TRUTH ABOUT THE FEDERAL RESERVE SYSTEM

These figures prove beyond all controversy that, instead of deflating credits and currency, the Federal reserve banks, during the period of falling prices, enormously expanded bank credits and increased the volume of circulating notes. This is especially true with respect to credits in the agricultural sections of the United States.

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Why not tell the farmer the truth and advise him, if he would escape the consequences of another such disaster, he should organize; organize, Mr. President, not to be the plaything or the instrument of designing politicians, but organize for an intelligent investigation and pursuit of economics; organize for a cooperative marketing of his product; organize, if it may seem desirable, for the cooperative purchase of his requirements; organize for an intelligent understanding of the source and volume of demand for farm products.

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If some Senators will go home and talk sense to bankers who remain outside the pale of protection, instead of talking nonsense to farmers and arousing prejudice against the Federal reserve banking system, which has afforded them protection, something worth while will be accomplished.

SPEECH

OF

HON. CARTER GLASS

OF VIRGINIA

IN THE

SENATE OF THE UNITED STATES

MONDAY AND TUESDAY
JANUARY 16 AND 17, 1922

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WASHINGTON
1922

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SPEECH

OF

HON. CARTER GLASS.

Monday, January 16, 1922.

The Senate had under consideration the bill (S. 2263) to amend the Federal reserve act, approved December 23, 1913.

Mr. GLASS. Mr. President, the distinguished Senator from Nebraska [Mr. NORRIS] a while ago said some things with which I am heartily in accord, and I well could express the wish that the discussion of the Federal reserve banking system might generally be engaged in with the same apparent spirit of fairness as was manifested by the Senator from Nebraska.

But, Mr. President, I venture to think that the time has come when some one should assume the task of combating in the Senate the many persistent and constantly recurring misrepresentations which for more than a year have streamed from this Chamber with respect to the Federal reserve banking system and its administration. Aside from a painful disinclination to speak in any circumstances, I had hoped that this service to a great Federal institution, and, indeed, to the country, would be undertaken by some Senator whose long tenure would preclude any thought of a premature anxiety to project himself into the important controversies of this body, and whose established reputation here would arrest the attention of the Senate and command the confidence of the country.

I am not willing to believe that failure of any Senator of this type to speak out in defense of the Federal reserve system may be ascribed to indifference to the success of the system or to any lack of pride in its notable achievements. Many very grave problems have claimed the attention of the Senate and to these Senators have been devoting painstaking labor. Moreover, it may be that Senators generally have thought, as I confessedly have believed, that the hostile assaults on the Federal reserve system and its administration have manifestly been so devoid of the truth and so obviously saturated with ignorant prejudice and injustice as to require no answer.

RESERVE SYSTEM SAVED THE NATION.

But, Mr. President, the misconceptions and misrepresentations to which politicians at Washington have given vehement expression have been eagerly seized upon by restless professional agitators and disseminated from one end to the other of the country. Thus a large body of citizens has been induced to believe that the Federal reserve banking system is a financial juggernaut, crushing the life out of commerce and industry, creating widespread depression, and putting an end to enterprising business activities. Instead of clearly apprehending, that which the facts so amply attest, that this reserve banking system saved their country from inconceivable distress, from irremedial disaster, these people have been taught to believe that its continued existence would be a peril to the Nation. They, in their present mood, literally would smite the hand that feeds them and demolish the instrument of their salvation.

I would not have it imagined, Mr. President, that I purpose to decry fair criticism; on the contrary, it is with me a constant prayer to be kept on guard against the streak of iconoclasm which has too evident a place in my own nature. Neither am I disposed to assert the perfection of any economic instrumentality or the infallibility of any human agency. It would be amazing if the Federal reserve system had no imperfections, and foolish to assert that its administration has been devoid of error. What I do say with all the emphasis of which I am capable is that neither malignant nor ignorant misrepresentation will cure the system's defects or render more efficient its administration.

WHAT IS THE FEDERAL RESERVE SYSTEM?

That we may the more surely discover what are the deficiencies of the system, with a view to their abatement, and comprehend to better advantage the mistakes that have occurred in the execution of the law, it might be profitable to inquire what exactly is the Federal reserve banking system and how it has been administered. Having done this, we may determine how true or false are the charges made here, how fair or vicious the criticism. If the system is a curse or its execution a tragedy, I want to be convinced. If the system is a benediction to this Nation and an inspiration to the world, if its administration has been sane and salutary, then I shall feel and express concern for the integrity of this body if it shall appear that Senators have disparaged the character and derided the personal honor of public officials with no better sanction for such behavior than their own peculiar antipathies or their own pitiful ignorance of the financial transactions upon which they have assumed to comment. For one I am not willing that the astonishing statements made here shall any longer go to the country unchallenged and uncontradicted.

