of the member.

2. SWINE

The comment made above with regard to wheat, corn, and rice is applicable to swine. As examples of local transactions it may be noted that the term "processing" would not cover slaughter if the meat is to be consumed by the slaughterer, and the term "sale" would not include sales other than for market purposes, as, for instance, sales for fattening and sales of swine for breeding purposes. Sales of meat peddled by a local slaughterer would be covered.

3. COTTON

The comment above upon transportation and sales of wheat, corn, and rice is applicable to cotton. Under the bill as reported by the committee the term "processing" means ginning. No comment is made as regards "processing," however, because of the pending amendments providing for a new definition of processing as regards cotton.

Respectfully submitted.

FREDERIC P. LEE,
Legislative Counsel.

Hon. GILBERT N. HAUGEN,
House of Representatives.

FEBRUARY 9, 1927.

Mr. COCHRAN. Mr. Speaker, the pending legislation seeks to provide security against loss to approximately 7,000,000 of the people of the United States at the expense of the other 113,000,000 in the country.

These 7,000,000 people engaged in farming are promised that this measure will increase the price of their products, which means that the balance of the population of the country will be required to foot the bill when the time comes to buy pork, beef, cotton goods, products of corn and wheat, rice and tobacco.

The proponents of these measures have been most kind to themselves during the debate. When the special rule was brought in it divided the time among champions of either the McNary-Haugen, Aswell, or Crisp bills, and they have taken special care to see that opponents of all three measures had practically no opportunity to voice their sentiments.

As time progressed during debate, and especially since the Senate passed the McNary-Haugen bill, it was evident that, regardless of the consequences, the time had arrived when special privileges were to be granted to another class of our citizens at the expense of the general public.

The subsidy provided for in the pending bill will, I predict, return to plague its supporters. If every Member of the House urging relief for the agriculturists who doubts the feasibility of the legislation to cure the ills of the farmer would oppose the measure, it would not secure 75 votes. The discussion proves this. Men long trained in studying this great question are miles apart in explaining its features; but in the end, political expediency will prevail, and a law discriminating against seven-eighths of the people of the United States will be placed upon the statute books, providing it is signed by the President.

Cloture invoked in the Senate to rush this legislation to a final vote, followed by a special rule in the House substituting the Senate bill for the House bill, with the announcement that not a "t" will be crossed nor an "i" dotted, so that in the end the measure will go direct to the President for his signature, is evidence of the determination of the "farm bloc" in both branches to pass the bill at any cost.

The McNary-Haugen bill, according to the proponents of the measure, will result in making the domestic price, which means the price to the American consumer, in excess of the world price. Thus, people in South America, Europe, Africa, and Asia will be able to buy wheat, cotton, corn, rice, tobacco, cattle, and swine raised in Missouri cheaper than the people of St. Louis can buy these products.

It seems to me we have done enough for the people of Europe by canceling over 50 per cent of our debt at the direct expense of the American public without making provisions whereby the residents of foreign countries—three, four, or five thousand miles away—can secure the necessities of life cheaper than the citizens of the State where these necessities are produced.

The bill provides for the Government to enter the farming business with $250,000,000 of the people's money to be used to increase the cost of living. It is an experiment. There is no assurance that it will even bring the result the proponents of the measure claim it will, and it is establishing a most dangerous precedent, to say the least.

The sponsors of the bill rave when it is classed as a price-fixing measure, but admit its purpose is to stabilize prices.

If 49 per cent of the producers of a commodity are satisfied with conditions and the market, still the other 51 per cent, under the terms of the bill, can require the Federal board to declare an emergency, which means that the surplus can be bought up, stored, or shipped abroad for the sole purpose of advancing the price of the commodity.

The only benefit that can result from an action taken by the board is an increase in the price of the commodity affected, and still the proponents of the bill maintain it is not a price-fixing measure.

The thought comes to me: What will happen if foreign countries deem it advisable to place a tariff on wheat, corn, rice, cotton, tobacco, and swine? It would certainly mean a further reduction in the actual amount received for the surplus of these commodities sent to foreign lands.

The tariff would, of course, be paid by the exporter who would in this instance be the Federal farm board, and in order to meet this further difference between the domestic and foreign price, it would require an additional raise in the price to the American consumer.

There is a provision which seeks to keep the remainder of the act in force, even though the Supreme Court should hold one paragraph or section unconstitutional. The Chief Executive is required, under the terms of the bill, to appoint members of a farm board, but there is a provision that the nominees must be chosen from the list submitted by farm organizations. This clearly interferes with the appointive power of the President, as it places a limitation thereon, and if it should be declared unconstitutional, how can the act function without the Federal farm board? The same would apply to the section which provides for the equalization fee. Should that section be declared unconstitutional, how could the $250,000,000 loaned by the Government to operate the law be used other than at a total loss?

Every amendment offered to the pending bill has been defeated, regardless of merit. The committee has declined to even accept an amendment that would prevent any member of the board, nominating committee, advisory council, or any employee under the terms of the act, from buying or selling, dealing in future contracts, or on exchanges dealing in any of the commodities affected. As a result, if the bill becomes a law there is nothing to prevent members of the board or employees from gambling in cotton, wheat, corn, and so forth, acting on what information it might receive through official channels.

The amendment providing for a jail sentence and fine in the event any member of the board or employee did gamble in any commodity certainly should have been adopted. Provisions also should have been made to prevent information reaching the board in reference to production, etc., from falling into the hands of individuals to be used in gambling on the market.

I do not doubt that the farmer is in distress. He has my sympathy, the same as any other individual who is in need of assistance. I have hundreds of clerks, mechanics, and laboring men in my district who have not worked during the winter, and these mechanics, if employed, would be earning from $10 to $15 per day. How would the proponents of the pending bill look upon a measure which provided for a subsidy for the city dweller out of work and in financial distress?

When we view in the daily press statements showing the large increases in the earnings of industries protected by the greatest tariff law the country has ever known, would it not be wisdom to consider transferring some of this prosperity to the farmer by reducing the tariff?

When you enter the farm for inspection, in placing your hand on the lock on the gate, you touch the first article he is forced to buy in a protected market and as you continue through his home, the barns, the implement sheds, and finally to the wire fences which inclose his property, every article that your eyes behold comes from the factories whose products are protected through the tariff act. The first medicine that should be prescribed for the ailing farmer is a reduction in the tariff on his necessities.

I represent 210,000 people, and my district is situated entirely within the limits of a great industrial city. My constituents, at least the great majority, like the farmer, earn their livelihood by the sweat of their brow. It is at the expense of such people that the advocates of the bill seek to benefit the farmer by raising the price of their products.

The cost of living, regardless of statistics of the Department of Labor, Department of Commerce, or any other departments, has not decreased so far as my city is concerned.

I recall the time—and it is not so very long ago—that the women in the home attended to the household duties; but now young girls, as soon as they leave school, are forced to seek employment in order to assist in the upkeep of the home and to properly exist. Even with the help of sons and daughters, the parents find it hard to make both ends meet at the present time, and yet you seek to impose on this class additional burdens.

Hardly a national convention in recent years has failed to incorporate in its platform a paragraph which pledges the party to stand for "less Government in business and more business in Government," but now this as well as many other pledges is forgotten, and by this legislation the Government is placed in the grain, tobacco, cotton, rice, and packing business.

As the bill is dangerous, unsound economically, class legislation, will require an army of clerks to collect the equalization fee, will not in my opinion accomplish the desired result, and will mean an increase in the cost of living to the 210,000 people I represent, I propose to vote against its passage.

Mr. DAVIS. Although I have received strong indorsements of the McNary-Haugen farm relief bill from all the farm organizations, numerous individual farmers, bankers, merchants, and various other business and professional men in my district, yet I have received letters from but two of my constituents expressing opposition to such legislation. One of these letters was rather in the nature of an inquiry as to the character and purposes of the legislation. I am herewith inserting the said letter, together with my reply thereto, as follows:

FAYETTEVILLE, TENN., *February 8, 1927.*

Hon. EWIN L. DAVIS,
Member of Congress, Washington, D. C.

DEAR JUDGE: We may not be able to understand this farm relief bill which Congress is fixing to pass, but if our idea is correct in regard to one commodity—that is, cotton—we do not see how you can vote for it. As we understand this bill, it provides that after the American takings of cotton has been eliminated—that is, after the home market has been supplied with cotton at a certain price—then the surplus of cotton will be sold abroad at whatever price it will bring and the price which it brings averaged with the home price, and the farmer will be paid the average for his cotton. Now, of course, as a manufacturer we can readily see that we would be manufacturing high-priced cotton against the low-priced cotton dumped on foreign markets. Of course, the manufacturers of this country could not compete in any way with such a condition. Is our idea right in any way and do you think we will be thusly affected; and if we are not, how will we be effected?

We believe we are wrong about this, inasmuch as we can not see how that you and some of your colleagues could vote for such a bill. Kindly write us as quickly as you can more particularly about this feature of the bill, so that we may be correctly informed.

With kindest regards to you and yours, we are,

Very truly yours,

ELK COTTON MILLS,
ERNEST REES, *Manager.*

FEBRUARY 11, 1927.

Mr. ERNEST REES,
Manager Elk Cotton Mills, Fayetteville, Tenn.

DEAR ERNEST: This acknowledges the receipt of yours of the 8th instant on the subject of farm-relief legislation.

You have been misinformed as to the purpose of any of the pending bills, either the Aswell, the Crisp-Curtis, or the McNary-Haugen bill. None of them contemplate or provide for dumping. They all are designed to stabilize production, marketing, and the price of basic farm commodities. To pursue the course which you suggest would be contrary to the purpose of the bill and subversive of the results sought to be attained.

You refer particularly to the bill's application to cotton and are naturally most interested in that commodity. The effort to stabilize cotton would have to be predicated upon the world production and the estimated world consumption in any given year. The price of cotton is fixed by the world market, the market price being largely controlled by the world production as compared to the world consumption. As you are further aware, while there is frequently a surplus of production above consumption for a year, and sometimes two years in succession, yet, on the other hand, we have years when the world production is less than the amount required for world consumption, and that in a period of years the production and consumption are equalized. For instance, taking cycles of five years back over a long period of years, the five-year production has, generally speaking, been about equal to the five-year consumption. Although cotton is the most durable, the most easily stored, and the most easily transported of all farm commodities, and although the production and consumption over a period of years has been practically equal, yet the fluctuations in the prices of cotton have been greater than that of any other commodity, farm or otherwise; prices have fluctuated all the way from 4 to 40 cents per pound in different years.

I am not telling you anything you do not know, but am simply stating a premise. These fluctuations are frequently due to bear and bull movements in the market. By reason of these extraordinary, unforeseen, and frequently inexcusable fluctuations all of you buyers are compelled to protect yourselves by hedging, which at best is an unnatural, unsatisfactory, and expensive proposition. Another reason for the very great fluctuations in price is the very thing which you seem to fear with respect to farm-relief legislation—that is, dumping. In other words, when there is a surplus above the world requirements, that surplus im dumped on the market along with the balance of the crop, and it naturally beats down the price. The purpose of this bill is to promote orderly marketing. Its purpose is in the case of a world surplus to provide for taking the estimated surplus off of the market and to

feed this surplus to the market in an orderly, businesslike way, and at a time when it will be required for consumption and thus obtain a fair price. It may be necessary to carry this surplus a year or two years—until such time as there is a lean-crop year and this surplus cotton is actually needed.

In the very nature of things, instead of helping the cotton growers, it would be very harmful to the cotton growers of America for the board provided in the bill to dump 40 or 50 per cent of the crop on the foreign market at a time when it was not needed and at whatever price it might bring.

Even from the standpoint of you American textile manufacturers, you could not be hurt if such a course was pursued. There is no tariff on cotton, except long staple, and if the cotton was sold in the European markets below the American market price plus the cost of transportation from the European market to the American market you American consumers of cotton could easily protect yourselves by buying the cotton in the European market and shipping it back. However, you will not have to even do that.

As a matter of fact, I am convinced that some such measure to stabilize prices from year to year and during any given year will not only benefit the cotton growers but also the cotton consumers, because it will remove the fluctuations and the large element of risk with which you have to contend. Of course, the cotton speculator would not be benefited by such legislation, and is, consequently, opposed to it because he thrives upon the fluctuations in the market; that is the reason that he frequently produces these fluctuations.

Of course, you are chiefly concerned in the problem from the standpoint of the manufacturer, and I have discussed it briefly from that viewpoint. However, as a legislator and as the Representative of a constituency, nearly all of whom are farmers or directly dependent thereon, I know that you are broadminded enough to concede that it is my duty to consider the matter also from their standpoint. I know that you are also aware of the very sad plight of agriculture, our basic, most necessary, and largest industry. I am primarily and constitutionally opposed to any class legislation. However, the Federal Government has enacted class legislation in various forms. The chief beneficiaries of such legislation are the manufacturers. The sad plight of the farmer is largely due to the low purchasing power of his dollar—now about 65 cents when converted into other commodities. This is due to the legislation in favor of other industries, together with the fact that the farmer, as a whole, is unorganized, and there is no organized, systematic, or orderly marketing of farm products. The farmer is able to name neither the price for which he will sell nor the price which he pays for what he purchases.

Furthermore, when the farmers are all prosperous, the balance of the country is prosperous. When the farmer is not prosperous, about the only industries that are prosperous are those that are the beneficiaries of protective legislation.

Under such circumstances, I deem it not inappropriate that Congress should give due and serious consideration to some measure that may aid the farmer in the orderly marketing of his crop surpluses and, consequently, stabilizing the prices of farm products. Of course, surpluses can not be taken off the market or otherwise handled without funds. Each of the bills referred to authorize an appropriation of $250,000,000. The Crisp-Curtis bill, which is the administration bill, provides this appropriation without the requirement that it be repaid to the Government and, consequently, might be termed a subsidy. The Aswell bill provides for the same appropriation to be loaned to the farm organizations, but without setting up any machinery or method by which funds could be raised to repay it, in the event said funds or any portion thereof might be lost in the administration of the acts. The McNary-Haugen bill, which has the indorsement of practically all of the various farm organizations, is predicated upon the idea that the farmers do not want and are not asking any bonus or subsidy, but simply asking for a loan of not to exceed $250,000,000 to be used until the system can be put into operation; and then it is provided that an equalization fee may be imposed upon any of the basic farm commodities as to which the act may operate, the funds raised by such equalization fee to be used for repaying the Government and also to establish a revolving fund for the future operation of the act; the funds as to each commodity to be kept separate from those of the other commodities. Another purpose of the equalization fee is to prevent overproduction.

I have given long and serious consideration to the agricultural problem. I am convinced that it is the duty of Congress to take some course that may grant relief to agriculture. Neither of the proposed bills embodies the methods I would employ, if I was permitted to name the remedy. There are features of all the bills that I do not approve. However, I have learned this, that one Member can not often have his exact way. Most legislation is a matter of compromise—a question of give and take. In the final analysis, it will come down to a vote for or against one and only one bill. That issue will come this afternoon in the Senate on the McNary-Haugen bill, with amendments. In my opinion, the final vote in the House will come upon the same bill, and each Member will be confronted with the question as to whether he shall vote for that farm-relief bill, or no farm relief. When the bill in its final form reaches that stage, I shall cast my vote in accordance with my conception of what is best and what is my duty in the premises. Of course, in a letter, I have been able to discuss this matter only in a very cursory manner. However, I am inclosing for your information a copy of the Haugen bill and of the committee report thereon, which analyzes the various provisions of the bill, the reasons therefor, and its purposes.

I shall always be glad to hear from you about any matter in which you are interested, assuring you that I very highly regard your long demonstrated friendship and loyalty, and shall give most careful consideration to any views which you may at any time express.

With personal regards to you and yours, I am

Cordially your friend,

EWIN L. DAVIS.

Mr. LANKFORD. Mr. Speaker, after the McNary bill passed the Senate on Friday, February 11, some gentlemen gave an interview to the Georgia papers, broadcasting the idea that the McNary-Haugen bill and the Crisp-Curtis bill offered the same relief to the farmers and that the only material difference is the equalization fee in the McNary-Haugen bill. They pictured the equalization fee as very vicious and as sufficiently bad to condemn any bill containing it. Thus they sought the applause of all farmers for those who espouse the Crisp-Curtis bill in preference to the McNary-Haugen bill and sought to bring ridicule and contempt upon those who support the McNary-Haugen bill in preference to the Crisp-Curtis bill.

The plan would work well if not questioned or if in fact the two bills offered the same relief and the equalization fee was as objectionable as pictured. I happen to be one of those who are supporting the McNary-Haugen bill in preference to the Crisp-Curtis bill and who believes that the bills are opposites in their vital provisions and that the equalization fee of the McNary-Haugen bill is not at all sufficiently bad to make that bill worse than the Crisp-Curtis bill. It is my purpose, therefore, in these rambling, heart-broken humble remarks and observations to indicate and point out the fallacy and mistakes of this newspaper statement.

The gentlemen in their interview are either wrong or those supporting the McNary-Haugen bill in preference to the Crisp-Curtis bill should receive the ridicule and contempt sought by the interview. Let us reason just a little about the matter.

If the Crisp-Curtis bill is for "precisely the same purpose as the McNary-Haugen bill" and would give the farmers the same relief, and only differs in that it does not contain the equalization fee set out in the McNary-Haugen bill, why does practically every Congressman from the big cities, profiteering middlemen headquarters, manufacturing centers, and other antifarm environs of the North and East support the Crisp-Curtis bill, and why does the almost entire support of the McNary-Haugen bill come from the Representatives and Senators from strictly farming districts throughout the Nation? Are the over 200 Congressmen who have always heretofore voted for the farmer and who are now for the McNary-Haugen bill all mistaken and voting for the wrong bill? Are all the friends of the manufacturers, of the Wall Street interest, and of the profiteers mistaken and supporting a real farm relief measure through error? Or have they all suddenly and overnight had a change of heart and now for the first time are supporting an honest-to-goodness farm relief measure, or are they still true to form and against the farmer and supporting the Crisp-Curtis bill because it coincides with their ideas? And are the few friends of the farmers who are supporting the Crisp-Curtis bill fighting on the side of the farmer or are they giving aid, comfort, support, and strong help to the enemies of the farmer? I am wondering—wondering who are right and who are mistaken. I think I know. The McNary-Haugen bill and the Crisp-Curtis bill are vitally different in main essentials.

The McNary-Haugen bill would set up an organization from friends of farmers, nominated by farmers, and appointed by the President. The Crisp-Curtis bill would set up an organization, not from nominees of the farmers, but of those who might be and probably would be enemies of the farmers.

The McNary-Haugen bill authorizes taking of surplus farm products off the market at a profitable price to the farmer. The Crisp-Curtis bill would take the surplus farm products from the farmer at a loss to the farmer and below the cost of production.

The McNary-Haugen bill sets up machinery to help the farmer get a reasonable price for his commodities at all times. The Crisp-Curtis bill sets up machinery to buy farm products only at a sacrifice to the farmer and specifically provides that

these products shall, by the corporation, be dumped on the market to beat down the farmers' prices when there is a short crop and the farmer is about to reap a real profit.

The McNary-Haugen bill provides a way for the farmers to work out their own problems and get better prices at all times and under all circumstances. The Crisp-Curtis bill specifically provides that the farmer shall receive no help when there is an overproduction and he needs help and provides that when the help is given to the farmer it shall only consist of buying the farmer's products at a loss to the farmer and then later hammer down the farmer's prices when a good year comes.

The McNary-Haugen bill, its supporters contend, would have prevented prices going to the bottom in the recent cotton depression, had the bill been enacted into law at the last session. The Crisp-Curtis bill, by its express terms, could not have operated at all during the recent cotton depression, as there was an overproduction, and if it had operated its organization would have only bought cotton by paying below the cost of production.

The McNary-Haugen bill says to the farmer: We will as best we can help you sell your products at a good price, but if you produce too much and there is a loss in spite of our best efforts, we may collect an equalization fee so as to make up the money lost by us out of the fund furnished by the United States for operating expenses; but, even then, we will collect the money from the exporters and manufacturers of cotton, from the wholesalers and packers of pork, and from the large dealers in every commodity, so as to be as light on the farmer as possible. The Crisp-Curtis bill says: We will suffer no losses, we will make plenty of profits out of buying farm products low and selling them high, and therefore we will need no equalization fee.

The McNary-Haugen bill authorizes only an equalization fee to replace losses sustained in handling the farm products at a profit to the farmer. The Crisp-Curtis bill seeks a profit without limit from buying farm products below the cost of production.

The McNary-Haugen bill seeks to have the farmers, of their own free will and accord, work together and hold down production so as to get a reasonable profit, cause no losses, and thus prevent an equalization fee. The Curtis-Crisp bill provides for making the farmer suffer losses at every sale made to their organization and thus would force the farmer to cut production because of sheer sacrifice of his products.

Under the McNary-Haugen bill authority is granted to buy products at good prices and attempt only to dispose of them without loss. The Curtis-Crisp bill provides for buying low and selling as high as possible.

The McNary-Haugen bill would seek to have the farmers curtail their production to help the farmers. The Curtis-Crisp bill would seek to force the farmers to curtail production and thus enable the Curtis-Crisp organization to sell at a profit the products previously obtained from the farmer.

The McNary-Haugen bill would go far in helping the farmer by elimination of some of the unnecessary, unconscionable profits of the middlemen and thus giving the farmer a much better price. The Curtis-Crisp bill would only add one more middleman in the form of a governmental corporation with authority of Congress to speculate on farm products.

The McNary-Haugen bill provides for an organization of farmers to be operated by the farmers for the farmers. The Curtis-Crisp bill proposes an organization, the plan and purpose of which is approved by the enemies of the farmer, to be operated at a profit out of the farmer's products for those exploiting the farmer.

To my mind, the McNary-Haugen bill is designed to be a farmer's relief bill, while the Curtis-Crisp bill is framed in the interest of those profiteering on the farmer.

The McNary-Haugen bill would attempt to maintain a good domestic market, regardless of world conditions. The Curtis-Crisp bill would authorize operation only at a loss to the farmer, regardless of conditions, either domestic or foreign. The McNary-Haugen bill provides for an organization the purpose of which is to at all times help the farmer solve his problems, get a just return for his products, and obtain for the farmer his position of equality financially and otherwise among all peoples of the Nation.

The Crisp-Curtis bill provides for a supercorporation or machine set up by Congress, with an enormous amount of money and influence, controlled by a bureau in Washington probably made up of enemies of the farmer and with specific powers and instructions authorizing the accumulation of large holdings of cotton bought from the farmers at a sacrifice, to be held as a threat against the farmers producing in abundance and to be a menace to the prices of the farmer if he curtails production so as to attempt to get a good price for his products.

The two bills are as far different in plans, motives, and purposes as day and night. I sincerely hope the McNary-Haugen bill will prove a blessing to the farmer. It is not what I would like to see enacted into law, but in a contest between it and the other bill, to my mind, there can be no issue as to which is preferable from the standpoint of the farmer. I have no doubt the Crisp-Curtis bill would work successfully for many of its most ardent supporters. I do not believe, though, it would be for the best interest of the farmers.

One of the authors of the bill on several occasions on the floor of Congress said the Crisp-Curtis bill would peg the price of farm products at the cost of production. The only trouble, though, is that the peg is to be put on the wrong side of the price. The bill would put the peg on top of the price while the corporation was buying the product, and then at once remove the peg and endeavor to sell at a profit. Oh, how wonderfully the bill would be improved if it provided for putting the peg at the cost of production and yet provided for the price being above the peg. The pegging or fixing of the farmers' prices very low and ofttimes below the cost of production has been the farmer's ruin. Let us peg or fix his prices above the cost of production and at a profit to the farmer.

Since the price of everything the farmer buys is fixed either directly or indirectly very high, I favor fixing the farmer's products at a price profitable to him. I favor pegging the farmer's prices on the bottom and not on top. I favor a reasonable minimum price with a way left open for advances above that minimum. The Crisp-Curtis bill is price fixing, but it fixes, instead of a minimum price, a maximum price so low as to cause loss to the farmer and leaves the price to go lower but not higher with the corporation as a buyer. The bill provides for buying the farmer's products below the cost of production and fixes no limit to prevent the price of cotton, for instance, going to 5 cents per pound or lower. The Crisp-Curtis bill, I repeat, puts the peg on the wrong side of the price, and puts it entirely too low.

I am author of a bill to fix a reasonable price for cotton. I favor very much the minimum-price feature of my bill. There is a stampede, though, for the McNary-Haugen bill, and no other bill now has a chance of passage. Next to my bill, I prefer the Aswell farm bill, and would gladly support it if it had a chance of passage at this time. I do not like the equalization fee of the McNary-Haugen bill, and yet there are so many good features in the bill that I am supporting it hoping that the farmers will receive so much benefit from it as to prevent the collection of a fee, or at least make it inconsequential.

The Crisp-Curtis bill leaves to construction and determination too many questions, such as who is an "efficient producer," and so forth, all of which could be resolved against the farmer. Again that bill does not throw enough safeguards around the selection of its board membership.

The best law ever enacted, if left entirely in the hands of its enemies, can be perverted, its noble purposes thwarted, and its humane provisions made a scourge. Enemies of the Constitution can, to their satisfaction, destroy any provision they do not happen to like of that noble document by appealing for the protection of some other provision which they think justifies their conduct or position. The devil can quote Scripture for his purpose.

The best farm relief bill ever conceived by human intellect in the hands of the enemy of the farmer would be as dangerous as the best weapons of war when captured by the enemy and turned on the original owners. In war the good general seeks to disarm and weaken the opposing force and to prevent their capturing the guns of his own men; so in the battle for the rights of the farmer we must not only seek to disarm the enemy of the farmer but be sure his enemies do not capture machinery set up by us in his behalf. Better no law than a law distorted and used against those for whom it was designed. The Crisp-Curtis bill leaves open the way for the abject surrender to the enemies of the farmer of the machinery therein sought to be set up. The Aswell bill is an improvement over the Curtis-Crisp bill, and the McNary-Haugen bill is the best of the three in this respect. If the Aswell bill, though, provided for buying at a reasonable minimum price, for sufficient funds and machinery to control production and marketing and authorized a proper board, it would be my ideal of a farm relief measure.

