S. J. Res. 12. Joint resolution authorizing the President to require the United States Sugar Equalization Board (Inc.) to take over and dispose of 1922 tons of sugar imported from the Argentine Republic.

On February 12, 1923:
S. J. Res. 24. Joint resolution to provide for the payment of salaries of Senators appointed to fill vacancies, and for other purposes.

On February 12, 1923:
S. J. Res. 25. Joint resolution authorizing the President to deport the international agreement embodied in certain Executive orders relating to the Panama Canal.

On February 12, 1923:

On February 17, 1923:
S. 1078. An act to permit the State of Montana to exchange certain lands granted for educational purposes for other lands of like character and approximate value.

S. 1038. An act to extend the provisions of the act of February 6, 1923, to lands purchased for Indians; and

S. 3702. An act providing for the improvement of the United States watersheds in certain Indian reservations in the Lincoln National Forest, in the State of New Mexico, by exchanging therefor lands on the public domain also within such State.

On February 15, 1923:
S. 4810. An act granting the consent of Congress to the city of Aurora, Kane County, Ill., a municipal corporation, to construct, maintain, and operate a bridge across the Fox River; and
S. 4831. An act granting the consent of Congress to the Orange and Northern Illinois Bridge Co., and its successors, to construct a bridge across the Columbia River.

S. 4851. An act granting the consent of Congress to the Great Northern Railway Co., and its successors, to construct a bridge across the Columbia River at or near the city of Hood River, Ore.; and
S. 4853. An act granting the consent of Congress to the Delaware State Highway Department to construct a bridge across the Delaware River.

S. 4853. An act granting the consent of Congress to the high way commissioners of the town of Elgin, Kane County, Ill., to construct, maintain, and operate a bridge across the Fox River; and
S. 4861. An act to revive and to reassert an act entitled "An act granting the consent of Congress for the construction of a bridge and approaches thereto across the Arkansas River between Rock and Argenta," approved October 6, 1907.

On February 17, 1923:
S. 2831. An act to create a board of accountancy for the District of Columbia, and for other purposes; and
S. 3109. An act to equable pensions of retired policemen and firemen of the District of Columbia, and for other purposes.

S. 3721. An act providing for the erection of additional suitable and necessary buildings for the National Lepor Library.

On February 21, 1923:
S. 1066. An act to authorize the Commissioners of the District of Columbia to erect and maintain a public works and street and sewer system in the District of Columbia; and
S. 1076. An act authorizing the Secretary of the Interior to investigate the feasibility of reclamation projects on the Columbia River and various other irrigation projects.

REPORT OF THE GOVERNOR OF PORTO RICO (S. DOC. NO. 651).

THE VICE PRESIDENT laid before the Senate the following message from the Governor of the United States, which was read and referred to the Committee on Territories and Insular Possessions:

To the Congress:
As required by section 32 of the act of Congress approved March 4, 1917, entitled "An act to provide a civil government for Porto Rico, and for other purposes," I transmit herewith, for the information of the Congress the Twenty-second Annual Report of the Governor of Porto Rico, together with the reports of the heads of the several departments of the Porto Rico Government for the fiscal year ended June 30, 1922.

I concur in the recommendation of the Secretary of War that this report be printed as a congressional document.

WARREN G. HARDING.

THE WHITE HOUSE, February 23, 1923.

REPORT OF SUEZ CANAL (S. Doc. No. 107).

The Vice President laid before the Senate the following message from the President of the United States, which was read and ordered to be printed, and with the accompanying papers and documents, referred to the Committee on Appropriations:

To the Congress:
I transmit herewith, for the information of the Congress, a report by the American Relief Administration of the disposition made of certain medicines, medical, surgical, and hospital supplies, which were transferred to said American Relief Administration by virtue of the provisions of the act of Congress approved January 16, 1922, for the relief of the distressed and famine-stricken people of Russia.

THE WHITE HOUSE, February 23, 1923.

A SHIP SUBSIDY—WILL IT BE ONE OF OUR NATIONAL BLUNDERS, AND WHY?

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 today in this country the Suez Canal lies full fruition for the benefit of a privileged few and at the expense of all.

At the outset I wish to call attention to the blunder that has been made in the private operation of our railroads, warehouses, 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 retire from the field of all the great and necessary industries and the necessities of the people have, in most instances, been subordinated to the interests of the few.

At the same time I wish to point out that in the past we have been enabled to thwart the Government's efforts to have them retire from the field of all the great and necessary industries and the necessities of the people have, in many instances, been subordinated to the interests of the few. This policy has continued, with the result that we have been enabled to thwart the Government's efforts to have them retire from the field of all the great and necessary industries and the necessities of the people have, in many instances, been subordinated to the interests of the few.

