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Mr. LADD. Mr. President, I desire to discuss at this time at considerable length the question of a ship subsidy and to show why the measure as presented to Congress will be one of our national blunders, a natural outcome of a policy which has been permitted to lead us astray. I shall endeavor to show that the germ which made possible this unfortunate condition was planted with the founding of our Government and has continued to develop ever since, until to-day in this country we are witnessing its full fruition for the benefit of a privileged few and at the expense of the masses.

At the outset I wish to call attention to the blunder that has been made in the private operation of our railroads, our banks, and other great industries and how interlocked has become nearly all lines of so-called big business; how a few men actually control the policy of these industries and institutions; and how they have been enabled to thwart the Government's efforts to have them render a real service to all the people through the instrumentalities that have been intrusted in the hands of individuals and corporations until they have ceased to function in the interests of the people and have become at times even a dangerous weapon in the hands of special privilege. This policy, if continued, will crush our people and drag down the splendid civilization which our forefathers so laboriously built up that we might ever continue a free and independent people, where poverty and suffering should almost be unknown and every man should receive a full share of the fruits of his labor, but which independence is now fast becoming a hollow mockery to many of the best blood of our land. Fortunately, the ballot promises to be a means to save this fair land through evolution, so that the common people shall have their fair share of responsibility in its affairs and shall enjoy the rights to the fruits of their toil.

In passing, Mr. President, I may say, however, that I am just as anxious for a practical and prosperous merchant marine as any other loyal citizen, but I am not convinced that the proposition as presented is sound or in the interest of all the people, but that it will bring great profits to a few privileged financiers and international bankers at the expense of the producers of the country. I am not convinced either that it would benefit agriculture or tend to promote foreign trade, as its proponents claim. Where there is much smoke there is fire; where there is much propaganda stop, think, beware!

Mr. President, with the illimitable, inexhaustible resources of this country, with her prodigious increase of wealth-producing power, her marvelous mechanical achievements, and the unprecedented genius of her people for industrial cooperation and efficiency, it is

a perplexing enigma that there should be a single person able and willing to work that can not find remunerative employment sufficient to maintain his family in comfort and contentment. Nevertheless, it is painfully and pitifully evident from every-day experience and common knowledge, substantiated by the reports of investigations made by the Federal, State, and municipal governments, that a very large proportion of our industrial population is as a result of low wages and disemployment, living in a condition that is detrimental to physical health and moral purity, and which deprives the American home of every element of happiness and contentment. How large this

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proportion is is not susceptible of precise determination, but it is evident from governmental statistics that at least one-third, perhaps one-half, of the families of wage earners employed in mining and manufacturing, receive much less in the course of a year than enough to support them in anything resembling decency and comfort. It is into this helpless, hopeless poverty that destroys manhood, blights womanhood, that robs even childhood of its innocence and happiness, that the working classes are being driven by an invisible power which acts upon them like a resistless and pitiless pressure.

ON THE WAY TO BECOME PAUPERS.

Two-thirds of these families – 64 per cent – have incomes of less than \$750 a year, and almost one-third have incomes of less than \$500, the total average being \$720. The average size of these families is over five members. That the average American wage earner does not receive sufficient wages to keep his family in anything like a condition of moral decency and physical comfort is shown by the fact that 30 per cent of the families keep boarders and lodgers. Furthermore, in 77 per cent of the families, two or more persons occupy a single sleeping room; in 37 per cent three or more persons, and in 15 per cent four or more persons. Two persons out of every three in the large cities and industrial centers of England die either in a workhouse, a madhouse, or a public charity hospital and are buried in pauper's graves. The abhorrence of all classes of wealth producers to a pauper's burial is so appalling that everything will be sacrificed and grievous debts incurred rather than permit the remains of a member of the family to lie in the potter's field. Nevertheless and notwithstanding this natural abhorrence, in the wealthy city of New York 1 person out of 12 is buried in a pauper's grave or turned over to the medical fraternity for dissection.

FARMERS APPROACHING BANKRUPTCY.

The most ominous fact in our agricultural conditions is the rapid growth of farm tenants. In 1920, 37 tenants operated farms in every 100, as compared with 28 in 1910, an increase of 33 per cent in 10 years. Wherever this notoriously inefficient and outrageously unjust system is established, human slavery in its worst and most degrading form follows as a

natural and necessary result.

In 1920 part-owner tenancy involved 89,000,000 acres and nearly \$4,000,000,000 worth of land and buildings. On the same date full tenants claimed 265,000,000 acres and nearly \$24,010,000,000 worth of land and buildings. Altogether, 354,000,000 acres and nearly \$28,000,000,000 of land and buildings were operated by lessees. Without exclusive property in farms operated by managers, the percentage of acreage operated by lessees in 1920 was 37, and the lessee percentage of farms and buildings, measured by value, was 42. Omitting real estate operated by managers, lessees operated 39 per cent of the farm land as measured by acreage and 44 per cent of the total valuation of farm lands and buildings. On this basis, in 1920 lessees operated 44 per cent of the improved acreage and 46 per cent of the value of the land alone. The rapid growth of farm tenancy and farming by hard labor under managers is alarming and portends disastrous consequences to the Nation if it be permitted to continue at the present ratio. In 1880 about 25 per cent of our farms were operated under the tenant system. To-day in many States it has passed the half-way tenancy mark, and in some of the States has reached the highwater mark of from 59 to 60 per cent.

TENANT FARMING APPALLING.

It appears that lessee farming has become characteristic of vast areas. How vast these areas are may be understood by the following comparisons:

The tenants of the United States operate an area of unimproved land larger than the entire surface of the Republic of France, or the former Empire of Germany. In addition to this they operate an improved acreage six times the area of Illinois, Arizona, or Iowa. The combined area of unimproved and improved acreage farmed by tenants in the United States exceeds in area by 25,000 square miles the following countries: England, Ireland, Scotland, Wales, Belgium, Denmark, Italy, Poland, Switzerland, Austria, Greece, and Portugal. The value of the farm property they operate exceeds the amount of America's direct expense in the World War.

In connection with the question of the rapid increase of farm tenancy, the number of farmers who are paying rent in the shape of interest, though nominally owning their own land, would, if the figures could be ascertained, stagger the whole country. For it should be remembered that the most common form of agricultural tenancy in the country is not that of money or share rent, but of mortgage. What percentage of American farms occupied by their nominal owners are under mortgage we can only surmise, but it can be safely estimated at 50 per cent. The total farm mortgage indebtedness in this country to-day is over \$8,500,000,000. And this appalling debt is borne by the 6,500,000 farm families of the country whose annual net income is \$184 each, out of which sum the children are to be

educated. doctor's bills, life and fire insurance paid, buildings repaired and church and fraternal organizations supported. But this distressing condition is not confined to the farm industry. Over 60 per cent of those who work in the manufacturing and mining industries and auxiliary business activities are living in rented houses. Seventy-five per cent of the homes of America are mortgaged. Out of a population approximately 110,000,000, only 4,131,878 own homes free from encumbrance.

OUR EARNING POWER WILL NOT PAY THE INTEREST.

The estimated wealth of the United States is 175 billions, and the estimated indebtedness, which includes all interest and dividend-bearing securities, is \$140,000,000,000. One thing is certain and that is that these figures show that we are on the verge of national bankruptcy. The earning power of all the people after a bare subsistence is deducted is not sufficient to pay the interest upon this gigantic sum, to say nothing of payment of the principal. The most disgraceful and indefensible feature of this intolerable condition is the incontrovertible fact that over 90 per cent of this prodigious indebtedness is wholly fictitious, not representing one dollar of actual investment, but is the result of dexterous manipulation of financial schemes concocted for the sole purpose of robbing the actual wealth producers of the country. Little by little and bit by bit we have built up a banking and currency system solely for the benefit of stock gamblers, speculators, money sharks, and all sorts of financial bandits and wholly against the real business interests and productive industries of the people. The industrial slavery established under this money system may be more refined than chattel slavery, but it is far more merciless, cruel, and inhuman. When we remember that the interest on this indebtedness is paid by the people through increased prices we see at once that here is an ignored factor, an overlooked element in the rapidly increasing prices of the necessities of life.

JEFFERSON ON AGRICULTURE.

In the light of these observations the drift of the agricultural population to the large cities and industrial centers is no longer a mystery. We see here the relation of cause and effect and realize the significance of Thomas Jefferson's statement in this connection:

The people will remain virtuous for many centuries, as long as they are chiefly agricultural, and this will be as long as there are vacant lands in any part of America. When they get piled one upon another in large cities, as in Europe, they will become corrupt, as in Europe.

What Jefferson said in his day was prophecy. In our day it is history. In 1790, at the time of the first census, the cities contained 3.3 per cent of the whole population. In 1880 they contained 22.5 per cent of the population, and in 1920 it had increased to the alarming

extent of 51 per cent.

Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay.

And how can this indefensible and intolerable condition of the wealth producers of the Nation be accounted for? We know that in the sequence of human events there are no accidents. Every fact has a cause and every fact implies a preceding fact, which in its turn becomes the basis for another fact, and thus is established an interminable connection of all social phenomena. It should not be difficult to discover the fundamental causes of this indefensible and intolerable disparity in the condition of the privileged and the nonprivileged classes.

That there is a combination of causes no one who has given careful consideration to existing conditions can doubt. And yet when we consider the course of legislation in this country for the past 60 years, there is nothing unnatural in the abnormal situation that confronts us. He who in the midst of abundance suffers the pangs of hunger; who in the presence of inexhaustible natural resources stands in enforced idleness; who, clothed with political power, is a political nonentity; to whose unremitting drudgery labor-saving inventions have brought no relief but rather seem to make his condition worse, instinctively realizes that there is something wrong with our system of distributing the wealth which his labor produces. He knows that the vice and misery, the ignorance and brutishness that arise from degrading poverty on the one hand and vast accumulations of unearned wealth on the other can not be attributed to the will of his Creator. He inherently feels that the Infinite Power that planned and contrived the world before He created it, made ample provision for those He intended to send into it. His own personal experience has satisfied him that natural laws which are the ordinances of God are not tainted with injustice at which even the mind of the most

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hardened criminal revolts. The distressing situation of affairs is not the natural and necessary result of industrial cooperation and social development. It accompanies industrial cooperation and social development because our legislation for over half a century has contravened natural law and ignored the demands of justice. It is the direct and necessary result of granting to a corrupt and favored few predatory privileges which involve supreme functions of government.

It must be remembered that the industrial, economic, and financial difficulties that now confront us are but peculiar manifestations, following the perversion of functions of government to serve purposes for which they are not adapted and for which they were never intended. For the industrial unrest, the widespread discontent, which darken the future with

ominous clouds, which perplex the politician, appall the statesman, no President and no Congress have as yet presented a solution which accounts for all the phenomena and points to any clear and simple remedy. This is obvious from the essence and nature of the bill before us. Its primary purpose and ultimate object is not to promote the welfare of the people by removing the cause of our difficulties, but to aggravate present evils by extending existing privileges and granting new ones.

DEMOCRATS AND PLUTOCRATS.

It is the delusion born of unearned wealth that recognizes in the popular unrest with which the Nation is feverishly pulsing only the transitory effect of ephemeral causes. Between democratic aspirations and plutocratic arrogance and greed there is an irreconcilable conflict. The new wine of industrial progress is fermenting in the old bottles of plutocratic conservatism, and elemental forces gather for the strife. But if, while there is yet time, we restore to government her exclusive functions, the dangers that now threaten must subside, the blind forces that now menace will be transmitted to agencies of elevation.

The history of civil government amply justifies the assertion that political corruption may be engendered and public misfortunes induced by failure of the government to exercise functions which legitimately belong to it, as well as from its interference with the individuals in their legitimate sphere of action. A government is neither necessary nor practicable to men living in an isolated state. But with the growth of population and the resulting cooperation of individuals in the production of things essential for the satisfaction of individual wants, public needs arise which necessitate the organization of the community under some form of civil government. There are those who, when it suits their selfish ends, contend that there are no natural rights, but that all rights emanate from the State or grant of the sovereign political power.

This is, of course, pious political piffle served up for those who they think do not know any better. There are some facts so obvious and universal that their mere statement carries conviction, and one of these is that there are rights between man and man which naturally existed before the formation of government and which continue to exist in spite of espionage laws. All rational men believe that this earth is the creation of God and that the people who occupy it during the brief period of their earthly existence are sent here by His direction. Each person born into this world is a distinct, separate, independent, coherent entity which alone justifies individual ownership and proclaims his equal rights with all his fellows.