Mr. Speaker, I realize fully that there are many who are anxious to be the author only of bills which will receive splendid and spontaneous support. It is easy to introduce a popular bill; simply draw one along lines advocated by the manufacturers, the profiteers, and big corporations and introduce it in opposition to what is being sought by the great majority of farmers of the country. An easier way is to introduce one drawn by an avowed enemy of the farmer. This kind of a bill is sure to get "some support."

In my humble way of thinking the question of merit rather than number of supporters ought to control. It is easy to climb on the band wagon. I do not think one has much reason to rejoice, though, if he climbs into the wagon of the wrong crowd. Neither should there be any great hilarity over the introduction of a bill which is neither demagogic nor democratic. I fully admit bills should be sincere. Their sincerity, though, should be in behalf of the common people.

Let me be loser in an effort to weave and entwine for the farmer a life line rather than victor in an effort to make for him a hangman's noose.

Mr. Speaker, I hope the McNary-Haugen bill may prove to be a life line for the farmers of the Nation. Those of us voting for it are doing all we can to keep its machinery in the hands of the farmers and their friends. Wonderful safeguards are thrown around the activities which may be inaugurated under the bill. A good bill in bad hands may work havoc, and much good may come from a poor bill if administered in behalf of the farmers. If the McNary-Haugen bill appears to its supporters not to be a life line and that it may become a hangman's noose, we will repeal it and that at once. I feel that the bill as it passed the Senate is not a cure-all, as its fondest supporters believe; neither do I believe it is a hangman's noose, as pictured by its enemies. I am hoping and believing that it is at least a plowline by which and through which the farmers themselves can manage and control in their own behalf and to their own interest prices, production, and so forth, even as the farmers through ages past have managed and controlled the patient mule as up and down the row went both farmer and mule. Let us hope that the bill as passed may at least be a plowline and that the farmers and their friends will make of it a life line and not a hangman's rope.

I realize full well that many who voted against the bill and are not supporting it would like to see it fail so they can defend their vote. Many would have gladly forced the operation of the bill in an offensive manner as possible so as to vindicate their stand against it. I can not subscribe to this doctrine. While I prefer some other bills, yet when I saw the McNary-Haugen storm coming I felt that if the bill is to become law it should be safeguarded in every way possible. I oppose the equalization fee, but if it is to be assessed in spite of my opposition I want it to be as light as possible and really work no hardship on the farmer.

The bill which passed the Senate and which is to become law if signed by the President is very much better than previous bills by the same author. The fight carried on by many of us last year to word the bill so that in no event would an equalization fee be levied on pork raised for home use or for sale by the farmer to the butcher shop or market has won results, and the present bill allows the farmer to raise and sell all the pork he wishes in his home market without any fee whatever. Thus he will receive benefits from the bill without bearing any of its burdens.

Again, I gladly did all I could along with other friends of the bill to get the measure amended in the Senate so as to absolutely prevent any equalization fee ever being collected on cotton at the gin or on the sale of cotton by the farmer unless he sells directly to a cotton manufacturer, spinner, or exporter. It may be this fee will, in part, be passed back to the farmer. Congressmen of manufacturing New England, however, say it will be passed on to the manufacturer and ultimate consumers rather than back to the farmer. As a direct result of the efforts of some Members of the Georgia delegation in Congress the idea of equalization fees on cotton, as contained in my bill—H. R. 16945—is now embodied in the McNary-Haugen bill as it passed the Senate and as it will become law if signed by the President.

The fee under the bill can only be levied, if at all, on either sale, transportation, or processing. Here is the definition contained in the bill of sale, transportation, and processing as to cotton:

In the case of cotton, the term "processing" means spinning, milling, or any manufacturing of cotton other than ginning; the term "sale" means a sale or other disposition in the United States of cotton for spinning, milling, or any manufacturing other than ginning, or for delivery outside the United States; and the term "transportation" means the acceptance of cotton by a common carrier for delivery to any person for spinning, milling, or any manufacturing of cotton other than ginning, or for delivery outside the United States, occurring after the beginning of operations by the board in respect of cotton.

After the statement was given out a few days ago by those opposing the McNary-Haugen bill and favoring the Crisp-Curtis bill, some of the members of the Georgia delegation in the House, who are supporting the McNary-Haugen bill, issued a counterstatement as follows:

At last the McNary-Haugen bill has passed both branches of the Congress, affording, we trust, genuine farm relief for the first time in the history of the Government. Forty-seven Senators and 214 Representatives, including 6 Georgia Members, voted for the bill. It now remains for the President to determine the farmer's fate.

It has been said that the board has power to tax the producers of cotton or hogs at will. No equalization fee can be levied simply at the will of the board on any product. Anyone who raises hogs can slaughter and sell a wagonload every day in the week and neither he, nor anyone to whom he sells, will be liable for payment of an equalization fee. (Such are provisions of sec. 15, subsec. 3.) No equalization fee can be levied upon cotton, or other farm products, until a majority of the farmers so desire and request. The bill includes three commodities which should be beneficial to Georgia, to wit, cotton, hogs, and tobacco.

The board is nominated by the farmers themselves, acting through a nominating committee, and the President must appoint one of the three nominated in each Federal land bank district. Eight of the 12 members of the board will come from such districts in which cotton is produced. Virginia is in the second district, North Carolina, South Carolina, Georgia, and Florida in the third; Kentucky and Tennessee in the fourth; Alabama, Mississippi, and Louisiana in the fifth; Missouri and Arkansas in the sixth; Oklahoma and New Mexico in the ninth; Texas in the tenth; and California and Arizona in the eleventh. These are all cotton-producing States and will be represented on the board; and, therefore, 8 of the 12 members on the board will have knowledge of and a direct interest in cotton.

The board is powerless to begin the operation or to levy an equalization fee on any farm commodity until a majority of the farmers growing such a commodity, and a majority of the advisory council of seven annually selected by the farmers to represent each commodity, shall expressly consent.

No operation or levy of equalization fee on cotton can be had (1) until a majority of those who grow it, (2) until a majority of the seven members of the cotton advisory council, (3) until a majority of the board members, and (4) until a majority of members of the board representing the Federal land-bank districts—in which more than 50 per cent of the commodity is grown—vote for it. The same rule applies to all commodities. The operation and levy of a fee on any commodity is purely optional with those who grow it and is for the purpose of maintaining an operating capital to aid the farmers in taking the surplus off the market and thereby insure a fair price for their cotton, hogs, and tobacco.

Mr. Speaker, I am not a supporter of the equalization-fee idea. I do not prefer the bill that contains it to all others. I have done all I could to get a farm relief bill without it. Failing in this, I have done all I could to perfect the equalization-fee idea so it would not vitiate the entire bill.

There are many who believe that with the Government putting up an enormous sum of money practically as a gift to enable the farmers to take surplus crops off the market and thus help his prices, there should be a plan for the farmers to maintain and keep intact this fund so furnished by the Government. The equalization fee is not to raise money for the Government. It is to raise money, if at all, to replace money belonging to the farmer and which was furnished him by this bill. If the farmer borrows money, through governmental agencies or otherwise, he must repay the money with interest. Under the McNary-Haugen bill the Government practically gives the farmers an enormous sum of money to be used by the farmers and their friends to help them get a better price for their products. The Government does not require the farmers as individuals to repay this money or the interest on it.

The McNary-Haugen bill simply gives the farmers, through their representatives on the board, the right, if the farmers wish, to replace any part of this fund that may be lost through helping the farmers get a better price. If the farmers do not like the plan, it can by them be abandoned or Congress can repeal the law. If the equalization fee is paid by the manufacturer or exporter it will be to replace a loss sustained by paying the farmer a high price for his cotton, and the money will go back into the fund operated for the farmers and in their behalf.

While I do not like the equalization-fee idea, I can see the argument, though, of those who favor it. It may not be a bad idea. I am sure it is not a monster of so frightful form as to make absolutely bad and detestable an otherwise good farm-relief measure.

An equalization fee paid by the manufacturers and exporters to the farmers, to be used by them in an effort to get better prices for cotton and other farm products, does not sound real bad. Even if the entire thing is passed on to the shoulders of the farmers, then it will be a fee paid by farmers to farmers to help farmers. The real question I am much concerned about is whether the help that comes to the farmer will be greater

than the burden. If as a result of this law the farmer gets an increase of $50 per bale on cotton, and there is charged back to him later $5 per bale on account of equalization fee, I am satisfied. It is purely a matter of whether or not the profit will be greater than the expense.

I sincerely believe that if the McNary-Haugen bill had been in effect last year cotton never would have dropped to the low prices which cost the farmers millions of dollars. If equalization fees had been collected they would have been as mere shadows when compared to the tremendous sums of money the farmers would have saved. If the bill had not worked well, we would have known it by this time and ready to improve it or pass something better.

If we object to every bill that does not tally fully with our personal views the farmers will get nothing. Every great piece of legislation is first passed in a crude, imperfect form and then amended unto perfection. Let us pass the best bill in sight for the farmers and then strive unceasingly to perfect it as its defects appear. If I did less than this I would feel I was breaking faith with the farmers of my district and of the Nation to whom I owe my all.

Again, let me say I object to anything that sounds like a tax on production. Since I came to study farm relief bills closely the very idea of an equalization fee and my opposition to it has been ever present during the day and has haunted me during the night, but at all times there has also loomed enormous and foreboding the tremendous profits which are being pocketed from the farmer's products by the profiteers of the Nation. The outrageous profits of the speculator, profiteer, and gambler outdistances a thousand fold any equalization fee that ever would be charged to the farmer. The enormous amount which the cotton farmer has just lost is gone from him forever, except as it will be used by the big rich to crush the farmers. To my mind, the money stolen from the farmer annually is to the equalization fee as a mountain to a molehill. Then, again, the mountain of profits taken from the farmer is a complete loss and only enriches those who oppress the farmer. The molehill of equalization fee if paid by the farmer will go into the farmer's fund, operated by farmers for the benefit of farmers.

I can not subscribe to the doctrine that the equalization-fee provisions of the McNary-Haugen bill furnishes a valid excuse for voting against the only farm relief bill that has a ghost of a chance of passage at this session of Congress.

Let me say just here that I have no ill will for any one in the matter. I am very fond of the known and the alleged unknown authors of the Crisp-Curtis bill in the House. Our ideas of farm relief, though, are so different until I would feel recreant to the duty I owe my people if I did not oppose at every opportunity the provisions of this bill. Especially am I forced, in my humble way, to point out what to my mind are the vicious provisions of the bill when it is held up to my people as a farm-relief measure as good as the McNary-Haugen bill and even better in not containing equalization-fee provisions.

I favor a high minimum price for farm products. The Crisp-Curtis bill provides machinery to buy farm products at a low maximum price. I want to limit prices on the bottom. This bill puts limit low and on top.

The impression has gone out through the press and otherwise that the Crisp-Curtis bill would fix a minimum price at the cost of production plus a reasonable profit. If it did this then its price-fixing idea would be identical with mine and would be accorded my hearty support. However, the bill's price-fixing provisions are as far as possible from fixing a reasonable minimum price. An unreasonably low maximum is the limit fixed in the bill.

The tariff in behalf of the manufacturer fixes a high minimum price for manufactured articles. The Interstate Commerce Commission fixes for the railroads and other utility corporations a profitable minimum price. The regional banking system fixes reasonable minimum profits for national banks. Then, why not a reasonable minimum price for farm products? What has been done by the tariff, regional banking system and Interstate Commerce Commission has been pointed to as an argument in favor of the Crisp-Curtis bill. To my mind, these governmental agencies are mighty arguments against the Crisp-Curtis bill. What would the manufacturers think if a Republican Congress should pass a tariff law to help the manufacturers sell their products below the cost of production? Even the Secretary of the Treasury, Mr. Mellon, who probably favors the Crisp-Curtis bill and who opposes the McNary-Haugen bill, would feel outraged if the tariff was so amended as to help him sell his aluminum ware "below the cost of production." How would the railroads like for the Interstate Commerce Commission to provide rates to enable them to operate at a loss? How popular would the regional banking system be with the national banks if it only authorized and carried into effect a scheme for the operation of national banks at a loss?

Let me say in conclusion the farmers will never get a square deal and be on a plane with the manufacturers, railroads, banks, and others until unnecessary middlemen are eliminated and the farmer is accorded a reasonable minimum price for his products such as is given others. The farmer is not seeking more than other people. He is asking for justice—nothing more.

Mr. O'CONNOR of Louisiana. Mr. Speaker and Members of the House, in accordance with our parliamentary procedure, I moved at the appropriate time to substitute S. 4974 for H. R. 16470, both bills being identical in phraseology, which was done and passed, the effect of which is to make the subject matter of these measures law, as the Speaker and the Vice President will sign as a matter of congressional routine, and the President will doubtless affix his signature to such a meritorious bill. I should have said highly meritorious, if there be any gradations in the merit that attaches to our legislation. These bills are the work of the New Orleans Cotton Exchange, which has labored assiduously to help the producer and to further the legitimate trade and promote the welfare of those engaged in the cotton industry, in field, factory, or mills, in the counting room, and in transportation.

We are proud of the New Orleans Cotton Exchange and the part it has played in the agricultural, financial, and manufacturing phases, or aspects, of the great southern staple. No scandal has ever stained its escutcheon. Its record is free from any smudge. It has an honorable pride in the service it has given the country. It will render that same honest service in the future. It will continue to write splendid chapters in our agricultural history. Largely out of a desire to be in accord with a great department of the Government and to harmonize our attitude and operations with the basis on which Chicago and New York operate the New Orleans Exchange suggested this proposed legislation. In order to let another great body be heard through this address, I am going to adopt the line of reasoning pursued in a report which should be preserved. Before permitting others to speak through my pages, let me thank the Members of the House for their gracious attitude to me in passing this really much-needed and beneficial legislation.

The effect of this bill, which is attached hereto and made a part of this report, is to place the three existing cotton-futures markets in the United States, New Orleans, New York, and Chicago, on the same basis in the settlement of their contracts. That parity does not exist at the present time.

Prior to the passage of the cotton futures act in 1916 there were two exchanges where contracts for future deliveries were dealt in, located respectively in New Orleans and New York, but these markets were radically different in their methods. New Orleans settled its contracts upon the "commercial differences" of the grades tendered as shown by the transactions on its own spot market; whereas New York, which was not a bona fide spot market, settled upon the "fixed differences" established arbitrarily by that exchange.

When Congress passed the cotton futures act it wrote into the law the New Orleans method of settling by "commercial differences" and in order to meet the radically different methods of trading in the two future-contract markets, it provided in effect that New Orleans should continue to settle its future contracts on the basis of the commercial differences disclosed by transactions on the New Orleans spot market, but that New York should thereafter settle its future contracts on the basis of the average commercial differences of the several spot markets in the South designated for that purpose by the Secretary of Agriculture. When Chicago later established a cotton-futures market it was directed to follow the regulations established for the conduct of the New York exchange.

The bill S. 4974 strikes out and eliminates from the text of section 6 a clause, in the nature of a proviso, which, under certain conditions, exempts a future contract market from using the general average of the designated spot markets in the settlement of its contracts. This exemption was intended to apply to the New Orleans contract for the reasons above described.

Congress, however, notwithstanding this concession to the New Orleans contract, intended to keep the futures contracts markets and the spot markets in two separate and sharply defined classes. There can be no question upon that score. In the House report on the cotton futures act, section 6 was explained as follows:

Section 6 provides for the settlement of contracts on the basis of commercial differences and provides machinery for ascertaining these differences. The authority is given the Secretary of Agriculture to

select five or more cities wherein cotton is marketed in sufficient volume to reflect accurately the value of spot cotton. The prices prevailing in these markets shall be averaged and the average difference in value as determined in these five or more cities is to be used as the basis of value for the various grades in the settlement of contracts. The value of the various grades or "different sheet" arrived at by taking the average figures of five or more cities rests on a broad foundation and is relatively incapable of manipulation, as it would probably always be more expensive to manipulate five or more spot markets than it would be profitable to manipulate a single future market. Furthermore, any market which permits itself to be manipulated faces the danger of being excluded from the list of bona fide spot markets. For economic reasons also cotton will cease to move toward a market whose prices for the actual cotton are lower than the actual values in the other spot markets.

Notwithstanding this explanation, Congress, as has been stated, made an exception of future transactions "in the market where the future transaction involved occurs and is consummated, if such market be a bona fide spot market"; and provided that such contracts should be settled upon the basis of the actual commercial differences existing in that spot market on the sixth business day prior to the day fixed. On the other hand, it provided if the future transactions occurred at a place where there was no bona fide spot market, then—

the differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof upon the sixth business day prior to the day fixed [in the spot markets designated by the Secretary of Agriculture].

This bill simply eliminates from section 6 the clause under which New Orleans is authorized to settle its future contracts on the basis of the commercial differences disclosed by transactions on its own bona fide spot market, with the result that in future New Orleans, New York, and Chicago will all alike settle their contracts on the average price prevailing in the 10 leading spot markets that are now designated for that purpose by the Secretary of Agriculture.

The amendment is to be welcomed because it does much to clarify the meaning of section 6, as well as being in harmony with the spirit of the cotton futures act.

This amendment is not made to satisfy any selfish demand of New Orleans cotton interests. On the contrary, the New Orleans interests are showing themselves broadminded and conscious of their responsibility to the trade as a whole in seeking to amend settlements on New Orleans contracts to represent conditions in the whole Cotton Belt rather than conditions in the local market or the territory directly tributary thereto. In fact, this amendment to the act represents a very widespread and long-continued demand from practically the entire cotton interests of the South. Under the present terms of the New Orleans contract it is possible that an unusual supply of some particular grade may exist in any year in the territory directly tributary to the New Orleans spot market, which condition would not prevail in the rest of the belt; and to this extent under the present system the hedge contract of the New Orleans Cotton Exchange in the settlement of its grade differences, other than middling, would not accurately represent the relative value of such a grade for the belt as a whole.

The hedge contract of the New Orleans exchange is used by merchants in every State in which cotton is grown as a medium of price insurance, and it can not function to fullest efficiency and to the greatest good of the greatest number unless it reflects commercial conditions over a territory as wide as the entire belt in which the cotton plant grows. The spot markets presently designated by the Secretary of Agriculture under the act are as follows: Norfolk, Va.; Savannah, Ga.; Augusta, Ga.; Montgomery, Ala.; New Orleans, La.; Little Rock, Ark.; Memphis, Tenn.; Dallas, Tex.; Houston, Tex.; Galveston, Tex.

It would certainly seem a step in advance in making the New Orleans contract represent actual commercial conditions in the South as a whole to have its contract settlements made on the average differences of those 10 widely scattered important and representative spot markets rather than to have them as at present settled on the differences existing in the New Orleans spot market alone. The interest of the producer in this sense is identical with that of the merchant, because the merchant must be guided in the price he pays to the producer for any particular grade by what he can secure for that grade in the widest markets.

It is the conviction of those who have given thought to this question that when the amendment becomes operative it will insure to the benefit of the producer in securing for him values more representative of the actual grades he produces. It is not a question of the New Orleans market not being quoted correctly, but concerns the possibility which frequently arises that harvesting conditions in the territory directly tributary to the New Orleans market may vary widely from harvesting conditions in other parts of the belt, thus making some particular grade or grades of cotton more or less plentiful in a particular year in that one section, when conditions in the remainder of the belt may be quite different.

It goes without saying that no human being has any control over the weather at harvesting time and no one can foresee what that may be. This is an effort to make the future contract correspond more exactly to the general level of commerce conditions over a wide expanse of territory and is another step away from anything resembling the old system of fixed differences, which the United States cotton futures act was designed to remove.

The indorsement of the Secretary of Agriculture is as follows:

JANUARY 5, 1927.

Hon. CHARLES L. MCNARY,
Chairman Committee on Agriculture and Forestry,
United States Senate.

DEAR SENATOR: I have your letter of December 27, in which you request my comment on the attached bill, S. 4974. This bill would amend section 6 of the United States cotton futures act by striking out the following from section 6: "in the market where the future transaction involved occurs and is consummated, if such market be a bona fide spot market; and in the event there be no bona fide spot market at or in the place in which such future transaction occurs, then, and in that case, the said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof, upon the sixth business day prior to the day fixed in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract."

At the present time New Orleans would be the only cotton futures market affected by this proposed change in the law. It would mean that in New Orleans the differences above and below middling cotton would for the purpose of settlement of future contracts be the average commercial differences of 10 bona fide spot cotton markets which have been designated for the purpose by the Secretary of Agriculture and of which New Orleans is one. Under the terms of the present law such differences used in the settlement of New Orleans future contracts are based upon the actual commercial differences officially determined and quoted daily by a disinterested committee of the New Orleans Cotton Exchange from actual sales of spot cotton in New Orleans alone, while in the other American futures markets the average differences of the 10 designated spot markets are used.

Members of the trade-extension committee of the New Orleans Cotton Exchange have stated to this department that in their opinion the fact that New Orleans future contracts must be settled upon New Orleans commercial differences alone is used as an argument against that exchange in the solicitation of business by its members, and that they feel, therefore, that to this extent the provisions of the present law are prejudicial to that exchange. As to this the department can not express an opinion. From the standpoint of the administration and operation of the cotton futures act there are certain theoretical advantages in the use of average differences, and in view of all the circumstances the department finds no reason to object to the passage of the amendment. On the other hand, it is felt that because of its responsibility to its members for the differences on which their future contracts are settled, the New Orleans Cotton Exchange has had heretofore a special interest in the correctness of its quoted differences, and that since the methods used in the quotation of differences in New Orleans have for the most part given satisfactory results they might well serve as an example of their kind.

Accordingly, while it is conceivable that this amendment, if passed, may operate to remove a disadvantage from the New Orleans market, it is hoped that in no event will New Orleans as one of the 10 designated markets adopt a less thorough method of quoting commercial differences or one which conforms less closely to the evident intent of the law than that now in use.

It is not anticipated that if S. 4974 is enacted any additional expenditure of funds by this department should be required.

Sincerely yours,

W. M. JARDINE, *Secretary.*

With reference to the second to last paragraph in the letter of the Secretary of Agriculture concerning the method of quoting in New Orleans, the committee has the positive assurance of the officials of the New Orleans Cotton Exchange that the same thoroughness and vigilance in correctly quoting the New Orleans spot market will be continued and in no way relaxed. In addition, New Orleans, because of the added interest it will have in the quotations of other designated markets owing to the responsibility placed upon it by the amendment, will carefully cooperate to the fullest extent with Government officials in the administration of the United States cotton futures act throughout the South.

[S. 4974, 69th Cong., 2d sess.]

A bill to amend and reenact an act entitled "United States cotton futures act," approved August 11, 1916, as amended

Be it enacted, etc., That the act entitled "United States cotton futures act," approved August 11, 1916, as amended, be amended as follows:

In section 6, after the words "established by the sale of spot cotton," strike out the following words: "In the market where the future transaction involved occurs and is consummated, if such market be a bona fide spot market; and in the event there be no bona fide spot market at or in the place in which such future transaction occurs, then, and in that case, the said differences above or below the contract price which the receiver shall pay for cotton above or below the basis grade shall be determined by the average actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract," so that section 6 as amended will read as follows:

"SEC. 6. That for the purposes of section 5 of this act the differences above or below the contract price which the receiver shall pay for cotton of grades above or below the basis grade in the settlement of a contract of sale for the future delivery of cotton shall be determined by the actual commercial differences in value thereof upon the sixth business day prior to the day fixed, in accordance with the sixth subdivision of section 5, for the delivery of cotton on the contract established by the sale of spot cotton in the spot markets of not less than five places designated for the purpose from time to time by the Secretary of Agriculture, as such values were established by the sales of spot cotton in such designated five or more markets: *Provided*, That for the purpose of this section such values in the said spot markets be based upon the standards for grades of cotton established by the Secretary of Agriculture: *And provided further*, That whenever the value of one grade is to be determined from the sale or sales of spot cotton of another grade or grades such value shall be fixed in accordance with rules and regulations which shall be prescribed for the purpose by the Secretary of Agriculture.

Mr. HAMMER. Mr. Speaker, it has not been my purpose to ask for any time to make a speech or extend my remarks as to farm legislation at this session of Congress, as I presented my views rather fully and at length as to farm legislation and analyzed, as best I could, the farm legislation proposed in a speech made at the last session of Congress.

But so much has been said and there is so much misunderstanding as to the purposes and the provisions of the proposed legislation and as the McNary-Haugen bill has not been analyzed from a purely economic point of view, I believe that a compilation of such data and facts would clearly show the bill to be wholly in line with economic trends and tendencies at the present time. Accordingly, I have prepared such a study.

Here permit me, Mr. Speaker, to state my indebtedness to others and mention specifically the fact that I conferred with Mr. Chester H. Gray, Washington representative of the American Farm Bureau Federation, who referred me to Mr. W. R. Ogg, assistant to the director of legislation of that farm organization. He has compiled the most useful data and information I have yet seen on this important matter.

In my remarks I have in the main followed not only his line of thought but have availed myself of the data which he has so ably compiled and so generously furnished me.

It is not my purpose to put into the RECORD an essay about the necessity of farm legislation, something everyone familiar with conditions of agriculture has known for the last five years, but to give the reasons why I think, in the light of present-day thoughts, this is economically sound and workable.

At another hour to-day I took advantage, under the five-minute rule, to answer as briefly and clearly as I could the statements made on the floor during the consideration of this bill that under the provisions of the bill an advantage would be given to Texas over North Carolina and other Southeastern States. I think I have shown the absurdity of this contention.

The first portion of this statement sets forth the fundamental principle upon which the bill is founded—namely, to bring about real orderly marketing of farm products, so that the farmers themselves will get the full benefits therefrom. It is shown that the farmers at present are not getting the full benefit of storing their crops and marketing them that demand and supply justify because the service of storage has been taken over by the middlemen and the farmers are forced by the present economic conditions to dump their crops on the market within a short time. An explanation is made which shows how the McNary-Haugen bill as amended will remedy this situation and assist the farmers to secure the full value of the products and why some remedy like this is needed.