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Mr. President, with the illimitable, inexhaustible resources of this country, with its prodigious increase of wealth-producing power, power that is not only vital, but it has hitherto been the fruit of the unceasing toil 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 at such an important employment sufficient to maintain his family's 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 country which is so destined to physical health and moral purity, which deprives the American home of every element of happiness and contentment. How large this
The total farm mortgage indebtedness in this country today is over $8,500,000,000. And this appalling debt is of the same character as that of the farmers of Germany, whose annual net income is $314,000,000, out of which sum the children are to be educated, doctors' bills, life and fire insurance paid, buildings repaired and church and school organizations supported. But this distressing condition is not confined to the farm industry. Over 20 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 houses of America are mortgaged. Out of a population approximately 110,000,000, only 4,131,578 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 $14,000,000,000. 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 these predictions indebtedness is wholly fictitious, not representing one dollar of actual investment, but is the result of decretal manipulation of financial schemes concocted for the sole purpose of robbing the actual wealth producers of the country. It is a conspiracy to rob banks, moneychangers, 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 than chattel slavery. 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 regular increase in the price of necessaries 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 splendid truth that Thomas Jefferson's statement in his connection:

"The people will remain rich for as long as they are agriculturists, and this will as long as there are enough lands in any part of America; but when agriculture is abandoned, and at large cities, as in Europe, they will become beggars, as in Europe."

What Jefferson said in his day was prophecy. In our day it is history. For it is true. And yet, we are not in a position to say that the solution of the problem is to be had by returning to the original condition of things. The problem is far more complex.

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. In the problems of human existence, we can readily find the cause.

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 50 years, there is nothing unnatural about the normal situation that confronts us. He who in the midst of abundance suffers the plagues of hunger; who in the presence of inexhaustible resources, is unable to secure bread; who, clothed with political power, is a political nonentity; to whose unwarred workaday labors nothing is due, to whom nothing is given, is brought no relief but rather seem to make his condition worse, is incurring amounts that bring him something wrong with our system of distributing the wealth which his labor produces. He knows that the vice and misery, the ignorance and brutality 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 inerently 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 tells him that natural laws which are the ordinances of God are not violated with injustice at which even the mind of the most
THE JEWISH CRISIS.

The distressing situation of affairs is not the natural or 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 availing of the corrupting and favored few priviledges which involve supreme functions of government.

It must be remembered that the industrial, economic, and financial difficulties that now confront us are real and substantial 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, which is the spring of discontent, whichthreatens the future with ominous clouds, which perverts our politics, applause the statesmen, 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 priviledges and granting new ones.

THE GOVERNMENT AND THE PEOPLE.

It is the delusion born of unearned wealth that recognizes in the popular interest with which the Nation is feverishly piling only the transitory effect of ephemeral phenomena. Between democratic aspirations and plutocratic arrogance and greed there is an irreconcilable antagonism. The new vices 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 which now threaten us will be tranmuted 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 she did not create and does not know any public need. The nature of some faster to 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, sovereign entity which alone justifies individual ownership and equality of rights.

ANOTHER LAW DO NOT RECOMMEND.

The laws of the Creator, made no discriminations among men but are to all absolutely impartial. All persons stand upon the same level and have the same rights between them as between employer and employee, farmer and banker, skipper and carrier, laboror and capitalist. Here the government is limited in its function to the creation of new rights but are intended to secure the old ones. Let us never forget that law is not higher than any human enactment and that it is a creature of necessity and condition. That is why above and beyond man-made laws and upon man-made laws, that law must place a check on their validity. To deny this is to assert that man is destitute of a moral faculty and that there is no standard whatsoever by which the validity of the laws of the government can be determined; to assert that no actions are in themselves right and wrong 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 in violation of human law which is not a crime by God's law is inevitably to destroy respect for all law; to require men to act in evil 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 equal law on the part of others, and the moment governmental interference extends beyond this they are liable to defeat the very ends they were intended to secure.

What is the natural law of human progress in its entirety but the recognition of the moral law. Just as human beings have the power of the law of equal freedom, just as they acknowledge the equality of right between man and man, just as they secure to each the perfect liberty which is limited only by the perfect liberty of every other, must mankind and advance. Just as they ignore or contravene all this the progress of mankind comes to a halt and eventually turns backward. The science of enough can not teach any lessons not embodied in the dogma and the golden rule. As the summary purpose of wholesale efficacy 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.

The essence of the whole matter is that the gratification of all their desires becomes closer and wider, the Government must assume functions that in a lower stage of cooperation were necessary for it to be of assistance in the development of other phases of activity.

DEMANDS OF PUBLIC INTEREST.

The annals of every nation since the beginning of recorded history show the encroachments of a select selfish class upon the natural rights of their fellows. Even in our Federal Constitution and the treaties of the United States there were coterie of privileged priviledges that were strenuously opposed to the principles of republicanism for which the Revolutionary War was fought, who pressed for a monarchial form of government, and when they realized that the great body of the people were uninterested in the question of monarchy and republicanism, but for gaining due strength to the Federal Government under that form, they then directed their energies 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 would place the national interest and the creation of a money power by means of a funding system, and in order to secure the national interest the national debt is 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 an absolute power over our banks and people.