NATURE'S LAWS DO NOT DISCRIMINATE.

The laws and forces of nature, which are simply the decrees of the Creator, make no discriminations among men but are to all absolutely impartial. All persons stand upon the same level and have equal rights. There is no distinction between farmer and banker, skipper and carrier, laborer and capitalist. Hence, when governments are instituted they do not create new rights but are intended to secure the old ones. Let us never forget that there is a law higher than any human enactment, the law of the Creator inherent in the human consciousness and which is above and beyond man-made laws and upon conformity to which all human laws must depend for their validity. To deny this is to assert that man is destitute of a moral faculty and that there is no standard whatever by which the justice or injustice of human laws and institutions can be determined; to assert that no actions are in themselves right and none in themselves wrong, but only become so by legislative enactment. The history of mankind everywhere shows that the very reverse of this is the fact. The truth of the matter is that to make an action a crime by human law which is not a crime by God's law is inevitably to destroy respect for all law; to require men to take an oath before God with a view to preventing them from doing what they feel they have a natural right to do is to weaken the sanctity of oaths and tends to defeat the purpose they are intended to serve. Government ought not to interfere with the personal activity of individuals further than to secure the equal right of each from aggressions on the part of others, and the moment governmental interferences extend beyond this they are liable to defeat the very ends they were established to secure.

What is the natural law of human progress in its entirety but the recognition of the moral law in human relations? Just as human laws promote the law of equal freedom. just as they acknowledge the equality of right between man and men, just as they insure to each the perfect liberty which is limited only by the perfect liberty of every other, must mankind advance. Just as they ignore or contravene all this must the progress of mankind come to a halt and eventually turn backward. The science of government can not teach any lessons not embodied in the decalogue and the golden rule.

As the primary purpose and chief object of government is to secure the natural rights and equal liberty of each, all undertakings which involve monopoly come within the necessary sphere of governmental regulation, and undertakings that are in their nature complete monopolies are legitimate functions of the Government. As the cooperation of individuals for the gratification of all their desires becomes closer and wider, the Government must assume functions that in a lower stage of cooperation were neither necessary nor expedient.

DEMANDS OF PREDATORY INTERESTS.

The annals of every nation since the beginning of recorded history show the encroachments of a sordidly selfish class upon the natural rights of their fellows. Even in our Federal

Constitutional Convention there was a strong, dominating coterie of predatory privileged interests that were strenuously opposed to the principles of republicanism for which the Revolutionary War was fought, who pressed for a monarchical form of government, and when they realized that the great body of the delegates were strong for republicanism, but for giving due strength to the Federal Government under that form, they then directed their efforts to the construction of a Government that would leave but the shadow of power with the people. They pressed forward their schemes of strengthening all the branches of the Government which conformed to a monarchy, and the creation of a money power by means of a funding system, not calculated to pay the national debt but to make it perpetual and to make it an engine of tyranny and extortion in the hands of the executive branch of the Government, which, in addition to the powerful patronage it possessed in the disposal of public offices, might enable it to gradually assume autocratic power. Although our banking and currency system ought to be as clear and simple as the rule of three, so that every person of ordinary intelligence ought to be able to comprehend it, the privileged banking interests from the very beginning of our Federal Government succeeded in grafting on our monetary system of government an arbitrary scheme – which can not, save by a great abuse of language, be called a system – so complicated and tortuous that neither Congress nor the President seemed able to understand it. In the first instance, in funding the national debt they formulated the most arbitrary, intricate, and mysterious system that could possibly be devised. They then succeeded in inducing a complacent Secretary of the Treasury to make his appropriations consist of a number of scraps and remnants, many of them mere phantoms, and then applied them to objects in reversion and remainder, until the finances of the Nation were involved in an impenetrable fog of ambiguity and confusion.

Thomas Jefferson said to President Washington:

"I told him," says Jefferson, "that, in my opinion, there was only a single source of these discontents. Though they had indeed appeared to spread themselves over the War Department also, yet I considered that as an overflowing only from the real channel which would never have taken place if they had not first been generated in another department, to wit, that of the Treasury. That a system there had been contrived for deluging the States with paper money instead of gold and silver, for withdrawing our citizens from the pursuits of commerce, manufacture, and other branches of useful industry, to occupy themselves and their capitals in a species of gambling, destructive of morality, and which had introduced its poison into the Government itself. That it was a fact, as certainly known as that he and I were conversing, that particular members of the legislature while those laws were on the carpet had feathered their nests with paper and then voted for the laws, and constantly since lent all their talents and instrumentality of their offices to the establishment and enlargement of this system; that they had chained it about our necks for a great length of time, and in order to keep the game in their hands had from time to time aided in making

such legislative constructions of the Constitution as made it a very different thing from what the people thought they had submitted to; that they had now brought forward a proposition far beyond any one ever yet advanced, and to which the eyes of many were turned, as the decision was to let us know whether we lived under a limited or an unlimited Government. He asked me to what proposition I alluded; I answered, to that in the report on manufactures which under color of giving bounties to manufactures meant to establish the doctrine that the power given by the Constitu-

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tion to collect taxes, to provide for the general welfare of the United States, permitted Congress to take everything under their management which they should deem for the public welfare, and which is susceptible of the application of money; consequently, that the subsequent enumeration of their powers was not the description to which resort must be had and did not at all constitute the limits of their authority; that this was a very different question from that of the bank, which was thought an incident to an enumerated power."

A MONEY MONOPOLY.

The bank to which Jefferson refers was the Bank of the United States, a grinding, extortionate, money monopoly, robbing the producers of wealth by usurious rates of interest, inflating and contracting the volume of money to aid their gambling and speculative enterprises, ruining the State banks, and practically dominating the business interests of the country. In 1832, three years before the expiration of their charter, the incorporators of the bank succeeded in jamming through Congress a new charter conferring new and extortionate privileges. It granted additional gratuities of over \$7,000,000 to the stockholders. It was generally admitted that it provided for an increase of the market price of their stock at least 30 per cent. More than eight millions of the stock of the bank was held by foreigners. For these gratuities to foreigners and unscrupulous Americans, the people were to receive nothing in return. The many millions which this charter proposed to bestow upon favored individuals were to come out of the hard earnings of the American people.

The new charter contained provisions precisely similar to our present Federal reserve system; that is, it secured to certain State banks legal privileges which it denied to private citizens. For instance, if a State bank in Philadelphia owed the Bank of the United States and had notes issued by the St. Louis branch, it could pay the debt with those notes; but if a farmer, a merchant, a mechanic, or other private citizen was in like circumstances, he could not legally pay his debt with those notes but must sell them at a discount. This privilege granted to the State bank was for the purpose of creating a bond of union among the moneyed interests, erecting them into a separate and distinct interest apart from the people, and its necessary and inevitable tendency was to unite the Bank of the United States and the State banks in any financial measure which they considered to their special interest.

Furthermore, it contained a provision that exempted from taxation the foreign stockholders who owned over 8,000,000 of the bank's stock. However, President Jackson returned this infamous measure to the Congress without his signature, stating in one of the ablest State papers that ever emanated from the White House his reasons for withholding his approval.

TOO RAW FOR PRESIDENT JACKSON OR CARL SCHURZ.

In his message to the Senate, returning the bill to recharter the United States bank, President Jackson said:

“The present corporate body, denominated the president, directors, and company of the Bank of the United States, will have existed at the time this act is intended to take effect 22 years. It enjoys an exclusive privilege of banking under the authority of the general Government, a monopoly of its favor and support, and, as a necessary consequence, almost a monopoly of the foreign and domestic exchange. The powers, privileges, and favors bestowed upon it in its original charter, by increasing the value of the stock far above par value, operated as a gratuity of many millions to the stockholders.”

Carl Schurz, commenting on the insidious and brazen efforts of the Bank of the United States to secure for its own aggrandizement a paramount function of government, in his interesting and instructive biography of Henry Clay, says:

“It would have been well for Clay and his party had they recognized the fact that not only this Bank of the United States could not be saved, but that no other great central bank, as the fiscal agent of the Government, could be put in its place with benefit to the country.

“An institution whose interests depend upon the favor of the Government is always apt to be driven into politics, be it by the exactions of its political friends or by the attacks of its political enemies. Its capacity for mischief will then be proportioned to the greatness of its power, and the power of a central bank, acting as the fiscal agent of the Government, disposing of a large capital, and controlling branch banks all over the country, must necessarily be very large. Being able to encourage or embarrass business by expanding or curtailing bank accommodations and to favor this and punish that locality by transferring its facilities, it may benefit or injure the interests of large masses of men and thereby exercise an influence upon their political conduct, not to speak of its opportunities for propitiating men in public position, as well as the press, by its substantial favors. So it was in the case of the Bank of the United States. Although Jackson's denunciations of its corrupt practices went far beyond the truth – which is extremely doubtful, as even the great statesman, Daniel Webster, was on its secret payroll – there can be no doubt that, when it last fought for the renewal of its charter and against the removal of the deposits, it did use

its power for political effect.”

John Fiske, our scientific and philosophic historian, saw clearly the deep-rooted and widespread evils that must necessarily accompany the delegation to private interests of the power to issue money, which is an exclusive function of the Government. He says:

“It was Jackson whose sound instincts prompted him to a course of action quite in harmony with the highest political philosophy. During the administration of John Quincy Adams, there was fast growing up a tendency toward the mollicoddling, old granny theory of government, according to which the ruling powers are to take care of the people, do their banking for them, rob Peter to pay Paul for carrying on a losing business – just as the pending bill proposes – and tinker with and bemuddle things generally. It was, of course, beyond the power of any man to override a tendency of this sort, but Jackson did much to check it; and still more would have come from his initiative if the question of slavery and secession had not so soon come to absorb men's minds and divert attention from everything else. His destruction of the bank was brought about in a way that one can not wish to see often repeated; but there can be little doubt that it has saved us from a great deal of trouble and danger. By this time the bank, if it had lasted, would probably have become a most formidable engine of corruption.”

PANIC OF 1837 FOR THE BANKERS.

The bank precipitated the panic of 1837 by refusing credit and extension of loans to farmers, merchants, and business men in general, foreclosing mortgages, and, by the abuse of its power, dislocating and paralyzing the entire industrial organization. But when the effects of these evil operations subsided, a period of general prosperity ensued – a prosperity so genuine and all-pervading that it is regarded by impartial historians as the happiest and most prosperous period of our history. It offered conclusive proof of the beneficial effect, if not perhaps of a sound scientific currency system, of one that was at least free from favoritism and extortion.

The farming and small business interests were no longer at the mercy of financial bandits and unscrupulous money gamblers. Commerce made marvelous advances and our carrying trade grew so rapidly that within 10 years after the panic of 1837 had spent itself, our tonnage exceeded that of England. There was a constant, continuous development of all our productive industries, under financial freedom. Trusts and monopolies were not granted predatory privileges to rob and oppress the people. Agriculture, the indispensable basis of all production, was never more prosperous. The farmers and planters at no other period of our Nation's history were in receipt of such good prices, steadily paid to them in real genuine money for their surplus products, which they could ship to the home market on the

railroads at reasonable rates, and to foreign markets in American ships maintained without subsidies.

The breaking out of the Civil War presented a splendid opportunity for the banking interests to again get control of the Nation's finances. The unselfish devotion of a people ready to make any sacrifice to preserve the Union of the States was taken advantage of by the moneyed interests to induce Congress to create two kinds of money, one for the bondholder, consisting of the precious metals, and the other for the people, consisting of a partial legal tender, a depreciated money; and to establish a national banking system which enabled the bankers to draw interest on both their debts and credits.

On July 17, 1861, an act was passed authorizing the Secretary of the Treasury to borrow \$250,000,000, and to issue coupon bonds, registered bonds, or Treasury notes at his discretion. The bonds were to bear interest at 7 per cent, and run for 20 years. The Treasury notes were to bear 7.3 per cent, and were convertible into 20-year 6 per cent bonds.

On August 5, 1861, an act supplementary to the act of July 17 was passed authorizing the Secretary of the Treasury to issue bonds bearing interest at 6 per cent payable at the expiration of 20 years, which could be exchanged for Treasury notes bearing 7.3 per cent interest. It is manifestly evident that these bonds and notes were lame and impotent substitutes for money, and were issued at the dictates of the money power to prevent the Government from exercising its sovereign right to create a full legal tender money in the interest of the people.

THE PEOPLE DEMANDED REAL MONEY.

The people were demanding that Congress exercise its power and furnish the people in this national exigency with an efficient and sufficient medium of exchange. The enactments of July 17, 1861, and February 12, 1862, authorized the issue of \$60,000,000 of Treasury notes, full legal tender for the payment of all debts, public and private, without exception. This was the first and only attempt of our Government to establish a genuine and efficient monetary system free from the control of private selfish interests.