For half a century before the advent of the Wilson administration the United States was compelled to endure the handicap of the most unscientific banking and currency system of any that prevailed on the earth. For a part of the time we seem to have been ignorant of our plight; for another part indifferent to the situation, and for the remainder of the time afraid to apply the remedy lest we should wound the sensibilities or interfere with the profits of a privileged class. We were during no protracted stage without ample warning, for the malady manifested itself frequently and violently in disturbances which swept the country like a hurricane from end to end. Five times within 30 years, prior to 1913, a financial catastrophe had overtaken us right in the midst of apparent business prosperity and contentment. Each time the disaster was due largely, if not altogether, to a defective banking and currency system; and it is literally certain that our always tedious restoration was rendered vastly more difficult and painful by the sad lack of well-devised facilities.

SIAMESE TWINS OF DISORDER.

The old system had two fundamental defects. One was an inelastic currency; the other a fictitious bank reserve. They were Siamese twins of disorder; and I am inclined to ascribe the invariable failure of statesmen to reform the financial system of the country to their unwillingness to subdue both of these evils at the same time. While they repeatedly would tackle the problem of an inelastic currency, which everybody wanted solved, they seemed never in a mood to defy the powerful interests behind the national bank reserve system, through the peculiar operation of which nearly the whole sum total of idle bank funds in the United States was congested at a single center for use in the stimulation of speculative enterprises.

A RIGID CURRENCY.

The national currency was inelastic because based on the bonded indebtedness of the United States, rather than upon the sound, liquid business assets of the country. For 50 years we proceeded upon the assumption that the country always needed a volume of currency equal to its bonded indebtedness, and never at any time required less, whereas we frequently did not need near as much as was outstanding and just as often could have absorbed vastly more than was available. Hence, when it happened that the circulating medium was redundant, when its volume was too great to be used in local commercial transactions, instead of taking it through the expensive process of retirement it was bundled off to the great reserve centers at a nominal interest rate, to be thrown, at call, into the vortex of stock speculation.

In a different way and to an immeasurably greater extent the business of the country was made to suffer by this rigid currency system in times of stirring development and enterprising activity. It could not begin to meet the commercial and industrial requirements of the country. For example, the total capitalization of the national banks of a given community in time of stress, under the old system, measured the full capacity of those banks to respond to the currency requirements of the locality. If the combined capital stock of the national banks of a city was $5,000,000, that exactly circumscribed the ability of those banks to supply currency of their own issue to meet the demands of business, albeit these might necessitate the use of $10,000,000 or more. And in time of panic, such as that which convulsed the country in 1907, had these banks held $5,000,000 of gilt-edge short-time commercial paper in their vaults they could not, under the old system, have exchanged a dollar of it for currency wherewith to make up the deficiency and promptly respond to the requirements of business; for practically all the banks were in the same desperate plight, every one, with rare exceptions, looking out for itself, with no other source of supply.

A NOTABLE ACHIEVEMENT.

What was done by the Sixty-third Congress was to revolutionize this wretched currency system, the unhappy victims of which are without number and the losses beyond human approximation. We substituted for a rigid bond-secured circulating medium, unresponsive at any time to the commercial requirements of this great Nation, a perfectly elastic currency, based on the sound, liquid commercial assets of the country, responsive at all times and to the fullest extent to every reasonable demand of legitimate enterprise. It comes forth when required and is canceled when not needed. The amount is ample when business is active and only enough when business is lax. So that in a case similar to the one cited a while ago, where the banks of a given community, with $5,000,000 of liquid commercial assets, could not, under the old system, in time of stress get a dollar of currency on their holdings, because there was no source of supply, the same banks, under the Federal reserve system, could exchange their $5,000,000 of liquid assets at a Federal reserve bank for $5,000,000 of the best currency on earth, less a fair rate of discount. That one reform represents the difference between disaster and success.

A VICIOUS RESERVE SYSTEM.

Another fundamental defect of the old system was its fictitious bank reserve, created by that provision of the national-bank act which authorized a deposit or book credit of individual country banks with banks in reserve and central reserve cities to be counted as reserve, just as if held in the vaults of the interior banks. On these reserve balances, subjected to a process of multiplication, the big banks of the money centers would pay nominal interest, which operated as a magnet to attract the reserve funds of the entire country; so that on March 14, 1914, eight months before the Federal reserve system was put in actual operation, the New York banks alone held $836,000,000 of the funds of outside banks, while they were loaning outside banks only $192,000,000. Already the congressional monetary inquiry had disclosed the startling fact that on November 24, 1912, the legal custodians of these reserve funds had put $240,000,000 of them in the maelstrom of Wall Street stock operations. Do you realize quite what that means? It means that these millions and many millions more were withdrawn from the reach of agricultural, mercantile, and industrial uses throughout the United States at a fair rate of interest and loaned to stock gamblers at an abnormally low rate of interest in comparison.