The operation of supply and demand in fixing prices is also discussed, and an explanation is made of why it is that supply and demand at the present time fail to bring the farmers a fair return for their products. There are so many interferences, legislative and otherwise, with the present operation of the law of supply and demand that something must be done to enable the farmers to obtain even the price which supply and demand justify. This statement shows how the McNary-Haugen bill proposes to bring about this result. It has been repeatedly claimed that this legislation would result in overproduction, which would defeat its purpose. My purpose is to show that this charge, as well as various other objections which have been offered against the proposed legislation, is incorrect. Among the problems discussed are the effect on the prices to the consumer, the operation and effects of the equalization fee, and the effectiveness of the operation of the bill.

There seems to be general agreement that something is radically wrong with agriculture, but there still remains some differences of opinion as to the proper remedies. The McNary-Haugen bill represents an honest attempt on the part of the producers themselves to solve one of the greatest factors in the agricultural problem, namely, the control and disposition of crop surpluses.

THE FUNDAMENTAL PURPOSE

The fundamental purpose of the McNary-Haugen bill is to enable the producers to market their crops in an orderly manner instead of allowing the surplus to be dumped on the market with the resultant penalizing of the producers through depression of prices. The production of a surplus and the holding of this surplus from a period of plenty to a period of scarcity is fundamental to the maintenance of modern civilization. This is pointed out very clearly in Efficient Marketing for Agriculture, by Prof. Theodore Macklin, of the University of Wisconsin:

> The holding of surplus supplies from periods of plenty for use during seasons of little or no production is one of the most fundamental services known to human as well as animal ingenuity.
>
> * * * From the most ancient times the storing of food has been an earmark of the degree of civilization. Barbarians have lived from hand to mouth through countless ages while civilized man has laid up against the day of natural scarcity a "nest egg" from the periods of plenty.
>
> * * * Without the holding of grain and other foods from summer and fall to winter and spring neither livestock nor people could be maintained through the winter and modern life as we know it would be impossible. Without the service of storing, man living in the temperate zones would have to be capable either of hibernating like the bear, of migrating like the song bird and the water fowl, or else cease to live at all. Strange to say, modern people have apparently lost nearly all comprehension of this universal principle. * * * Countless ages of human experience taught man in the early stages of civilization to apportion individually some of his summer bounty for use during the nonproductive winter that always followed the harvest. As in Joseph's dream of seven fat years to be followed by seven lean ones, so throughout the progress of civilization intelligent man has increasingly realized the necessity of adequate storing. But, unfortunately, separating the former individual who was both consumer and producer into two separate individuals has also severed the contracts and responsibilities formerly leading to a proper appreciation of storing.

MIDDLEMEN GET STORAGE BENEFITS

The producers to-day are, for the most part, not getting the full benefits of storage which are possible for them to obtain. Storing has been given over to middlemen who operate for profit. It has become commercialized, with the result that the chief gains resulting from this service accrue to the middlemen who provide it. This fact is noted in Efficient Marketing for Agriculture, by Professor Macklin:

> Since the difference in relative, prospective values between summer and winter provides the only economic opportunity for profitable storing, the middleman who renders this service, and must pay in advance for all goods stored without knowing what they will ultimately be sold for, finds by experience that he must wait until after the accumulation of surplus supply upon the market has depressed prices if he would reserve and store at "safe" prices the normal amount required for winter use.
>
> * * * In periods of declining prices, moreover, under the old hit-or-miss system which brought about market gluts and unavoidable functioned with high expense, even winder margins were expected as a means of playing safe. Under these old conditions both the small middleman and the farmer were helpless because the service of storing was not utilized to protect the primary producer, the farmer.

Whenever farmers do not take full advantage of the benefits to be derived from storing the surplus supply and disposing of it in a period of scarcity they are unduly penalized because of the fact that they place more of a commodity on the market than the immediate consumption can absorb.

Because farm products are so generally harvested within short periods and as rapidly as possible forwarded to markets where change of ownership takes places, it is almost universal for farmers to dispose of the bulk of their commodities at prices needlessly depressed as a result of market glutting. (From Efficient Marketing for Agriculture, by T. Macklin.)

MIDDLEMEN EXACT EXCESSIVE MARGINS

Furthermore, the buyer under existing conditions often allows an excessive margin to protect him from a possible decline in prices. This tends further to beat down the prices received by producers, especially in a time of glutted markets, when it is a "buyers' market" rather than a "producers' market," and under present conditions we usually have a "buyers' market" rather than a "producers' market."

Unless private middlemen who now render this storing service are able to make a profit in the long run, they must cease to operate. Their weakness lies in the fact that "playing safe" results in two great a recession in prices before commodities are purchased for storing. (From Efficient Marketing for Agriculture, by T. Macklin.)

Inaccurate judgment on the part of the middleman, particularly when they do not have adequate facilities for obtaining information as to supply and demand, may also cause them to take wider margins in order to cover any possible losses.

Mistaken judgment under these circumstances necessitates wider margins than might otherwise be necessary in order to cover losses involved. (From Efficient Marketing for Agriculture, by T. Macklin.)

An illustration of how these conditions operate to the detriment of the producer is afforded in the following statement of Professor Macklin with reference to wool marketing:

To throw vast quantities of wool on the markets of the country without reference to mill consumption necessarily glutted the Nation's markets and brought seasonal depression in price to the producer. Analysis of the wool-marketing machinery indicates that a great amount of wool has normally been sold by farmers to local middlemen handling very small quantities who were not equipped either in knowledge, facilities, or finances to pay the farmer all his wool was worth locally, considering what mills eventually pay for it.

Certainly it is no exaggeration to imply that the middlemen who store wool and feed it to the mills have done so at prices which were in line with the prices obtained by mills for their finished articles. It is beyond question that mills purchase wool on a relatively stable cost basis, while the middlemen storing wool buy their supply from more or less helplessly inefficient local dealers at a time when vast oversupplies have depressed the current speculative prices.

PRODUCERS PENALIZED

Thus, while the production of a reasonable surplus is a desirable thing, the farmers are unduly penalized by price depression resulting from dumping surpluses on the market. The committee on stabilization, appointed by the British Ministry of Agriculture, after making an extended investigation of the agricultural problem, called attention to this fact in its report:

No one would deny that a favorable season in which there had been plenty of rain and sun and freedom from physical disturbances, producing a rich and healthy crop, should be an advantage to the producer and therefore a thing that he desires. Nevertheless, in the existing conditions of organization of the agricultural industry it is frequently a disadvantage to the producer and a thing that he fears. In other words, it is true to say that there is no adequate machinery for the economical distribution and marketing of an exceptionally abundant crop. On this account it frequently happens that a favorable season yielding a heavy crop leads to temporary congestion of the market and a fall in prices so great as often to rob the producer of his profits or even to cause the entire crop to be sold at a loss.

Cooperative-marketing organizations have sought to solve this problem, but they are handicapped because they are unable, in many instances, to obtain control of the surpluses of a given commodity and to finance its marketing in an orderly fashion. Members of such organizations are required to bear all of the burden incident to such deferred marketing, while nonmembers secure the full market price for their product and bear none of the burden incident to marketing the surplus.

If the problem of disposing of agricultural surpluses is to be solved in the interest of the producers and consumers, some way must be found to gain control of surpluses, withhold them from the market, and finance their storage and sale in an orderly fashion, so that all producers will share proportionately in the benefits and bear their portion of the burdens incident to such handling. The McNary-Haugen bill provides machinery for this purpose. Through the instrumentality of the Federal farm board contracts may be made with farmers' organizations or their agencies by which surpluses can be acquired in times of plenty and disposed of in periods of scarcity.

PRICE FLUCTUATIONS HARMFUL

One of the most harmful factors in the present marketing system is the excessive fluctuation in the prices of farm products. The effects of this fluctuation are far-reaching, both to the producer and the consumer. The effect upon agriculture of a period of serious depression of prices is more than temporary in its nature. Capital savings are often absorbed, leaving the industry undercapitalized, and the confidence of the farmers is seriously undermined. The social effects of a period of depression are ably summarized in a statement by Sir William Ashley, quoted in the report of the committee on stabilization of the British Ministry of Agriculture:

It is realized that the industrial wastage, the deterioration of human character which is likely to accompany any period of extreme depression, is not repaired by subsequent periods of prosperity; that depression, in fact, is never completely recovered from, but always leaves behind it a long trail of social and economic evil. That being so, stability on a satisfactory level is rightly becoming part of the social ideal toward which the public will and are moving * * *.

Henry C. Taylor in Outlines of Agricultural Economics states:

The movement of some part of the rural population to the cities is a desirable thing when viewed from the broad economic standpoint of readjustments in the supply of labor engaged in the various lines of production. In periods of depression, however, distressful conditions precipitate these readjustments and magnify the population movement, with resulting great loss, in many instances, to those who are forced to leave the farms. Deliberate choice of an occupation rather than dire economic necessity should determine who move from country to city.

If our agriculture could be so stabilized that the movement from country to city would go on year after year in a normal way, based upon a process of enlightened and self-determined selection, which would leave in the country the people who combine efficiency in agriculture with love for the open country and the ability to improve rural life, both country and city would be better off. If, however, the movement withdraws the best elements of the rural population and if the best young men and women become dissatisfied with the agricultural outlook and seek other occupations, leaving behind the less capable elements of the population, this movement is fraught with great danger to the Nation.

WHY FARM PRICES FLUCTUATE

One of the chief causes of the fluctuation in prices of farm products is analyzed by R. R. Enfield in his book The Agricultural Crisis, 1920–1923, as follows:

When the causes of instability are analyzed (disregarding for the moment the monetary aspect of the question) they are found to have their roots in a very simple fact. Food is produced in greatest abundance in summer and autumn, in good seasons rather than in bad, whilst people consume it approximately the same rate all the year round. From this fundamental disharmony between supply and demand there is no escape; neither is there any escape from the inexorable law which connects the price of a commodity in a free market with the quantity of it available for purchase. Hence the inherent instability of any agricultural system. Hence half the economic problems which hedge around agricultural enterprise, and half the difficulties, perplexities, or disappointments which harass the poor farmer in his efforts to make a living.

A similar analysis is also set forth by Professor Macklin in his book Efficient Marketing for Agriculture:

Production, on the other hand, is very variable, depending as it does on seasonal and other influences over which the producer has no control. Hence the continual instability of prices.

These conditions alter agriculture in practically all its branches, so much so that they sharply distinguish the economic basis of agriculture from that of almost any other industry; many of these are able to adjust supply to demand with a considerable degree of nicety (in many cases they merely produce to order), so that in normal times manufacturers can look forward with confidence to reasonably stable prices. This adjustment in agriculture is very much more difficult. On this account farmers have tended to treat these price fluctuations as inevitable, to regard each crop as in the nature of a speculation, and to ignore the possibility of organizing the distribution and sale of farm produce, in a manner which would minimize their harmful results.

Those who advocate letting things alone and trying to do nothing are severely scored by Mr. Enfield:

Nature, unfortunately, does not manage her affairs on principles of economic harmony, and those who would propose an agricultural policy whilst still adhering to the belief in the free play of economic forces are thus confronted with a hopeless dilemma, for such a policy must, however it is framed, lead to a continuance of these price fluctuations forever—so long as winter follows summer and summer winter.

STABILIZING PRICES

The McNary-Haugen bill seeks to remedy this situation by "organizing the distribution and sale of farm products" so that the supply of the product may flow to market in just the quantities which can be absorbed at reasonable prices. Its proponents do not seek to obtain exorbitant prices but to stabilize prices on a general profitable basis.

Experiments have demonstrated in the past that it is possible to stabilize the price to a large extent by controlling the flow of the surplus to market. Professor Macklin in his book cites a notable example in the case of creamery butter:

While only 10 per cent, approximately, of the year's output of creamery butter is held in storage from surplus to deficit the steadying influence which the storage of this butter exerts on prices is truly remarkable. Before storage facilities were perfected and utilized for holding butter, prices fluctuated on an average 120 per cent (U. of Wis. Ag. Exp. Sta. Bulletin 270, p. 37). With the development of storage and the operation of speculation, extreme fluctuation in price has been greatly reduced. Prices neither rise nor fall as they formerly did.

This reduction in price fluctuation to one-third of the former range attended by benefits of adequate supply to consumers throughout the year and of greater service of storing which costs only about 1.9 cents per pound for the butter actually stored. Inasmuch as one-tenth of the butter only is stored and this portion of the annual production stabilizes the prices for the total output, the cost may be thought of as less than two-tenths of 1 per cent per pound, or about one-half of 1 per cent of the retail value. The economic consequences of storing in this illustration vastly outweigh the expense of the service. These benefits of storing make it an essential part of the marketing system.

He also suggests a remedy for dealing with the surplus problem:

Better organization which makes unnecessary the sale of surplus products by farmers until these products are needed by consumers is the surest solution of this problem. This, however, calls for organization which does not exist to any great extent. Constructive effort demands that the time now spent in criticism of the private middlemen be spent in creating organization capable of storing and stabilizing.

Such an organization is provided in the McNary-Haugen bill which would make it possible for the farmers to stabilize prices on major farm products by storing surpluses in periods of plenty and marketing them in periods of scarcity. The farmers' organizations would not have to handle all of an entire crop to do this but merely the surplus as the above illustration proves. If the surplus is marketing in orderly manner, prices will be stabilized. The farmers' organizations alone can not do this now, however; first, because they do not control surplus and if they did they would have to penalize members to the benefit of nonmembers. Under the McNary-Haugen bill the burden of handling the surplus would be borne by all producers and the benefits would be shared by all producers.

If these results can be obtained for perishable products like butter and eggs for which the storage period is necessarily somewhat short, how easier and how much better the chances for service for wheat and cotton which can be safely stored for long periods.

DUMPING CROPS ON MARKET

The following table prepared by Professor Macklin shows the need for a system of orderly marketing of cotton by the producers in order to prevent undue depression of prices resulting from dumping most of the crop on the market within a short period. This table shows that over 60 per cent of the cotton is moved to market during the months of October, November, and December, while the consumption of cotton in those months amounts to less than 25 per cent of the year's supply. The supply moving to market varies during the year from 1.4 per cent of the total supply to 22.2 per cent, whereas the consumption of cotton during any one month of the year does not fall below 8 per cent nor exceed 8.8 per cent of the total supply:

Cotton ginnings, movement, and consumption of cotton

Month	Cotton ginned [1]	Cotton movement [2]	Cotton consumption
	Per cent	*Per cent*	*Per cent*
August	6.5	1.4	8.3
September	22.6	9.5	8.0
October	38.9	21.0	8.1
November	18.4	22.2	8.4
December	7.8	17.4	8.2

[1] Data from years 1915–1916 U. S. Department of Commerce, Bureau of Census, Bulletin 140, p. 24.
[2] Data from U. S. Department of Agriculture, Bureau of Crop Estimates, 1919 crop.

Cotton ginnings, movement, and consumption of cotton—Continued

Month	Cotton ginned	Cotton movement	Cotton consumption
	Per cent	*Per cent*	*Per cent*
January	[3] 5.8	8.8	8.7
February		5.6	8.0
March		4.9	8.7
April		3.2	8.3
May		2.7	8.8
June		1.7	8.4
July		1.6	8.1
Total	[4] 100.0	[5] 100.0	[6] 100.0

[3] Includes all ginnings for balance of season.
[4] Represents 45,526,810 bales, or crops, of 1915, 1916, 1917, and 1918.
[5] Represents 11,329,755 bales of 1919 crop.
[6] Represents 25,518,543 bales, or United States cotton-mill consumption for years 1915–1918, inclusive.

The need for orderly marketing by the producers is also reflected by Professor Macklin's tables in regard to the marketing of wool and wheat, which are as follows:

WOOL

The amount used in mills varied throughout year only between 8 and 8.8 per cent, whereas movement of cotton to market varied from 1.6 to 22.2 per cent, and 60.6 per cent went to market in three months—October, November, and December.

Monthly wool production and consumption in United States [1]

Months	Monthly wool production [2]	Monthly wool consumption [3]
	Per cent	*Per cent*
January	0.3	8.8
February	.1	7.7
March	.2	8.7
April	(4)	9.1
May	1.9	9.3
June	12.9	8.4
July	33.0	8.1
August	35.7	7.9
September	11.6	7.8
October	2.3	8.4
November	1.1	8.1
December	.9	7.7
Total	100.0	100.0

[1] Data from U. S. Department of Agriculture, Bureau of Markets, the Market Reporter, Vol. II, No. 24, p. 369.
[2] Data from National Wool Warehouse & Storage Co., Chicago.
[3] Average for years 1918 to 1920.
[4] Negligible.

81.6 per cent sheared in three months, whereas consumption varied throughout year only between figures 7.7 and 9.3 per cent.

Farm movement and mill consumption of wheat [1]

Month	Wheat receipts from farms	Mill grind of wheat
	Per cent	*Per cent*
July	14.4	4.4
August	23.4	9.3
September	18.7	9.3
October	16.1	10.6
November	7.8	8.3
December	7.0	9.0
January	4.8	7.9
February	2.4	6.5
March	1.5	7.7
April	1.1	8.8
May	1.6	10.3
June	1.2	5.9
Total	[2] 100.0	[3] 100.0

[1] Table from Grain and Flour Statistics During the War, U. S. Grain Corporation, pp. 28–29.
[2] Represents 730,061,000 bushels of wheat.
[3] Represents 539,058,000 bushels of wheat.

72.6 per cent of wheat moves to market during four months July, August, September, and October, yet only 33.6 per cent is milled during this period. When the producers offer an industry 72 per cent of a product when they are only prepared to use immediately 33.6 per cent of it the producers must expect depressed prices.

REGULATE FLOW TO MARKET

It is significant that Professor Macklin's remedy for the situation facing the wool producers contemplates the development of a "proper organization" which would be able to "retain ownership of their wool until needed by the mills." Professor Macklin states:

Were it not for the possibility of a more comprehensive and effective market organization this former program of speculative wool selling might be beyond criticism. Knowledge and experience accumulated to date both show that improved marketing methods can be practically developed and made to replace the old system and its inefficiency, however. The secret of the change consists in enabling farmers to defer the sale of their wool from shortly after clipping to the time when mills themselves require wool for actual milling purposes. In other words, the producers by developing proper organization may retain ownership of their wool until needed by mills, thus making it possible for producers to feed the markets of the country at a rate which will prevent market flooding, instead of selling the whole clip at one time at prices unduly depressed because of excessive temporary market supply.

The McNary-Haugen bill would supply the necessary assistance to the organizations of producers, by which they would be able to so regulate the flow of the supply of their products to market as to result in the stabilization of prices on a profitable basis.

BENEFITS TO PRODUCERS AND CONSUMERS

Stabilization of prices would be a benefit not only to the farmer, but to the consumer. This fact is also pointed out by Professor Macklin in connection with his illustration in regard to the stabilization of prices for butterfat:

To the farmer stability of price for butterfat has added greatly to his income. Formerly he obtained the very lowest prices when the bulk of his butterfat was sold. At present, while the price remains somewhat lower in winter than formerly, the substantial increase in summer has greatly increased the average price for his year's sale of butterfat. Consumers benefit by storage because it guarantees a supply of butter at reasonable prices, whereas formerly shortage of butter and extremely high prices sometimes compelled strenuous economy and even the doing without butter at times.

From Henry C. Taylor's Outlines of Agricultural Economics:

A higher degree of stabilization in the supply of farm products for sale from year to year would be of benefit to the consumer as well as to the producer.

TARIFF DOES NOT ALWAYS PROTECT

There is another aspect of the surplus problem which must be dealt with. The farmer not only fails to get the full value for his product which supply and demand justifies but he also fails to get the same benefits from the tariff on farm products which other groups are securing for their products. The reason for this is that the farmer must sell at the world price of a commodity whenever there is a surplus above the domestic requirements for that commodity. The existence of a surplus above domestic requirements depresses the domestic price down to the level with the world price for that commodity. Manufacturers avoid this situation either by curtailed production or selling the surplus abroad at a price cheaper than the American price in order to maintain the domestic price at not less than the world price plus the tariff. This situation is ably presented in a statement credited to Vice President Dawes and published on page 9911 of the CONGRESSIONAL RECORD of May 25, 1926:

Our manufacturers are able to decrease their unit cost by an increased output, the surplus of which they can sell abroad at less than their American price. Their sales at the world price do not fix their American price, as is the case with agriculture. This is made possible by the tariff, which within certain limits prevents foreign competition in the home market. While the tariff does not interfere with the free operation of the law of supply and demand within our country, it does limit the supply from abroad below a certain price level determined by the import duty. This is not considered "price fixing," nor is it attacked as such.

The agricultural economists are proposing a device which will enable agriculture, at its own expense, to sell its surplus abroad at the lower world price in order that, as with manufacturing industry, the laws of supply and demand will operate in its larger home market behind the tariff wall which Congress has already erected for its theoretical benefit. This theoretical benefit they wish to be made practical.

As I understand, the agricultural proponents of this plan have never suggested a governmental subsidy. This proposal has emanated from other sources. They have sought fair discussion as to the economic soundness of their underlying proposition. A debate, suggested by myself, has been carried on for the past year between them and one of the highest economic authorities of the world, Sir Josiah Stamp, of England. For many years he has been intrusted by the British Government with many of its most important economic negotiations, including his service as its representative on the first committee of experts, Reparation Commission. He is now the chief executive of the London, Midland & Scottish Railway, the largest in England.

SURPLUS DEPRESSES DOMESTIC PRICE

In the United States domestic prices of farm products, of which there is a surplus above domestic requirements, are based on the world price. Because an excess is produced the grower is penalized in the price which he receives for the major portion of his crop by the depressing effect of the surplus, which is sold abroad at the world price. H. B. Smith in Survey of World Trade in Agricultural Products, Bulletin No. 6, June 2, 1924:

Europe is the focal point of the world's trade in agricultural products. * * * More than 80 per cent of all the agricultural products exported from the United States go to Europe, and nearly 70 per cent of the total goes to the highly industrialized section of northwest Europe, including the five countries of the United Kingdom, Germany, France, Belgium, and the Netherlands—this, together with an area less than one-fifth that of the United States and with a population of some 160,000,000 persons, as the dominant market for agricultural products from all the surplus-producing regions of the world as well as from the United States.

* * * With an exportable surplus in this country, a delivering price in Europe is reflected back into our own domestic price.

COOPERATIVES MUST HAVE HELP

In order to carry out a plan of dealing with agricultural surpluses, which would enable the producers to dispose of surpluses without unduly depressing domestic prices, there must be a central agency with power and finances sufficient to bring about orderly marketing. Under the existing circumstances the cooperative marketing associations are unable to do it. They represent only a minority of the total number of farmers in the country; and if they attempted to buy up the surplus and dispose of it unaided, their members would have to bear all the burden of such an undertaking. If the surpluses were sold abroad at a lower world price, the cooperatives selling such surpluses abroad would bear all the burden of removing the depressing effect of the surplus on domestic prices, while the nonmembers who stay out of the cooperatives and sell their product in the domestic market would reap all the benefits and bear none of the burden. The effect of this would be to prevent nonmembers from joining the cooperatives and to drive out from membership the present members. In other words, it would mean the ruin of cooperative marketing organizations attempting such a program unaided under existing conditions.

GOVERNMENT AID IS PROPER

It is a proper function of the Government to aid the farmers in marketing their products in an orderly fashion, so that they may be able to attain equality of bargaining power with other groups. Mr. Macklin states:

Modern marketing is so complex that an umpire is necessary. By setting up this umpire, however, and in providing information to be used as the basis of fixing standards and of enforcing them, the Government necessarily rejects the plan of leaving individuals and groups to shift for themselves in a hit-or-miss, unregulated scheme of competition.

OTHER GOVERNMENTS DO IT

The experiences of other governments has demonstrated the wisdom of giving proper assistance in order to promote equality of opportunity instead of leaving everything to individual effort. Professor Macklin states:

Fortunately, we have the benefit of experiments of different governments that have followed a policy of leaving everything to individuals as contrasted with a program of attempting to provide equality of opportunity for all. The results of these historical experiences have amply demonstrated that human welfare is protected and fostered most when government exercises its authority to provide equality of opportunity by restraining those whose actions are harmful to others and by educating all to higher planes of effort and competitive relations. This has been particularly the case in the marketing of farm products.

GOVERNMENT UMPIRE

The McNary-Haugen bill, through the agency of the Federal farm board, would supply an agency through which the efforts through orderly marketing of more than 12,000 farmers' associations in the United States could be aided and promoted and through which the Government might serve as an umpire to bring about equality of bargaining power between the producers and the purchasers and a more equitable adjustment of supply and demand.

FICTITIOUS PRICES NOT AIMED AT

One of the objections to the McNary-Haugen bill which is most frequently heard is that it constitutes an attempt to interfere with the operation of the law of supply and demand and that it endeavors to create fictitious prices by arbitrary methods. This criticism is false both in its assumption and in its conclusion.

Some of the extremists among those who make this criticism say that there is nothing that the Government can do more than it is doing already to relieve agriculture. They say, let the farmers alone, and if they will work hard, reduce the cost of production, and apply business methods, then the normal operation of economic laws will effect eventually a readjustment. There are two fallacies in this argument: The first is that agriculture, the basic industry of this country, may be submerged as it has in certain other countries before this far-off readjustment, which is supposed to take place through the normal operation of economic laws, comes about. Henry C. Taylor in Outlines of Agricultural Economics states:

For those who see economic forces from a long-time point of view only, and who see agriculture as a food supply only, this hoped for long-time swing which, in their opinion, will raise agricultural prices relatively to the prices of other products, may suffice. But those who see agriculture as millions of homes of American citizens where growing families should be fed and clothed, sheltered, and educated, and who see economic forces in action from day to day ruining the prospects of millions of the coming generation can not patiently wait but must insist upon relief that will save this generation of farm people and give more than a shadowy hope for the farmers of the next generation.