The money power realized that if this bill became a law it would deprive them of the power to dominate the circulating medium of the country. A formidable lobby appeared at once in Washington, consisting of the leading bankers of the country, and insisted that the Committee on Ways and Means and the Finance Committee of the Senate should meet them in the office of the Secretary of the Treasury on a certain date.

The New York Tribune, then under the honest and patriotic management of Horace

Greeley, commenting on this meeting, said:

“The Subcommittee on Ways and Means objected to any and every form of ‘shinning’ by the Government through Wall or State Streets and the knocking down of Government stocks to 75 or 60 cents on the dollar, the inevitable results of throwing a new and large loan on the

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market without limitation as to price, and finished by firmly refusing to assent to a scheme that should permit a speculation by brokers and bankers and others in the Government securities, and particularly any scheme which should double the public debt of the country and double the expenses by damaging the credit of the Government.”

Here we have the hypocritical patriotic pretenses of the money power exposed to public view. Their real purpose was to sandbag the Government in her hour of peril by knocking down her securities to 60 or 75 cents on the dollar, permit speculating by bankers and brokers in her securities, to double her public debt and double her expenditures by damaging her credit. Nevertheless and notwithstanding all this base treachery to the Nation in the greatest crisis in her history, the bankers and brokers won a complete victory. The bill was passed by the Senate, inserting the words –

“except duties for interest on bonds and notes, which shall be paid in coin –

And –

“that duties on imported goods and proceeds of the sale of public lands should be set apart to pay coin interest on the debt of the United States.”

A PERNICIOUS MEASURE, SAYS STEVENS.

As he reported the bill to the House as amended by the Senate, Thaddeus Stevens, chairman of the subcommittee of the Committee on Ways and Means, said:

“I hope the gentlemen of the House will read the amendments. They are very important and, in my judgment, very pernicious, but I hope the House will examine them.”

When the bill as amended was under consideration, he said:

“I have a melancholy foreboding that we are about to consummate a cunningly devised scheme which will carry great injury and loss to all classes of the people throughout this Union except one. With my colleague, I believe that no act of legislation of this

Government was ever hailed with as much delight throughout the whole length and breadth of the Union, by every class without exception. It is true that there was a doleful sound came up from the caverns of bullion brokers and from the saloons of the associated banks.

“Their cashiers and agents were soon on the ground and persuaded the Senate with but little deliberation to mangle and destroy what it had cost the House months to digest, consider, and pass. They fell upon the bill in hot haste and so disfigured and deformed it that its very father would not know it. Instead of being a beneficent measure, it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill and none of its benefits. It now creates money and by its very terms declares it a depreciated currency. It makes two classes of money – one for the bankers and brokers and another for the people. It discriminates between the right of different classes of creditors, allowing the rich capitalists to demand gold and compelling the ordinary lender of money on individual security to receive notes which the Government had purposely discredited.”

Representative Spaulding said:

“I desire especially to oppose the amendment of the Senate which requires the interest on bonds to be paid in coin semiannually, and which authorizes the Secretary of the Treasury to sell 6 per cent bonds at the market prices for coin to pay the interest. The passage of this measure, the legal tender bill, in this House was hailed with satisfaction by the great mass of the people all over the country. It received the hearty indorsement of such bodies as the chambers of commerce, New York, Cincinnati, St. Louis, Chicago, Buffalo, Milwaukee, and other places. I have never known any measure to receive a more hearty approval from the people * * *. Why make these discriminations? Who asks to have one class of creditors placed on a better footing than another class? Do the people of New England, the Middle States, or the people of the West or Northwest or anywhere else in the rural districts have such discrimination made in their favor? Does the soldier, the farmer, the mechanic, or the merchant ask to have any such discrimination made in his favor? No, sir; no such unjust preference is asked for by this class of men. They ask for a legal-tender note bill, pure and simple. They ask for a national currency which shall be of equal value in all parts of the country. They want a currency that shall pass from hand to hand among all the people in every State, county, city, town, and village in the United States.”

A DARK CHAPTER IN OUR HISTORY.

An able writer, considering this base and treacherous betrayal of the people's interest, says:

“Here begins one of the darkest chapters in American history. It will be found that every step taken by Congress from this on in matters pertaining to the finances of the Nation has

been dictated by the money power. Foreign capitalists, such as the Rothschilds, became deeply interested in the scheme of robbery inaugurated by the passage of this act; and through their agents, such as August Belmont, banker and whilom chairman of the Democratic National Committee, have aided the money power here materially in controlling the policy of both political parties.

“The amount stolen from the people by the financial policy then adopted and which now encumbers the Nation in the shape of a bonded debt, payable principal and interest in gold, is estimated by such writers upon the subject of finance as J. S. Gibbons (contributor to Johnson's Universal Cyclopedia) at over one thousand million dollars, to say nothing of which the people have been robbed indirectly by means of the pernicious monetary system foisted upon the country.”

EXPLOITING THE FARMERS AND LABORERS.

This infamous scheme of exploiting the producing classes through the possession of an exclusive function of the Government was supplemented by the passage of the national bank act. When the Senate inserted the words "excepting the payment of interest on the public debt," or "be received in payment of customs duties" in the legal tender bill, they purposely depreciated their own currency by making it a partial legal tender, good enough for the people but not good enough for the financial bandits who secured its insertion. Hence, in 1864, \$35,000 in gold could buy \$100,000 in partial legal-tender notes. The Government received these notes at their face value, funded them into a bond drawing 6 per cent interest in coin, and upon the bond issued \$90,000 national-bank notes, which the bankers loaned to the people at 8 and 10 per cent. So by this financial legerdemain the banks were drawing interest on \$190,000, for which they actually paid only \$35,000.

THE FAMOUS HAZZARD CIRCULAR.

In order to prove conclusively that this whole financial scheme was the work of international investment bankers, I will read what is known as the Hazzard Circular, issued in the fall of 1862, a copy of which came into the possession of Hon. Isaac Sharp, a student of law under Thaddeus Stevens, and subsequently acting Governor of Kansas. The circular says:

“Slavery is likely to be abolished by the war power and chattel slavery destroyed. This I and my European friends are in favor of, for slavery is but the owning of labor and carries with it the care of the laborer, while the European plan, led on by England, is capital's control of labor by controlling wages. This can be done by controlling the money. The great debt that capitalists will see to that is made out of the war must be used as a measure to

control the volume of money. To accomplish this the bonds must be used as a banking basis. We are now waiting to get the Secretary of the Treasury to make this recommendation to Congress.”

Mr. Hazzard, the author of these atrociously inhuman propositions, was solicitor of the English Bankers' Association. One of the many contemptible tricks of the money power is to make the currency question so complicated that the ordinary citizen can not understand it, and make it appear to him as one of the abstruse sciences. With this object in view they had the Treasury Department issue 15 different forms of Government obligations.

WHO DEMONETIZED SILVER, AND WHY?

Silver was demonetized by an act of Congress that for treachery, perfidy, and deception has no precedent nor a parallel in the annals of representative government. President Grant, who signed the bill, said that he did not know that the act of 1873 demonetized silver. Senator Morgan, of New York, said:

“It can not even be fairly said that Congress did it. It was done at the instigation of the bondholders and other money kings, who now, with upturned eyes, deplore the wickedness we exhibit in asking the question, even, Who did this great wrong against the toiling millions of our people?”

Senator Beck, of Kentucky, said:

“The bill demonetizing silver never was understood by either House of Congress.”

The demonetization of silver was to make the national debt and interest thereon payable in gold.

Then we had the silver purchase act, which, in its last analysis, meant no more than taking silver out of a hole in the ground in the West and putting it in a hole in Washington and issuing certificates against it. President Cleveland, who was elected in 1892 on a tariff-reform platform, showed his subserviency to the money power by calling Congress in extra session to repeal the purchasing clause of the silver act.

The tariff-reform cry upon which the people elected him was not passed until 18 months after his induction into office, and finally was a miserable abortion, in which his promise to the people was shamelessly violated, and the privilege of the predatory interests firmly entrenched and buttressed.

Mr. President, the Manufacturers' Record, issue of February 22, 1923, contains a most important and interesting article, captioned "An amazing revelation of secret financial meeting." This gives us some light upon the development of the policy of drastic deflation. This strikes me as of great importance in the financial history of our country, and it should go into a permanent record.

Also, in the issue of the Manufacturers' Record for October 21, 1920, appeared an interesting and illuminating article captioned "An amazing situation of world importance." In the issue of the same publication for November 3, 1921, appeared another article, captioned "A strange financial admission." These last two articles tend to show that drastic deflation was a world-wide policy, designed by the international bankers, to be carried on through the central banking institutions throughout the world. They strike me as evidence of an immoral and conscienceless conspiracy against the people of the nations of the earth, and such a conspiracy as almost borders upon treason.

In order that these articles may be preserved for the future, so that historians may have them at hand for their consideration, I ask unanimous consent to insert the three mentioned articles in the RECORD in the usual 8-point type.

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

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The matter referred to is as follows:

[From the Manufacturers Record, October 21, 1920.]

AN AMAZING SITUATION OF WORLD IMPORTANCE.

Bulletin No. 2, issued September 27 by the First Federal Foreign Banking Association, which is controlled by the leading banking institutions of New York, states that the League of Nations is carrying on a world campaign "for drastic credit restrictions through existing central banking institutions." It also says that measures have been taken in the United States "to restrict the granting of credits and put up the cost of borrowing," and that "our restriction of credit shows far-reaching influences, bringing about reduced production and liquidation of commodities."

[From the Manufacturers Record, November 3, 1921.]

A STRANGE FINANCIAL ADMISSION.

The First Federal Foreign Banking Association of New York in its Bulletin No. 13, issued

on September 30, in reviewing the question of money and credit, says: "The strangle hold that gold has comes from the fact that it has the monopoly of world-wide command of purchase at unquestioned parity."

The Century Dictionary defines "strangle" as "to draw tight, squeeze, to choke by compression of the windpipe, kill by choking, throttle." Who would ever have imagined that a great banking institution of New York would thus refer to gold as having a strangle hold?

Further on in the same financial circular it is said "there is not gold enough in the world to make current settlements with. If the realization that something must be done promptly is not vivid now, it certainly will be very soon."

We have tried for several years to warn the financiers of the world that with a steadily decreasing gold output and a larger consumption of gold for the arts the world is facing a gold shortage, which unless there is a change by some better system of financing, will ultimately lead to world-wide panic and world-wide repudiation of debts and bonds, national and corporate. Gold as it now stands limited to an output with a steadily decreasing supply indeed has, as stated by the First Federal Foreign Banking Association, of New York, "a strangle hold" and this strangle hold unless it is released will ultimately produce the very things defined by the Century Dictionary, "to draw tight, squeeze, to choke by compression of the windpipe, kill by choking, throttle."

[From the Manufacturers Record, February 22, 1923.]

AN AMAZING REVELATION OF SECRET FINANCIAL MEETING – ON MAY 18, 1920, FEDERAL RESERVE MEETING IN WASHINGTON DISCUSSED DEFLATION, RESTRICTION OF CREDIT, BREAKING DOWN OF PRICES, AND HIGHER FREIGHT RATES, BUT GOVERNOR HARDING WARNED THOSE PRESENT NOT TO DIVULGE THE DISCUSSIONS OF THE DAY– THE INSIDE STORY REVEALED BY A STENOGRAPHIC REPORT OBTAINED BY THE MANUFACTURERS RECORD.

"After one of the most fateful meetings in the financial history of the world, a meeting which no other organization, including the Interstate Commerce Commission or the Supreme Court of the United States, would ever have dared to hold in secret and reach its conclusions in secret and withhold its conclusions from the public, Governor Harding, of the Federal Reserve Board, in closing that meeting of the Federal Reserve Board, the Federal Advisory Council, and the class A directors of Federal reserve banks, said: 'I would suggest, gentlemen, that you be careful not to give out anything about any discussion of

discount rates. That is one thing there ought not to be any previous discussion about, because it disturbs everybody, and if people think rates are going to be advanced there will be an immediate rush to get into the banks before the rates are put up, and the policy of the reserve board is that that is one thing we never discuss with a newspaper man. If he comes in and wants to know if the board has considered any rates or is likely to do anything about rates, some remark is made about the weather or something else and we tell him we can not discuss rates at all. And I think we are all agreed it would be very ill advised to give out any impression that any general overhauling of rates was discussed at this conference. We have discussed the general credit situation and your committee, which has been appointed with plenary powers, will prepare a statement which will be given out to the press to-morrow morning and we will all see what it is. You can go back to your banks and of course tell your fellow directors as frankly as you choose what has happened here to-day, but caution them to avoid any premature discussion of rates as such. We have had an exceedingly interesting day, gentlemen. The suggestions which have been made have been valuable and we have profited by your views. I wish to express on behalf of the board our appreciation of your coming here and to thank you for the unselfish and loyal interest you have taken in the Federal bank situation throughout the country in giving this matter the careful thought and consideration that you have. And I am sure that the spirit which has manifested itself at this meeting here to-day will spread throughout all the country, to the member and nonmember banks, and if it does we can look the future in the face with courage and confidence.'