"I said him," says Jefferson, "that, in my opinion, there was only one way their money was to be collected, and that was by compelling the people to pay to support themselves over the War. Department also, and yet I considered the money raised for the War was not what an American was to consider a tax. I considered the taxes which have taken place if they had not first been generated in another department. The result was a necessary and natural consequence. That it was thus our years of experiment and experience were contrived for depleting the States with paper money instead of gold and silver, for withdrawing our citizens from the pursuit of commerce, manufactures, and other branches of useful industry, to occupy themselves and subject themselves to the necessity of producing for themselves, and to produce for the people. That it was a fact, as certainly known as that he and I were conversing, the first result of the ignorance of the importation of specie was that the money they were on the carpet had feathered its nests with paper and then the money was to be collected by the obligation of the State, and constantly since has not their patents and instrumentality of their offices to the establishment and enlargement of this system; that they had situated it about their heads for a greater length of time, and in order to keep the game in their hands have in the same way made and legislated, contrived, and contrived to keep the people from making them think they had submitted; that they had now brought forward a proposition to nullify and to yet carry on 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 what I would do to what propositions I allowed; I answered, to that in the report on manufacturing the state is not to manifest a determination to establish the doctrine that the power given by the Constitu-
The bank to which Jefferson refers was the Bank of the United States, a grinding, extortionate, money monopoly, robbing the public of its hard-earned money, and enriching the speculators and the banking-chamber of the United States. For many years, there were so many instances of railroads being constructed on false and fictitious reports, that the public were induced to believe that the banks, in order to keep up the price of their stock, were inventing fictitious railroads for the purpose of selling their stock at a profit. The banks, however, saw that there was no profit in this, as the public could not be induced to buy their stock at a premium. They therefore resorted to a different method of raising the price of their stock, by inventing fictitious railroads, which were not intended to be constructed, but were simply used as a means of raising the price of the bank stock. The banks, therefore, were not interested in the construction of the railroads, but only in the increase in the price of their stock, which they could sell at a profit to the unfortunate public.
The yen for gold and which, when supplied, could enable the public to make tender the notes of the banks to any extent they pleased.

The Senate then proceeded to a consideration of the bill extending the terms of existing loans, and agreed to a motion by Mr. Biddle that the bill be referred to a committee of the whole House to consider such amendments as may be necessary to secure the passage of the bill.

The Senate then adjourned until 10 o'clock A.M. on Monday next, with a motion to adjourn, which was seconded by Mr. Root.

The Vice President then read the following telegram:

"The friends of the Government are cordially invited to attend the session of the Senate this afternoon at 3 o'clock, when the debate on the bill to extend the terms of existing loans will be resumed.

"The bill is expected to receive the approval of the President, and it is believed that its passage will be expedited by the concurrence of the House.

"The Senate will then proceed to a consideration of other business, and it is anticipated that the session will be concluded at an early hour.

"The Senate is in the hands of the President, and it is expected that the bill for the extension of the terms of existing loans will be considered and passed at an early hour."
The matter referred to is as follows:

[Text of the document is not legible or readable.]
"Hon. David P. Ho머n, 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. 3.

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

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

"W. S. Roche, Federal reserve district No. 12.

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

"Isaac Wiles, Federal reserve district No. 6.

"James H. Furgan, Federal reserve district No. 7.

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

"P. E. Pickney, Federal reserve district No. 10.

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

"B. P. Milico, Federal reserve district No. 12.

"J. B. Poulson, Marshall & Ilsley Bank, Milwaukee, Wis.

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


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

"Boston: Thomas Beale, Edward S. Kenward, and Frederick S. Chamberlin.


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

"Cleveland: O. S. Sanis, Robert Wardrop, and Cass Lambe.


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

"Charleston: George M. Reynolds, Charles H. McVicker, and F. L. Johnson.

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

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


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

"Doors of Congress are now open to the public.

"Hon. Swords North, chairman of the Federal Reserve Board, said:

"It will be noted that those in attendance were presumably bankers, and that they 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 dooms was being settled in a conference composed exclusively of bankers.

"The object of the meeting was to consider the process of deflation, referred 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 merely 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 it is not true also 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 that kind as those who were exclusively engaged in banking? In a rather lengthy opening speech Governor Harding said:

"We have been, 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."

"We must be the first to apply to the restriction of credit, said Governor Harding, "the power to put a stop to the deflation and price breaking at any point when it might decide that they had gone far enough, not having financial ability sufficient to combat the fact that when they started business day to day they would not be able to stop until it collapsed as the bottom. Every man of ordinary intelligence ought to have been able to see the inevitable result of the policy discussed and outlined in that campaign.

"Over and over during the process of deflation it was stated by Governor Harding and others that the banks of the
country were guilty of mischievous, even to the extent of practi-
cially lying to their customers by declining to make loans, al-
tering the opposition of the Federal Reserve Board, but in Gov-
ernor Harding’s speech he said: ‘The directors of the Federal
reserve banks are clearly within their rights when they say to
any man or to a firm, ‘You have cash far enough; we are familiar
with your conditions; you have not more than your share and
we want you not 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 not use the resources of the
Federal Reserve 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 open-
ning remarks before the public and to this Governor Harding
said: ‘I have a synopsis prepared which was given to the press
on the day for release to the newspaper. It is in other words
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 conven-
tion which we have already quoted and in which he is inclined
to believe 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 committeee.
‘Thus neither the press nor the public ever had any real in-
formation."

STANDING COMMITTEE AT FIRST DISTRICT OFFICIALS.

‘After closing his address the meeting was opened by Gov-
ernor 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 Beul, of the Federal Reserve Bank of Boston, said:
‘We seem to have been able to have some liquidation in
some degree of the banks in this area.

‘And the public know only too well that there has been a
great deal of talk about liquidation in the banks, 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. Beul
is our spokesman.

‘The same of the same bank, said: ‘I am a graduate
director of the first Federal district, and I want to say that we
have a very healthy looking bank.