SUPPLY AND DEMAND

The second fallacy is that while theoretically the normal operation of economic laws would effect a readjustment if allowed sufficient time to do so, practically there are very many things which have become established in our economic lives which interfere with the normal operation of economic laws. The supply and demand would fix prices if both operated ideally on a theoretical basis. In our modern economic life, however, there are very many complicating factors which must be taken into consideration in determining what fixes the price of a commodity. There are many restrictions or qualifying factors which definitely affect the operation of supply and demand. For example, the price which the farmer gets for his product may be far below the value which the normal operation of the total supply and the total demand would justify because of the fact that the present marketing system forces the farmer to place on the market within a relatively short period the total supply, or at least a large portion of it, which in turn abnormally depresses the price during that season because he is forced to place on the market a larger quantity than can be absorbed at that time.

Henry C. Taylor in Outlines of Agricultural Economics states:

The prices of farm products are influenced by the fact that most of the supply of a given product becomes available during a small portion of the year, and this supply must last until the next year's supply is ready for use. A factory manufacturing steel rails, copper wire, or cotton cloth may put out a continuous flow of goods, but with most farm products the output is intermittent. The tendency is for the price to be low when the greatest supply becomes available, and high in the period prior to the arrival of new supply. This is due to the fact that a part of the supply must be stored, which involves the expense for storage room, interest on the money invested in the product, and a loss due to shrinkage.

HOW FARM PRICES ARE FIXED

The price of the farmer's product is determined not by bargaining between the farmer and the producer on a plane of equal bargaining power, but is based primarily on the ruling wholesale prices in the central markets.

The wholesale prices are the standard in accordance with which all other agricultural commodity prices are gauged. It is at the wholesale markets that price fluctuations are primarily determined. * * * The prices received by the growers of farm products sold in the local markets are based directly upon the ruling wholesale prices of the central markets to which they are shipped by the local buyers. * * * (By Professor Huebner, in Agricultural Commerce, Wharton School of Finance and Commerce, University of Pennsylvania.)

The farmers do not determine the price at which their products sell under existing conditions. They must take the prevailing price in the central markets whether it is below the cost of production or not. The price is not based on the cost of production nor does the cost of production enter into the determination of the price which the farmer receives.

The growers' cost of production does not directly determine the prices of the great farm staples, because the farmers do not determine the prices which they receive. Their position is radically different from that of huge industrial concerns, some of which possess sufficient monopoly power to control in a large measure the prices which they receive for their work. Agricultural prices are competitive and are, therefore, influenced by the growers' costs of production only indirectly in that failure to pay the farmers profitable prices will affect the volume of products produced by them. (Professor Huebner, in Agricultural Commerce.)

RETAILERS SELL ON "COST-PLUS" PLAN

Retailers, on the other hand, fix the selling price of their goods at the delivered wholesale price plus an amount sufficient to bring them a profit above operating expenses. The amount of the profit above all costs and expenses varies with the amount of competition. The important point is that our present economic system is so organized that the retailer can set a price on his product which will give him cost plus a profit, whereas the farmer can not set the price on his product.

In the highly developed countries of modern times bargaining in retail dealings has been almost entirely discarded. The dealer sets a price at which he will sell, and at that price the purchaser may take the article or leave it. The tacit understanding is that the price so fixed shall be the current or market price, and that it shall be the same for all customers at the shop. (F. W. Taussig, in Principles of Economics.)

UNEQUAL BARGAINING POWER

Unequal bargaining power may enable the superior group to gain an advantage which the law of supply and demand would not justify. Prof. Henry C. Taylor in his book, Outlines of Agricultural Economics, states:

The force and conditions which determine supply and demand are too little interested. The law of supply and demand as a price regulator does not always give satisfactory results. It might be made to work much more equitably under the guidance of a commission than when influenced by the unequal bargaining power of great distributing corporations on the one hand and of the isolated unorganized producers on the other.

The mere existence of a supply and a demand for a product does not necessarily mean that competitive prices will result.

To say that a product produced in quantities or left to rot on the ground or in middlemen warehouses brings competitive prices is neither in line with sound economics or sane business experience. Yet this would happen if cooperative regulations are not instituted and maintained among successive distributors whose services are necessary to the movement of the product. Protection through stabilized flow of commodities, stabilized prices, or spreading of risks is the essential object sought by these cooperative regulations. Either this means of protection must be devised and supported by cooperation or wider margins must be taken to cover losses incurred by price fluctuations. (Efficient Marketing for Agriculture, by Theodore Macklin.)

LEGISLATIVE INTERFERENCES

Various legislative enactments may also affect or restrict the operations of supply and demand. The labor supply in the domestic market may be curtailed by immigration laws. The development of large reclamation projects by the Government may result in an increased supply of agricultural products, the guarantee of cost plus a reasonable profit to the railroad constitutes a further interference by legislative enactment with the normal operation of supply and demand. The development of private monopolies under governmental control, and regulation of rates and services in the case of telephone and telegraph services, power, gas, and other public-service companies, afford further examples of complicating factors which affect the operation of supply and demand. The fact that supply and demand are operative does not necessarily mean that the economic situation is fair and equitable to all parties concerned. Legislative enactments which result in the restriction of supply in the interest of one group either by immigration laws or the creation of private monopolies with guaranteed profits, constitute inequalities which are only justifiable when other equally important or even more basic groups, are placed on a plane of equality.

Changes in the fluctuation in the value of the dollar can also greatly affect farm prices. This is pointed out by Warren and Pearson in The Agricultural Situation.

A change in the purchasing power of the dollar makes fundamental changes in price relationship in different ports of the channels of trade. * * * The fact that deflation leaves laborers' wages relatively high to other things is known by many persons. * * *

When prices double, those who formerly lent money continue to receive only half its former value. This can not be said to be due to supply and demand.

Supply and demand remain in adjustment at the consumer's prices, but when inflation or deflation occur the farm prices are often more influenced by the change in the general price level than by changes in supply and demand. * * *

Severe agricultural depression is an inevitable result of rapid deflation.

AGRICULTURE ASKS FOR EQUALITY

Agriculture simply seeks to be placed on plane of equality with other groups in this country. It does not ask that the law of supply and demand be set aside by attempting to set up

artificial price stimulation. It asks no Government subsidy. It does not ask the Government to be a purveyor of farm crops and plunge into socialism. It merely asks for equality of opportunity to market its products in an orderly fashion, with equal bargaining power with all other groups in such manner as to secure the full value of those products. Agriculture is not even asking the Government to do all of this for it nor seeking a panacea for all its ills through legislative enactment. It does contend, however, that it is a proper and necessary function of Government to assist in creating conditions that will make it possible for the producers themselves to gain equal bargaining power and equality of opportunity with other groups, particularly when other groups have received special governmental assistance either directly or indirectly which have given them an economic advantage over agriculture. To secure this equality of bargaining power and equality of opportunity and to obtain for their products the full value thereof, and to place agriculture on an economic equality with other groups of this country are the fundamental purposes sought to be accomplished through the McNary-Haugen bill. The Government is not asked to cure all the farmers' ills in this bill, but it is simply asked to give legitimate assistance which will enable the farmers to help themselves out of the difficulties into which they have been placed through the inequalities and favoritism which have been created by class legislation.

MINIMUM OF GOVERNMENTAL INTERFERENCE

The machinery with which these purposes would be carried out through the McNary-Haugen bill provides the minimum of Government interference with a maximum of results. A regional Federal farm board of 12 members is created which is to be the coordinating agency to work with farmers' marketing associations and to assist them in handling farm surpluses. The board itself, however, does not engage in the actual business of buying, storing, or selling farm products.

These activities are to be carried on by associations or producers or subsidiary corporations set up by them or by other private individuals or agencies through agreements entered into between the Federal farm board and these agencies. While the Federal farm board will not itself engage in the actual business of buying and selling farm products it will have ample power to control the movement of farm products to market so as to promote orderly marketing, and it will have the power to assist the farmers in removing surpluses from the domestic markets and disposing of them in foreign markets at the world price.

PRODUCERS SAFEGUARDED

The board will have ample powers and yet it will be so constituted as to be responsible to the producers. Each Federal loan-bank district will be entitled to one representative on the board who is to be selected by the President from lists of nominees submitted by a district nominating committee. This committee is composed of seven members. One of them is appointed by the Secretary of Agriculture, two selected by a majority vote of the heads of the agricultural departments of the States in said district, and the other four are elected by the farm organizations and cooperatives. The board before beginning operations in regard to any commodity must secure the approval of a majority of its members, of board members representing land-bank districts, producing more than 50 per cent of such commodity, of the commodity advisory council, of a substantial number of producers' organizations, and a majority of the producers. In States where there are not as many as 50 per cent of the producers of such commodity, who are members of such cooperatives or organizations, an expression must be obtained through a State convention of such producers. This provides adequate protection against hasty action or against operations opposed by the producers generally.

BURDEN EQUITABLY DISTRIBUTED

This bill also provides a plan whereby the burden of disposing of the surplus is distributed equitably and proportionally among all the producers and whereby all the price benefits resulting therefrom are likewise equitably distributed among all the producers. This plan contemplates the collection of a small fee upon each unit of a commodity whenever there is a surplus above the requirements for orderly marketing or above domestic requirements. The amount of the fee is to be determined by the board and is to be collected upon each unit of the commodity. The point of collection may be either the transportation, the processing for market, or the first sale in commerce of such commodity as determined by the board. The collection of this fee would provide a fund for the payment of losses incurred in handling the surplus.

WEAKNESS OF OTHER PLANS

Various other bills have been proposed which do not provide for such a fund, and on this account they fail to provide adequately for the possibility of losses. In these other proposals it is proposed that the Government shall lend large sums of money for handling the surplus and no provision is made for safeguarding Government funds in the event there are losses. Under such a plan the activities of the Federal farm board would either be so restricted in their scope in regard to preventing any losses as to be of little real assistance to the farmers in getting a better price for their products or the Government would be required to pay the losses incurred in disposing of the surplus in case there were such losses. In other words, these plans are likely to be either ineffective or to involve Government subsidy. The economic soundness of the McNary-Haugen plan, however, is that it provides a fund collected upon the commodity which would serve to pay any losses that might be incurred in disposing of the surplus and which would also provide added security for the Government funds advanced to the corporations.

THE OVERPRODUCTION "BOGEY"

Enemies of the measure have charged that it would abnormally stimulate production, with the result that a vast oversupply would soon be provided which would utterly defeat the aims of the measure. They base this prediction on the assumption that the operations of the bill would result in increased prices to the farmers and that larger returns would cause the farmers to plant larger crops and this would result in overproduction. The logical implication of this argument is that if we are to do anything to help the farmer to get a better price for his product we are doing something futile which will soon come to naught and therefore we should do nothing for the farmer. This is another economic theory which is predicated upon various theoretical conditions, but whose actual operations when put into practice would be affected by various limiting factors. President Warren, of Cornell University, one of the outstanding agricultural economists in this country, has stated that he does not believe that farmers would be able to produce very much larger quantities than at present, even if they were to secure substantial increases in prices. He bases his statement on the proposition that the majority of farmers are already producing practically the maximum that they are able to produce under existing conditions for some time to come. President Warren says:

> It takes a considerable period of time to increase yields per acre and a considerable period of time to decrease them * * * the present agricultural depression has been so drastic that the impetus to decrease production will undoubtedly occur for some time even should the conditions improve. In other words, if conditions for farmers should at once be decidedly improved, we would still expect production to continue to decline for some years * * * by that time we would probably need the increased production. For six crop years farming has been going through a period of agricultural depression. An imminent period of shortage of farm products is unavoidable. The longer the period of depression the longer and more violent the period of shortage will be.
>
> In short, I believe that if an improvement should occur in the agricultural situation at the present time that at first it would merely check the rate of decline in agriculture. It would be, I believe, some years before any actual increase in total production would occur. If the agricultural depression continues, a very serious period of high living costs is inevitable.

The "bogey" of "ruination" of agriculture through abnormally stimulated production would seem to be a straw man, if the conclusions of Dr. Firman E. Bear in regard to future potential supply and demand are correct. He is credited in The Fertilizer Review, August, 1926, as stating:

> Considering the problem of food production in the United States as a national question, the best interests of both consumers and producers can be served by maintaining our production at a point sufficiently high to meet our own needs and to afford a fair exportable surplus.

Another statement made by Dr. Firman E. Bear, who is head of the department of soils of the Ohio State University, in a prepared address entitled "The coming need for soil fertility," is as follows:

> "Our present estimated food surplus is enough to feed about 20,000,000 people," asserted Doctor Bear. "By the year 1940 this surplus will have disappeared unless higher yields are produced, more acres are put under cultivation, more horses are replaced by tractors and automobiles, or our national diet is fundamentally changed. If the corn borer continues its advance through the Corn Belt, the date of using up our surplus may not be so far ahead. If the years 1926

and 1927 are as unfavorable for wheat as 1916 and 1917, we shall be compelled to import more wheat than we export or to cut down our bread ration. We can grow more corn and wheat, but have we any guarantee that the food production of this country will keep ahead of the demand of our constantly growing population?"

SAFEGUARDS AGAINST OVERPRODUCTION

Another factor which would enter into the situation would be the operation of the equalization fee, the larger the amount of the surplus produced the larger must be the equalization fee to be collected. This would have a stabilizing tendency on production, and yet the farmer would get the fullest possible net return for the amount produced, which economic conditions justify even when a large crop may necessitate an increase in the fee, but his return would be less than in a year of smaller production ordinarily.

In other words, the operation of the equalization fee and the orderly marketing of farm products throughout the year so as to prevent glutting of the market, would tend to stabilize the whole industry of agriculture on a sound economic basis on which the farmer would get his full share of the benefit of the operation of supply and demand and of market conditions, and he would not take more of his fair share of the punishment for raising more than the world can consume.

A further restricting factor in preventing extreme overproduction would be the operations of the commodity advisory council, who are authorized to confer with the board and to cooperate with it in advising producers and their associations in the adjustment of production. With this coordinating machinery in operation which is authorized and directed to keep advised of market conditions, supply and demand, and so forth, and with the stabilizing influence of the equalization plan, as well as the stabilizing effect of orderly marketing, the practical result of the operation of this bill would be more likely to bring the whole industry to a condition of stabilization on a sound economic basis rather than to further increase the disparity between agriculture and other groups by stimulating an abnormal overproduction.

COLLECTION OF FEE

The collection of this fee should not be particularly intricate. It would be far simplier than the collection of the miscellaneous internal taxes. In the case of cotton, wheat, and swine, it is probable that the producer would not be conscious of the collection of this fee any more than the consumer and not as much so as the consumer is in the pyramiding of prices in tariff-protected commodities. The fee on these commodities would be collected probably at the point of processing, in which case the producer—that is, the miller and the packer—would probably include the fee as an overhead charge and distribute it between the producer and the consumer. Thus the fee would be collected with even more ease than the gasoline tax, and perhaps with as much simplicity as the methods of collecting the excise tax on tobacco or any of the miscellaneous taxes. In the case of cotton, a serial receipt would be issued to the producers showing his participating interest, and whenever there would be a surplus in the equalization fund above the needs of the board to pay for losses and operations in handling the surplus, this excess is to be returned ratably in serial order to the holders of these receipts. In order to enable the board to deal with any possible contingency, the fee is to be collected at some point where a normal transaction is made, either the point of processing, the transportation, or the sale in commerce, so that the collection and accounting of this fee would involve the minimum of interference and added burden to the commerce in such products.

In the beginning the bill contemplates starting out with a limited number of commodities which, for the purposes of the bill, are designated as "basic agricultural commodities"—wheat, corn, rice, swine, tobacco, and cotton. The way is open for Congress to broaden the scope of the bill to include other commodities by virtue of the provision which requires the board to make a report to Congress whenever in its judgment the conditions are such as to warrant the inclusion of another commodity within the purview of the bill.

BOARD CAN HELP ANY FARMERS' ORGANIZATION

The board would also be enabled to render assistance to marketing associations, which handle farm products other than those included in the bill. The sum of $25,000,000 is to be available for loans to any farmers' marketing associations, whether handling basic commodities or not, in order to assist such association in handling the surplus of any commodity and in order to assist it in the purchase or construction of storing or processing facilities for such commodities. Such loans are to bear 4 per cent interest and may be amortized over a 20-year period.

A revolving loan fund of $250,000,000 would be provided by a Federal appropriation. The integrity of this fund is protected by the equalization fund as well as the usual facilities which could be provided. An appropriation of $500,000 for administrative expenses would also be provided.

WILL FARMERS OPPOSE EQUALIZATION FEE?

Some opponents of the McNary-Haugen bill contend that they could not support the equalization fee and that they could not vote for it on the ground that it would be unpopular with the farmers generally. They say that it would be a tax on the farmers which would reduce the net return to the farmer by the amount of the fee. If the equalization fee were a tax, there would perhaps be some ground for this fear, because a tax is a sum collected by the Government from its citizens for the support of some governmental function.

The equalization fee, however, is merely a sum collected upon each unit of a commodity to finance the marketing of the surplus in such a manner as to bring about a larger net return to the producer on the total amount of his crop than he would otherwise have received if no equalization fee had been collected and if the surplus had been allowed to be dumped on the market, so as to depress the price received for the entire crop.

It does not seem reasonable to assume that a farmer would object to the payment of an equalization fee which would make possible the marketing of the surplus, so as to bring him a better price for his entire crop. The equalization fee is used for paying the cost of marketing of the surplus, so that the entire crop will bring a better price and the farmer receive a larger net return.

Ample safeguards, however, are provided in the bill by which the farmers can prevent the board from beginning operation and collecting equalization fee, so that if a situation should arise in which the producer opposed the collection of the fee they would be able to prevent it. Objections to this legislation are no longer made, because the farmers are not compelled to take advantage of its provisions unless a majority of them so determine. The farmers may terminate the operations of the bill at any time through the Federal farm board, which they have a hand in appointing in their nominations to the President.

EQUALIZATION FEE SOUND IN PRINCIPLE

If there is any virtue in joint marketing as it is now practiced in this country—and most agricultural economists would probably concede that there is—then the collection of the equalization fee should be no more objectionable to the farmers under the operations of this bill than the collection at the present time by farmers' marketing organizations of fees from their members with which to finance their operations in disposing of the crop of their members in an orderly manner. The equalization-fee principle is merely an extension of the principle now followed by farmers' organizations in charging up to their members the cost of orderly marketing.

The essential difference between the two is that by means of the equalization-fee principle the entire commodity bears the burden of the disposition of the surplus, whereas in the marketing associations, under the present plan of operations, the members of the associations bear all the burden incidental to disposing of the surplus (where attempts to handle the surplus are made), and the nonmembers who refuse to join the associations receive all the benefits in price enhancement without bearing any of the burden incident to the marketing of the surplus.

The equalization-fee principle therefore should result in stimulating the development of orderly marketing through farmers' marketing organizations, because it relieves one of the greatest hindrances that has confronted the farmers' joint marketing movement in this country, namely, the fact that heretofore the nonmembers who stayed out of the organizations often secured substantially the same price benefits as the members, but the members had to bear all of the burdens incident to orderly marketing which made possible these improved prices.

NO PRICE FIXING

Enemies of the McNary-Haugen bill also charge it with being a price-fixing measure. This criticism, however, has no weight when it is realized that there is not a single provision in the measure for price fixing of any sort. There is no reference in it to price fixing or arbitrary price levels. The fundamental purpose of the bill is to assist the producers in attaining equality of bargaining power, so that they may secure the best price which supply and demand and market conditions justify.

EFFECT ON COST OF LIVING

Another attack which has been made on the bill seeks to raise up the "bogy" of higher costs of living to the consumer. When the opponents of the measure contend that it will bring the producers a better price for their products they are offering one of the strongest possible arguments which could be sub-

mitted in support of the measure. The very fact that the enemies of the bill are freely admitting this point should lead every farmer to support this measure.

REDUCES SPREAD IN PRICES

Because it will be possible for the farmers to secure better prices for their products, through the operation of this bill, it does not necessarily follow that the cost of the finished product to the consumer will be raised proportionally. The effect of this legislation will probably be to reduce the spread between the producer and consumer, which in many cases is unnecessarily great.

ORGANIZED LABOR APPROVES

Perhaps no better answer can be given to those who argue that the McNary-Haugen bill would increase the prices of food products to the consumers than to quote the testimony of a representative of one of the largest and most powerful organized group of consumers of this country, namely, organized labor. Mr. Edgar Wallace, officially representing the American Federation of Labor, appeared before the House Committee on Agriculture last spring and urged the committee to give its approval to the McNary-Haugen bill. He told the committee that he did not think it would result in increased prices to the consumers, and even if it did do this that organized labor approved of the bill and were willing to bear any increased price that might result because of the larger benefits which they would receive if agriculture is maintained on a profitable basis. He said that they had more to fear from great corporations boosting the price of food products under existing conditions than they would have from the farmers if this legislation were passed. The following extracts are quoted from Mr. Wallace's statement to the committee:

It seems to me, gentlemen, that the trouble with the farmer is not that the average price of his commodities as sold to the consumer is not high enough. The trouble seems to be that at the time the farmer must sell he finds the market flooded, prices depressed. Now, here is a measure that is favored by the overwhelming majority of the farmers' organizations. * * *

Now, here is a plan that has been formulated by the organizations of the farmers. I do not see how it can injure any other class but people in this country. It is unusual legislation, if you will, but there is an unusual condition confronting us. * * *

Now, here is a measure before the House, or presented to this committee, that would permit the farmers, through their organization and under direction of the Government of the country, to hold their products. I believe that is the main reason for it, so that those men may be able to hold their products until the prices reach the average, so that no man shall be forced to sell on a panicky market. That would benefit them and would injure nobody. * * *

I have said in the past that, if because of the enactment of any law it may be necessary that the workers shall pay more, why, even then we are satisfied, but under this bill I can not see where we would be called upon to pay more. It is only an equalization bill. It is not even as far-reaching as the tariff is for manufacturers and industrial producers, inasmuch as it does not definitely raise prices.

Now, gentlemen, the American Federation of Labor is in favor of this bill and asks that it be enacted into law. * * * To me and to the American Federation of Labor it appears that this comes as near being a solution of the farm problem as anything that has been offered here. * * *

If we want to go to the old system of laissez faire, everyone for himself, all right, but then we should repeal every kind of protection. I am not intending to go on record in favor of that, but if there is to be any protection, why, then, let the farmers, whom we know are suffering, let them also have the same benefit of that protection in the interest of the entire country. * * *

Let me say this, that from the beginning of my talk—and I still have the same impression—I feel that this bill is rather intended to keep prices at a certain level the entire year and not that it should tend to raise prices, raise the average of prices. My understanding of the farmers' difficulties has been that those who are least able to hold their crops were the greatest sufferers. Now, here is a proposition that might permit them to hold that crop until the average price is reached, and they then will get about the equivalent of that which is charged the consumer for the raw material.

Mr. FORT. But you would not object to the legislation, and I would not, even though it definitely raised prices, provided that raising prices was necessary to produce the equivalent of living wage to the American farmer?

Mr. W. Absolutely not, even though we had to help pay. I have said that many times.

Mr. F. And that, you feel, is the attitude of labor generally?

Mr. W. That is the attitude of labor. * * *

Mr. W. Mr. FORT, we would fear what seemed probable just a few weeks ago, that some great corporation would get hold of all the foodstuffs. These are the ones who would raise the prices, but we have no fear that under Government supervision, with the farmers taking part, that this proposed law would result in undue raising of prices of the food upon which we depend for our living. We have not any fear of that. We would fear some selfish interest concerning the whole supply and telling the farmer, then, what they shall get and telling us what we shall pay. That has been done in many of the productive industries. The productive industries have been cornered that way and we have had no say so as to what we shall receive as compensation for our work, nor as to what we shall pay for the finished product.

Now, that we fear; but we do not fear a governmental body that will be to a great extent directed by men engaged in the industry, actual producers in the industry—that that would have such an effect upon prices, unduly raising them.

After all, there is a law of diminishing returns, and nobody knows that better than the farmer. Even if they do not know the term, they do know that if they raise the price too much people can not buy and they are smothered in their own surplus.

AN ACT OF JUSTICE

The reports submitted to Congress by the House and Senate Committee on Agriculture dealt with this question of whether the cost to the consumers would be increased. In both reports it was denied that the effect of this legislation would be to greatly increase the cost of living, and it was urged that "no one can honestly oppose an act of justice to the farmer which remedies this situation for the sake of the infinitesimal cost it may mean to him."

COST TO CONSUMERS NOT NECESSARILY INCREASED

It was also pointed out that—

Since the war, price of wheat has fluctuated from a low point of about $1 to a high point of about $2 per bushel. During the same period the retail price of bread in leading cities in the United States has varied less than 5 per cent, according to figures of the Department of Agriculture.

It was also explained that the actual cost of the raw product is only a small part of the cost to the consumer of the finished or processed product. The following is quoted from the report of the committee:

Distributing costs growing larger: The cost of wheat is a very small part of the cost of the loaf. The cost of raw cotton is a very small part of the cost of the cloth. So it is with the other staple crops. The real cost to the consumer lies elsewhere than in the price the farmer gets. The margin between the farmer and the consumer has approximately doubled in the case of most of the farm staple crops since the period immediately before the war.

Much of the increase is due to increased wages of labor; more of it can probably be laid to less justifiable causes. Those who oppose this legislation on the ground that it may increase the cost of living apparently prefer taking the farmer's crops from him at less than a living price, to the more fruitful course provided in this bill.

The following table, made up of figures taken from the 1925 Yearbook of the Department of Agriculture, afford an interesting comparison of the fluctuations in the price of bread to the consumer and the price received by the farmers for wheat:

Year	Wheat; estimated average price per bushel received by producers in United States	Average retail price of bread per pound (baked weight)
1921	104.4	9.9
1922	98.0	8.7
1923	92.4	8.7
1924	127.8	8.8
1925		9.4

FARMERS OFFER THEIR OWN REMEDY

The American farmers after devoting many years of study to the agricultural problem have devised their own remedy in the form of the McNary-Haugen bill. They are now asking Congress to pass the necessary legislation to enable them to try out their plan. They believe they have a measure which is sound economically and which will prove workable if tried. It contains no provision for arbitrary price fixing or Government subsidy; but it seeks to encourage the development of joint marketing, to give to the producers equality of bargaining power with other groups, to assist them in securing for their products the prices which supply and demand and other economic factors justify when a commodity is marketed on an orderly basis, and it seeks to stabilize the industry of agriculture on a profitable and sound economic basis. They believe the Mc-

Nary-Haugen bill will bring about these results and that the attainment of these purposes will be a benefit not only to the farmers but also to the consumers and the country generally.