“These closing words of a fateful conference, it can be conservatively said, are the most damning indictment of the management of the Federal reserve system which could be penned by the worst enemies of that organization. The Manufacturers Record has shown since shortly after that meeting was held some of its decisions, but it has never until within the last few days been able to get hold of a stenographic copy of the minutes. But with this stenographic report we are now able to give to our readers some details regarding that meeting which strengthened and confirmed the work of deflation which had already been inaugurated. After a long conference and full discussion, covering 37 pages of foolscap, closely typewritten, the statement that Governor Harding closed the meeting with as emphatic warning to those in attendance that the deliberations of that meeting should be held as strictly confidential except to fellow directors and that the public should not be allowed to know what had taken place and the newspapers should know only so much of the meeting as the carefully prepared statement would present.

"As far back as July 3, 1919, the Manufacturers Record warned the Federal Reserve Board against some of the actions that were then being taken, and said:

““Not for a moment would we suggest that the members of the Federal Reserve Board were

in any way financially interested in the stock market, but we can readily understand the limitless power of stock speculation and the manipulation of the stock market which would be available to anyone who knew a few hours in advance of such proposed action by the Reserve Board. It is entirely within the power of that board to break the stock or the cotton market, or to bring about a big boom movement in cotton or stocks. The power is too great to rest in the hands of any seven men, even if they were angelic in character, for they might be succeeded by those who were not so angelic.'

“That editorial emphasized the control which big financial interests had held over the stock market to break it when it suited their convenience to buy in stock or to boom it when it suited their convenience to unload stocks, and we added: ‘It was hoped that the organization of the Federal Reserve Board would make this impossible; but the recent action of the board resulted in a very rapid break in the stock market, and it is within the power of the board to bring about a rapid advance whenever there is a change of policy and prevent the calling of loans or the sharp advance in money.’

"In that editorial we quoted from the Boston News Bureau a very sharp arraignment of some of the methods of the Federal Reserve Board and closed with the statement from the news bureau:

“‘Before the Federal reserve system a money squeeze was one of the tricks of the trade to frighten the public out of their stocks. Are the administrators of the Federal reserve system going to countenance the same old game by allowing the people who have the control of money to play with values on a discount basis, arresting advancement and prosperity?’

"When two years ago the Manufacturers Record urged that every important meeting of the Federal Reserve Board should be held in the open, with the right of the public to know what was taking place, so that no secret acts should be passed giving to the insiders limitless possibilities for money-making, we knew that we had thrown a bombshell into the camp of secrecy, but we did not at that time know that Governor Harding had so specifically and emphatically urged that that conference should regard its whole discussion as secret and to be withheld from the newspapers and from the public at large. The human mind is somewhat staggered as it tries to outline the limitless possibilities for money-making on the part of every man who, having this secret information, knew exactly what would happen in the business world long in advance of what the general business public could even suspect, even if no man ever used this information to his own individual profit. This conference, the closing statement of which we have quoted, was held on May 18, 1920. Those in attendance were as follows:

"Hon. Adolph C. Miller, member of the Federal Reserve Board.

"Hon. Henry A. Mohlenpah, member of the Federal Reserve Board.

"Hon. John Skelton Williams, Comptroller of the Currency and member ex officio of the Federal Reserve Board.

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"Hon. David F. Houston, Secretary of the Treasury and member ex officio of the Federal Reserve Board.

"George L. Harrison, counsel, Federal Reserve Board.

"Also the members of the Federal advisory council:

"Philip Stockton, Federal reserve district No. 1.

"A. B. Hepburn, Federal reserve district No. 2.

"L. L. Rue, Federal reserve district No. 3.

"W. S. Rowe, Federal reserve board No. 4.

"J. G. Brown, Federal reserve district No. 5.

"Oscar Wells, Federal reserve district No. 6.

"James B. Forgan, Federal reserve district No. 7.

"F. O. Watts, Federal reserve district No. 8.

"E. F. Swinney, Federal reserve district No. 10.

"R. L. Ball, Federal reserve district No. 11.

"A. L. Mills, Federal reserve district No. 12.

"J. H. Puelicher, Marshall & Ilsley Bank, Milwaukee, Wis.

"John Perrin, chairman of the board and Federal reserve agent, Federal Reserve Bank of San Francisco.

"Hon. Edmund Platt, chairman of the Banking and Currency Committee, House of Representatives.

"Also the following class A directors of the Federal reserve banks:

"Boston: Thomas Beal, Edward S. Kennard, and Frederick S. Chamberlain.

"New York: James A. Alexander, R. H. Treman, Charles Smith, and J. H. Sisson.

"Philadelphia: Joseph Wayne, Jr., M. J. Murphy, and Francis Douglas.

"Cleveland: O. N. Sams, Robert Wardrop, and Chess Lamberton.

"Richmond: John F. Bruton, Charles E. Rieman, and Edwin Mann.

"Atlanta: J. K. Ottley, Oscar Newton, P. R. Kittles, and W. H. Kettig.

"Chicago: George M. Reynolds, Charles H. McNider, and E. L. Johnson.

"St. Louis: J. C. Utterback and Sam A. Ziegler.

"Minneapolis: Wesley C. McDowell and E. W. Decker.

"Kansas City: J. C. Mitchell, C. E. Burham, and W. J. Bailey.

"Dallas: John T. Scott, E. K. Smith, and B. A. McKinney.

"San Francisco: C. K. McIntosh, J. E. Fishburn, and M. A. Buchan.

DOOM OF COUNTRY'S BUSINESS INTERESTS SOUNDED AT CONFERENCE
COMPOSED EXCLUSIVELY OF BANKERS.

"It will be noted that those in attendance were preeminently bankers and that business men as such were not there, though the business men and not the bankers are the ones who create the business of the country, whether in agriculture, manufacture, or other lines of industry. Their doom was being settled in a conference composed exclusively of bankers.

"In opening the proceedings Governor Harding, referring to those in attendance, said:

"The class A directors are the banker members of the boards of directors of the Federal reserve banks. They are not only directors, and as a rule very influential directors, of Federal reserve banks but they are officials of member banks, and thus they see both sides of the picture. So it seems to be peculiarly appropriate at a time when there is a banking situation to discuss to have bankers here to discuss it.'

"It is true that it might have been important to have bankers there to discuss the subjects up for consideration that day, but is it not also true that the manufacturers, the merchants, the farmers, and all others representing the producing and transportation interests of the country were just as vitally interested in a conference of this kind as those who were exclusively engaged in banking? In a rather lengthy opening speech, Governor Harding said:

"Every effort should be made to stimulate necessary production, especially of food products, and to avoid waste.'

"And having encouraged the farmers to the utmost extent during the spring of 1920 to carry forward their farming operations despite the high wages that were being paid labor, drastic deflation was put into effect, breaking down the prices of farm products to an extent that literally bankrupted hundreds of thousands of farmers.

"'We can,' said Governor Harding, 'restrict credit and expand production, letting the expansion of production proceed at a greater rate than the restriction of credit, and we are then working along in the right direction.'

"No human being has yet found a way to restrict the credit facilities essential for increasing production and at the same time bring about increased production. That statement is so rankly absurd on its face that it is an amazing thing that any man professing to be either a banker or a political economist could presume to suggest that restriction of credit and expansion of production could go hand in hand.

"It is in striking contrast with the statement quoted from Hon. Reginald McKenna, formerly Chancellor of the Exchequer of Great Britain and one of the world's great banking

authorities, given elsewhere in this issue, in which Mr. McKenna said: 'The continuance of a high rate or the adoption of any other method for the purpose of forcing down prices is bound to strangle trade and reduce output. We must not interfere with the natural flow of trade by any restriction of existing producing power but must seek a general increase of wealth through a more abundant output.'

"And as that day's meeting was devoted to a discussion of how to increase interest rates in order to lessen the volume of business, it is interesting to quote from a statement made by Comptroller Crissinger, recently nominated as governor of the Federal Reserve Board, in which he said: 'Falling prices and high interest rates are never twin sisters of prosperity. I can not too emphatically say that I do not believe deflation in currency and credits can go hand in hand with a regime of high interest rates without imposing great and dangerous hardships upon the people.'

"'It is very clear,' said Governor Harding, 'that if we find it impossible under the present circumstances to increase the volume of production of the most essential articles, the only thing for us to do is to reduce consumption of those articles.' In other words, here was a definite plan to break down business and lessen consumption at a time when the American people and the world at large were buying freely of everything that could be produced.

"This plan of forcing down prices and breaking down business had been secretly inaugurated long before the meeting whose records we now have before us and from which we have been quoting, for on February 12, 1920, the Manufacturers Record published an extract from a letter from one of the foremost bankers of the country, in the course of which, criticising this paper because we had denounced the efforts of banks through the pressure of the Federal reserve system to call all loans on Government bonds, he said:

"'You can further see that if by any pressure these bonds can be turned out of the Federal reserve banks and passed over to the strong boxes of great institutions – savings banks, life-insurance companies, large estates, benevolent and philanthropic institutions – just to that extent the 12 banks would be in a position to extend additional facilities to merchants and business men generally. Of course it seems hard that anyone who for patriotic purposes should have invested in Government bonds should be practically called upon to part with say a loss of from 8 to 9 per cent, but facts are stubborn things and conditions more important than theories.'

"That same banker wrote us that he would not lend money on any collateral of any kind, it mattered not how good it might be, and that there was too much business in the country and it should be brought down to normal conditions.

"That was the spirit which was being inculcated by the then management of the Federal reserve system. Stripped of all its useless verbiage, the meeting of May 18 was largely devoted to the discussion of how to lessen the activity which was prevailing throughout the country and bring on deflation of business and of credits. Governor Harding said: 'We should be careful, however, not to overdo this matter of liquidation, because too drastic a policy of deflation, which might result in crowding to the wall and throwing into bankruptcy legitimate enterprises, however unessential their operations may be, would have a tremendously bad effect and would defeat the purpose of the very policy which we are trying to have established.' He added, 'A sensible and gradual liquidation will result in permanent improvement, as we all know, but any attempt at radical or drastic deflation, merely for the sake of deflation, will result in very serious consequences, and such a policy should be avoided.'

"But drastic deflation is exactly what took place. Some of the men who went from that meeting went with the impression, and said so, that a policy of deflation and the breaking down of prices could be put into effect and that the Federal reserve management would have the power to stop this deflation and price breaking at any point when it might decide that it had gone far enough, not having financial ability sufficient to comprehend the fact that when they started business on the toboggan slide they would not be able to stop it until it collapsed at the bottom. Every man of ordinary intelligence ought to have been able to see the inevitable result of the policies discussed and outlined in that campaign.

"Over and over again during the process of deflation it was stated by Governor Harding and others that the banks of the

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country were guilty of misleading, even to the extent of practically lying to their customers by declining to make loans, alleging the opposition of the Federal Reserve Board, but in Governor Harding's speech he said: 'The directors of the Federal reserve banks are clearly within their rights when they say to any member bank, 'You have gone far enough; we are familiar with your condition; you have got more than your share and we want you to reduce. We can not let you have any more.' They must exercise their discretion as to the proper course to pursue but they have the power and there are many cases where the rule ought to be laid down and a member bank ought to be made to understand that it can not use the resources of the Federal reserve banks for its own private advantage for profit.'

"At the close of his address Mr. Hepburn asked if any arrangement had been made to place Governor Harding's opening remarks before the public and to this Governor Harding said: 'I have a synopsis prepared which was given to the press on yesterday for release to-morrow morning. It is rather more abridged than the statement I made this morning, but it is the substance of it.'

“It is interesting to take this statement in connection with Governor Harding's closing remark at the end of the convention which we have already quoted and in which he insisted that the discussion of the meeting should not be given to the press or to the people and the only thing which should be given to the press would be a summary prepared by the committee.

"Thus neither the press nor the public ever had any real information on what took place at that meeting.