‘But whether he was referring to the bank as a healthy
looking bank or to Mr. Chamberlain as the baby director we
have nothing definite about, but the fact that he can get
some light from the trussing discussion of the healthy looking
baby bank is a very good thing. We have some greatest financial problems that the world has over had to
meet. It was a time which called for real men, men who could
think and who could say and did not play the baby act or
newness. However, Mr. Kennard, continuing, said: ‘I also think
we have not got any money in the country. I have been in
hopeful with the hope of causing liquidation in commodities. Of course,
liquidation would result in low prices and the earning up of business.
I do not think this body should encourage any drastic
measures of re adjustment. I think the idea that the
interests should be gradual, and by the people, that is the way of going.

NEW YORK BANKERS FAVOR HEBEDIAN OF EXPANSION ELSEWHERE POSSIBLE.

‘Mr. James A. Alexander, of New York, said, ‘We find to-
day, I think, a hesitation in business. Large users of credit are
incurable 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 situa-
tion home to the users of credit. While both 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 community may have some 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 5 or 6 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 per-
centage of 1 per cent 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 curtailing should be had wherever possi-
ble.

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
favored, and that is if the transportation facilities are
improved and commodities moved freely and credit
when it is 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 care to see transportation facil-
ties improved and commodities moved freely, because that
would release credit and encourage the business people to go
ahead. Made upon the recommendation from a policy so narrow
visioned and so amazing at 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
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 at least, because we got good results from the
action which was taken in the winter. We believe that is
coming when there should be a further warming by the ad-
\ancement of 1 per cent in the discount rate, and that would cure business—that is, the advancement of a point or a halfo point in the commercial rate—but it would be a warming
to a great many banks that will not be affected by the gradu-
ated or progressive rate that in dealing with their customers
they should expect the same thing in business, and what about
the banks is the same as the banks?

I hope that the directors of the Federal Reserve Bank of
New York—that is, that there should be an immediate rate in rate;
second, that the same should be done by your Board, Mr. Harding,
with regard to the process and methods of education should be car-
ried 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 for the banks to make their advances. I hope
the 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 these
suggestions 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
business men and bank men. I hope, in addition to reaching the business organizations through their
officials reach the agricultural societies and organizations
thorough their office men. I think it is necessary for us to get
in touch with the large interests in each district and merely
point out the danger and the necessity and the point of view the same way as we controlled 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 banks and other institutions and by going on further and extending our suggestions to the business men in the community, we can forestall any very serious disturbance in the fall.’

‘Mr. Alexander was asked by Mr. Ogden, 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 and quickly get commercial paper. * * *
Commercial paper is the thing that is being created in volume
Mr. Charles Smith, of New York, said: "The entire board of our committee heartily accord with the advancement of rates as expressed by both Mr. Alexander and Mr. Tremain.

Mr. John Stetson 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 of 5 per cent on all banks would be to reestablish the essential industries? Six per cent is the maximum rate in New York except on stocks of small and 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 5 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 deter the profiteers who are making 20 per cent profit, 30 per cent, or 50 per cent. My apprehension and my ignorance is that a higher rate of interest was not going to last long discourage the essential producers and at the same time have no effect at all upon the profiteers among the men who are making exorbitant and exorbitant 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 we have been subject to criticism for not liquidating transactions are not carried on with corporations. And to this Mr. Alexander replied: 'Yes, 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, they are subject to the legal rate. I do not think it makes any 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 it is necessary 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 members 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, it is the business of the people to make it easy and of some prime importance that these other matters must be considered. In the matter of credit we must 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."

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 difficult to get, because he was profiteering on the profiteer, but that spirit that 'credit is a luxury, and difficult to get' got to influence the member banks in the loaning 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 the business could be better accomplished by saying to him: 'You got the money, and we will pay the money, even at 10 per cent.'

Mr. Alexander agreed with this statement as true and added: 'We would not let you have the money, and we should see it that the profiteer is cut out and that the essential man has something to pay even at the rate of the bank.'

Referring to those who had engaged in what was called profiteering by raising prices, Mr. Alexander said: People of that kind will disappear rapidly. I think, under present conditions, because they will be forced out.'

Mr. Joseph Wayne, of Philadelphia, said that he did not think they could find the money at the current standing rate of interest, but that they 'felt for some time that it was an essential and the green signal had been given.'

Mr. Wayne sold the house of 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 bonds until they could be paid off for earnings. On the subject of liquidizing these Government bonds, Mr. Wayne said: 'The Treasury Department liquidizing more promptly the obligations secured by Government bonds, but more or less secured above the purchase price of the Treasury. The Secretary of the Treasury and the Federal Reserve Board at the time these bonds 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 its rate for our district and that issuing go through.' When asked as to transportation facilities, Mr. Wayne reported they were very poor and that freight blockade as serious, and that during the last few weeks the transportation arrangement had not shown any improvement.

Mr. Francis Douglass, of the Philadelphia Reserve Bank, reported that some banks were not cooperating to the fullest extent with the Federal reserve board, and he suggested that a better 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."

FIFTH DISTRICT OFFICIAL FAVORABLE BREAKING DOWN BUSINESS AND STICKING UP FROM RATING.

Mr. Robert Wardrop, of the Cleveland Reserve Bank, said: 'If a 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 show that we were serious.'