AT THE PARTING OF THE WAYS

The United States seems to be at the parting of the ways with respect to industry and agriculture.

Strong pressure is being exerted from industrial quarters to bring about a national policy which would result in the crushing of agriculture to the advantage of industry. There is no necessity for crushing either industry or agriculture and the farmers generally appear to have no desire to build up agriculture at the expense of industry. They have become aroused, however, to the inequalities existing under present conditions and they are asking the Government to adopt a national policy with respect to agriculture which will assist the farmers to restore the industry of agriculture on a sound economic basis. It is generally conceded that the prosperity and welfare of the Nation generally is involved in the prosperity and well-being of agriculture. The experiences of other nations have demonstrated over and over again the folly of building up a purely industrial nation at the expense of agriculture. The evils resulting from such a program of exploitation of agriculture for the benefit of industry and the necessity now facing the United States to outline a policy which will protect and promote the agricultural industry, have been ably presented by E. G. Nourse in the Journal of Political Economy (Vol. XXVII, No. 7, covering 1919):

AGRICULTURE BEFORE CIVIL WAR

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In general it may be said that from the time of the loosening of British control until the time of our Civil War the position of agriculture in our economic society was determined largely by natural forces too strong to be in any considerable degree abrogated by political interference. A few special lines of effort, such as woolgrowing on the one hand or iron making on the other, had been manipulated to a certain extent. But our situation and resources were such as to make us inevitably a dominantly agricultural people with, however, an increasing home supply of simple and bulky manufactures in those lines for which raw materials were readily accessible, and a not inconsiderable commerce.

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AGRICULTURE AFTER CIVIL WAR

From the Civil War forward this situation has been greatly altered. The fighting disciples of mercantilism and industrial imperialism have consolidated the easy gains of the war period and the hardly less easy victories which grew out of the subsequent demoralization of agriculture. The homestead act and free immigration, to be sure, inflated the volume of agriculture enormously; but, after the subsidence of war prices, left it with constantly diminishing prosperity. The railroads, both in their control of rates and in their intermediary services in the disposal of public lands (to say nothing of stock subscriptions and contributions of right of way on the part of farmers), waxed great at the expense of the rural class. The manufacturer, protected by a most outrageous series of tariffs, sold high in a market of poor country buyers the goods produced cheaply from low-priced raw materials and labor fed on cheap domestic produce. In the money markets the farmers were given scant service at the highest rate, until their industry showed marked signs of financial anemia.

AGRICULTURE IN SUBSERVIENT POSITION

At the opening of the twentieth century American agriculture stood in just the same subservient position to American industrialism that the Colonies had occupied toward England a century and a quarter before. The inevitable revolution to which that situation must lead was in full progress when the European war broke upon us. The slow realignment of prices brought about by the cessation of geographical expansion and by the progress of cityward migration had brought results in the way of more adequate returns to farm enterprise. Nearly 25 years of agitation had brought reforms in the credit structure which put farming more nearly on an equality with other industries. A tortoise-paced development of rural education had paved the way for a tolerable labor efficiency in the technical phases of agriculture, and another generation may see equal progress in the direction of needful training for the economic organization of the industry.

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At the same time industry (to which, rather than to agriculture, went the nimble dollar of the war speculator and the mobile and newly recruited labor forces of the war period) under the ægis of Government protection and private aid fares forth well armed and provisioned against the industrially devastated or politically hampered rivals which had formerly hemmed it in. Our manufactures have expanded enormously under the stimulus of war. Our merchant marine has grown to astonishing proportions. (And shall we not say to immoderate pretentions?) Our financial institutions have in four years' time achieved as many decades of advancement. The partial desertion of South American and oriental markets by European nations rouses the dream of a commercial and manufacturing future such as we had hardly dared imagine. Mercantilist forces are quite evidently looking forward to scoring heavily in the period which we are about to enter. Possessed of a definite program and effective organization for achieving it, they bid fair to claim the economic future of the United States for their own, little disturbed by the belated protests of less forehanded interests, which may find themselves thereby excluded from their proper place in our economic organization.

Financial and commercial interests are already looking forward to the after-war period as one of great industrial expansion in the "frontiers of the world." * * *

SHALL AGRICULTURE BE CRUSHED?

The United States is exhorted to throw itself into the same program of imperialistic mercantilism which has shaped the destinies of Europe. An economic system which has become lopsided through overdevelopment * * * on its industrial side is not to be allowed to regain its equilibrium by the restoration of its natural center of gravity, but is to be kept from falling by heightening the speed of its motion, like a motorcyclist on a saucer track. We are urged to set deliberately upon that course, whose eventual dangers have appalled even England, to whose situation such a policy is infinitely more suited than it is to ours. A course which, even mitigated as it was by considerations of military self-sufficiency, has been the largest single factor in plunging Germany down to ruin.

If America * * * should follow the lure of ships and foreign markets and industrial greatness without stint or limit, the future adjustment of industries one to another in America must conform to that ideal, and all those interests which in any way run athwart that line of development must impose a self-denying ordinance upon themselves or be put by a strong hand back into their humble place of servitude. If our manufacturers and traders are to meet the competition of the world they must strip themselves of all hampering influences. As we have been adjured during the war to make every domestic sacrifice to the end that our expeditionary forces should feel not the slightest drag upon their rush to victory, so now those who would fare forth to win American supremacy in the markets of the world demand that they shall not be checked either by the hesitancy of government or by the counterclaims of other interests. To further their great mission we should be glad to squander millions, even hundreds of millions, in the construction and maintenance of a merchant marine; we should abate our foolish zeal to regulate business organizations lest we impair their ability to levy capital or to adopt whatever commercial practice may conduce to their success in the face of foreign competition. Neither the maintenance of economic standards at home nor a living wage and decent treatment for sailors afloat must be allowed to handicap these knights of trade so unselfishly eager to set our flag over every commercial rampart of the world. Least of all can they be hampered by aught that would keep the prices of food products and raw materials above the lowest point to which they can by any means be hammered.

Those interests which have in the past prospered upon cheap food and raw materials from a depressed agriculture at home now hope to engineer an even greater boom upon the basis of new cheap sources of these goods in more primitive foreign lands, grandly oblivious to the effect which the lowering of prices would have upon American agriculture and upon the domestic-consumption market. * * * But there are no farmer delegates at the peace table to represent the interests of the American farmer and to urge the adjustment of international economic relations in a manner which will take account of his proper claims when brought into competition with the European peasant and the Asiatic coolie. The foreign missionary of trade preaches still from the text of tariff protection sufficient in amount to equalize home costs with those abroad, but when the farmer suggests the applications of that engaging doctrine to this business, he is told to "go home and slop the hogs."

FARMERS AROUSED

The fact that farmers have voted the burdens of manufacturers' protective tariffs upon themselves year after year because pseudoprotection to farm products was set down in the act as a means of throwing "dust in the farmer's eyes" does not prove that they will continue to wear a ring in the nose * * *.

DEMAND EQUAL BENEFITS FOR AGRICULTURE

If manufacturing, commercial, shipping, and financial interests are to maintain their own advantages and secure yet new ones in the way of tariffs, bounties, public subventions, and private privileges, some patent, more of them disguised, then agriculture must secure countervailing aid and support or find itself in an artificially unfavorable position and steadily losing ground in the unequal struggle. Since we have already embarked upon such a policy of industrial protection; since, in view of the trend of foreign action, we are probably committed to such a course; since the outlook seems even to be for a strengthening of these politico-economic advantages for certain alert and unbashful interests, it behooves us to ponder carefully whether

any impairment of the present position of agriculture in the commonwealth (or shall we say hegemony?) of callings in the United States would not be a serious misfortune.

ENGLAND'S MISTAKE

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To-day England is setting seriously about the restoration of her agriculture, which might quite possibly have been maintained throughout with more economical results in the long run.

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It is too late now to speculate upon what would have happened and what would have been the ultimate balance of gains and losses if mankind could have resisted the intoxication of power which, since the industrial revolution got full swing, has been causing us to lash industry to the maddest race of speculative and ill-balanced development, putting the car of progress in the ditch about once every 20 years—with several hair-raising skids between the grand smashes. But assuredly it is not too late to urge the lords of trade to avoid a rash determination to turn now to the virgin allurements of other countries for agricultural conquest, and away from our own broad-bosomed land, even though her youthful charms have become in some measure faded by use and the passage of time. We are fast coming to the day when such captious inconstancy will be no longer possible, and indeed the long-run wisdom of such a procedure is already under question.

DANGERS IN OVERINDUSTRIALIZATION

Before we commit ourselves to action on the hypothesis that a highly specialized industrial career for the United States, with a greater incoming trade in farm products and a declining domestic agriculture, represents the most economic organization of human effort upon the totality of the world's resources, we must scrutinize the real issue with some care. Even should prices at the moment be cheaper abroad than at home, we should profit little if we organize our economic system so as to get supplies where costs, though now low, are increasing, whereas we might get them permanently provided from a source at which their prices, a modicum higher to-day, are nevertheless on a curve of diminishing costs. The products of extractive industry which are brought from new lands are bound to have their supply-and-demand ratio somewhat rapidly readjusted toward higher prices as these centers are brought upon the economic plane of the older lands. Contrariwise, a country like the United States, its raub-bau checked before its natural resources had been too seriously depleted, and its agricultural producers being in the main of a remarkably high type, if given any decent chance, can keep costs well in hand and even declining through a system of adequately capitalized scientific farming. But this incipient triumph of efficiency for our agriculture as a modern industry is not to be inaugurated amidst slaughtered prices, deprivation of the capital indispensable to an advancing science and machine technic, or a generally weak institutional position for agriculture. Who shall say that if the hundreds of millions, the billions even, which would have to be spent to build and operate ships to go to the "frontiers of the world" and build railways to its uttermost bound were used to relieve the capital deficiency of our domestic agriculture, and likewise if this organizing skill were turned to the captaining of our rural enterprise, they would not produce as great results to-day and equip us better for to-morrow's needs?

OUR OPPORTUNITY

The present moment proclaims its fitness as a time for stabilizing American agriculture under a broad and far-seeing policy upon a basis of permanent efficiency, scaled in accordance with the varied economic resources of our country. We should see to it that the tragic experiences of the abandoned farms of New England and other Eastern States and those others of the eighties and nineties in the subhumid region beyond the Mississippi, shall not be repeated, nor the mournful company be increased by yet others near the margin of what has now become profitable use. Our national agricultural industry was just becoming reestablished in a position fairly harmonious with other lines of economic endeavor when the clamor of a high cost of living threatened to loose upon it a flood of only half-reasoned efforts toward drastic price reduction. The public at large needs to learn that it has only recently emerged from a period of extraordinarily cheap farm products rather than to suppose that it is only temporarily and more or less improperly plunged into a readily remediable situation of high-priced food and textiles.

EQUALITY FOR AGRICULTURE

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Agriculture can rightly claim no vested interest in any special position in our economic system, but it should have full, timely, and competent presentation for its side of these public issues to which it is a party. It should be accorded as good treatment as the "most favored" industry. * * * If, with an honest desire to put out efforts where they will effect the maximum of economic well-being for the whole people, we act only upon the basis of a searching and far-seeing examination of the facts, we shall be able to set forth a policy which will enable manufacturers to occupy the territory which they can hold permanently by the strength of true economic advantage and maintain our agriculture on a basis of size and efficiency capable of adequately supporting this economic structure and of permitting its safe expansion as our technic of living improves.

The McNary-Haugen bill outlines a national agricultural policy which seeks to give legitimate assistance to the producers to enable them to bring about stabilization of the industry of agriculture on a sound and profitable basis. This measure has the indorsement of the American Farm Bureau Federation, the American Cotton Exchange, the Corn Belt Federation, and a long list of other farm organizations. In addition to their support, it also has the indorsement of a large number of State legislatures and business organizations. The farmers are asking Congress to give them a chance to try out this plan by enacting the McNary-Haugen bill into law.

Mr. ASWELL. Mr. Speaker and gentlemen, I was born on a farm, reared on a farm, and all the business out of the Congress I have now is a cotton farm. I have the honor to represent a great agricultural district. My interest in immediate and effective farm relief is self-evident.

Some of you know that I have devoted the primary energies of my life for 14 years to the study of agriculture. I fully recognize the depressed agricultural situation in the country. I am very eager to see something done that will bring immediate and effective relief. I have thought during these years that the ultimate permanent remedy would come through cooperatives large enough in scope to be national in their effect, and to contain more than a majority of the producers of each commodity. In line with that thought I have presented a cooperative marketing bill, which is now on the House Calendar, and is known as the Curtis-Aswell bill. I want it distinctly understood that this agricultural export corporation bill is a new bill and an emergency bill. It has nothing whatever to do with my old bill.

I have concluded that an immediate emergency relief bill should be enacted by the Congress without waiting for the expansion of the present cooperatives. In my earnest efforts to do the best and right thing I can not support an equalization fee. I can not support it, because it is my honest conviction that it is unconstitutional and unworkable. I shall not discuss it now, but it is worthy of notice that no producer in the agricultural or industrial life of this Nation has ever been taxed with a fee to pay the loss, and it is significant that in the entire history of the civilized world no country has ever assessed such a tax upon its producers.

The McNary-Haugen bill is utterly hopeless, for the reason that should it pass both Houses and run the gauntlet of the presidential veto it would immediately be brought before the Supreme Court of the United States on the unconstitutionality of the equalization fee. The law would be held in the Supreme Court very probably for several years, as all informed gentlemen know. It is generally known that when the Haugen bill was before the last session of this Congress several groups had made definite plans to carry the bill, if enacted into law, straight to the Supreme Court of the United States. If it were passed to-day and were signed by the President, it would be from two to three years before it could get out of the Supreme Court and become operative, if at all.

So recognizing the seriousness of this question, having no campaign last summer and fall, I went to Europe and made an extensive study in the leading countries of Europe where cooperative marketing has been developed; through the British Isles, Scandinavia, especially in Denmark; Germany, Holland, Belgium, and France. I went seeking to discover some facts in those old countries that have had cooperative marketing for half a century, some facts that would give a suggestion as to what could be done in the United States, and I remained in each country long enough to familiarize myself with the actual workings of the cooperatives and what the governments were doing for them.

I found not a single fact similar to the conditions in the United States. Our conditions are vastly different, and their operations do not apply to us. I shall not dwell upon that to-day.

I returned with the thought that the agricultural problem in America may be stated in two words: Organization and stabilization—organization of producers and stabilization of prices. My old bill dealt with organization. I came back to this city in October and went to work on a measure, having ever in mind the stabilization of prices. I sought information from every available source. I kept in touch with our distinguished floor leader [Mr. GARRETT of Tennessee] and Mr. HULL and the other leaders on this side for more than two long months. I consulted with officials of the present administration repeatedly. I even discussed the matter with and

sought the advice of certain gentlemen at the other end of the Capitol on both sides of the Chamber.

I sought information from those who I thought could think clearly on this subject, and then I went to work to bring in a bill which, in my judgment, would do the job, a bill free from smoke screens, camouflage, and interminable and equivocal phraseology; to bring in a bill that would not have a meandering of all sorts of dark and perilous trails to reach the point. I studied day and night to write a bill that would go directly to the heart of relief and one that would work. This bill, H. R. 15655, is my best judgment as to what this Congress should do speedily for definite and effective relief for the farmers without the infamous equalization-fee sales tax on the necessities of life.

The bill is simple. I tried to write it so that the farmer in the field as well as a Member would understand the meaning of the language and foresee the object in view. It provides a board, a Federal farm board, consisting of six members, appointed by the President of the United States and confirmed by the Senate, with the Secretary of Agriculture as ex officio member. Five of these members are each to be experienced and skilled in producing and marketing one of the five basic commodities named in the bill, and the sixth member, who is to be chairman of the board, is to represent the public. So far as I know, no other bill has given that consideration to the public.

This bill eliminates the councils, the traveling councils to advise the President, and the commodity advisers, the army of men to travel over the country at public expense. It provides that the President shall appoint these six men after consulting with the producers of each commodity, and no restriction is placed upon them except that they must be skilled and experienced in these commodities. The result is that the operating expenses provided by this bill are not $500,000, as in the other bills, but $250,000.

Last October when cotton was selling at 10 and 11 cents I bought a part of the cotton produced on my farm to aid the men producing it. I paid 1 cent a pound above the market price of that day. I stored the cotton in the warehouse and have it now. As soon as the price advances enough to cover the cost of insurance and storage I shall sell it. That is exactly the way my bill would operate.

The cotton export corporation would buy the cotton at a fair price. I paid the men on my farm a cent above the market price. This cotton corporation would do the same thing. It would buy the surplus at a fair price, hold it, and sell it when the price advances. My own small experience in the matter illustrates precisely what my bill would do for the Nation.

This farm board, when appointed, is authorized to establish an agricultural export corporation for each commodity; to appoint a board of directors consisting of five men to set it up and put it to work to buy, to hold, to sell the surplus of that commodity. This export corporation will proceed not to buy at the lowest possible price to be gotten from the poor farmer, but to buy at a reasonable price now and hold until the price increases and sell again.

Take the case of cotton, because it is now in an emergency. This cotton export corporation, if organized to-morrow, would announce that it is ready to buy the surplus cotton at 15 or 18 cents a pound; not trade down to the lowest, but to say the fair price is 15 or 18 cents. The price of cotton would rise immediately to that level and higher. As soon as the price rises, this export corporation will sell. The result will be that the export corporation can stabilize the price of cotton within a limit of 1 cent, and both producers and consumers of these commodities are praying for stabilization. I have thought this question clearly out and through so carefully and thoroughly that it is my deliberate judgment—and I say it without reservation—that if it were reasonably certain to-day that my bill would be enacted into law, before it passes this House and the other branch of the Congress and reaches the President for his signature, the price of cotton will already have reached 15 or 18 cents. The emergency would be passed and the establishment of the corporation would not be necessary. The same principle would apply to the prices of the other basic commodities mentioned in my bill.

It is well recognized that the prices of agricultural commodities are easily affected by the weather, by rumors, and by potentialities. The very fact that this great export corporation was authorized, properly financed, given full authority, and ready to act at a moment's notice, would be sufficient to hold the price to a fair level.

Now, let me refer by comparison to the two bills. In the Haugen bill it is insisted by its proponents that the main object is to maintain a favorable domestic market without reference to the world market.

The greatest blessing to the southern seaboard along the Atlantic in recent years has been the marvelous and beneficial development of cotton mills. The whole economic life of that great area of our country has been changed and improved. These cotton mills in the southern section of the Atlantic seaboard last year used 4,500,000 bales of our crop, more than all New England combined. There are in the United States to-day 37,426,000 spindles, many of them unemployed and many others running half time because, including the domestic and foreign markets, they do not have business enough to keep them going.

If the Haugen bill should become a law and maintain a favorable domestic market, with a better price for cotton in America than in Europe, it does not take any philosopher to see the results. Unless the board should make an agreement under the provisions of the Haugen bill, with every cotton mill in America guaranteeing that the loss will be paid out of the cotton farmers' pockets, the European cotton mills would get cotton cheaper than the American cotton mills, and therefore these cotton mills in America would be destroyed, because their export trade would be taken away.

The value of the cotton manufactured goods exported by American cotton mills within the past 10 years is $2,000,000,000. It would be very serious for the cotton growers in America to have our cotton mills destroyed. The American farmer, under the Haugen bill, would be called upon to keep every cotton mill, every flour mill, every packing plant running full time, and farmers, out of their pockets, must guarantee a profit on the total operation of all such plants to the owners of those plants, without any active voice in maintaining the honest, able, efficient management of those plants.

Gentlemen, let me repeat what I have already said three times. I know the agricultural conditions of this country are in a deplorable condition; I know my own farmers are distressed and depressed, and I will not cast my vote to tax them further with the equalization fee. [Applause.]

The Haugen bill not only is a tax bill but it proposes a most infamous form of taxation. It proposes a sales tax on the necessities of life. No responsible party in this country under this Government, and no responsible party in any country in the world, ever imposed a sales tax exclusively on the necessities of life; and this is what the Haugen bill does—levies a sales tax on the things that the farmer has to sell.

In other words, the Haugen-bill supporters would have you believe that if you take a farmer, depressed and distressed, and tax him, by some magic Houdini sleight-of-hand performance under the Haugen bill that tax will be transformed into a profit. I feel that I shall be rendering my farmer constituents the highest order of service when I oppose it. [Applause.]

I remind my friends here from the South of a serious impending danger to our section. The Federal farm board under the Haugen bill would be composed of 12 men only 3 of whom would be from the Cotton States, the other 9 would be from sections seeking cheap cotton. Think of it, 9 to 3 for cheap cotton! What can we of the South expect under a sectional board? The lobby-driven Haugen supporters here to-day are in a panic, afraid of their masters. They have been ordered to drive the Haugen bill through to-night with steam-roller methods. Those of us who are greatly concerned for our southern cotton farmers have offered amendments to the Haugen bill to-day providing that the equalization fee Federal tax on cotton should not exceed $5, $10, $15, and finally $25 a bale. These amendments by the lobby-driven Haugen supporters to-day have been voted down, leaving the Federal farm political board free to levy a Federal tax on cotton even in excess of $25 a bale if it decides it needs the money. I was shocked to see Members from the Cotton States, under the Haugen-lobby lash, on a teller vote, go on record against this reasonable limitation of a political board.

View this picture: I am a cotton farmer 22 miles from town. I take 4 bales in my Ford truck to market. A shrewd and friendly new cotton buyer is in town. He offers me three points more than any other buyer. I sell to him and he, of course, deducts, say, only $15 a bale for the equalization fee. He continues his activities that day and buys 40 bales, deducting $600 as the equalization fee tax. He sells his cotton and disappears that night $600 to the good. It is clear that Federal agents and under-cover men must be at every market in America to prevent bootlegging and stealing. This would require an army of Federal agents larger than used under the prohibition law. All of it, under the Haugen bill, to harass and tax the farmer for the privilege in a free country of raising cotton with his own hard labor on his own farm. I do not believe that the honorable, high-spirited, and patriotic farmers will tamely submit. [Applause.]

Those of you who shout, "The Haugen bill or nothing," will be responsible for having no farm relief when the Haugen bill is vetoed by the President or declared unconstitutional by the Supreme Court. You can not escape this grave responsibility. You should change your slogan to "We demand the Haugen bill, which is nothing."

My friends, the bill I present does not camouflage or put up a smoke screen. Here is a corporation that is in the market to buy, to sell, and to stabilize the price of cotton. The same thing would apply with equal facility to rice, to tobacco, to wheat, or to corn. The conditions are different, but the effect would be the same.

Much has been said in these long-drawn-out discussions about overproduction. I want to pause here, gentlemen, to remind you of a serious fact. In every country in Europe where I studied this question I found a united, organized movement to compel the production of food products at home. That makes our future with reference to exports even more serious. In Belgium to-day they have a law prohibiting the exportation of any food products. They require all bread to contain 10 per cent of rye in order to make the Belgian people use their own rye. In Sweden the other day they put a heavy sales tax on all wheat imported from the United States and Canada in order to compel their people to use the soft wheat grown in Sweden. This plan runs straight down the line in all European countries. The problem of overproduction in those countries does not exist.

Germany, with all her efforts, is now producing only two-thirds of the food she needs, but in this country overproduction is the primary or fundamental problem. In my bill I have proposed the most potential force that I can conceive in controlling production. How? This export corporation will be holding your surplus this year. The directors will say to the producers of a commodity, "This is your surplus that will be on the market next year, and if you continue to overproduce you will destroy yourselves." These directors would speak with more power and more effect to the producers than any other body that has been suggested by any other measure or discussion. If the producers refuse to cooperate with the export corporation, the board can terminate the corporation. The producers can thus be forced to cooperate in the matter of acreage reduction.

My bill has been criticized by a few of the timid and some of the uninformed because it is said it puts the Government in business. Well, let us see. In the first place, those timid gentlemen in Congress and out of it who are so afraid of putting the Government into business in agriculture, if they are informed and sincere, why do they not make some move in the Congress to take the Government out of the railroad business, to take the Government out of the shipping business, and to take the Government out of big business everywhere through the tariff? [Applause.]

The amount the Government has aided the railroads to date, including the railroad bonds now held by the Government, is $2,657,329,655.03. The amount the Congress has appropriated to shipping is $3,546,431,876. Yet some gentlemen who support the billions for shipping and the railroads fear that a revolving fund of $250,000,000 for agriculture might be a subsidy. You can not give immediate relief, overnight relief, as you shout for, without appropriating money to agriculture. I propose to do it frankly in the open. [Applause.]

If the critics of my bill are sincere, why do they not start a movement to take the Government out of the production end of agriculture? We have wisely spent billions of dollars in the past through our agricultural colleges, our experiment stations, and extension service. Let us see about these bills in connection with the Government in business. Each of them proposes a revolving fund of $250,000,000. Each bill proposes the same amount and is equally effective in putting the Government into business. I want to ask any critical gentleman this question: If you are sincere in saying that the Government should do something for the immediate relief of agriculture, how can it do anything effectively unless it does put up some money to stabilize prices? It is the only way the Government can do anything speedily and furnish immediate relief. The Government can get behind the farmers and encourage them, as has been done in Denmark for 60 years, and the farmers will build up their own organizations; but if you are not willing to do that slowly, but insist upon doing something overnight, you have to put up some money, the same as you have done for the protected interests. [Applause.]

The only difference is the Haugen bill leads you through mysterious phraseology and in a vague, roundabout way proposes to pay back this $250,000,000 sometime, somehow, and somewhere out of an equalization fee tax to be assessed upon the farmers by a political board and collected by Federal agents. The only difference, gentlemen, in the bill I present is that without any camouflage it goes straight to the thing itself to do the job in the open. It will work. It will accomplish the farm relief we have talked about for all these years and without a Federal tax. [Applause.]