We talk about the law of supply and demand and pass laws to punish combinations in restraint of trade; but before the enactment of the Federal reserve act the banking community, under the sanction of the atrocious system of an inelastic currency and a fictitious reserve, was enabled to defy the law of supply and demand both in the lax season and in the tense. For in the season of lax trade and abundant currency local bankers feared to relax the standard rate of interest. Instead of keeping the money at home and giving the local agricultural, commercial, and industrial interests the advantage to be derived from low rates of discount, the surplus funds were sent to the money centers for the accommodation of speculators.

A PANIC BREEDER.

The old system was a rank panic breeder. In periods of greatest business activity the country was made to suffer desperately for lack of adequate credit facilities. When the prospect was brightest; when men of ambition and energy would press forward in pursuit of prosperity and the hum of industry would literally be heard throughout the land, two links in the chain would suddenly snap, tearing to shreds the whole business fabric and carrying dismay to every community on the continent. In plain terms, when the country banks of the United States, trying to respond to the commercial and industrial demands upon them in their respective localities, being unable to issue additional currency, would seek to draw in their reserve balances from the congested centers, and when the big banks of these centers would, in turn, be compelled to call their loans on stock, thus contracting the credit facilities of "the street," interest rates would quickly jump, mounting higher and higher, until panic would ensue, banks throughout the country would stop payments across the counter and consternation would reign where confidence and contentment so soon before had prevailed. I have said the losses are beyond computation; and that is so. They affected not alone the financial institutions immediately involved, but the merchants whose credits were suspended; the industries whose shops were closed; the railroads whose cars were made idle; the farmers whose crops rotted in the fields; the laborer who was deprived of his wage. No business enterprise, if any individual, ever entirely escaped.

ANOTHER GREAT ACHIEVEMENT.

It was another great achievement of the Sixty-third Congress to remedy this monstrous condition. No other legislative effort, as I recall the history of events, was ever directed against this bank-reserve evil. It required courage. It constituted a challenge to the dominating financial interests of America, and they accepted the invitation to the conflict. It was a memorable fight, in which sound economic principles triumphed so completely that many of the great bankers who seemed once implacable now concede that a tremendous advance has been made in the direction of scientific banking, and there is a general concurrence of belief that the Federal-reserve system saved this country from financial convulsion when the World War raged and after it ended.

We corrected this vicious bank-reserve system by establishing regional reserve banks and making them, instead of private banks in the money centers, the custodians of the reserve funds of the United States; by making these regional banks, instead of private correspondent banks, the great rediscount agencies of the country; by requiring these regional banks to minister to commerce and industry rather than to the schemes of speculative adventure. Under the old system the country banks were subservient to the money centers, for only there could they resort for rediscount favors. Under the new system it is no longer a question of favor; it is purely a question of business.

AN INSPIRING CONTRAST.

In 1907 New York could not let a country bank have $50,000 of bank currency to meet the ordinary requirements of commerce or the pay rolls of industry. In the fateful year 1915 New York let two European nations at war have $500,000,000. The new system enabled the Government to lend $10,000,000,000 abroad and to float $21,000,000,000 at home for war purposes. Under the old system about $60,000,000 measured the volume of rediscounts; under this reserve system one of the smaller regional banks exceeds that amount in a single State.

RURAL CREDITS.

Not in 50 years had any party written a provision into the national bank act for as much as one dollar of rural credits. On the contrary, by the text of the law, by the rulings of the Treasury, and by decisions of the courts, every semblance of *farm credits was sedulously excluded. The Federal reserve system furnishes millions of dollars of farm-credit facilities. Not a dollar of the funds of a national bank could be loaned under the old system on improved farm lands. Under the Federal reserve act, according to a computation by the late Charles A. Conant, $559,000,000 are made available for loans on farm mortgages alone having five years to run. In the matter of current rediscounts every rational advantage is given to farm credits over mercantile paper, and I shall show that billions of dollars have been loaned to the farmers of the United States.* In the matter of acceptances on the exportation of the great staple products of the farm infinite aid is extended to the American farmers. In addition to this the Federal reserve system has had a powerful influence in lowering the rate of interest, and in this circumstance alone the farmers of the country have been saved millions of dollars. Yet it is at a system which has done this unprecedented service to American agriculture that professional "friends" of the farmer are hacking away. It is to a system which has put hope in rural life that caressing demagogues, for selfish purposes, falsely ascribe the inevitable reaction from the saturnalia of unparalleled expenditures.

What are these regional banks?