TRIFLING DISCUSSION BY FIRST DISTRICT OFFICIALS.

"After closing his address, the meeting was opened by Governor Harding with an invitation to those in attendance to make reports as to conditions in their communities and in the Federal reserve banks with which they were connected. Mr. Thomas Beal, of the Federal Reserve Bank of Boston, said: 'We seem to have been able to have had some liquidation in our district.'

"And the public knew only too well that there has been a great deal of liquidation due to drastic deflation, not only in Boston but elsewhere.

"Mr. Chamberlain, of the Boston bank, had nothing to say, but added, 'I am the baby director on the board and Mr. Beal is our spokesman.'

"Mr. Kennard, of the same bank, said: 'I am a group 3 director of the first Federal district, and I want to say that we have a very healthy looking baby.'

"But whether he was referring to the bank as a healthy looking baby or to Mr. Chamberlain as the baby director we have no means of knowing, but the public can probably gain some light from the trifling discussion of the healthy looking baby and baby director from men who were facing one of the greatest financial problems that the world has ever had to meet. It was a time which called for real men, men who could think and who could say and did not plead the baby act or newness. However, Mr. Kennard, continuing, said, 'I also think that the rates for money should continue on a high level, with the hope of causing liquidation in commodities. Of course, liquidation would result in low prices and the easing up of business. I do not think this body should encourage any drastic measures of readjustment. I think the deflation should be gradual, and I think we should give more care to the commercial paper that is rediscounted at the Federal reserve banks.'

"That Mr. Kennard or anyone else has found out how high rates of money shall be forced upon a country without producing drastic liquidation in place of gradual deflation he will

have discovered something that no other human being has yet been able to discover. Mr. Kennard emphasized the congestion of the transportation facilities and the fact that the warehouses were congested because they did not have the shipping facilities, and this thought runs through a great many of the discussions of that day, and yet without shipping facilities merchants and manufacturers were told that they must ship their stuff in order to liquidate their accounts.

NEW YORK BANKERS FAVORED CURTAILMENT OF EXPANSION WHEREVER POSSIBLE.

“Mr. James A. Alexander, of New York, said, 'We find today, I think, a hesitation in business. Large users of credit are inquiring as to what the future has in store for them. I think now is the logical time to deal with this question, perhaps the best time that has occurred up to now, to bring this credit situation home to the users of credit. Although while this hesitation is on they will get some loans, prices are being reduced, but nevertheless, unless there is a very substantial contraction and a very definite and positive announcement made in some way, the users of credit in the country may become more hopeful again that the situation is not one to be feared, and they will feel justified in going ahead and making very substantial and large commitments for the future.'

"Following this, Mr. Alexander suggested that the discount rate should be raised, 'not to 6 1/4 or 6 1/2 per cent but to 7 per cent on commercial paper.' In reply to a question from Governor Harding as to whether the raise in rate would penalize anybody who could not liquidate on account of transportation facilities, Mr. Alexander said: 'I am afraid somebody is bound to be penalized in order to bring about 'production.' A percentage of 1 percent is not a very heavy penalty in the way of an interest charge, but it is a very positive announcement that the credit situation is such that further expansion must be presented and that curtailment should be had wherever possible.' When asked as to the transportation situation in his district, Mr. Alexander said: 'There is almost no such thing there now'; and he added: 'There is one thing, I think, to be feared, and that is that if the transportation facilities are improved and commodities moved freely and credits are thereby released it may make a temporary ease in the money market, and may encourage people to go ahead and expand. I believe now is the time to put the rates up and to keep them up.'

"From this, one might interpret Mr. Alexander's statement as indicating that he did not desire to see transportation facilities improved and commodities moved freely, because that would release credits and encourage the business people to go ahead. May Heaven save this Nation from a policy so narrow visioned and so amazing as that!

"Mr. Treman, also of the New York district, said: 'I think Mr. Alexander has well expressed

the general sentiment of the directors in our district, that there is a spirit of hesitation and uncertainty prevailing throughout the country, and that the business interests are looking to the Federal Reserve Board and the Federal reserve banks to indicate what is to be done. We have felt in New York that it was advisable to advance the rate further than at present, because we got good results from the action which was taken in the winter. We believe the time is coming when there should be a further warning by the advancement of the rate throughout the country. Not that it would curtail business – that is, the advancement of a point or a half point in the commercial rate – but it would be a warning to a great many banks that will not be affected by the graduated or progressive rate that in dealing with their customers they should recognize what many of them apparently do not recognize yet, and that is that the credit situation is a very strained one and should be dealt with now before the conflagration becomes too severe. As to the particular method to be employed, Mr. Alexander, I think, has correctly stated the position of the directors of the Federal Reserve Bank of New York – that is, that there should be an immediate raise in rate; second, that the position outlined by Governor Harding with regard to the process and methods of education should be carried out. * * * I am in very close touch with certain of the distributing interests – jobbers in hardware and jewelry and other lines – and I am sure that they are disturbed and they are looking to the Federal Reserve Board and the Federal reserve banks to outline a remedy which will deal with the situation in a sound and sane way at the present time without causing undue alarm. We can do that if we begin and restrict within reason the granting of credit through individual banks. You must do something more than send them requests not to do it. The way to do it is to bring them face to face with the officials of the Federal reserve banks in each district and have them understand the situation and have them in turn go back and deal with the commercial and business interests. We can in addition to reaching the business organizations through their officials reach the agricultural societies and organizations through their officials, so that if there should be an effort to get in touch with the large interests in each district and merely point out the necessity for a reasonable curtailment of credit, the same as we curtailed sugar and coal when there was a real need for it, it seems to me that by the raising of rates now, by the education of bankers individually and by these group meetings and by going on further and extending our suggestions to the business interests of the country, I believe that we can forestall any very serious disturbance in the fall.'

"Mr. Alexander was asked by Mr. Ottley, referring to the suggested raise in rates to 7 per cent: 'In view of the basic line that is under consideration by the Federal reserve bank, would it be your idea, Mr. Alexander, to just make a flat rate of 7 per cent or start off the basic line at 6 per cent with a rising scale?' And to this Mr. Alexander replied: 'Make the basic rate 7 per cent. I am in hopes that there will be no plan of progressive rates put in effect in New York. Make the rate 7 per cent. I am speaking of commercial paper. * * * Commercial paper is the thing that is being created in volume

right now and we want to limit it as much as we possibly can limit the creation of commercial paper.'

“Mr. Charles Smith, of New York, said: 'The entire board of our bank is in hearty accord with the advancement of rates as expressed by both Mr. Alexander and Mr. Treman.'

“Mr. John Skelton Williams said: 'Before we leave this question, Mr. Alexander, as you suggest a 7 per cent rate do you not think that one of the effects of a 7 per cent rate as a minimum rate for all banks would be to discharge essential industries? Six per cent is the maximum rate in New York except on bonds and certain other things. A small bank might have an application from an essential industry and it would realize that if it were to lend to that industry the accommodation that it needed it could only reimburse itself at the higher rate or at a loss. It would have to charge that essential industry 6 per cent and would have to pay 7 per cent and there would therefore be no inclination to extend the accommodation at a loss even to an essential industry. On the other hand, if you put the rate at 7 per cent, that would not deter the profiteers who are making 70 per cent profit, 20 per cent, or 50 per cent. My apprehension and wonder is whether a higher rate of interest would not in the long run discourage the essential producers and at the same time have no effect at all upon the profiteers, upon the men who are making exorbitant and extortionate profits.'

"Mr. Alexander replied: 'In the case of a corporation there can be a contract rate, whatever is agreed upon.' But to this statement Mr. Williams replied: 'The farmers, for example, are not corporations and a great many of the smaller transactions are not carried on with corporations.' And to this Mr. Alexander replied: 'No, I am coming to that point. Between corporations there is a contract rate, but in smaller transactions, where you are dealing with individuals and with farmers, 6 per cent is the legal rate. I do not think it makes a particle of difference to any of these borrowers, certainly to none of those with whom we come in contact, whether they pay 5 per cent, 6 per cent, or 7 per cent. The question is, 'Can we get the money?' That is the question to-day. They say, 'You lend us the money and we will pay the rate.' Now, there is the objection as stated by you of charging 7 per cent to the member banks when they can only collect 6 per cent. I think that is a feature of the situation that must be met. In other words, I think the purpose to be served is so great and of such prime importance that these other matters must be considered of smaller importance. I think the bank would have to stand in between the users of credit for essential purposes, if necessary, or they can have balances which will justify them in making a loan at 6 per cent, although they have to pay 7 per cent for the money.'

"Continuing the discussion, Mr. Alexander said: 'That is exactly what you would accomplish by making a profiteer understand that credit is a luxury and difficult to get,' and

so a great New York banker, holding the purse strings over hundreds of millions, we believe, wants to make it out that credit is a luxury and it is difficult to get. In this particular case he was referring to the profiteer, but that spirit that 'credit is a luxury, and is difficult to get,' in this particular, prevailed in too many banking rooms where a man was entitled to credit and should not have been made to feel that credit was a luxury.

"Mr. Williams suggested that in dealing with a profiteer the purpose could be better accomplished by saying to him: 'We won't let you have the money,' than by letting him have the money, even at 10 per cent.

"Mr. Alexander agreed to this statement as true and added: 'We could say that they could not have the money and we should see to it that the profiteer is cut out and that the essential industry is carried, even at the expense of the bank.' Referring to those who had engaged in what was called profiteering during the period of rising prices, Mr. Alexander said: 'People of that kind will disappear rapidly, I think, under present conditions, because they will be forced out.'

THIRD DISTRICT COOPERATED IN DEFLATION OF CREDIT.

"Mr. Joseph Wayne, of Philadelphia, said that he did not think the third district was unduly alarmed over the credit situation, but that they 'felt for some time that it required rationing and the green signal had been out.'

"When the Government sold its bonds, the Treasury Department and the banks of the country pledged to 20,000,000 buyers of these bonds that they could be carried through the banks until they could be paid for out of earnings. On the subject of liquidating these Government bonds, Mr. Wayne said:

"We may have been subject to criticism for not liquidating more promptly the obligations secured by Government bonds, but we more or less acted along the suggestion of the previous Secretary of the Treasury and the Federal Reserve Board at the time these loans were taken, and it now looks to us to be a pretty bad time to force these bonds on the market. They are being more or less liquidated. We have been endeavoring in our own bank in the last month to force Liberty bonds on the market, but they do not go on very comfortably. People who have to part with them and lose 13 points do not part with their money very gracefully.'

"When asked by Governor Harding if a 7 per cent rate in New York had forced the Philadelphia bank to put on a 7 per cent rate, Mr. Wayne said: 'No; but you know the general custom is that when one bank raises its rate we usually get a suggestion from the

Federal Reserve Board that they will approve a raising of rate for our district, and that usually goes through.' When asked as to transportation facilities, Mr. Wayne reported them as very poor and the freight blockade as serious, and that during the past few weeks the transportation situation had not shown any improvement.

"Mr. Francis Douglas, of the Philadelphia Reserve Bank, reported that some banks were not cooperating to the fullest extent with the Federal reserve bank, and he suggested that a letter stating the actual conditions should be sent to the various banks, not only member banks but nonmember banks, throughout the country, in a plan of education, and added: 'It would be very beneficial and would help a great deal in the deflation of credit.'

FOURTH DISTRICT OFFICIAL FAVORED BREAKING DOWN BUSINESS AND BUILDING UP FROM BOTTOM.

"Mr. Robert Wardrop, of the Cleveland Reserve Bank, said: 'I think a reasonable depression in business will be a good thing for the country,' and he added, 'I really think we would do better if we could get down to a lower basis, a different basis, and then from that we can work up again.'

"In other words, it would be a good thing, according to Mr. Wardrop, which was the view of a leading banker we have already quoted, that business should be broken down and then take a fresh start from the bottom. Millions of people who lost by that kind of teaching naturally question its wisdom.

"Mr. Chess Lamberton, of the Cleveland bank, one whom we have already quoted, also classes himself as a 'baby director,' and declined to express any opinion on any of the subjects discussed.

NECESSITY FOR RAISING DISCOUNT RATE DOUBTED BY FIFTH DISTRICT REPRESENTATIVES.