This export corporation to be set up by my bill is a private corporation. The bill specifically provides that the directors shall not be considered as officers of the Government. This export corporation is removed from the restrictions of the anti-trust law. Why? Because then the export corporation can buy the crop outright. In all parts of this country, in the corn, in the cotton, and in the tobacco sections, you will find that the farmers have put their holdings into cooperative warehouses and have been paid 60 or 75 per cent only, while the balance is tied up. The farmers can not get the cash. This bill provides a plan by which this export corporation can buy those holdings from the cooperatives outright and pay them the full value.

My bill does not make any provision for any loans. The farmers, as I know them, do not want any more loans. They want cash and a reasonable price for their products. [Applause.]

Gentlemen, I beg you to consider this proposition. If we want farm relief that will relieve; if we want to accomplish the thing we have been talking about here for five years; if we are sincere, let us get behind a bill that every man who reads may understand and recognize that it will go directly to the heart of this great question. [Applause.]

One or two of the new lobby-driven converts to-day said that there had been no farm organization demanding the passage of the Aswell bill. I would like to say this, that if you will eliminate the lobby for the Haugen bill, the professional farm advocates in the country and in this Capitol at the expense of the farmers, I am convinced that the Haugen bill would not receive exceeding 125 votes in this Chamber. And if you would give the Aswell bill one-tenth the publicity, one-tenth the propaganda, one-tenth of the trading to agitate public sentiment that the Haugen bill has used, my bill would pass almost by unanimous consent, because it is so clear, so definite, so direct, and so effective in its provisions. [Applause.]

Who are the friends of the farmers in this House? Not those who are lobby-driven in the interest of a Republican presidential candidate in 1928; not those who talk sympathetically, but truckle to big business as they try to confuse the situation on this floor to prevent action, and certainly not those who would levy a sales tax upon the already tax-burdened farmer in the form of an equalization fee to create a new army of Federal job holders and tax gatherers to infest the country. The real friends of the farmers here are those of us who demand immediate farm relief that will relieve in a sound business way, without the army of Federal tax gatherers to harass the farmers. We demand relief now by the substitution of my bill, which is constitutional and one which all admit would be effective and successful. [Applause.]

Mr. DEAL. Mr. Speaker, the purpose of the so-called McNary-Haugen bill is said to be that farmers may be placed in the same advantageous position with respect to marketing conditions as that enjoyed by the manufacturing, transportation, labor, and banking interests. I can see but little bearing that banking or transportation has on the subject. As to labor and manufacturing—the farmer has been given every advantage that has been accorded to these classes of our citizenship. It is generally admitted that agriculture has not enjoyed the prosperity incident to other classes of society. But will this law do that which is claimed for it. I think it will not.

The bill proposes to assist only those farmers who raise wheat, corn, hogs, tobacco, rice, and cotton—six of the many products of the soil. These products will by no means embrace the entire agricultural interests. Probably they would involve one-third of our agricultural population, and even among this third the products mentioned do not represent their full production, so that it is exceedingly difficult to determine just how many and to what extent that number would be benefited by the bill in question. If it embraced every kind of agricultural product and could be made to function with equal advantage to each of the products, then we might with propriety say that it is to help the farmer. As a matter of fact, it helps a limited number of farmers, and some of these to a limited extent only.

I desire to discuss as briefly as I may the machinery which this bill proposes to set up in order to fix and stabilize the market price of the six so-called basic products and to take care of the surplus.

First, there is to be a Federal farm board, consisting of 12 members, one from each farm loan bank district, who are

to receive $10,000 per year plus expenses when absent from headquarters in the discharge of their duties. These 12 men are to be appointed by the President of the United States, by and with the advice and consent of the Senate, from a list of eligibles submitted by the nominating committee for the district. This nominating committee is to be created after this manner: The Secretary of Agriculture within 30 days after the approval of this act, and biennially thereafter, by and with the advice of such farm organizations and cooperative associations as he, the Secretary of Agriculture, considers representative of agriculture, shall call a convention in each Federal farm loan bank district and shall designate the number of votes that each such organization shall have. He shall select the time and place at which the convention is to be held and determine the rules of procedure by which the convention may elect members of the nominating committee. The nominating committee selected by these organizations shall consist of seven persons for each district, making in all 84 members of the nominating committee, who shall receive a per diem not exceeding $20 and actual traveling expenses while engaged in the service.

Each nominating committee shall meet, organize, and select a chairman, secretary, treasurer, and such other officers as it deems necessary. You will observe that there is no limit to the number of persons or officers that they may select or compensation they may receive, it being a matter entirely in the judgment of the nominating committee. They must then submit to the President a list of three individuals from each district, and from these three individuals the President must select one as a member of the Federal farm board. Provision is made to fill vacancies in the same manner.

Under the Constitution of the United States provision is made that the President must select all major Federal officers and submit their names to the Senate of the United States for approval. This bill undertakes to qualify this provision of the Constitution by a law which requires that the nominating committee must select the names of three persons, from whom—and from these alone—the President may make an appointment, subject to the approval of the Senate.

Congress, of course, has no right to amend or qualify or change in any particular the Constitution, and so it would appear that this provision of the bill is unconstitutional. It undertakes to set up a separate and independent government for the fixing of farm prices and handling of farm surpluses. It provides that farmers—and farmers only—may be employed by the Government to inaugurate and execute this business. It can not be said that the members of these nominating committees are not Government officers because they are to execute a governmental function and are to be paid out of the Treasury of the United States.

The 12 members of the board, having been primarily selected by these nominating committees, and continuing to be selected by them, will be placed under an obligation to the nominating committees, and therefore must be expected to permit these nominating committees to put in as much time in the service of the Government as they desire at $20 per day and expenses, which is practically at the rate of $10,000 per year.

In addition to this cumbersome and, I believe, illegally functioning nominating committee, the board is empowered and directed to create for each of the so-called basic products an advisory council of seven persons, representative of the producers of such commodities; these persons are to be selected from a list submitted by the heads of the agricultural departments of the several States within the Federal farm loan bank district, thus adding 42 additional persons to feed upon the farmer and the United States Government, at a per diem of $20 and traveling expenses. There is no reason why or limitation to prevent these 42 persons from remaining on duty at all times, thus taking $10,000 a year from the pockets of the farmer for no necessary or adequate service rendered.

Altogether there are to be 138 men, selected from agricultural associations, to lift the farmer from his slough of despond.

Each of these three groups—the board, the nominating committee, and advisory councils—are authorized to have offices, secretaries, clerks, statisticians, experts, lawyers, law books, stationery, printing, with janitors, heat, lights, water, and so forth, and if they should decide to add Victrolas, radios, and pool tables, as an appendage to their offices, there is no power or no law to prevent.

Mr. Mellon has suggested that this outfit will cost $800,000 annually. My own opinion is that Mr. Mellon's suggestion has only scratched the surface, that during the first year it may reasonably exceed $2,000,000, and that within 10 years—to judge from our experience with other bureaus established by Congress—it may well run into $15,000,000 or $20,000,000. For instance, the Department of Labor was organized in 1914. Today it is costing the Government $9,561,305 to operate. The Department of Agriculture is costing the Government at present $139,635,823 a year; the Department of Commerce, $30,632,847; and the Department of the Interior, $227,323,418. The Children's Bureau, beginning with an expense of $25,000, is now using $1,200,000 annually.

The lobbying propensities of the so-called farm organizations have been well demonstrated in the success which they have met, by implied threats, in driving Congressmen into the support of this so-called farm relief bill.

There are many hundreds of farm organizations and cooperative associations in America. With two or three exceptions, none of them has been a success. In the end nearly all have failed, and the deception of the farmer has been demonstrated in that these failed organizations, under the same leaders, reorganize under a new name and start over. But the farmer has begun to see the light and has lost confidence in these benefactors to such an extent that he is unwilling to support them longer.

Finding that their jobs are about to come to an end and that they may find it necessary to seek less lucrative positions, these leaders have made an onslaught upon Congress with the determination of fixing some of their number permanently, definitely, and safely upon the Government pay roll at $10,000 each. They regard themselves as being quite as valuable as a Congressman or a Senator, and have fixed their salaries at the same figure, which will make these positions far more attractive than that of a Congressman or Senator, in that they will elect and reelect themselves to their "jobs" without the expense of going before the people in a general election. All of which is done under the humanitarian cloak of helping the farmer. Fearing lest Congress may become tired of putting up money to support so large an outfit of useless officials to do that which three good men could do to better advantage, it is proposed that they be permitted to tax the farmer to support this organization. They well know, however, that it will not do to use the word "tax," and so they propose to substitute for the word "tax" the phrase "equalization fee"—an amount which the board and their satellites are to fix among themselves—and when they decide that a basic product should be brought under the operation and control of themselves, they fix the amount of equalization fee or tax upon each farmer, and he is compelled to pay it, whether or not he wants to.

The tax is to be collected in the discretion of these gentlemen, who are to be the rulers of the new empire, either from transportation companies, millers, or purchasers—whichever, in the judgment of these gentlemen, will be the easiest for themselves.

This is rather a high-handed procedure, which again runs counter to the Constitution, but what does the Constitution matter to these gentlemen who can see the end of their jobs unless they can devise some plan by which they may use force to maintain them. Congress alone has the right to tax, under the Constitution, and can not delegate that power. Neither Congress nor any other power has the right to deny to any person the privilege of making contracts, nor has it the right to force him into a contract against his will; yet this is what it attempts to do, regardless of a constitutional inhibition.

Congress has no right to tax exports or to delegate the power to anyone else to tax exports (violation number four of the Constitution), but that is just what it is proposed to do—to tax the producer of the basic product in question to take care of the losses sustained in the sale of his exported surplus. I fancy that there will be some kind of a howl raised by such producers when they realize that they will be denied the right to sell their own goods except by the payment of this equalization fee or direct tax.

I recall that in the bright leaf tobacco area of North Carolina after two years' experience with their cooperative associations, the growers refused to ship their product to the association because, not only of the excessive cost of selling, but because they were kept out of the use of their money for many months. These benevolent gentlemen, known as "co-ops.," however, brought suit and forced the producers to sell their goods through them. These contracts were limited as to time in which the co-ops could hold the producers. The same has happened with the peanut grower. I recall that one season half of the gross sale of my crop went to the co-ops, for selling. Under the proposed McNary-Haugen bill there will be no limit as to the time in which the producer may be held.

The farm board seems to be a self-perpetuating body. It may call up any agricultural product and declare it to be basic, by and with the assistance of its advisory council, and then require the producers to pay the equalization fee or tax determined by themselves. There have been many bureaus and boards created by Congress, but never before has it set

up an organization in the interest of any class in which that class, and that class alone, shall be absolute arbiters of those who shall fill the executive offices; and finally, it is proposed to take $250,000,000 out of the pockets of all of the taxpayers, to be used in financing this special interest. Such money may be loaned by the farm board to the farm organizations or to cooperative associations in any amount which they may determine up to and not exceeding $25,000,000. They may select the organization to which they will lend this money; and, so far as I can determine from the bill in question, there is no provision requiring them to demand security for the loans. The opportunities for graft and fraud and corruption are unlimited. The 72 per cent of the American people, the consuming proportion of our population who are to be indirectly taxed to support this measure, are to be permitted no voice through their representatives as to the conduct of the monopoly thus created; in other words, they are to be taxed arbitrarily and their money used to create a monopoly with the power to place upon them such burden as it—the monopoly—may determine, with absolutely no means by which the consumer may reach the wrongdoing or unbusinesslike methods that may be adopted by the monopoly.

If this be constitutional, then we may as well wipe out the Constitution and forget that such a document ever existed. Even under the elastic general-welfare clause there can be by no stretch of the imagination a warrant for such a procedure.

Congress has never loaned money to the banker, manufacturer, or the laborer. The only money loaned to the railroads has been after the Government had spent enormous sums for equipment and terminals, while as a war measure it took over and operated the roads, upset and disjointed their organizations, and then returned them to the owners with the obligations for such betterments to be paid.

Such claims as an excuse for demanding that which is in effect a subsidy are far-fetched and ridiculous; the misstatements and actual falsehoods sent out in propaganda as arguments for this proposed legislation have been unsurpassed and rarely, if ever, equaled. The discredited cooperative associations and bankers with frozen credits in the Northwest are using the farmer as a shield to get their hands into the Federal Treasury. By threats, by logrolling, bartering, and trading this bill may become a law; if so, we will have the most unconstitutional, dangerous, unjust, unsound precedent ever established, in my opinion.

It should be noted that several of our Northwestern States, such as the Dakotas, Montana, and Minnesota, have been carried off their feet with socialistic ideas, and that the two Dakotas, with an aggregate population of something like 1,250,000 people, have practically plunged their States into Government control of business.

They have undertaken to operate banks, grain elevators, and other enterprises, with the inevitable result of failure, and to save their faces, they are constantly knocking at the doors of Congress for financial assistance—with such success that already two appropriation bills have been passed, extending credits to these and other States of the Northwest, which moneys have only partially been repaid. They have become chronic beggars from Congress. They pay practically nothing toward the support of the Federal Government, and so these demands, including the Haugen bill, mean taking money out of the pockets of the people of other States and giving it to them.

The proposed legislation under consideration will add something like a billion and half dollars to the necessities of life for our consumers and quite $1,000,000 of this will come out of the pockets of the people of my district. I resent these raids upon our Treasury as being unjust, unfair, unconstitutional, and without warrant.

Mr. EDWARDS. Mr. Speaker, what I have worked hard for is farm relief, yet it seems we are about to get "farm burden" instead through the drive of the "wheat lobby," the speculators, and the packers. Honesty of purpose, devotion to duty, and love of country, coupled with the exercise of the conscience given us by our Maker with which to choose between right and wrong, direct us in reaching honest convictions. I impute to no Member or Senator anything except honest convictions and earnest desires to help relieve the distressed condition of agriculture. We are all in earnest in this, and we all recognize the problem.

EDWARDS FARM RELIEF BILL

In the first session of this Congress I introduced and have since advocated a bill that would have given relief. It is known as the Edwards Farm Relief Bill, H. R. No. 12539, and calls for $300,000,000 for farm relief. One-half, or $150,000,000, of this revolving fund is proposed for the relief of the cotton farmers, and it carries no tax or equalization fee. My bill was, I think, the first one of the farm relief bills to include tobacco as one of the crops to be benefited. Some of the other bills have since been made to include tobacco. I therefore modestly claim the credit for the inclusion of that product, if it is finally carried.

GEORGIA COTTON FARMERS FAVORED CRISP RELIEF BILL

Complying with the request of the Georgia Cotton Growers' Cooperative Association, and believing it to be sound and wise, I advocated and worked for the Crisp farm relief bill. It would have given real and immediate relief to our section and would not have imposed a tax or equalization fee on cotton and other farm products. Nearly all the Georgia delegation supported it. This bill is broad enough not only to take in a few basic crops but all agricultural crops. I read the following:

ATLANTA, GA., *January 20, 1927.*

Hon. C. G. EDWARDS, M. C.,
Washington, D. C.

DEAR MR. EDWARDS: Like yourself I am intensely interested in the various farm-relief measures now pending in Congress, and I am so hopeful—for the good and benefit of our producers who are in such distress at this time—that something constructive and beneficial in the way of legislation will be enacted.

I have studied all of the pending bills and believe the Curtis-Crisp bill, as recently introduced in the House by Judge CHARLES R. CRISP, of our own State, and in the Senate by Senator CURTIS, of Kansas, contains the best principles and the soundest legislation for the farmers of any of the proposed bills.

I hope you have had an opportunity to go into this bill thoroughly by this time, as I know you are intensely interested in doing anything that makes for the good of the people not only of your district but of your State and section.

I also wish to say that when you have completed your study of this, along with the other bills, I trust you will find it possible to cooperate with Judge CRISP in helping to get enacted into law the principles, at least, of the Curtis-Crisp bill.

Assuring you that the valuable assistance you can render in the matter of farm-relief legislation will be of invaluable benefit to the farmers of this State, and thanking you for the splendid interest you have shown in our matters heretofore, I am, with kind personal greetings,

Yours very truly,

J. E. CONWELL,
President-General Manager
Georgia Cotton Growers Cooperative Association.

The Savannah Press, one of the most progressive and constructive daily papers in our section of Georgia, in an editorial on January 14, 1927, said:

If the Government is going to accord any relief to the farmers in the West and South, the Curtis-Crisp bill is the best bill we have seen.

FARMERS AGAINST THE COTTON TAX

In the hundreds of letters I have received from farmers none of them have advocated the idea of putting an equalization fee on cotton. They know it is a compulsory tax with a penalty attached if it is not paid, and they know it means confusion, trouble, and additional expense, with no guarantee of any resulting benefits to cotton growers. In each case they have asked me to oppose the plan of putting a tax on cotton, hogs, and other farm products. That I have consistently done. I have stood consistently for tax reductions and against the imposition of any new equalization fees and taxes that would mean additional burdens to the people.

The Aswell bill carried no tax or fee on cotton, and, like the Crisp bill, it provides $250,000,000 as a revolving fund. The McNary-Haugen bill carried no more than that, and proposes to keep it up by the levy of an unlimited equalization fee or tax upon cotton and hogs, as well as some other basic crops mentioned therein. The Crisp bill lost out by only about 20 votes, and I think the RECORD will show the Aswell bill lost out by only 18 or 20 votes. These measures must have had great merit, and one or the other of these bills would have been enacted if they had been sponsored by Republicans instead of southern Democrats. I advocated and worked hard for any workable plan that would give relief and not impose a tax on the farmers. Hon. Charles S. Barrett, president of the National Farmers' Union, is a Georgia farmer, a very able man, and, of course, intensely interested in all that will benefit agriculture. No one has heard of him opposing the Crisp or the Aswell bill, nor have I heard of him advocating the McNary-Haugen cotton taxing bill. He has been right here off and on all through the session of Congress, and if he had been for the cotton taxing bill he would have let us know that fact.

The McNary bill, which first passed the Senate and which was the same as the Haugen bill in the House, was substituted by a gag rule in the House for the Haugen bill. It was care-

fully considered in the Senate. Both the Georgia Senators, two of the ablest men in the Senate, voted against it. Senators HARRIS and GEORGE have the interest of the people of Georgia and of the whole country at heart. Outstanding Senators from the South, like Senators HEFLIN, of Alabama, BLEASE, of South Carolina, HARRISON and STEPHENS, of Mississippi, OVERMAN, of North Carolina, SWANSON and GLASS, of Virginia, and others, voted against the McNary-Haugen bill carrying its taxes on cotton, hogs, and other farm products. It was rushed through the House under the "gag rule," pushed by the "wheat machine" and the packers, who are by its terms guaranteed profits. These profits will have to be paid by the farmers who pay the equalization fees to keep up the revolving fund. Why did they not guarantee the cotton growers a profit and fix equalization fees also on the speculators, the manufacturers, and the packers? That was not done, and the bill would not have passed had it been done. It is not right that the farmer be taxed upon his cotton, hogs, and crops to guarantee a revolving fund that the speculator, the manufacturer, and packer might be assured profits above cost of operations, when absolutely nothing, not even an increase in price of cotton, is guaranteed to the farmers. The farmers in some sections have been shamefully misled by demagogues, office seekers, and paid lobbyists upon this question, and in some cases have been made to believe the Haugen bill is farm relief. To wheat growers it might be. Certainly to the cotton growers it is ruination rather than relief.

FOLLOWED SOUTHERN DEMOCRATS

As is well known Congressman CRISP, the author of the Crisp farm relief bill, for which I voted, is one of the ablest men in the House. He, like Doctor ASWELL, the author of the Aswell bill, is a leading Southern Democrat. They are both interested in farms and run farms. They perhaps know more intimately the needs of the cotton farmers of Georgia and the South than do Congressman HAUGEN, of Iowa, and Senator MCNARY, of Oregon, the co-authors of the McNary-Haugen bill. I preferred to follow the lead of my Democratic colleagues whom I know to be earnestly interested in our problems than the two distinguished Republicans standing sponsor for the McNary-Haugen cotton taxing bill. Hon. FINIS GARRETT, of Tennessee, the Democratic floor leader and a great statesman, moved to strike out the unlimited equalization fee on cotton, which experts estimate will perhaps amount to as much as $25 per bale, carried in the McNary-Haugen bill, but this was voted down. The McNary-Haugen bill is known as the "Corn Belt" bill. It will help the wheat growers but it will not benefit cotton growers, because there can be no tariff levied on cotton over 60 per cent of which is exported, and besides it will increase the price of flour and other provisions to the southern consumers as is so well pointed out in an editorial from the Savannah Morning News, one of the leading and most conservative newspapers in the South, which is as follows:

The farm relief bill is nearing its fate in Congress.

Both Houses are debating it; and it looks like it might be passed. It has passed the Senate, both Georgia Senators voting against it.

The latest report is that President Coolidge will sign it, although everyone knows he is dreadfully opposed. Then the measure will be sent to the Supreme Court, which will hold it up until after the Presidential election. This will give the President a breathing spell. It's a political move.

Commenting on the cotton feature of the bill the Washington Post says:

"The plan is to be applied to cotton. Why cotton growers should be induced to enter into this scheme is beyond comprehension. The market for cotton can not be extended by withholding the product. Is it intended that the proposed Federal farm board shall create an artificial shortage of cotton for export? An attempt to do so would merely result in piling up a still greater surplus. Cotton growers are raising a surplus already. The foreign market consumes just so much and no more. If growers are assured that their surplus will be cared for by the Government board, they will greatly increase the output, and will be worse off than they are now. Americans will not buy this surplus, and neither will foreigners. Who will stand the loss? It can not be passed on to the ultimate American consumer, because there is no such animal.

"When cotton growers join wheat growers in supporting the McNary-Haugen bill they merely pave the way for an increase in their own cost of living. The price of wheat will go up, and the Southern farmer will have to pay more for bread; but the price of cotton can not be boosted in the same proportion. On the contrary, the price of cotton is very likely to be hammered down under the operation of the McNary-Haugen bill on account of the stimulus that will be given to overproduction. Thus the Southern planter will get the worst of it.

"The McNary-Haugen bill is a plan for increasing the cost of bread, ham, and bacon to American consumers. If the plan operates successfully, it will have that effect."

WILL THE COTTON TAX BE OVER $25 PER BALE?

Congressman W. C. WRIGHT, of Georgia, one of the ablest men in either branch of Congress, when it was apparent the McNary-Haugen bill would pass the House, offered an amendment that the equalization fee be limited not to exceed $5 per bale, to safeguard our farmers against this "gouge," but it was voted down by the "wheat steam roller." He then offered an amendment that it should not exceed $10 per bale, which was also smothered out by the packers who are guaranteed a profit out of the taxes that will be wrung from the cotton growers. To see to what extreme they would go and to test them out as to how high they expect to levy this unjust and infamous cotton tax to keep up the salaries of the big organization they are to manipulate agriculture with, the distinguished and alert Georgian then offered an amendment to limit the cotton tax not to exceed $25 per bale, and they voted that down. So the "sky is the limit," and while this tax is not to be collected at the gin, it is compulsory and unlimited, and evidently the proponents of this "farm burden" scheme think it will be necessary to tax cotton to even more than $25 per bale under the Iowa plan. Am I right in declaring I would not vote for a bill carrying any such burden on our farmers? I do not want to pay the tax nor do I believe any other man interested in farming wants to pay it, especially as no guaranty is given to increase or sustain the price of cotton. This same Haugen scheme has been pending five or six years and has never had even the slightest influence upon the price of cotton, except to send it downward. When it was apparent a few weeks ago that the Curtis-Crisp or the Aswell bills might pass, cotton went up, because those measures, carrying no fee or tax, are drawn to help cotton. They would give the needed relief.

Congressman HARE of South Carolina, who is a recognized authority on economics, who has the confidence and respect of the whole Congress, offered an amendment to prevent gambling in cotton and cotton futures by the board which is created under the McNary-Haugen bill, and even this was voted down. The bill provides the fee or tax shall be levied and collected, not at the gin, but at the depot when the cotton is shipped, or at sale for resale or when sold for manufacture. This is to deceive the farmer and make him think he is not paying it, but, as a weekly newspaper, in the district which I have the honor to represent, so aptly said: "It is merely paying the freight at the other end of the line, instead of prepaying it." There is a demagogic provision in the bill, put on as a "political fire escape" for those who voted for it, providing that the farmers can first meet in a State convention and pass on it. Evidently they had some doubt as to whether the farmers want to be taxed. Think of this kind of "dodge"! Then, too, almost every lawyer of any ability in either branch of Congress has convictions, deep down in his heart, as to the soundness and constitutionality of the bill. Why pass a bill that is likely to be vetoed or will be tied up in the courts? Relief is needed now. Everyone knows the Crisp and Aswell bills are not only workable but they are sound and constitutional, and each of them give just as much money—$250,000,000—to the farmers as the wheat bill authorizes. The farmers are heavily burdened now, yet it is proposed, in the Iowa plan, that they lift themselves by their own "boot straps." The McNary-Haugen bill provides they shall, out of their poverty and bankruptcy, in order to relieve themselves, submit to an unlimited tax on their cotton which, under the action of the House in voting down the amendments to limit the fees, can be in excess of $25 per bale, in order that the losses from the revolving fund may be made good.

Made good by whom? By the farmers of Georgia and other cotton-growing States. What for? To pay high salaries to 12 members of the board who are to get $10,000 and expenses each, not to speak of the horde of inspectors and salary "leeches" that will be put on under this legislation to collect the cotton and hog taxes and to administer this monstrous hydra-headed, tax-sucking farm-burden bill. It is estimated by the best actuaries of the country that it will cost over $1,000,000 the first year to get it organized and to try to administer it. It never will work and while it might give a temporary impetus to prices, it will prove a failure and will bring trouble and disappointment in the end. I want something done that will help more than hurt them. I hope earnestly that we may yet work out something that will give immediate relief. All other industries, the railroads, banking interests, and the shipping business have received large governmental subsidies amounting in all to billions of dollars and no tax or fees have been required

of them to keep up their revolving funds. Why tax the farmer on his cotton, hogs, and other products to permit him the privilege of helping himself? Don't we know the farmer does not want to be taxed any more than he is now taxed? Do not we know that he does not want to be "equalized" out of $25 per bale on his cotton? If we know that, why have we shown the "weak-knee" by putting it on him and then taking the "dodge" behind the "political hide-saving" convention plan?