In other words, it would be a good thing, according to Mr. Wardrop, which was the view of a leading banker who 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 Lambert, 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 MARGINAL DISCOUNT RATE TO BE ELEVATED BY FIFTH DISTRICT.

Notwithstanding the fact that the Richmond Federal Reserve Bank sent out a circular letter in August, 1920, that it had been necessary to raise its rate by four points to restrict credit, Mr. John F. Bruten, of the Richmond bank, referring to the conditions prevailing in the banks of agricultural districts, said that at present it did not appear that it would be necessary to increase the rate of interest, nor 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 to say that I believe there is some positive indication that the discount table of the Federal reserve bank by the discount committee in making 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. Bruten said: 'Some of them have two feet in the trough already and it might be advisable to reduce some of them on some of them.'

The suggestion that any bankers trying to take care of their customers were logically inserting two feet in the credit trough seems a little rough, and perhaps Mr. Bruten spoke unadvisedly, Mr. Charles E. Litton, a director of the Richmond bank, said: 'I hardly see the necessity of increasing the rate at this time.' With regard to the higher rates, Mr. Litton said: I have been in pretty close touch with the friends, and I do think the blocks are overloaded.

Mr. Wayne is correctly in his position that there was no necessity of increasing the rate and that the country was not overstocked with goods.

FIFTH DISTRICT CERTAINLY BECAME STRONG.

Mr. J. K. Ottley, of the Atlanta Federal Reserve Bank, said: 'We are bonded and are not bonded,' and noted, congressmen, and manufacturers in the sixth district, in large majority, is good.

Contrast this good condition of farmers, merchants, and manufacturers in the sixth district with the condition of the three eastern portions of the country. Mr. Ottley, with the chronic 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 rate in the rate was necessary of the business men who are the basic line and make the business very strong as they progressed.'

In the case of the Fifth district for higher rates were instituted by the Atlantic bank on one Alabama bank, which was
trying to protect its farmer customers, up to $75 per cent, the Atlanta bank evidently carried out the suggestion of making the cut very small.

EXCERN CHICAGO BANKS SOUND WARNING NOTE.

"Mr. George M. Reynolds, of Chicago, was evidently not in favor of breaking down business so as to get a new basis on which to start again, for he said: "If we pass through this crisis successfully and maintain prosperity at any rate 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 among the people and enable the members of the Federal Reserve Board to look through our glasses and get the focus right and so see them at the other end of the line."

"What a suggestive thrust that was in the part of Mr. Reynolds against some members of the Federal Board when he, as one of the greatest bankers of America, suggested that one of the mostHalting and a thing to do 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 view! Further discussing the subject, Mr. Reynolds said: "I would not be honest with myself if I did not express my own opinion concerning the questions that have been raised here. I have not lost my belief in the theory that the act is a bad and the interest rate is, 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 or any other such questions."

"As I understand it, reserves are kept and enhanced and imposed for the purpose of keeping 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. This was true when there was an emergency and there was a sharking first in deposits, and then many of these institutions come back to us for credit requirements which are not borrowed ordinarily. We have had to proceed with 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 exist whereby there should be deflation rather than inflation. We have here competition of our American industry and our American prices are just as impossible without trouble as it is for us to fly out of the cities; and it is an article of our safety about the outcome. It is just a question of using what we can make horse sense and not getting stampeded or excited or doing anything under stress of excitement or any Reserve Board sometimes say in the country, halted."

"We should fear there must be reason. We should fear there must be reason."

"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 people, and practically on down the line."

"Evidently the propaganda was carried on and carried on with sufficient force, for bankers everywhere were warned to curtail credits. The warnings were made to any man who was not in full from the top of his head to the bottom of his feet knew that there was going to be a breakdown of prices, that there was a break in business, and the increase of unemployment; and therefore every bank made the best use and took advantage of every fall."

"Mr. Johnson added that Governor Harding's stock would be properly disseminated among the banks with a share of authority, even if Governor Harding did not have such authority.

"Mr. Wesley C. McDowell, of the Minneapolis Reserve Bank, said: "I do not like this increase in rates. In our part of the country we have been going a little while back to the discount house, and so far as 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 prosperity, to carry me like the institution they told us of when we started the discount system, which was going to save the banks from the panic, and prevent panic was now going to fail and penalize them."

"It seems to me that now is a proper time to penalize the little fellow."

"Mr. J. C. Mitchell, of the Federal Reserve Bank of Kansas City, Federal Reserve Bank, referring to the condition in his district, said: "In my district, and I have been making big money, but I have no say in it. It does not seem to me that now is the time."

"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 putting forth his patent medicine to the ill child. The quack admitted that he could not diagnose the case, but said, "I am a medicine, and millions of people, and I will bring the capital into these banks and cure the distress."

"Unfortunately, the child died, and millions of banks in the Southwest died financially because of the action of the Kansas City bank."

"Mr. W. J. Barrow, Kansas City Reserve Bank, said: "I am well convinced, gentlemen, that you will bring a Federal reserve system back to a reserve system rather than a commercial system, and you will have to find great banks to use the funds of other banks."