"Notwithstanding the fact that the Richmond Federal Reserve Bank sent out a circular letter in August, 1920, that it had been urging its member banks for more than 12 months to restrict credit, Mr. John F. Bruton, of the Richmond bank, referring to the heavy demands of agricultural loans, said: 'I hope it will not be necessary to increase the rate of interest, for fear that it might be construed as a reflection upon this great industry, which in the final analysis is doing the work of the country. Probably I am a little old-fashioned, but I have the impression that some positive relief could be had at the discount table of the Federal reserve bank by the discounting committee in drawing in on certain few banks in the district and limiting their borrowings, which would give to their banks the opportunity to make

essential arrangements.' When referring to some banks that he thought had been borrowing too heavily, Mr. Bruton said: 'Some of them have two feet in the trough already and it might be advisable to reduce on some of them.'

"The suggestion that any bankers trying to take care of their customers were hoggishly inserting two feet in the credit trough seems a little rough, and perhaps Mr. Bruton spoke unadvisedly.

"Mr. Charles E. Rieman, of Baltimore, a director of the Richmond bank, said: 'I hardly see the necessity of increasing the rate at this time. * * * With regard to the retail business, I have made a pretty close examination of it, and I do not think the shelves are overloaded.'

"Mr. Rieman was entirely correct in his position that there was no necessity of increasing the rate and that the country was not overstocked with goods.

PENALTIES IN SIXTH DISTRICT CERTAINLY BECAME STRONG.

"Mr. J. K. Ottley, of the Atlanta Federal Reserve Bank, said: 'The condition of the farmers, merchants, and manufacturers in the sixth district, in large majority, is good.'

"Contrast this good condition of farmers, merchants, and manufacturers in the latter part of May, 1920, as reported by Mr. Ottley, with the chaotic condition of business in that district when, by higher rates and curtailment of credit, business chaos was produced, not only in that immediate district but throughout the country generally. In further discussion of the matter, Mr. Ottley said: 'I would not feel at this time, from an independent standpoint, that a raise in the rate was necessary other than to put in this basic line and make the penalties very strong as they progressed.'

" In view of the fact that penalty for higher rates were inflicted by the Atlanta bank on one Alabama bank, which was

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trying to protect its farmer customers, up to 87 ½ per cent, the Atlanta bank evidently carried out the suggestion of making the penalty very strong.'

EMINENT CHICAGO BANKER SOUNDED WARNING NOTE.

"Mr. George M. Reynolds, of Chicago, was evidently not in favor of breaking down business so as to get a new basis from which to start again, for he said: 'If we pass through this crisis successfully and maintain prosperity at anything like its present level, I think the first requisite necessary is the maintenance of confidence. Believing, furthermore, that

confidence is to a considerable extent a state of mind, it seems to me that we people who are from the outside points here could do more for the state of mind along the line of trying to enable the members of the Federal Reserve Board to look through our glasses and get the focus of things as we see them at the other end of the line.'

"What a daggerlike thrust that was on the part of Mr. Reynolds against some members of the Federal Reserve Board when he, as one of the greatest bankers of America, suggested that one of the most important things was to get the Federal Reserve Board to look at the situation from his standpoint. What an infinite pity Mr. Reynolds was not able to bring about such a desirable change of vision! Further discussing the subject, Mr. Reynolds said: 'I would not be honest with myself if I did not express my own frank opinion on some of the questions that have been raised here. I have not lost my belief in the theory that the yardstick is the interest rate, which is after all the best means of controlling the demand for money. * * * I hope the Federal Reserve Board and the other people interested in this problem will not overlook this one principle.

"As I understand it, reserves are kept and enmassed and impounded for the purpose of loans in times of emergency. * * * Take the central reserve cities, and there are deposited in those banks, as you know, secondary reserve deposits, which since the organization of the system have been lying there dormant. In times like this when there is an emergency there is a shrinking first in deposits, and then many of these institutions come back to us for credit requirements which are not borrowed ordinarily. We have that situation in this crisis. * * * In every institution in this country there is a large amount of paper which is not eligible for rediscount at the Federal reserve bank, but at the same time it represents the very cream of paper in so far as the question of safety is concerned. * * * It may seem to you people here that under conditions which arise whereby there should be deflation rather than inflation the banks should stop loaning money. That is just as impossible without trouble as it is for us to fly out of this room. * * * I have not one particle of fear about the outcome. It is just a question of using what we might call horse sense and not getting stampeded or excited or doing something under stress of excitement or going off, as we sometimes say in the country, half cocked.'

"Mr. Charles H. McNider said: 'We feel there must be reason, there must be sanity, that the essentials must be taken care of, that there can not be an extraordinary cutting down of credits at this time because that would create disaster. * * * We ought to deflate in a sane and reasonable manner.'

"Unfortunately, Mr. McNider's suggestions were not taken, for we deflated in an insane and extraordinary manner, and the result was world disaster.

"Mr. E. L. Johnson, of the Chicago Reserve Bank, said: 'I believe that education and propaganda must be carried on, with authority and with strength, carried on from this board and from these gentlemen here down to all the nonmember banks on to the small business man in the small factory.'

"Evidently the propaganda was carried on and carried on with authority and with strength, for bankers everywhere were warned to curtail credits, and naturally any man who was not a fool from the top of his head to the bottom of his feet knew that that meant the breakdown of prices, the breakdown of business, and the increase of unemployment; and therefore every man stopped buying raw materials or finished products of every kind. Mr. Johnson added that Governor Harding's speech should be 'properly disseminated among them with the show of authority, even if you do not have it.'

"What an amazing statement for one of the directors of the Federal Reserve Bank of Chicago to make to the effect that Governor Harding's speech should be broadly disseminated among the banks with a show of authority, even if Governor Harding did not have such authority!

MINNEAPOLIS BANKER WANTED TO STOP HIGH FINANCE IN POLITICS AND BUSINESS.

"Mr. Wesley C. McDowell, of the Minneapolis Reserve Bank, said: 'I do not like this increase in rates. Out in our part of the country we have been going a little bit wrong on our thinking, so that we have established a bank of our own, called the State Bank of North Dakota. * * * I think that any method that would raise the rate arbitrarily when the farmer has had four or five years of poor crops * * * it looks to me like the institution they told us of when we started the Federal reserve system that was going to take care of us and prevent panics was now going to fall down and penalize them. * * * It seems to me that now is a poor time to penalize the little fellow. * * * The Federal Reserve Bank of Minneapolis is making \$10,000 a day. Is that profiteering, when they have been using our money without any interest ever since it started? Is the Federal Reserve Board going to be put in the same class with the sugar profiteer and the manufacturer who has been making big money? * * * So I say again, it does not seem to me that now is the proper time to increase our rate. We want to cure that unrest out there more than we do anything else. We want stop some of this high finance in politics, in business.'

DRASTIC REMEDIES OF TENTH DISTRICT MANAGERS PROVED FATAL TO VICTIMS.

"Mr. J. C. Mitchell, of Denver, director of the Kansas City Federal Reserve Bank, referring

to the condition in his district, said: 'In my opinion we corrected the trouble there by putting in the progressive interest rate; we felt we had to do something. We considered it a little bit drastic, but we thought we would try it, and we did try it.'

"It looks like the directors of that bank were trying an experiment the end of which they could not see. Mr. Mitchell thought it was a success. We venture to say that a million people in that territory thought it was a dismal failure. It looks very much like the quack doctor called in to attend an ill child. The quack admitted that he could not diagnose the case, but, said he: 'I am hell on fits, and I will throw the child into fits and cure the fits.' Unfortunately, the child died, and many a farmer and many a business man in the Southwest died financially because of the action of the Kansas City bank.

"Mr. W. J. Bailey, of the Kansas City Reserve Bank, said:

"I am well convinced, gentlemen, that you will bring the Federal reserve system back to a reserve system rather than a commercial system if you will make it unprofitable for certain great banks to use the funds of other banks.'

"What a pity that Mr. Bailey did not mention by name the great banks against which he aimed this dart! Then he added: 'I think the real remedy is in a graduated rate. Of course, make the basic line whatever you want and let us say you would raise the rate to 7 per cent. Now, the only complaint we have among our banks is that there ought to be a maximum rate. I do not believe that, gentlemen. I would put a danger signal here and another there and another up there – that is, death; and he will never go against the death signal. You have made the Kansas City Federal Reserve Bank a broker's shop; you have changed it from a reserve bank to a commercial bank and I want to get it back, and that is the reason I am in favor of the graduated rate.'

"Mr. Forgan offered a resolution that a committee of five be appointed 'to prepare a resolution in regard to the effect the transportation situation is having on the expanded condition of credit in the country, with a view to placing such a resolution before the Interstate Commerce Commission, requesting them to do what in their power they can to relieve the situation by increased freight rates, or otherwise.'

"It has been reported that one of the thoughts expressed by some at that meeting was that one way to break down business in addition to restricting credit was to secure increased freight rates and thus lessen the volume of business, bringing business down to a point where the railroads and the banks without trouble could transport and finance the business then in operation. That does not, however, appear in the resolution nor in the report of the meeting, but that was a current report in Washington at the time of the meeting as the

intention of those who sought to persuade the Interstate Commerce Commission to raise rates.

GRADUAL DEFLATION FAVORED BY ELEVENTH DISTRICT MANAGER,
WHO DOUBTED WISDOM OF PROPOSED RAISE IN RATES – WITH 100 PER
CENT PROFIT. FEDERAL RESERVE BANKS WERE ALREADY CHARGED
WITH PROFITEERING.

"Mr. John T. Scott, of the Dallas bank, said: 'Speaking of the increased rates proposed by some of the districts, I can not find myself in agreement on that proposition. We have already increased the rate, and the increase of the rate is not going to correct the evil unless the member banks all cooperate.

"We might increase the rate from 7 to 8, 9, and 10, and the situation would still be uncorrected. I believe we ought to continue our efforts with our member banks throughout the country and induce them to curtail their loans as far as possible to only the legitimate needs of legitimate business, and by that means we can bring about in a normal way the deflation of credit. We must remember that this inflation has not taken

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place over night; it has been going on from three to four years, and it is going to take some time to correct it. We can not hope to correct the situation in a day or a month or in six months. We have got to go at it in a sensible way, to bring it about in a gradual way rather than attempt to correct it within a short period of time. The Federal reserve banks have been charged with profiteering by reason of the rates they are now charging. We are making in the neighborhood of 100 per cent on our capital. * * * The Federal Reserve Bank of Dallas has already adopted the progressive rate proposed to be put in wherever the executive committee finds it necessary to do so. * * * We have sent out two letters within the last three months to the member banks. The last one was sent out at our last directors' meeting, under the order of the directors, to be sent under personal cover to the president of each member bank and by registered mail, so the letter would receive attention, and they were requested to read these letters at the next meeting of their boards.'

“With a registered letter to the president of each member bank and requirement that he read this letter at the next meeting of his board of directors, the Dallas bank was evidently following the suggestion of Mr. Johnson, of the Chicago bank, who suggested that the governor's speech should be disseminated among the bankers with a show of authority, even though the governor did not have the authority. The Dallas bank either had the authority or it took it, and at any rate the member banks that received that registered letter well knew they were taking their life in their hands if they failed to obey it.

“Mr. B. A. McKinney, of the Dallas bank, said: ‘From a study of the condition of those banks I can say that throughout all the districts they are in stronger condition to-day than they were a year ago.’

“That favorable condition, however, hardly held good after drastic deflation was put into effect.

WIELDING A CLUB ON FRIEND AND FOE ALIKE NOT APPROVED
BY TWELFTH DISTRICT DIRECTOR.

“Mr. C. K. McIntosh, of San Francisco, said: ‘We are thoroughly in accord with the resolution adopted and with the speech of Governor Harding outlining the methods that are desirable for us to proceed on. We can see the problem and we know fairly well some of the causes. We know that there is a demand that exceeds the supply of credit; we know there must be discrimination, and we are ready to join in any proposition. * * * I can hardly conceive that it is wise, in the endeavor to keep out the undesirable feature, to permit it to be rocked, even though the rocker is willing to pay 7 per cent for the privilege. I find it hard to convince myself that it is the most intelligent restraint to wield a club on the heads of friends and foes alike. A rate which applies beyond a certain arbitrary and calculated line has its effect, but without regard to what the man on the other end of the line is doing, it is something like running into a melee with a club in one's hand to assist in quelling it and making up your mind you are going to strike every fellow on the other side of the fence, whether he has his coat off helping to reduce the melee or whether he is one of the main instigators. It seems to me the character and not the amount of opposition should be the prevailing factor in penalties. * * * We must have the assurance, or should have the assurance, that we may have the unqualified support of the Federal reserve banks in our district, because that is their job; also the reserves are not sacrosanct; they are not to be framed and hung on the wall. That given the purpose, given the fact that the real purpose is being served by the advance, the Federal reserve bank must help us, must help those who are doing that thing, and must decline when discrimination is practiced against those not doing that thing. * * * If we can go to our people with the assurance that there is credit available for the production of essential and quickly assimilable things and that as compensation for that use we must ask to refrain from the demand for credit for those things not essential or for those which in our minds are not essential, we shall have gone a long way toward solving the difficulty as far as it is within our power to do so.’