They have put in a provision that the cooperatives can get insurance on their cotton. Why limit this to the cooperatives if it is not to force the farmers into the cooperatives? There are less than 10 per cent of the farmers in the cooperatives. The cooperative idea is a good one; but if the farmer does not want to voluntarily join the cooperatives, why force him, through this McNary-Haugen plan, to join the cooperatives before he can get the benefit of the insurance feature? Is it right? I fear we are drifting into too much regulation, too much meddling into the affairs of the individuals. The people are tired of it. We have too many laws and regulations now. Even the lawyers can hardly keep up with the laws and regulations. Expense of government is too high. The Federal Government alone is costing over $4,000,000,000 per annum and still mounting upward. In the meantime the people groan to keep it up through the tariff and other taxes. Now this new plan of taxing our cotton and hogs is proposed.

RELIEF BY REDUCING TARIFF AND FREIGHT RATES

We all know the profiteering high tariff, for which the people of Iowa and Oregon stand, is largely what is causing the trouble with agriculture. Everything the southern farmers buy is protected by a high, profiteering tariff tax. For instance, a wagon without the profiteering tariff tax would be about one-half in its cost, and so on with everything the farmer buys. Now, if the proponents of the McNary-Haugen bill would join in an effort to reduce taxes, reduce and repeal the profiteering tariff tax on all farm supplies and farm equipment, join in a movement to reduce freight rates, help develop Muscle Shoals so as to get cheaper fertilizer for the farmers, they would have largely solved the farm problem.

If the tariff were reduced and freight rates adjusted and the Crisp or Aswell bill passed, the price of cotton would go, under the law of supply and demand, to at least 25 cents per pound and we would get immediate relief. Everything I own is in farm lands, and all that my kinspeople own is in cotton farms and cotton lands. God knows my heart is in this and I am honest and sincere in wanting to see real relief given, but what a mockery it is to tell a distressed people, "You are 'busted.' We know you owe a lot of money; your property is for sale for taxes; but we are going to put more taxes on you to keep up a revolving fund that you might be able to help yourselves." This was not done in the war finance scheme. It was not done when the railroads were saved and put on their feet. It was not done in any other case, and while I favored any of the pending bills that would give even the slightest relief to my people, I did not believe it just or right to put more taxes on them. I detest the idea of shackling the cotton farmers of the South with taxes upon their cotton, hogs, and other farm products, that profits might be guaranteed to manufacturers and packers and giving no guarantee of profit or increase of price to the farmers. It is wrong. My conscience rebels against the injustice of it, and while I know temporarily it is perhaps popular in certain quarters, I know it is wrong in principle. I will not do what I believe to be wrong because the wheat people of the West say it is the only thing that can be done. We do not have to do wrong because it is said to be the only thing open to us. We were not endowed with a conscience to discern between right and wrong just casually, but for a purpose, and I feel that my people have intrusted me with a high commission because they know I will, at all times, do what I believe is right and for their interest.

I have the honor of representing one of the greatest agricultural districts in the South, composed of some of the best people on earth. They do not want a Congressman to stultify himself merely for expediency in order to meet popular favor. I am here trying the best I know how to represent my people, whom I love. There is never a day that I do not ask divine guidance in that regard. I am here every day in their interest. I have not missed a roll call this session of Congress, and every morning as our sweet-spirited Chaplain opens the House with prayer I join in secret prayer for the section I represent, for the peace and happiness of our whole country, and that I may at all times do the right in trying to represent my people. I have followed the dictates of my conscience. I know no man is perfect. No legislation is entirely perfect. In voting for the Crisp and Aswell bills, which would give immediate relief without taxing cotton, hogs, and other farm products, I have voted for genuine farm relief. If I am mistaken in opposing the tax on cotton and hogs, my people will know that I have done what I thought was wise and best for them and their interest and that in it all I have been sincere and honest in my convictions. Time will prove I am right. Time will prove the unsoundness and the unfairness of the McNary-Haugen plan, and it will take the Army and all the marines to fully carry out the collection of the obnoxious equalization fees provided in that complicated and impracticable bill. It will no doubt be several months before the tax will be levied, but it will be, if it becomes a law.

If the payment of an equalization fee meant better prices for cotton, the farmers would not mind paying it, but it has no such meaning or it would be written in the bill, giving a guarantee of profits to the farmer over and above the cost of production, just as it guarantees profits to the manufacturers, the packers, and processors. No such guarantee is made to the farmer.

I have worked hard in advocating farm relief. I voted for every bill that promised relief and imposed no additional taxes or equalization fees. I shall hate to see the farmers taxed. They have not been taxed by my vote. If the South is too weak in its protest in trying to prevent the levy of this tax at this time it will be too weak to repeal the tax when the people begin to demand its repeal. Why play with fire? Why warm a serpent that is certain to sting us? We have only about one-fourth of the membership of the House from the South and we will be helpless to repeal the tax later on. Why did they not pass the bill without the tax and experiment with it, since its advocates say it is an experiment? They know it will never be repealed. It will not be long before the farmers will demand its repeal, if it becomes a law.

ORDER OF BUSINESS TO-MORROW, WEDNESDAY

Mr. GARRETT of Tennessee. Mr. Speaker, to-morrow is Calendar Wednesday. I think many Members wish to understand if it is the purpose to proceed throughout the day with Calendar Wednesday business.

Mr. TILSON. I have talked with members of the committee on call, and of the next committee, as to the bills they have, and am informed by these gentlemen that if all the business that is to be presented by both committees is considered to-morrow it will not take more than two hours, because there would seem to be no contested bills to be considered.

Mr. GARRETT of Tennessee. Well, Mr. Speaker, I think the Members would like to know that the bill now under consideration or that has been under consideration to-day will be taken up Thursday or they would like to know at what hour it will be taken up to-morrow, if it is possible now to arrange it. It seems to me there should be Calendar Wednesday all day or no part of the day or dispense with it. If the gentleman should desire to transfer it to another day, I do not think that would be objected to, but I do think the Members would like to know something definite about it.

Mr. TILSON. We have dispensed with Calendar Wednesday business for a number of Wednesdays until we have reached the time when to-morrow is the last Calendar Wednesday under our rules. I feel that I should be breaking faith in a way with those who have had their bills ready for a long time if I should agree to dispense with Calendar Wednesday to-morrow and thus deprive them of the opportunity of having their bills considered.

Mr. GARRETT of Tennessee. It will be satisfactory if they will take the day and have the understanding that this matter will not come up before Thursday.

Mr. ASWELL. Will the gentleman yield?

Mr. TILSON. Yes.

Mr. ASWELL. Could not the gentleman call the third or fourth or fifth committee?

Mr. TILSON. I do not think that any other committee would have a moral right to do that because the others are so far down on the list that if the first two committees insisted upon taking up all of their bills there would be no time left for any other committee.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. TILSON. Yes.

Mr. CHINDBLOM. If there is time left to-morrow, why not take up the Private Calendar for an hour or two?

Mr. TILSON. I should be willing to do that.

Mr. GARRETT of Tennessee. If we can have the understanding that this bill will not come up until Thursday that will be perfectly satisfactory with me. I should be willing to have it come up to-morrow, but there is a desire, as the gentleman from Connecticut knows, on the part of Members to be certain when this bill will come up.

Mr. TILSON. The gentleman is right about that, but I am not in a position to ask that Calendar Wednesday be dispensed with. I have reached my limit on Calendar Wednesday and can go no further.

Mr. RAMSEYER. Is the gentleman in a position to state, then, that the McNary-Haugen bill will not come up to-morrow?

Mr. TILSON. Mr. Speaker, may I make this request: In case there is time left after the two committees have finished their business to-morrow, I ask unanimous consent that the Private Calendar may be taken up and that bills unobjected to on that calendar may be called and considered.

Mr. RANKIN. Mr. Speaker, reserving the right to object, which two committees?

Mr. TILSON. Territories and Insular Affairs are the two committees that have some small bills which they can get up only under the Calendar Wednesday rule.

The SPEAKER. The gentleman from Connecticut asks unanimous consent that on to-morrow when the business brought up by the two committees having the call shall have been completed it may be in order to consider for the remainder of the day bills unobjected to on the Private Calendar. Is there objection?

Mr. BLANTON. Mr. Speaker, reserving the right to object, I would like to ask the gentleman from Connecticut a question. Is it not possible for the majority leader to arrange to-morrow afternoon some time to take up and pass the Leatherwood bill, that does justice to the old rangers and Indian fighters who are drawing insignificant sums as pensions and were not granted their increases when we granted increases to veterans of the Civil War and to the Spanish-American War?

Mr. TILSON. That is a general bill.

Mr. BLANTON. That bill adjusts their pensions with the pensions of veterans of other wars. They are the ones who have been forgotten and left out, notwithstanding they are just as worthy and deserving as any other veterans. They have been left out in the cold all the way through.

Mr. TILSON. I do not think we ought to take up any public bills, but should consider only private bills on the calendar unobjected to.

Mr. BLANTON. I do not believe there is a single man in the House who would vote against this bill if it was brought up, and it must be passed into law before we adjourn.

Mr. TILSON. I have no doubt that in due time that bill will be considered.

Mr. BLANTON. The trouble about bringing it up is because it affects only 7,000 people.

All together, including widows, there are only about 7,000 Indian-war pensioners. Their small number is one reason why they have been neglected and their rights disregarded and their deserved increases so long delayed. If they numbered 7,000,000, there would be a mad rush to pass this Leatherwood bill.

They average about seven years younger than the Civil War veterans, and they average about 17 years older than the veterans of the Spanish-American War, yet both of these two classes have had their increases granted, while the Indian-war fighters have waited in vain.

While the volunteers in both the Civil War and the Spanish-American War did not enlist for any period longer than three years, many of our brave Indian fighters who served in the Indian wars enlisted for five years.

Our Indian-war fighters had no regular rations, and very little in the way of uniforms, clothing, or equipment usually enjoyed by veterans of other wars. Many days they went without food. Many days they had only hardtack and salt pork. Many times they did not have coffee. Many times they did without water, and with parched, swollen tongues traveled many weary miles only to find undrinkable alkali, when the water holes, from 30 to 200 miles apart, were finally reached.

Their garments were worn until they almost dropped from their bodies. Their boots and shoes were worn until they could no longer be identified as such, and were in many instances replaced with moccasins made out of blankets and old clothing.

When these Indian fighters were wounded, they did not have stretchers and ambulances and hospitals and trained nurses and surgeons to give them attention. Some of them carried arrow heads in their bodies strapped on the backs of their horses and thus carried for miles before receiving any medical relief.

These brave men daily risked their lives to defend and extend the frontiers of this Republic. Civilization expanded from New England to the Rio Grande and from the Atlantic to the Pacific because of the sacrifices made by these patriots.

And how much has this rich Government been paying them in infirm, declining years? The munificent recompense of $20 per month. All of us ought to be ashamed of ourselves. We ought not to let another week pass before we right this wrong. And we must remember that there are some who did valiant service who still receive not one cent.

The men who were left behind to take care of the company's property, and to guard the garrisons, they get nothing, because they were not in the campaigns, when many times their service was just as dangerous.

The telegraph operators, and other signal corps men, who rendered faithful, dangerous, service connected with the protection of our frontiers against marauding Indians, receive nothing, because they were not in engagements and not out on campaigns.

The nurses in hospitals, and those sick in hospitals, receive nothing, although the very few nurses who actually went out on campaigns in ambulances, receive the $20 per month.

The men who guarded the provision trains across the plains, and the men who guarded emigrant trains, and the paymaster outfits, receive nothing because they are not classed as having been in Indian campaigns.

Yet all of the above classes respecting identical service in the Civil War and in the Spanish-American War are drawing $65 per month.

In making up and filing the muster rolls for some of these companies of Indian fighters, their names were inadvertently omitted, yet they are not allowed to prove their service by the sworn evidence of their comrades, because the law says their names must appear on muster rolls, unless same has been destroyed by fire. It is high time that we pass legislation doing them justice.

I sincerely hope that before this Congress adjourns, the majority leader, and the Republican steering committee, will see to it that this bill is passed, and that it is passed by the Senate, and signed by the President, before we adjourn on March 4.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

THE M'NARY-HAUGEN BILL

Mr. RUTHERFORD. Mr. Speaker, I ask unanimous consent to print in the RECORD an editorial from the Macon Daily Telegraph, very fully explaining farm-relief legislation, which may be of some benefit to some of the Members before they vote on the pending bill.

The SPEAKER. The gentleman from Georgia asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. RUTHERFORD. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following article from the Macon Telegraph:

THE M'NARY-HAUGEN MEASURE

The Senate's passage yesterday of the amended and revised McNary-Haugen farm relief bill apparently insures, so far as Congress is concerned, the adoption of that measure as the one through which the Government will attempt to extend aid to the farmer. In the House there is a safe majority in favor of the measure. It passed the House last year with many of the features to which the Senate objected and the new bill was designed to eliminate those objections.

The measure will go to President Coolidge for approval or veto. The inner circles of Washington have it rumored that the President will veto the measure. In fact, he has openly insinuated as much. The question of politics will enter largely into consideration, however, since the leading political observers say that if he vetoes the farm measure, he will be in effect signing his political death warrant in the West.

Much opposition to the McNary-Haugen bill has come from manufacturers of this country, which they argue is class legislation and paternalistic in the extreme. It is readily seen, however, that there is a strong probability that the manufacturers have a right to view its enactment with alarm by reason of the fact that it proposes to sell our surplus in foreign countries in competition with similar products from those countries, while selling at higher prices in this country. In this way foreign manufacturers will very probably get lower prices on raw materials, along with lower prices on their foreign labor, than our American manufacturers will enjoy, and can undersell us at least in foreign territory. As to competition with the foreigner in America, however, that can be and probably will be taken care of by readjustment of the tariff to whatever extent necessary.

Basically, the McNary-Haugen, the Crisp-Curtis, and the Aswell bills are designed to meet the same needs. The difference is in the method of operation and in the attempt of each bill to overcome what its authors believe to be operating defects in the other. In the course of this discussion some of the differences will be pointed out. It is manifestly impossible to discuss in this space the probable economic effect of each provision. It is upon the probable effect that the debates in Congress have proceeded for many months.

The McNary-Haugen bill creates a Federal farm board composed of the Secretary of Agriculture ex officio and 1 member from each of the 12 farm land-bank districts. The membership is selected by the President. The McNary-Haugen bill provides that the cooperative associations of farmers or other organizations controlled by farmers shall nominate three men, from whom the President shall make a selection.

Whenever this board deems a detrimental surplus exists in any of the "basic crops"—designated in the McNary-Haugen bill as cotton, wheat, corn, rice, and swine—it shall declare what is termed an "operating period" in that commodity. In that period the board would assist the cooperatives in removing or withholding or disposing of the surplus. To make that possible the Government appropriates a revolving fund of $250,000,000. It is not intended, however, that the Government shall lose any part of this "stabilization fund."

The McNary-Haugen bill provides that an "equalization fee" shall be imposed upon each unit of product (bale of cotton, bushel of wheat, etc.) during the operating period. With this money the advances for control of the surplus would be repaid to the revolving fund. The bill provides also that money may be lent to cooperatives without the equalization fee, repayable over a period of 20 years. This feature is similar to the provision of the Fess-Tincher bill in Congress last year and merely extends the credit facilities of the Government beyond what they now are.

The bill appropriates $500,000 from the Treasury for expenses of the board. All other costs of administration are to be paid out of the equalization fee. In brief, these are the provisions of the bill itself. There are, however, many of its provisions which require elaboration.

The "equalization fee" has been one of the chief bases of contention. In the old McNary-Haugen bill, which failed of passage, the provision was made that the fee should be paid by the purchaser of the crop. The difficulties of collection were readily apparent, and it was necessary, to give a semblance of effectiveness, to make the fee compulsory. The new bill provides that the fee shall be collected by the Federal farm board from the "miller on milling, or the railroad on transportation, or the purchaser on buying, as the board may determine to be the most suitable in each case." In the event the crop were cotton, the fee would be paid by the gin, or by the buyer, or by the railroad, or by the cotton manufacturer.

There is no definite amount fixed as a fee. That depends upon the discretion of the board. If, for instance, the Federal farm bill fixed upon $5 a bale as the equalization fee for cotton and determined that the cotton-mill owner should pay the equalization fee, the mill owner would pay that $5 less for a bale of cotton than he otherwise would; the broker would give $5 less than he otherwise would. The farmer would pay in the long run, of course, by receiving $5 a bale less than he would were there no equalization fee. The authors of the measure intended that he should, since he is, in theory, to benefit from whatever accretion in price there is in removing the surplus from the market.

As a further illustration, last year's cotton crop of 18,000,000 bales might be taken. If it were desired, for instance, to remove 4,000,000 bales from the market and the board determined that $5 should be the fee on each bale, that fee would be levied against 18,000,000 bales. The board would have $90,000,000 with which to work. That sum would be used to finance the storage of the cotton, and as advances, or marginal loans to the producers. It is apparent, of course, that $90,000,000 would purchase 4,000,000 bales of cotton, but that is not contemplated. It is contemplated only that the producer shall be financed until an "orderly" market for the crop is found.

The "equalization fee" is the heart and soul of the McNary-Haugen bill, since it provides the method of financing.

The thing that is sought to be accomplished, of course, by the removal of surplus from the market, is to create a higher price for the product. Under the present system, the price of cotton at the farmhouse depends upon the entire crop, including the export crop as well as the domestic needs—in other words, the world yield. * * * The market is naturally more depressed when a yield of cotton is sufficient not only to meet all the home needs and to send a large yield abroad that must be sold upon a highly competitive basis. This plan contemplates isolating the exportable surplus from the domestic needs and establishing, in fact, a higher price. The board would determine what the surplus above the needs of American manufacturers is and withdraw from the market all that surplus, so that if the manufacturers buy, they must buy in an active, rather than in a sluggish market. The natural competition of buying would send the price of cotton up. * * *

It was the theory of the authors of the McNary-Haugen bill, for instance, that since American cotton exports are nearly two-thirds of the world's international trade in cotton, such a fund would make it possible for cotton producers to feed the product into the markets of the world in an orderly way, rather than dump, and thus elevate also instead of depressing what is known as the "world price."

So that all farm-relief provisions that are before Congress may be viewed on their relative merits, it is well to give the differences between the McNary-Haugen and the Crisp-Curtis and the Aswell bills. The two latter resemble closely in the form the McNary-Haugen bill, but differ greatly in reality.

The McNary-Haugen bill names as "basic commodities" cotton, wheat, corn, rice, and swine, but provides that loans may be made also to cooperatives handling other crops. The Aswell bill names the same basic commodities as the McNary-Haugen bill, but adds tobacco. The Crisp bill deals with any nonperishable or deteriorable commodity.

The financing differences are greater than any other. The committee bill provides that the producer shall ultimately bear the burden. The Crisp and Aswell bills provide that the Government absorb the losses. The Crisp bill provides that corporations with nominal capital shall be organized and the Government shall furnish them with funds for all working capital needed for operations. Both the Crisp and Aswell bills provide that any losses that accrue as the result of operations shall come out of the Treasury up to the amount of $250,000,000 in operation.

The extent of the Government's participation in business has formed one basis of argument centering around the farm relief bill. The Aswell bill creates Federal corporations to perform the functions which the McNary-Haugen bill places upon the cooperatives. The Crisp bill requires the establishment by cooperative associations of State corporations with nominal capital and outlines their rules of operation. Both the latter bills provide that the Government shall shoulder the loss of operations up to $250,000,000.

The McNary-Haugen bill attempts to arrive at "reasonable cost" on the basis of supply and demand by reducing the supply where a surplus exists. The Aswell bill provides that price shall be measured by "cost of production to efficient producers." It has been contended that the provision is a price-fixing measure.

The McNary-Haugen bill alone provides an equalization fee. It is contended that without the equalization fee it would be impossible for "producers to maintain a domestic price level independent of world prices when a stable market can not be maintained without it."

There is also a difference in the method of selecting the members of the Federal farm board which shall administer the $250,000,000 stabilization fund. The McNary-Haugen bill provides that there shall be in each of the 12 land-bank districts a nominating committee of five, four to be selected at a convention of "representatives of farm organizations and cooperative associations of the district held under the supervision of the Secretary of Agriculture and one appointed by the Secretary of Agriculture." Each of these 12 groups shall select a list of three names, from each of which the President shall make a choice.

The Aswell bill provides that every member of the board shall be a dirt farmer or connected with an agricultural corporation. It does not provide for any method of nomination. The Crisp bill provides that the President shall select the members of the board and that no party shall have more than six members on the board. In other words, the majority party, which happens to be Republican, might have 6, the Democrats 5, and Farmer-Labor 1, or any other such arrangement, if the ratio 6 of one party is maintained.

HOUSE BILLS PRESENTED TO THE PRESIDENT

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that this day they presented to the President of the United States, for his approval, the following bills:

H. R. 1231. An act for the relief of Mary Moore;

H. R. 3432. An act for the relief of Joel C. Clore; and

H. R. 9319. An act to authorize certain officers of the United States Navy to accept from the Republic of Chile the Order of Merit, first class, and the Order of Merit, second class.

ADJOURNMENT

Mr. HAUGEN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock p. m.) the House adjourned until to-morrow, Wednesday, February 16, 1927, at 12 o'clock noon.

COMMITTEE HEARINGS

Mr. TILSON submitted the following tentative list of committee hearings scheduled for Wednesday, February 16, 1927, as reported to the floor leader by clerks of the several committees:

COMMITTEE ON APPROPRIATIONS

(10.30 a. m.)

Second deficiency bill.

COMMITTEE ON BANKING AND CURRENCY

(10.30 a. m.)

To incorporate the Federal reserve pension fund, to define its functions (S. 3657).

COMMITTEE ON THE CENSUS

(10.30 a. m.)

For the apportionment of Representatives in Congress (H. R. 13471).

COMMITTEE ON WAYS AND MEANS

(10.30 a. m.)

Salaries of employees of the customs service.

COMMITTEE ON INSULAR AFFAIRS—JOINT MEETING WITH THE SENATE COMMITTEE ON TERRITORIES

(10.30 a. m.)

To create the Philippine leprosy commission and to provide facilities in the Philippine Islands for the care and treatment of persons afflicted with leprosy (H. R. 16618).

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

977. A letter from the Secretary of Commerce, transmitting statement of the expenditures in the Coast and Geodetic Survey for the fiscal year ended June 30, 1926; to the Committee on Expenditures in the Department of Commerce.

978. A communication from the President of the United States, transmitting supplemental estimate of appropriations for the Post Office Department for the fiscal year ending June 30, 1927, pertaining to the vehicle service, $965,000; also proposed legislation affecting the use of existing appropriations (H. Doc. No. 717); to the Committee on Appropriations and ordered to be printed.

979. A communication from the President of the United States, transmitting supplemental estimates of appropriations for the Treasury Department for the fiscal year ending June 30, 1927, $5,000, and for the fiscal year ending June 30, 1928, $150,000; in all, $155,000 (H. Doc. No. 718); to the Committee on Appropriations and ordered to be printed.

980. A communication from the President of the United States, transmitting supplemental estimate of appropriation for the fiscal year ending June 30, 1927, to remain available until expended, for the War Department, for the acquisition of the Cape Cod Canal, $5.500,000 (H. Doc. No. 719); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. BURTON: Committee on Rules. S. J. Res. 110. A joint resolution authorizing a joint committee of both Houses to consider the purchase of the right to an unrestricted use of the Harriman Geographic Code system under patents issued, or that may be issued, and also the unrestricted use of all copyrights issued, or that may be issued, in connection with the products of the Harriman Geographic Code system for all governmental, administrative, or publication purposes for which the same may be desirable; with amendment (Rept. No. 2084). Referred to the Committee of the Whole House on the state of the Union.

Mr. SNELL: Committee on Rules. H. Res. 423. A resolution providing for the consideration of H. J. Res. 352, a joint resolution to provide for the expenses of the participation of the United States in the work of a preparatory commission to consider questions of reduction and limitation of armaments; without amendment (Rept. No. 2085). Referred to the House Calendar.

Mr. ROBSION of Kentucky: Committee on Mines and Mining. H. R. 15827. A bill to amend section 2 of an act entitled "An act authorizing investigations by the Secretary of the Interior and the Secretary of Commerce jointly to determine the location, extent, and mode of occurrence of potash deposits in the United States and to conduct laboratory tests"; with amendment (Rept. No. 2086). Referred to the Committee of the Whole House on the state of the Union.

Mr. HILL of Alabama: Committee on Military Affairs. H. R. 13482. A bill to authorize and direct the Secretary of War to receive evidence with respect to a charge of desertion affecting certain soldiers who served in the Confederate Army; without amendment (Rept. No. 2087). Referred to the House Calendar.

Mr. WINTER: Committee on the Public Lands. S. J. Res. 120. A joint resolution authorizing the acceptance of title to certain lands in Teton County, Wyo., adjacent to the winter elk refuge in said State established in accordance with the act of Congress of August 10, 1912 (37 Stat. L. p. 293); without amendment (Rept. No. 2089). Referred to the Committee of the Whole House on the state of the Union.

Mr. FISHER: Committee on Military Affairs. S. 1487. An act to authorize the Secretary of War to class as secret certain apparatus pertaining to the Signal Corps, Air Service, and Chemical Warfare Service, and empower him to authorize purchases thereof and award contracts therefor without notice or advertisement; with amendment (Rept. No. 2090). Referred to the Committee of the Whole House on the state of the Union.

Mr. FROTHINGHAM: Committee on Military Affairs. S. 4851. An act authorizing the Secretary of War to convey to the city of Springfield, Mass., certain parcels of land within the Springfield Armory Military Reservation, Mass., and for other purposes; without amendment (Rept. No. 2091). Referred to the Committee of the Whole House on the state of the Union.

Mr. FISHER: Committee on Military Affairs. H. J. Res. 324. A joint resolution authorizing the use of a portion of that part of the United States National Cemetery Reservation at Chattanooga, Tenn., lying outside the cemetery wall, for a city pound, animal shelter, and hospital; without amendment (Rept. No. 2092). Referred to the Committee of the Whole House on the state of the Union.