"What a pity the Federal Reserve Bank of Kansas City has not gone to 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 rate whatever you may in the same case would raise the rate to 7 per cent. Now, the only complaint we have against that is that it is a little too high, but I will bring you into this num rate. I do not believe that, gentlemen, I will put a dollar vigil on any rate now and another up there that's the death signal. You have made the Kansas City Federal Reserve Bank 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 consider the resolution in regard to the effort the transportation situation is having on the expanded condition of credit in the country, with a view to placing such a resolution before the Senate Commerce Committee, requesting them to do what in their power they can to relieve the situation by legislative action of any kind or other wise."

"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 at which it would not be possible for the public to transport and finance the business then of operation. That was the idea mentioned, appear in the resolution nor in the report of the meeting, but the most valuable feature in Washington at the time of the meeting as the intention of those who were to the Interstate Commerce Commission to increase the rates."

"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 by way of the member banks throughout the country and induce them to curtail their loans as much as possible to the legitimate needs of legitimate business, and by that means we can do the greatest good in a less time."

"The increase of the rate is not taken
place, overnight; 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 it in a day or a month, or in six months. We have got to get 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 because of the rate of the ratios they are now charging. We are making in the neighborhood of 300 per cent on our own capital. The Federal Reserve Bank of Dallas has already adopted the progressive rate proposed to be put in by Congress in the executive committee finds it necessary to do so. We have sent our two letters within the last three months to the member banks. The letter 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 request these letters at the next meeting of their boards.

With a registered letter to the president of each member bank and requirement that he send us a copy of 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 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 conditions of the banks in many of 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.

WALSH, HANLEY AND LAWRENCE IN OPPOSITION TO SPEECH OF WHEELER 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 Fanning outlining the methods that are desired. We are in accord with 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 condition to keep the banks from being over-discriminated and over-liquided, even though the shocker is willing to pay 7 per cent for the use of his money that he has put a business, and 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 putting a woman with a broken heart to assist in getting up and making your mind you are going to strike every fellow on the other side of the fence. I believe he has had a cool off helping to reduce the mother or whether he is one of the main instigators. It seems to me the character and not the amount of opportunity, and therefore the prevailing factor in general.

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; after that the reserve are not accretion; they are not to be fringed and hung on the train of that bank. Even then I say that when the real purpose is being served by the advance, the Federal might help us, must help 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 but due to each bank to refrain from the demand for credit for those things not essential or for those which in our minds are not, we shall have gone a long way toward solving the difficulty as far as it is within our power to do so.

Undoubtedly for the good of the country the resources were regarded as accretions and were not called upon to help us; all, until the very close of the recession.

Mr. John Persimmon, of the Federal Reserve Bank of Chicago, said: The way to meet that problem is talking about it in the next three or four months a definite amount of contraction which will permit us to carry correspondingly in the fall.

If it were possible for every bank in the country to reduce its loans during the next three months to the extent, way, 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 reduced in the fall, or, in other words, break new ground in order to give it a fresh start.

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 about what we are going to do when we get here. The fear got out that we would, or any one who was going in that way were going to classify loans into essentials and nonessentials and with that we send an order throughout 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 in committee and other organizations which had been disturbed by the unrest already created by 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 cutbacks. Letters were presented also from some leading business concerns along the same line. If any of these big business interests were tipped off as to advance as to what would be done prior to this information leaking out to the public they would, of course, be hurting business, and in the course of which it was said: A striking necessity exists which can only be relieved through the upholding of the credit of the railroads. This must come through adequate and prompt increase in freight rates. Every delay means the passing of freighters and the loss of 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 of which we are quoting were printed for confidential circulation, so we are advised, and the time 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 affect the millions or saved millions.

Mr. F. O. Watts, of Federal Reserve District No. 8, chairman of the committee on transportation, made the report of the committee reviewing the inadequate transportation facilities of the country and the effect the situation had 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 extravagance the bank reserves would probably be sufficient if quick transportation could be obtained in time of the greatest strain.

WOLLERY REPORTS BICYCLE MAKERS IN DISGUST OVER LOSS OF BUSINESS.

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

Resolved, That this conference urge as the most important recommendation the formation of a committee of the Interstate Commerce Commission with the United States Shipping Board to give increased rates and adequate credit to both rail and sea lines 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 commission.

What was the verbal presentation made by the committee to the Interstate Commerce Commission in behalf of increased freight rates? Some have said that there is a suggestion that it would be better temporarily to lessen the volume of production of commodities that have not been subject to discrimination. That the railways and the banks to handle it? Some rumors to that effect were circulating. Whether or not we believe them.

Mr. Wayne raised the question of graduated rates on borrowings or rediscount and said: I would like to know whether there are any indications that have not already been decided that 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 testing phase they have eliminated entirely borrowing on Treasury certificates and two bonds actually owned on the 1st of April, 1920.

Mr. Watts then asked: Have they made any reference to collateral notes of customers who have been discontinued by the banks as a result of Liberty loan subscriptions?
Mr. Butler 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 excepted from the assessment for it;" and Mr. Butler 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 bonds on them in order to force them out of the banks, breaking them down from 32 to 15 points or more, the honor of the Government and the note banks was trampled in the mire and millions of bonds 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 $28,400,000,000 of its own dishonored paper to pay and the Secretary of the Treasury boosted of the money that had been saved in doing so! And at these low prices hundreds of millions of dollars were loaned in big states and big institutions, with heavy losses to innocent original purchasers.