“Unfortunately for the good of the country the reserves were regarded as sacrosanct and were not called upon to help out in the emergency – the very thing for which they were established – and the banks did not, with the cooperation of the Federal reserve system, guarantee to their customers credit for essential things.

CALLING LOANS AGGREGATING \$2,000,000,000 PROPOSED AS A DESIRABLE WAY TO PREPARE FOR FALL BUSINESS

“Mr. John Perrin, of the Federal Reserve Bank of Chicago, said: ‘The way to meet that problem is to bring about in the next three or four months a definite amount of contraction which would permit us to expand correspondingly in the fall. If it were possible for every bank in the country to reduce its loans during the next three or four months to the extent, say, of 10 per cent there would be a total expansion in the fall possible of approximately \$2,000,000,000.’

"Here is a definite suggestion as to calling loans amounting to \$2,000,000,000 in order that they might be reloaned in the fall, or, in other words, break down business in order to give it a fresh start a few months later!

“Mr. Forgan said that the calling of the convention ‘has stirred up sentiment throughout the country and there has been some thought, I think of a good deal of misapprehension of what we were going to do when we got here. The fear got out that we were going to meet here and in some way were going to classify loans into essentials and nonessentials and with that even send an order through the country that there were to be no loans on what we term nonessentials.’

"Mr. Forgan then presented some documents from the American Bankers' Association committee and other organizations which had been disturbed by the unrest already created throughout the country by the campaign of deflation which had been for some time under way by Federal reserve banks and by the fear that this convention would make still more drastic rulings. Letters were presented also from some leading business concerns along the same line. If any of these big business interests were tipped off in advance as to what was to be done prior to this information leaking out to the public they would have had an opportunity to make many millions of dollars. If, for instance, some corporation through some member of this meeting learned that deflation was to be continued it would have had a chance to unload before the break in prices came. It is hardly possible that, as 100 copies of the report from which we are quoting were printed for confidential circulation, so we are advised, and the type then destroyed, some people did not have an opportunity of learning what the public had not learned and thus of having the opportunity of utilizing this information in a way which might have made millions or saved millions.

"Mr. F. O. Watts, of Federal Reserve District No. 8, chairman of the committee on transportation, made a report for the committee reviewing the inadequate transportation facilities of the country, which were hampering business, and in the course of which it was said: 'A striking necessity exists which can only be relieved through the upbuilding of the

credit of the railroads. This must come through adequate and prompt increase in freight rates. Every delay means the paying of greater cost, directly or indirectly, and places a burden on the credit system which in the approaching time for seasonal expansion may cause abnormal strain. Even under the light of war inflation, high price level, and extravagances the bank reserves would probably be sufficient if quick transportation could be assured during the time of the greatest strain.'

WERE INCREASED FREIGHT RATES SUGGESTED AS MEANS OF LESSENING VOLUME OF BUSINESS?

“Mr. Watts offered the following resolution, which was unanimously adopted:

“Resolved, That this conference urge as the most important remedies that the Interstate Commerce Commission and the United States Shipping Board give increased rates and adequate facilities such immediate effect as may be warranted under their authority, and that a committee of five be appointed by the chair to present this resolution to the Interstate Commerce Commission and the United States Shipping Board with such verbal presentation as may seem appropriate to the committee.”

"What was the verbal presentation made by the committee to the Interstate Commerce Commission in behalf of increased freight rates? Was it, as some have surmised, a suggestion that it would be better temporarily to lessen the volume of business of the country in order to enable the railroads and the banks to handle it? Some rumors to that effect were circulated at the time. Were they correct?"

“Mr. Wayne raised the question of graduated rates on borrowings or rediscounts and said: 'I would like to know whether in the districts that have adopted this procedure there has been eliminated the question of borrowing on Government securities from calculations as to the line of credit granted to a bank?'

"Governor Harding replied: 'In the Kansas City district and the Dallas district, in their tentative plans they have eliminated entirely borrowing on Treasury certificates of indebtedness and on Liberty bonds actually owned on the 1st of April, 1920.'

“Mr. Wayne then asked: 'Have they made any reference to collateral notes of customers that have been discounted by the banks as a result of Liberty loan subscriptions?'

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"Mr. Bailey replied: ‘They have to belong to the bank on the first day of April. We have made that rule.’

"Mr. Scott said: 'It is the same way in the Atlanta district.'

"Mr. Wells said: 'He wants to know if customers' notes secured by Liberty bonds are exempt from the application of it'; and Mr. Bailey said : 'They are not.'

"When the Federal reserve system undertook to violate every promise made by the Government and by the banks in persuading people to buy Liberty bonds, promising to carry them and then calling loans on them in order to force them out of the banks, breaking them down from 12 to 15 points or more, the honor of the Government and the good faith of banks was trampled in the mire and millions of bonds bought in good faith by patriotic people to help the banks and help the Government were forced to be sold at a loss, and the National Government bought in \$2,000,000,000 of its own dishonest promises to pay and the Secretary of the Treasury boasted of the money that had been saved in doing so! And at these low prices hundreds of millions of bonds were bought in by big estates and big institutions, with heavy losses to innocent original purchasers.

"At the afternoon session it was proposed to appoint a committee of five, as that number 'would be more impressive,' 'to prepare some kind of a statement or memorandum to be submitted back to the conference, which we can use as a basis of a press statement and which you can all use as a basis of a statement to your own banks when you get back home touching the situation as you see it, and forestalling any more remarks such as were made in the Senate yesterday as to all kinds of trouble coming, and yet being careful not to stir up another bomb.'

PRESS DENIED OPPORTUNITY OF GETTING FACTS OF MEETING.

"When the press is denied the right to learn for itself what is going on and must accept as law and gospel any prepared report, the public may rest assured that it is not getting the real facts, and yet such a prepared report was all that the press has heretofore ever been able to secure as to the discussions which took place in that meeting.

"Mr. John Skelton Williams, discussing in the afternoon some of the things that had been said during the morning, said: 'I do not think myself that there is any ground for expecting a commercial cataclysm or crisis such as some people are predicting. * * * I see nothing in the situation to justify the fear of such a commercial crisis or financial catastrophe as we had either in 1873 or in 1890 or in 1907. If anything of that kind comes it will be our fault, the fault of those who are in charge of the banking and commercial interests of the country, and I do not believe they are going to bungle it.'

"Unfortunately those in charge of the banking interests of the country did bungle it and

bungled it badly, as Mr. Williams has repeatedly said that they did, and proved by the figures which he has published showing how badly it was bungled.

"Mr. Henry A. Mohlenpah, member of the Federal Reserve Board, and who, it is generally thought, joined Mr. Williams from time to time in vigorous opposition to the drastic deflation campaign carried out by Governor Harding and other members of the board, in following Mr. Williams's address said: 'I think it to be right to say that there is no member of the board at this time that has been related to your problem so directly as perhaps I have been, because I have just come from the desk and I have during the past six months visualized the proposition you are up against, and I want to say right here, gentlemen, that I refuse to be a pessimist. I quite agree with the comptroller. That does not mean to say that I am an expansionist or an inflationist, but I do believe in the broad general proposition that we have just as much right to take stock of our assets and of our privileges and of our opportunities as we have of the darker phases of the question. * * * I believe out of this question will come a stronger, higher morale on the part of the bankers themselves.' And referring further to the situation he said: 'It is just exactly to my mind what this situation needs; not a contraction that is going to hurt; it needs the steady nerve of the bankers, just as they faced their problems in 1903 and 1907.'

"The situation did need, just as Mr. Mohlenpah said, the kind of handling that would not produce a contraction to hurt business, but in place of that it got a contraction that well nigh destroyed business. Mr. Mohlenpah and Mr. Williams thought that the management of the Federal reserve system would not bungle the job, but the most disastrous commodity panic in the world's history and the most disastrous agricultural condition which this country has faced in its whole life proved that the job was badly bungled, unpardonably bungled. As one of the speakers said, it had taken three or four years of inflation to carry us to the top, and it should have been evident to every man that the only way to come down safely was to take as long in coming down from inflation as we had taken in climbing up. This, however, was made impossible by the urgent efforts of Federal reserve banks to cause member banks to restrict credit and with the Federal Reserve Board carrying out its constant efforts to impress upon all banks the need of restricting credit and curtailing business operations chaos was inevitable.

\$2,000,000,000 LOSSES AS RESULT OF RESERVE BOARD'S DEFLATION PROGRAM.

As the Manufacturers Record showed a few weeks ago, the decline in the value of farm lands in 1920 and 1921 under deflation amounted to about \$18,000,000,000, and the decline in the value of farm products of these two years as compared with 1919 prices showed a decrease of over \$14,000,000,000, making a total loss to the farmers of upward

of \$32,000,000,000. If to this we add the decrease in securities, stocks, and bonds of railroads and industrial corporations and the losses in the decline of output in manufacturing and mineral industries, it will be found that under the system pursued of erroneous financing and financing directly contrary to the teachings of such bankers as Reginald McKenna and others of his standing we wiped out about \$50,000,000,000 of values, a staggering loss which well nigh shocked the very life out of the country. Mr. Wayne, referring to the proposed progressive discount rate, said, 'It does not appeal to me as a director of the Federal reserve bank at all, at least for operation in our district. I am afraid it will do just the opposite for which the Federal reserve act was enacted. In other words, the act was proposed to enable the banks to cater to commercial business. I know in the operation of our bank we were very often called upon to borrow quite heavily and we cut it down as fast as we could, but if we are going to accumulate a batch of commercial paper, either by direct transactions for customers or by purchase on the market, because our borrowings at the Federal reserve banks happen to go beyond a certain limit we are going to be heavily penalized, we are going to stop buying the paper, and we are going to invest our money in call loans on Wall Street, which is exactly what the Federal Reserve Board does not want the member banks to do. * * * I think that you are going to defeat the very purpose of the act, which was to enable commercial banks of the country to do a safe commercial business. We will simply be driven into call loans on Wall Street for our surplus money if they are going to penalize us.'

"Mr. Scott, in discussing the matter, said, 'We find that about 80 per cent of our members are small country banks, with a small capital and small deposits. * * * They are the ones that we really need to help out in the farming communities. We had a complete list made up of every borrowing bank, showing what its rate would be if they were under the Kansas City plan, and we found that some of them ran up as high as 18 and 19 per cent. If that plan were applied it would mean the ruination of the agricultural districts.'

"That plan was put into effect and the agricultural districts were ruined, exactly as Mr. Scott had predicted.

"After considerable discussion in regard to the progressive rate and vigorous opposition on the part of a number, Mr. Mohlenpah said, 'Is it absolutely necessary in every transaction made in a Federal reserve bank that it has got to be made on a basis of profit to the Federal reserve bank, or is it not time that these reserve banks will have to forego their profit in this overplus of borrowing when the country banks have to move crops or other commodities?'

"Judging by the 100 per cent profit that the Dallas bank was making, as one of its officers said, and the \$10,000 a day that the Minneapolis bank was making, it looks as though every Federal reserve bank did business only on the basis of a profit on each transaction,

regardless of its effect upon the country at large.

UNHEEDED WARNINGS OF COMPTROLLER OF THE CURRENCY JOHN SKELTON WILLIAMS.

"As shown by letters from John Skelton Williams, then Comptroller of the Currency and a member of the Federal Reserve Board, Mr. Williams repeatedly warned the board of the danger that faced the country from its deflation campaign. In a speech before the Maine Bankers' Association at Bangor June 26, 1920, Comptroller Williams called attention to the fact that the Federal reserve banks had an unused lending power at that time of about \$700,000,000 and that if the reserve requirements should be temporarily reduced by only 10 per cent the total unused lending power of the reserve system could be increased to two thousand million dollars.

Nevertheless the financial situation, under the reserve board influence, grew worse, and on July 31, 1920, Comptroller Wil-

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liams gave a statement to the press showing that the unused lending power of the reserve banks was still \$750,000,000. Mr. Williams added in that statement: 'Such figures as these ought to be sufficient to allay fears of pessimists as to the financial condition of the country at this time.'

"Mr. Williams's statement was resented by the chairman of the Federal Reserve Bank of New York, who promptly wrote a letter to the reserve board complaining that Mr. Williams's public statement was interfering with the plans for deflation.