Mr. KIESS: Committee on Insular Affairs. S. 2770. An act to confer United States citizenship upon certain inhabitants of the Virgin Islands and to extend the naturalization laws thereto; without amendment (Rept. No. 2093). Referred to the House Calendar.

Mr. JAMES: Committee on Military Affairs. S. 4964. An act transferring a portion of the lands of the military reservation of the Presidio of San Francisco to the Department of the Treasury; without amendment (Rept. No. 2094). Referred to the House Calendar.

Mr. KIESS: Committee on Insular Affairs. H. R. 17142. A bill to amend section 4 of the act entitled "An act to provide a temporary government for the Virgin Islands, and for other purposes," approved March 3, 1917, without amendment (Rept. No. 2095). Referred to the House Calendar.

Mr. WURZBACH: Committee on Military Affairs. S. 2037. An act to amend that provision of the act approved March 3, 1879 (20 Stat. L., p. 412), relating to issue of arms and ammunition for the protection of public money and property; with amendment (Rept. No. 2101). Referred to the Committee of the Whole House on the state of the Union.

Mr. QUIN: Committee on Military Affairs. H. R. 16469. A bill authorizing an appropriation for the repair and resurfacing of roads on the Fort Baker Military Reservation, Calif.; without amendment (Rept. No. 2102). Referred to the Committee of the Whole House on the state of the Union.

Mr. HOCH: Committee on Interstate and Foreign Commerce. H. R. 17089. A bill relative to the dam across the Kansas (Kaw) River at Lawrence, in Douglas County, Kans.; without amendment (Rept. No. 2103). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XII,

Mr. WINTER: Committee on the Public Lands. S. 4669. An act for the relief of the Kentucky-Wyoming Oil Co. (Inc.); without amendment (Rept. No. 2088). Referred to the Committee of the Whole House.

Mr. REECE: Committee on Military Affairs. H. R. 14977. A bill for the relief of William Taylor Coburn; with amendment (Rept. No. 2096). Referred to the Committee of the Whole House.

Mr. GLYNN: Committee on Military Affairs. H. R. 13119. A bill for the relief of Matilda Klopping; without amendment (Rept. No. 3097). Referred to the Committee of the Whole House.

Mr. FROTHINGHAM: Committee on Military Affairs. H. R. 16080. A bill for the relief of Calvin H. Burkhead; without amendment (Rept. No. 2098). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BOYLAN: A bill (H. R. 17153) to provide for the refitting of the frigate *Constitution;* to the Committee on Naval Affairs.

By Mr. JOHNSON of Washington: A bill (H. R. 17154) to amend clause (6) of section 3 of the immigration act of 1924; to the Committee on Immigration and Naturalization.

By Mr. O'CONNOR of Louisiana: A bill (H. R. 17155) to authorize and direct the Secretary of War to accept an act of sale and a C. S. B. dedication of certain property in the city of New Orleans, La., from the board of commissioners of the port of New Orleans, and for other purposes; to the Committee on Military Affairs.

By Mr. LUCE: A bill (H. R. 17156) to authorize the construction of new conservatories and other necessary buildings

for the United States Botanic Garden; to the Committee on the Library.

Also, a bill (H. R. 17157) to authorize an appropriation to provide additional hospital out-patient dispensary facilities for persons entitled to hospitalization under the World War veterans' act, 1924, as amended; to the Committee on World War Veterans' Legislation.

By Mr. LOWREY: A bill (H. R. 17158) to provide for the national defense and to aid agricultural and industrial development by creating the United States Muscle Shoals Corporation, and for other purposes; to the Committee on Military Affairs.

By Mr. ALLGOOD: Joint resolution (H. J. Res. 361) providing for the operation of Muscle Shoals by the Government for the purpose of producing fertilizer, and for other purposes; to the Committee on Military Affairs.

By Mr. BURTON: Concurrent resolution (H. Con. Res. 53) to print a revised edition of the Biographical Directory of the American Congress up to and including the Sixty-ninth Congress; to the Committee on Printing.

By Mr. McSWAIN: Concurrent resolution (H. Con. Res. 54) creating a special joint committee to investigate and report to Congress what amendments, if any, are desirable to be made to the cotton futures contract law, regulating cotton exchanges, and the effect of same on cotton prices; to the Committee on Rules.

By Mr. SUMMERS of Washington: Resolution (H. Res. 424) authorizing the Committee on Irrigation and Reclamation to make an inspection of the Columbia Basin project before Congress convenes December 5, next; to the Committee on Rules.

By Mr. GLYNN: Resolution (H. Res. 425) granting additional compensation to employees of the document room; to the Committee on Accounts.

MEMORIALS

Under clause 3 of Rule XXII, memorials were presented and referred as follows:

Memorial of the Legislature of the State of Nevada, memorializing the Congress of the United States in opposition to the passage of H. R. 16168; to the Committee on the Public Lands.

By Mr. BACHMANN: Memorial of the Legislature of the State of West Virginia, urging the repeal of the Federal estate tax provisions of the revenue law; to the Committee on Ways and Means.

By Mr. HUDSON: Memorial of the Legislature of the State of Michigan, urging support of the McNary-Haugen bill, for the relief of agriculture; to the Committee on Agriculture.

Also, memorial of the Legislature of the State of Michigan, urging Congress to provide for the continued maintenance of the American Legion Hospital at Camp Custer, Mich.; to the Committee on World War Veterans' Legislation.

By Mr. SWEET: Memorial of the Legislature of the State of New York, recommending a readjustment of the immigration act; to the Committee on Immigration and Naturalization.

By Mr. SABATH: Memorial of the Legislature of the State of Illinois, urging legislation in the interest of the disabled emergency Army officers; to the Committee on World War Veterans' Legislation.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. ADKINS: A bill (H. R. 17159) granting an increase of pension to Mary A. Chandler; to the Committee on Invalid Pensions.

By Mr. BACHMANN: A bill (H. R. 17160) granting a pension to Rebecca Williams; to the Committee on Invalid Pensions.

By Mr. BRAND of Ohio: A bill (H. R. 17161) granting an increase of pension to Harriet E. Randall; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17162) granting a pension to Nettie Lee; to the Committee on Invalid Pensions.

By Mr. CELLER: A bill (H. R. 17163) for the relief of the heirs of Harris Smith; to the Committee on Claims.

By Mr. CONNOLLY of Pennsylvania: A bill (H. R. 17164) granting an increase of pension to Robert M. Daniels; to the Committee on Pensions.

By Mr. FAUST: A bill (H. R. 17165) granting a pension to Mary F. June; to the Committee on Invalid Pensions.

By Mr. W. T. FITZGERALD: A bill (H. R. 17166) granting an increase of pension to Bethenia A. Johnson; to the Committee on Invalid Pensions.

By Mr. GREENWOOD: A bill (H. R. 17167) for the relief of Thomas Purdell; to the Committee on Military Affairs.

By Mr. HALL of Indiana: A bill (H. R. 17168) granting a pension to Christiana Minnich; to the Committee on Invalid Pensions.

By Mr. LAMPERT: A bill (H. R. 17169) granting a pension to Mary Ricker; to the Committee on Invalid Pensions.

By Mr. MAGRADY: A bill (H. R. 17170) granting an increase of pension to Mary E. Kline; to the Committee on Invalid Pensions.

By Mr. MILLIGAN: A bill (H. R. 17171) granting a pension to Sela Ann Brooks; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17172) granting a pension to Virgil E. Halcomb; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17173) granting a pension to John F. Switzer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17174) granting a pension to Mary E. Piburn; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17175) granting a pension to Martha Kerns; to the Committee on Invalid Pensions.

Also, a bill (H. R. 17176) granting a pension to Emulus G. Wallace; to the Committee on Invalid Pensions.

By Mr. RAINEY: A bill (H. R. 17177) granting an increase of pension to Martha East; to the Committee on Invalid Pensions.

By Mr. TEMPLE: A bill (H. R. 17178) granting a pension to Josephine Christopher; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

6745. Petition by voters of East Liverpool, Columbiana County, Ohio, urging that immediate steps be taken to bring to a vote a Civil War pension bill in order that relief may be accorded to needy and suffering veterans and widows of veterans; to the Committee on Invalid Pensions.

6746. By Mr. ADKINS: Petition of citizens of Rantoul, Ill., urging an immediate vote by Congress on the Civil War pension bill; to the Committee on Invalid Pensions.

6747. Also, petition of the Ministerial Association of Decatur, Ill., pledging their whole-hearted support to the President in his opposition to an enlarged naval building program and pledging their support in the President's splendidly stated policies; to the Committee on Naval Affairs.

6748. By Mr. BARBOUR: Resolution adopted by the Kiwanis Club of Coalinga, Calif., urging action by Congress in regard to Muscle Shoals; to the Committee on Military Affairs.

6749. By Mr. BOX. Petition of citizens of the second district of the State of Texas, favoring Civil War pension legislation; to the Committee on Invalid Pensions.

6750. By Mr. BEERS: Petition from citizens of Huntingdon County, Pa., protesting against any change in the present immigration laws; to the Committee on Immigration and Naturalization.

6751. Also, petition from citizens of Franklin and Juniata Counties, Pa., urging favorable action on pension bill indorsed by the National Tribune; to the Committee on Invalid Pensions.

6752. By Mr. BOYLAN: Petition of directors of the Chamber of Commerce of Minneapolis, approving constructive legislation by Congress which would be of permanent benefit to the agricultural interests of this country, and that in the opinion of the board of directors the McNary-Haugen bill would injure the agricultural interests; to the Committee on Agriculture.

6753. Also, petition of Lieut. H. L. McCorkle Camp, No. 2, United Spanish War Veterans, Department of Tennessee, that Gen. George H. Woods be retained and reappointed as a member of the board of managers of the National Soldiers' Home; to the Committee on Military Affairs.

6754. Also, petition of Lieut. H. L. McCorkle Camp, No. 2, United Spanish War Veterans, Department of Tennessee, that the Senate and the House do defeat section of the bill recently introduced in Congress which pertains to the taking over of all national soldiers homes by the Veterans' Bureau; to the Committee on World War Veterans' Legislation.

6755. Also, petition of the Maritime Association of the port of New York, 78 Broad Street, expressing its approval of Senate bill 3170 provided it is amended so as to carry the limitation of $7,500, and respectfully recommends that this bill be enacted into law at the hands of this Congress; to the Committee on Rivers and Harbors.

6756. By Mr. BRUMM: Petition of citizens of Schuylkill County, Pa., urging increased pensions for the widows and veterans of the Civil War; to the Committee on Invalid Pensions.

6757. By Mr. CAREW: Resolutions of the Senate and Assembly of the State of New York in re House bill 6238; to the Committee on Immigration and Naturalization.

6758. By Mr. CORNING: Petition of sundry citizens of Albany, N. Y., urging the enactment of legislation for the purpose of granting increases of pensions to veterans of the Civil War and their dependents; to the Committee on Invalid Pensions.

6759. By Mr. DAVENPORT: Petition of residents of Herkimer and Oneida Counties, N. Y., favoring the enactment of pending legislation increasing the pensions of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6760. By Mr. DOWELL: Petition of citizens of Winterset, Iowa, urging enactment of legislation increasing the pensions of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6761. Also, petition of citizens of Knoxville, Iowa, urging enactment of legislation increasing pensions of veterans of Civil War and widows of veterans; to the Committee on Invalid Pensions.

6762. By Mr. EATON: Petition of Fannie G. Smith, 1338 Brunswick Avenue, Trenton, N. J., and 43 other citizens of Trenton, N. J., urging immediate steps be taken to bring Civil War pension bill to vote and urging support by Members of Congress; to the Committee on Invalid Pensions.

6763. By Mr. ENGLEBRIGHT: Petition of Orm Duncan, of Anderson, Calif., and sundry citizens of that community, protesting against compulsory Sunday closing for the District of Columbia; to the Committee on the District of Columbia.

6764. Also, petition of the California State Legislature, approving House bill 16473, Sixty-ninth Congress, first session; to the Committee on Agriculture.

6765. By Mr. ROY G. FITZGERALD: Petition of 64 voters of Dayton, Ohio, praying for the passage of a bill to increase the pensions of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6766. Also, petition of the council of the city of Los Angeles, in session assembled, indorsing House bill 4548, for the retirement of disabled emergency Army officers; to the Committee on Rules.

6767. By Mr. W. T. FITZGERALD: Memorial of Immigration Restriction League, opposing repeal of the national-origins basis of the immigration act of 1924 and favoring retention of the same; to the Committee on Immigration and Naturalization.

6768. By Mr. FRENCH: Petition of citizens of Emmett, Idaho, indorsing legislation for increased pension to Civil War veterans; to the Committee on Invalid Pensions.

6769. By Mr. FOSS: Telegrams from New Bedford Cotton Manufacturers' Association, New Bedford, Mass., and the Chamber of Commerce, Minneapolis, Minn., opposing McNary-Haugen farm relief bill; to the Committee on Agriculture.

6770. By Mr. GALLIVAN: Petition of George E. Drake, manager Ward Baking Co., Cambridge, Mass., vigorously opposing enactment of McNary-Haugen farm bill; to the Committee on Agriculture.

6771. By Mr. GARBER: Petition of the Immigration Restriction League (Inc.) of New York, opposing the repeal of the national-origins quota basis for the apportionment of immigration quotas after July 1, 1927; to the Committee on Immigration and Naturalization.

6772. Also, petition of Foose & Brown, attorneys, Watonga, Okla., urging support of House bill 8708, providing for the reduction of the rate of interest on indebtedness of the railroads to the Government; to the Committee on Interstate and Foreign Commerce.

6773. Also, petition of Raymond Largan, M. J. Curran, and R. J. Hopkins, United States Veterans' Hospital, Livermore, Calif., urging enactment of House Resolution 16019 and the repeal of paragraph 7, section 202, World War veterans' act of July 2, 1926, which states, "After June 30, 1927, the monthly rate of compensation for all veterans (other than those totally and permanently disabled) who are being maintained by the bureau in a hospital of any description and who are without wife, child, or dependent parents, shall not exceed $40"; to the Committee on World War Veterans' Legislation.

6774. Also, petition of the Ponca City Chamber of Commerce, urging enactment of legislation to combat the advance of the corn-borer pest in the United States; to the Committee on Agriculture.

6775. Also, petition of the Senate of the State of Oklahoma, the House of Representatives concurring therein, urging enactment of Senate bill 4808; to the Committee on Agriculture.

6776. Also, communications from J. P. Kennedy, Hunter, Okla.; Lee Shorter, Hillsdale, Okla.; and C. A. King, Eddy, Okla., expressing approval of the Haugen bill; to the Committee on Agriculture.

6777. Also, communications from Mrs. Lillie M. Hoffman, Selman, Okla.; L. C. Thomas, Aline, Okla.; C. M. Brant, Dunlap, Okla.; the Oklahoma State Cotton Exchange, Oklahoma City, Okla.; and J. C. Huckaby, Selman, Okla., protesting against the passage of the McNary-Haugen bill; to the Committee on Agriculture.

6778. Also, petition of Frank B. Gigliotti, adjutant, of the Department of Italy, of the American Legion, urging, on behalf of the Department of Italy of the American Legion, the immediate admission into this country of wives and children of aliens in our midst; to the Committee on Immigration and Naturalization.

6779. By Mr. GARDNER of Indiana: Petition of Mary E. Alden and 121 other citizens of Jeffersonville, Ind., urging that immediate steps be taken to bring to a vote a Civil War pension bill in order that relief may be accorded to needy and suffering veterans and the widows of the Civil War; to the Committee on Invalid Pensions.

6780. By Mr. GLYNN: Petition of Alex Jenkins and other voters of Sharon, Conn., urging that immediate steps be taken to bring to a vote a Civil War pension bill carrying increased rates for veterans and widows of veterans; to the Committee on Invalid Pensions.

6781. Also, petition of Mrs. Horace Ganigus, a voter and citizen of Waterbury, Conn., urging that immediate steps be taken to bring to a vote a Civil War pension bill carrying increased rates for veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

6782. Also, petition of Charles M. Richardson, Frederick S. Twitchell, and other voters and citizens of Naugatuck, Conn., urging that immediate steps be taken to bring to a vote a Civil War pension bill carrying increased rates for veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

6783. Also, petition of L. M. Benham, M. Elizabeth Smith, and other voters of Washington, Conn., urging the passage of a Civil War pension bill carrying increased rates for veterans and widows of veterans; to the Committee on Invalid Pensions.

6784. By Mr. GRIFFIN: Resolution of the Maritime Association of the Port of New York, expressing approval of Senate bill 3170 as amended so as to place a maximum amount of $7,500 to be paid on any claim under the act and urging the passage of Senate bill 3170 as so amended; to the Committee on the Judiciary.

6785. By Mr. HERSEY: Petition of Roy L. Powers and 51 other residents of East Millinocket, Me., urging passage of bill to aid the soldiers of the Civil War and their dependents; to the Committee on Invalid Pensions.

6786. Also, petition of George J. Keegan and 57 other residents of Van Buren, Me., urging the passage of legislation to aid the veterans of the Civil War and their dependents; to the Committee on Invalid Pensions.

6787. By Mr. HICKEY: Petition of Mrs. Sarah Walmer and other citizens of Goshen, Ind., advocating the passage of a bill increasing the pensions of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6788. By Mr. HILL of Washington: Petition of Joseph Mowatt and 59 others, of Colville, Wash., protesting against all compulsory Sunday observance bills; to the Committee on the District of Columbia.

6789. Also, petition of Mrs. Addie Brooks and 78 others, of Colville, Wash., protesting against all compulsory Sunday observance bills; to the Committee on the District of Columbia.

6790. Also, petition of G. B. Ruble and 75 others, of Colville, Wash., protesting against all compulsory Sunday observance bills; to the Committee on the District of Columbia.

6791. By Mr. HOOPER: Petition of Raymond L. Lacey and 35 other residents, of Kalamazoo, Mich., in favor of pending legislation to increase the present rates of pension of Civil War veterans and widows and dependents of veterans; to the Committee on Invalid Pensions.

6792. Also, petition of Mrs. Josephine A. Winipy and 56 other residents, of Kalamazoo, Mich., in favor of pending legislation to increase the present rates of pension of Civil War veterans and widows and dependents of veterans; to the Committee on Invalid Pensions.

6793. Also, petition of Albert Ferguson and two other residents, of Montgomery, Mich., in favor of pending legislation to increase the present rates of pensions of Civil War veterans and widows and dependents of veterans; to the Committee on Invalid Pensions.

6794. By Mr. HUDSON: Petition of citizens of Pontiac, Mich., opposing the enactment of House bill 10311, known as

the Sunday observance bill; to the Committee on the District of Columbia.

6795. Also, petition of citizens of Pontiac, Mich., urging the enactment of House bill 10311, known as the Sunday observance bill; to the Committee on the District of Columbia.

6796. By Mr. JOHNSON of Indiana: Petition of J. M. Carrico and others, of Clinton, Ind., for increase of Civil War pensions; to the Committee on Invalid Pensions.

6797. Also, petition of Ves Beasley et al., of Vigo County, Ind., for increase of Civil War pensions; to the Committee on Invalid Pensions.

6798. Also, petition of Frank A. Rector and others, of Riley, Ind., for increase of Civil War pensions; to the Committee on Invalid Pensions.

6799. Also, petition of J. E. Harshbarger and others, of Rosedale, Ind., for increase of Civil War pensions; to the Committee on Invalid Pensions.

6800. By Mr. JOHNSON of Texas: Petition of citizens of Navarro County, Tex., in behalf of legislation increasing pensions of veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

6801. By Mr. JOHNSON of Washington: Petition of citizens of Tacoma, Wash., in behalf of increased pensions for veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

6802. Also, petition of various citizens of Centralia, Wash., opposing American interference in Mexican affairs; to the Committee on Foreign Affairs.

6803. Also, petition of citizens of Clarke County, Wash., in behalf of increased pensions for veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

6804. By Mr. KIESS: Petition from citizens of Hughesville, Pa., favoring the passage of the Elliott pension bill; to the Committee on Invalid Pensions.

6805. By Mr. KINDRED: Petition of 3,700 pharmacists of the New York State Pharmaceutical Association, protesting against Ways and Means Committee bill requiring label to show distillers' price to retail pharmacists and restricting manufacture of new whisky to six distillers and placing existing stock in six warehouses, printing price to retailer on label, which would be unfair to him and would not benefit public, etc.; to the Committee on Ways and Means.

6806. Also, petition of the Chamber of Commerce of the State of New York, urging the United States Congress to make an appropriation for the improvement of Governors Island and the establishment there of a full regiment of Infantry; to the Committee on Military Affairs.

6807. By Mr. KVALE: Petition of the Minneapolis Branch, Railway Mail Association, urging passage of the following bills: House bills 4475, 4476, 13478, and 13474; to the Committee on the Post Office and Post Roads.

6808. Also, petition favoring passage of House bill 16295, a bill to provide for the further development of agricultural extension work between the agricultural colleges in the several States; to the Committee on Agriculture.

6809. Also, petition of Minnesota Federation of National Farm Loan Associations, urging early action by Congress looking toward the completion of the Great Lakes-St. Lawrence waterway; to the Committee on Rivers and Harbors.

6810. Also, petition of Minnesota Federation of National Farm Loan Associations, indorsing the McNary-Haugen bill; to the Committee on Agriculture.

6811. Also, petition of Minnesota Federation of National Farm Loan Associations, protesting against the McLean-McFadden bill; to the Committee on Banking and Currency.

6812. Also, petition of Minnesota Pharmaceutical Association, protesting against the bill requiring distillers to show price of whisky on label; also protesting against restricting the manufacture of new whisky to six distillers; to the Committee on Ways and Means.

6813. Also, petition of 55 residents of Ortonville, Minn., urging that immediate steps be taken to bring to a vote a Civil War pension bill; to the Committee on Invalid Pensions.

6814. By Mr. McFADDEN: Petition of residents of Harford, Susquehanna County, Pa., to bring to a vote the Civil War pension bill carrying the rates proposed by the National Tribune; to the Committee on Invalid Pensions.

6815. By Mr. McLAUGHLIN of Nebraska: Petition signed by residents of Fairbury, Nebr., urging the passage of pension legislation for the relief of veterans of the Civil War and widows of veterans at this session of Congress; to the Committee on Invalid Pensions.

6816. By Mr. MANLOVE: Petition of W. L. Foland, W. B. Parsons, N. F. Waltz, and 12 other residents of Vernon County, petitioning Congress to enact legislation for the relief of Civil War veterans and widows of Civil War veterans; to the Committee on Invalid Pensions.

6817. By Mr. MOORE of Kentucky: Petition signed by 100 voters of Barren County, Ky., urging early and favorable action on pension legislation now pending before Congress; to the Committee on Invalid Pensions.

6818. By Mr. MURPHY: Petition from voters of Salem, Ohio, urging that immediate steps be taken to bring to a vote a Civil War pension bill in order that relief may be accorded to needy and suffering veterans and widows of veterans; to the Committee on Invalid Pensions.

6819. By Mr. O'CONNELL of New York: Petition of the Maritime Association of the Port of New York, favoring the passage of Senate bill 3170, provided it is amended so as to carry the limitation of $7,500; to the Committee on the Judiciary.

6820. By Mr. O'CONNELL of Rhode Island: Resolution of the General Assembly of the State of Rhode Island, recommending to Congress an amendment to the immigration act of 1924 providing that the annual quota shall be based upon the United States Census of 1920; to the Committee on Immigration and Naturalization.

6821. By Mr. PRATT: Petitions of citizens of Ulster County, N. Y., and Greene County, N. Y., urging legislation increasing the pensions of Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6822. By Mr. RAINEY: Petition of John Atterberry and 94 other citizens of Morgan County, Ill., in favor of Civil War pension bill carrying rates approved by the National Tribune; to the Committee on Invalid Pensions.

6823. Also, petition of H. D. Walch and 127 other citizens of Hull, Ill., favoring Civil War pension bill carrying rates approved by the National Tribune; to the Committee on Invalid Pensions.

6824. By Mr. SABATH: Petition of Master Printers Federation, to restore the old 1924 third-class postal rates; to the Committee on the Post Office and Post Roads.

6825. By Mr. SNELL: Petition of residents of Saranac Lake, Plattsburg, N. Y., in behalf of pension legislation for Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6826. By Mr. STRONG of Kansas: Petition of voters of Salina, Kans., urging passage of legislation providing increase of pension for Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

6827. By Mr. STRONG of Pennsylvania: Petition of First Presbyterian Church of Apollo, Pa., in favor of the Sunday rest bill for the District of Columbia (H. R. 10311); to the Committee on the District of Columbia.

6828. By Mr. SUMMERS of Washington: Petition signed by Mrs. Cameron Duncan and 37 others of Wapato, Wash., urging early action on the pending Civil War pension bill; to the Committee on Invalid Pensions.

6829. By Mr. THURSTON: A petition of citizens of Afton, Union County, Iowa, relating to legislation in favor of veterans of the Civil War and their dependents; to the Committee on Invalid Pensions.

6830. By Mr. VAILE: Petition of sundry citizens of Denver, Colo., urging the enactment of legislation looking to granting of increase of pension to veterans of the Civil War and their dependents; to the Committee on Invalid Pensions.

6831. By Mr. VESTAL: Petition of E. B. Moore et al., of Delaware County, Ind., urging passage of pension legislation; to the Committee on Invalid Pensions.

6832. Also, petition of Walter Crosley et al., of Madison County, Ind., relative to passage of bill for increase of pensions; to the Committee on Invalid Pensions.

6833. By Mr. WOODYARD: Petition of citizens of Huntington, W. Va., favoring change in pension laws relating to Civil War cases; to the Committee on Invalid Pensions.

6834. By Mr. ZIHLMAN: Petition of American Legion, Department of Maryland, urging the passage of legislation (H. R. 4548, S. 3027) providing for the retirement of disabled emergency Army officers under the same conditions as are provided for the other eight classes of disabled military and naval officers of the World War; to the Committee on World War Veterans' Legislation.

6835. Also, petition of citizens of Hagerstown, Md., urging immediate action and support of Civil War pension bill providing relief for needy veterans and widows of veterans; to the Committee on Invalid Pensions.