At that juncture it was proposed to appoint a committee of five, as that number would be more impressive, to prepare some kind of defense of the Government for the frauds committed and the lost of curiosity as to all kinds of trouble coming, and yet being careful not to stir up another bank.

Mr. John Skelton Williams, discussing in the afternoon one of the things that had been said during the morning, said: "I do not think myself that there is any ground for the conclusion that the Government has any curiosity as to all kinds of trouble coming, and yet being careful not to stir up another bank.

Mr. Henry A. Mollenkopf, member of the Federal Reserve Board, was present. He generally thought, joined Mr. Williams from time to time in vigorous opposition to the drastic deflation campaign carried out by the statement or amendment-limitation 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 who would be directly as perhaps he would have, because I have just come from the desk and I may maybe put in more sense in the more sideward eye 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 I did not say that I am an expansionist or an inflationist, but I do believe in the broad general proposition that the Government should not take on the air of an owner of our interests and of our opportunities as we have of the darker phases of the question."

"I believe that if a committee women's board, I am an expansionist or an inflationist, but I do believe in the broad general proposition that the Government should not take on the air of an owner of our interests and of our opportunities as we have of the darker phases of the question."

Mr. Mollenkopf and Mr. Williams thought that the management of the Federal reserve system would not bungle the job, but the most discreditable commodity pane in the wrong direction of the most disastrous condition which this country has faced in its whole life proved that the job was badly bungled, unpopularly bungled. As one of the specters 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 possible 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 class was inevitable.

Mr. Scott, in discussing the matter, said: "We find that about 30 per cent of our members are short of capital, with a small capital and small deposits. They are the ones who can be hurt in the coming depression. The banks are in distress, and the money cannot be bungled."

"After considering carefully the progressive rate and vigorous opposition on the part of a number of Mr. Mollenkopf 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? The last balance sheet shows that the banks have to forego profit in this overlap of bungling when the country banks have to move crops or other commodities?"

"Juggling by the 100 per cent profit that the Dallas bank was making, as one of our bill officers said, and the $10,000 a day was making, looks as though every Federal reserve bank did business only on the banks of a system on each transaction, regardless of its character by large.

Chairman Williams of the Comptroller of the Currency John Skelton Williams.

"As shown by letters from John Skelton Williams, then Comptroller of the Currency, to a member of the Federal Reserve Board, Mr. Williams repeatedly warned the board of the danger that faced their country from its deflation campaign. In a speech before the Maine Bankers' Association at Bangor June 20, 1920, Comptroller Williams said that the Federal Reserve banks had an unused leading power at that time of about $700,000,000 and that if the reserve requirements should be temporarily reduced by only 30 per cent the total unused leading power of the reserve system could be increased to two thousand millions, a most disastrous condition which this country has faced in its whole life proved that the job was badly bungled, unpopularly bungled. As one of the specters said, it had taken three or four years of inflation to
have made a statement to the press showing that the insured deposits of the reserve banks was 8.7 over 1928. Mr. Williams added in that statement: ‘Such figures as these ought to be sufficient to allay fears of panicky as to the financial condition of the country at this time.

Mr. Williams’s statement was repeated by the chairman of the Federal Reserve Bank of New York who generally wrote a letter to the reserve board clarifying that Mr. Williams’s public statement was interfering with the plans for deflation.

On August 9, 1929, Mr. Williams called attention of the reserve board to the fact that certain banks in New York were making low-interest loans to each other in order to produce an excess of money and were extending such loans to each other at rates far below the deposit rate. The Federal Reserve Bank of New York was asked to explain to the banks what were the conditions under which the discounting might be carried on.

August 10, 1929, Comptroller Williams filed a memorandum with the board urging a reduction in rates which the reserve banks were extending on Liberty bonds and for legitimate business transactions, and he also warned the board that at the present rates the national currency which had already increased in value due to continued deflation was becoming an additional burden on the banks.

At that time the board told the Comptroller that such additional liquidation as is needed could be brought about without the excess of interest rates as high as those which have prevailed.

On October 26, 1929, in a letter to the Secretary of the Treasury, Comptroller Williams warned that the reserves of the Federal Reserve System were inadequate to meet the needs of the country’s business

The reserve board’s answer to Mr. Williams’s protestation and remonstrance was to tighten the screws still further and to ask the banks to make sure that all deposits were fully reserved. These reserve banks which amounted to one thousand million dollars in the preceding year had been drawn down to about 800 million dollars in September of this year.

When Comptroller Williams a few weeks later offered a resolution in the board to require the banks which had been exerting extraordinary interest rates from member banks—business which in the past had charged member banks to 5 per cent, and which in many cases 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 down that.

The next clear of the meeting, in which only one day was given to this general discussion of the most tremendous financial problem of the country, had every one of the preceding days and days might well have been spent in a careful analysis of the situation, the meeting was closed with the statement by Governor Williams to the Committee of Manufacture, that he saw no sign of any immediate danger in the country, 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 the Federal Reserve System.

We do not know what has become of the 100 copies of this statement which were left behind the day’s proceedings which were printed for confidential distribution, but the Manufacturers Record stocks that it is having a sale one copy and in giving this statement to the committee it is rendering a service of inestimable value to the Nation.

FUTURE CONSIDERATION OF THE BANKS AND GREAT INDUSTRIAL ENTERPRISES.