"On August 9, 1920, Mr. Williams called attention of the reserve board to the fact that certain banks in New York were using the funds of the reserve system for speculative ventures and were extorting grossly excessive interest rates from customers so that business men and merchants needing funds for legitimate business were being required to pay exorbitant rates.

"August 26, 1920, Comptroller Williams filed a memorandum with the board urging a reduction in rates which the reserve banks were exacting on Liberty bonds and for legitimate business transactions, and he also warned the board at that time that the drastic liquidation which had already taken place in leading commodities, including cotton, corn, wheat, rice, silk, wool, leather, etc., had brought about a shrinkage in some cases amounting to over 50 per cent. He also showed the board that the pressure had been so great that the prices of Government bonds and other high-class investment securities had been broken down to the lowest level they had touched in half a country. At that time he told the board:

'Such additional liquidation as is needed could be brought about without the exaction of interest rates as high as those which have prevailed.'

"On October 26, 1920, in a letter to the Secretary of the Treasury, remonstrating against the reserve board's policies and urging a revival of the War Finance Corporation, he said: 'The shrinkage in our leading commodities throughout the current year has ranged from 25 to 75 per cent from prices of less than a year ago. This shrinkage amounts not to millions or hundreds of millions but to billions of dollars. The strain upon the business fabric of the country is in some respects unparalleled, and I do feel that the time has come for the exercise of such salutary and constructive powers as may be at our command.'

"The reserve board's answer to Mr. Williams's protestation and remonstrances was to tighten the screws still further and to force a contraction or deflation in loans held by the reserve banks which amounted to one thousand million dollars in the succeeding 12 months, every month showing an actual contraction from the preceding month.

"When Comptroller Williams a few weeks later offered a resolution in the board to require the banks which had been exacting extortionate interest rates from member banks – as high as 50, 60, 70, and 85 per cent – to limit interest charged member banks to 6 per cent, the board voted down his resolution, and when in February, 1921, he offered another resolution to limit the interest rates charged member banks to 10 per cent they also voted that down.

"At the close of the meeting, in which only one day was given to this general discussion of the most tremendous financial problem that this country had ever faced, when days and days might well have been spent in a careful analysis of the situation, the meeting was closed with the statement by Governor Harding, which we have quoted in the opening paragraph, insisting that nothing should be given out by those in attendance in regard to the discussions that had taken place; and thus the public was to be kept in dense ignorance, knowing nothing except the official statement issued by the committee, and from which the public and the press could get no information worth having as to what was being done or would be done by Federal reserve banks.

"We do not know what has become of the 100 copies of this stenographic report of the day's proceedings which were printed for confidential distribution, but the Manufacturers Record feels that in having secured one copy and in giving this summary of it to its readers it is rendering a service of inestimable value to the Nation."

PERILOUS CONDITION OF THE BANKS AND GREAT INDUSTRIAL TRUSTS.

Mr. LADD. Mr. President, previous to the World War the large banks of the United States,

especially those owned and controlled by international bankers, were overloaded with debts that they owed and held as collateral security against the great industrial trusts, manufacturing corporations, and business enterprises of the people of the United States. Fully 90 per cent of these debts had been created by the banks loaning a false and fictitious substitute for money known as "bank credits"—that is, money having no existence and represented only by credit and debit figures upon the books of banks.

As a logical result, when the demand for these debts was made, calling for payment in money, business depression set in, and as an illustration of its effect, the common stock of the United States Steel Corporation dropped to 30 cents on the dollar, as it had skipped its dividend payment and was heading for a receivership. If this had occurred the other great trust combinations would have been likewise affected, producing financial chaos among the banks of the country, as it would have been impossible for their debtors to pay their debts in money.

International bankers, anticipating this situation, formulated and put through Congress in 1914 their fraudulent gold basis Federal reserve act, granting banking corporations organized for private gain, first, the power to rediscount the debts of borrowers and receive the proceeds in Federal reserve notes from the Government, thus giving banks the power to convert debts into money; second, the astounding privilege of rediscounting the debts of borrowers and having the amount credited to their "reserve," and upon this reserve, so created, loan from eight to ten times the amount, thus putting the people deeper and deeper in debt. This afforded the banks the opportunity to make unheard-of profits.

In 1914, when the European war started, tremendous war orders from the Allies in Europe were placed with these great trusts and corporations, showing profits running as high as 500 per cent; as a result the stocks of these trusts and corporations advanced in value to unprecedented high levels, which enabled them to obtain additional loans from the banks to increase the capacity of their manufacturing plants to meet this growing demand.

This was their situation when the alarm started that the Allies had exhausted their means of making payments on their debts and could not purchase more in the United States unless they were given uncovered credits; in other words, they could put up no more collateral security for loans or pay the debts then due in the United States, amounting to billions of dollars. It was then forced upon the attention of these international bankers that if the Allies were defeated or Europe was bankrupt as a result of the war they would face a total loss.

The resourcefulness of the international bankers in high finance was put in operation and the plan put through to shift the obligations owed them by the Allies upon the taxpayers of the United States. This was done by getting Congress to authorize the exchange of United

States bonds for the worthless promises to pay of the bankrupt countries of Europe which they, the bankers, would not accept, knowing that Europe, with a war debt of over \$200,000,000,000, would have to repudiate them.

Thus the bonds put upon the taxpayers of this country were used to pay the debts of the Allies to the banks, industrial trusts, and corporations in the United States.

This was another gigantic conspiracy of international bankers to rob the people, that will be more fully exposed in the near future. The people of the world have been financially ruined by a false banking and currency debt manufacturing scheme, built upon a fraudulent and dishonest gold basis, and the present move of international bankers for an economic council of experts to adjust German reparations and stabilize the mark is an international subterfuge to entangle the United States financially with the bankrupt countries of Europe, to reestablish the gold standard, or gold-basis banking and currency scheme, through which international bankers control the money and credit of the different countries of the world.

The people of the United States should resist at any cost this attempt to reestablish the fraudulent gold-basis money scheme, as it will inevitably rivet the chains of industrial slavery upon 90 per cent of our people or end in civil war.

THE WORLD'S CONDITION PROVES THE IGNOMINIOUS FAILURE OF THE BOASTED GOLD STANDARD.

There is no misrepresentation too erroneous, no falsehood too malicious, no assumption too baseless for the hired agents of the money power to resort to accomplish their insidious purposes. For instance, they hold up to the world the financial distress of the devastated and debt-burdened countries of Europe as horrid examples of countries that are hopelessly striving to establish a monetary system other than the one which they dominate and which they misname the gold-standard system, which never had an actual existence.

Let us go back to the financial condition which existed in these countries previous to the World War. For instance, Germany, the most powerful and progressive nation on the Continent, was on the gold standard or the gold basis and all other forms of money or currency was redeemable in gold. At the beginning of the European war, Germany realized that her gold-based money system could not stand the strain of carrying on

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the war and allowed banking corporations to issue and loan their nonlegal-tender notes as a substitute for legal-tender money. Upon this fraudulent gold basis billions of debts were created upon the German people by the loaning of "money of account," a false and fictitious money, having no existence and represented only by credit and debit figures upon the books

of banks. These banking corporations were also granted the power to issue billions of marks in "bank notes" as a substitute for money. The gold-basis money system upon which this gigantic issue of currency – German marks – is based has been absolutely destroyed by the war. The validity and value of money depends upon, first, its being full legal tender; second, the solvency of the country issuing it; third, the sovereign power of its government to enforce its acceptance in payment of all debts, public and private; fourth, a proper regulation of its quantity.

The German mark has none of these essential requirements to protect its value. The German Government is now bankrupt and in the hands of receivers (the Reparation Commission) representing the Allies, holding a mountain of debts against the German people sufficient to keep them in debt slavery for over a hundred years.

RESULTS OF FEDERAL RESERVE SYSTEM.

I am fully justified in stating that the peak of official perfidy and financial iniquity was reached when the Federal reserve system was imposed upon the American people by the world's investment bankers. For defeating the very purpose its sponsors publicly claimed for it, it can not be matched. It was an unpardonable national crime. The few redeeming traits that it possesses are rendered nugatory by what its originator, Paul M. Warburg, styled "in an administrative way." Through the notoriously dishonest manipulations of this infamous system, the purchasing power of the farmers of the country has been deflated \$18,000,000,000 in a single year. When we stop to consider that there are 6,500,000 farms in the United States employing 13,000,000 men, we at once realize that the farmer is the largest employer of labor in the country. He produces all our food and clothing and pays nearly 60 per cent of the freight charges, in the capacity of producer and consumer. Every farm is a producing and consuming plant. Just think of the prodigious amount of supplies that are consumed in the aggregate by the farmers of the United States: Threshing machines, reapers, rakes, binders, tractors, wire fencing, tiles, in short farming machinery and implements of all kinds, building material for homes, barns, and outhouses, fruit trees, fertilizers, plants, and the scores of things these will suggest. Now, it is as plain as a geometrical axiom, that just in proportion as you reduce the purchasing power of the farmer in the same proportion you diminish the prosperity of the Nation. In the face of these indisputable facts is it not a burning, blistering shame, tantamount to a national scandal that the time of the Congress should be wasted and frittered away considering such an iniquitous measure as the one under consideration while the working farmer is pushed into irredeemable bankruptcy by the force of unjust laws and the dishonest and inefficient administration of others. Can you imagine anything more cruel and merciless than the foreclosure of a farm mortgage that robs industrious, thrifty, peaceable, country-loving, law-abiding American citizens of years of weary toil, to turn it over to men who never

performed a day's labor, produced a dollar's worth of wealth, rendered any useful service to society, who have done nothing, in fact, to aid the advancement of a true civilization or to furnish the slightest pretext for their own existence? To compare them to parasites that fatten on other organisms would be doing injustice to the parasite, as the latter do not intimidate, discriminate, or deceive their prey; they are vampires that with ruthless indifference extract the very lifeblood of their helpless victims.

According to John Skelton Williams, former Comptroller of the Currency, the earnings of a lifetime were turned over to these modern Shylocks through the unexpected and wholly unnecessary deflation of the currency by the faithless and merciless connivance of officials of the Federal reserve system. These public officials, although supported by the people and supposed to serve them in a public capacity, have no interest in the general welfare, no sympathy for the toiling masses, but are entirely devoted to the predatory privileged interests. Their insatiable rapacity, if allowed to continue, is bound to wreck our Government as they have already wrecked monetary and transportation systems and our most productive industries, and eventually retard and then turn back our civilization as other civilizations have been turned back in the past by the very same causes, for a civilization that concentrates enormous wealth in the hands of those who have not produced it and takes it from those who have must inevitably evolve dis-order and bring disintegration. The dangers that menace us are the natural and inevitable result of the kind of legislation we are now considering. All our industrial progress and material achievements have not brought the benefits, advantages, and blessings which our Creator intended them to bring, because we have permitted the predatory privileged interests to impose upon us laws to enrich themselves, at the expense of the real wealth producers of the Nation. The appalling decline of the purchasing power of the farmer resulting from the rapid and unwarranted decline in the prices of farm produce is evidently the chief cause of our industrial depression, which started with the basic industry, communicated itself to every other branch of the industrial organization, causing a dislocation of the various parts of the whole intricate network of production. The rapid decline of prices of farm products, which so diminished the purchasing power of the six and one-half million farmers, showed itself in the decline of effective demand for manufactured articles and other products of industry, resulting in the closing of mills and factories or their being operated at a small percentage of their capacity. Only the greatest and most powerful of the industrial organizations, like the Standard Oil and United States Steel, were able to maintain prices, and this was made possible by monopolistic privileges. Injustice to the farmer is the primary cause of the unemployment of millions of men able, willing, and anxious to work to produce the things essential for the gratification of their own desires and those of others. The conclusion is irresistible, and from this conclusion there is no escape, that peace and prosperity can not be reestablished until we do justice to the farmer who works the farm and prevent financial bandits from farming the farmer who works the farm. Never before in the

history of this Nation was there such an urgent demand for honesty, intelligence, and courage on the part of the people's representatives as there is at this very moment. Their responsibility to the people in this great emergency is grave and serious.

SOME RAILROAD JUGGLING AND CORRUPTION.

Mr. President, the ship subsidy bill, if enacted into law, will take untold millions from the earnings of the people and hand them over to the very men who by the prostitution of governmental functions have brought us to our present low estate.

The operation of our railroads by private interests, it we may believe history and the record of the roads, is the blackest chapter in the history of civil government. It is a long, unbroken series of incredible stupidity, shameless dishonesty, flagrant inefficiency, disgraceful perfidy, and the rankest corruption and debauchery.