Mr. Williams warned that the great industrial enterprises of the country were in danger from the present conditions. The largest banks of the United States, especially those owned and controlled by international bankers, were overextended with debts that they owed and held as collateral against the most industrial enterprises, manufacturing corporations, and banking enterprises of the country. In 1928, 40 per cent of the debits of these banks had been created by the banks borrowing a fraud and fictitious burden for money known as “bank credit”—that is, money having no existence and represented only by credit and debt 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 per cent on the dollar, as it had dropped on the dividend payment and was handed for a repurchase. 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 1934 their fraudulent gold bond Federal Reserve act, granting banking corporations organized for private gain, first, the power to rediscound 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 rediscording the debits of borrowers and having the amount credited to their “reserve,” and upon this reserve, so created, five from eight to ten times the amount, thus putting the people deeper and deeper in debt. This afforded the banks the opportunity to make unlimited profits.

In 1944, when the European war started, tremendous war orders from the Allies in Europe were placed with these great trust and corporations, showing profits totaling as high as 300 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 in order to increase their manufacturing power and 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 buy more in the United States unless the United States government could put up as much or more collateral security for loans or pay the debts due in the United States, amounting to billions of dollars. It was then forced upon the attention of these international bankers that when the rubber was taken out of the Allies then the banks had been 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 action 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, gold-backed notes which the banks, they, the bankers, would not accept, knowing that Europe, with a war debt of over $200,000,000,000, would have to repay the banks.

Thus the question that arose upon the taxpayers of this country was to pay the debts of the Allies to the banks, industrial trust, 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.

And the banks and the governments have been successfully raised by a false banking and currency debt-manufacturing scheme, built upon a fraudulent and dishonest gold basis, and the present note issue is not, as the bankers claim, the national currency but is a government bond, or a government debt issued by Congress and backed by the credit of the country.

The people of the United States should realize at any cost this attempt to reestablish the fraudulent gold-basis money scheme, as it will be the chains of absolute slavery upon 99 per cent of our people or end in civil war.

The world’s condition proves the madness of the bankers.

There is no misrepresentation too erroneous, to falsehood too malicious, to blackguarding too baseless from the financial press that attempts to involve the money power to resort to accomplish their insidious purposes. For instance, they hold up to the world the financial distress of the underdeveloped and debt-burdened countries of Europe as a reason why it is not possible for the United States to reduce its foreign debt, whereas they dominate and which they suborn the gold-standard system, which never had an existing for raising the price of gold to the extent of 250 per cent, and which are the ultimate cause of the financial condition which existed in those countries previous to the World War. For instance, Germany, the most powerful and progressive nation on the face of the earth, was on the gold standard and 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-backed money system could not stand the strain of carrying on
the war and allowed banking corporations to issue and loan their medieval-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 debt figures upon the books of banks. These building corporations were also granted the power to issue billions of marks in "bank notes" as a substitute for gold mark, and the solvency of the country issuing it; third, the sovereign power of its government to enforce its laws in payment of all debts, public and private; fourth, a proper regulation of its currency.

The German mark has none of these essential requirements to protect its value. The German Government is now bankrupt and in the hands of creditors (the German middle class) representing the Allies, holding a mountain of debts against the German people, and the country is not efficient to keep them in debt slavery for over a hundred years.

BILLION DOLLAR RAILROADS AND CORRUPTION

Mr. President, the ship subsidy bill, if enacted into law, will take untold millions from the pockets of the people and hand them over to the very men who by the prostitution of government functions have already ruined the country.

The operation of our railroads by private interests, if we may believe history, will result in the same excesses that have resulted in administration of other utilities. The truth is that the railroad is a producing and consuming plant. Just think of the profits made on the operations of the railroads. The railroads are the largest employer of labor in the country. He produces all your food and clothing and pays nearly 60 per cent of the freight charges. The railroad is producing your food and clothing. It is a producing and consuming plant. Just think of the profits made on the operations of the railroads.

The operation of our railroads by private interests, if we may believe history, will result in the same excesses that have resulted in administration of other utilities. The truth is that the railroad is a producing and consuming plant. Just think of the profits made on the operations of the railroads.

What I am about to say to you is not from a progressive, a Nonpartisan League, a Bolshevik, an anarchist, or a red, but from the records of our conservative Interstate Commerce Com-}

The result of this government control is the complete and utter failure of the railroads to operate efficiently. The railroads have not operated under government control. The people in attempting to circumvent government regulation and in extending its domain beyond the limits fixed by law.

Here we have an example of the railroad's stereotyped complaint that the inefficiency and insufficiency of the railroads to secure the public confidence was due to Government regulations and interferences. We are here told by the Interstate Commerce Commission that there has been no exhaustive investigation that the difficulties with which the railroads have labored in the past are either due to dishonesty, incompetency, and contemptuous disregard of the principles of justice and economic decency by their financial managers. The cases are all brought to the attention of government by the railroad company, but in utter disregard of it. Their gigantic fraud and criminal blunders are brought to the attention of government by the railroad company, but in utter disregard of it. Their gigantic fraud and criminal blunders are brought to the attention of government by the railroad company, but in utter disregard of it. Their gigantic fraud and criminal blunders are brought to the attention of government by the railroad company, but in utter disregard of it.