There is no mystery about them. It is not difficult to understand their organization or their processes. Each of them has a defined territory. They are operated by boards of directors, just as any individual bank is. They are conducted with the same banking instinct, with the same technique, with the same mechanical and human appliances. They are owned not by the Government of the United States, as one would suppose, but by their stockholding member banks. The Government of the United States never contributed a dollar to their capital; the taxpayers are not assessed a penny for their maintenance; they pay the Government annually an enormous sum in franchise fees—$60,000,000 per annum—against the meager sum of $3,000,000 per year paid by all the national banks in the United States put together. They are banks of banks. They do not loan, can not loan, a dollar to any individual in the United States nor to any concern or corporation in the United States, but only to stockholding banks.

A member bank in Utah, for example, has accommodated its customers to the full extent of its resources. It can loan no more without violation of the National or State banking acts. It needs additional funds with which to make other loans. How does it obtain them? By taking the note of a borrower, with its collateral security, giving it the indorsement of that individual bank. It sends the note thus indorsed to the reserve bank at Kansas City, the reserve bank rediscounts the note at an inappreciable charge over the rate of interest which the member bank charged its customers. That supplies the member bank with additional funds to loan to other borrowers. It is very simple. There should not be so much ignorance about it here.

THE SUPERVISORY POWER.

At the head of these 12 regional reserve banks we put a supervising board. It is not a central bank. It can not loan a penny to anybody, or to any concern, or to any corporation.

It does not engage in the minutiæ of banking over the counter. It has not a dollar, and never had a dollar, to loan to anybody. It is a supervisory board. It has nothing to do with, and not necessarily any knowledge of, the detailed discount operations of the various regional reserve banks. It can not command the weakest or the strongest regional reserve bank in the district to discount to the extent of one dollar if that bank does not care to do so. It can not prohibit a single regional reserve bank from discounting millions of dollars if it has the eligible paper and wants to do it.

Mr. POMERENE. Will not the Senator go a little further and say it has not done it in the past?

Mr. GLASS. It has not done it.

Mr. KING. Mr. President, if I may be pardoned, will the Senator explain the origin of this heresy which some Senators and a good many of the people have, that the Federal reserve districts can draw upon New York whenever they please; that it is the duty of the New York bank to loan to the people of Utah, to the people of California, to the people of Alabama the money which belongs to the Federal reserve bank there, and that it is the duty of the Federal reserve banks in the various districts to loan whenever any person comes and desires money, even though the bank does not have sufficient capital to justify the continuation of the enormous loans which it in the past has made?

Mr. GLASS. The Senator has so stated his inquiry as that it carries its own answer. No banking system that would do those things could survive in any country on earth.

Mr. SMITH. Mr. President, if the Senator from Virginia will allow me, perhaps I misunderstood the inquiry which the Senator from Utah made when he said that the reserve bank of one district could not be drawn upon for the benefit of another reserve bank. Was that what the Senator said?

Mr. KING. I did not put it that way. Of course, I appreciate that in a certain contingency, as has been explained by the Senator from Virginia, there may be a crisis which may warrant interregional discounts; but the heresy has grown up that the people of Utah, or the people of Alabama, or the people of any other district can demand of New York, or of some other district, that it respond to the wishes and needs of any State or any district.

Mr. GLASS. I will ask that Senators desist for the present from this argument. I do not object to being interrupted, but I do want to finish this speech.

Mr. SMITH. I just want to read in that connection one little paragraph of about 5 lines from the law.

Mr. GLASS. I shall come to that, if the Senator will allow me. I shall explain it fully. I have said that in certain extreme contingencies the law does permit the Federal Reserve Board, by a vote of five of the seven members, to go to the financial assistance of some weak Federal reserve bank to avoid a crisis, not in ordinary course to loan it the funds of some other region with which to do business. The textual restriction of the statute on the Federal Reserve Board indicates what was contemplated. If, perchance, the inability of a weak Federal reserve bank to respond to the urgent requirements of its member banks would threaten financial disaster in a great section of the country, then, in the judgment of the Federal Reserve Board, five members of which were required to act affirmatively, one Federal reserve bank might go to the assistance of another Federal reserve bank. That is all there is to that. The distinguished Senator from Ohio [Mr. POMERENE], who was a conferee with me on the bill, knows I am stating the case exactly.

Mr. President, if my exposition of the Federal reserve act has been accurate, it will be observed that the Federal Reserve Board sitting at Washington is not a central bank; it is merely a supervisory body, with certain clearly defined, limited powers. It can not establish a credit for any individual member bank at a single one of the Federal reserve banks. It can not issue a dollar of currency to any one of these regional banks, except upon the specific application of the regional bank. It can not withdraw or cancel one dollar of Federal reserve bank notes, with a view to contracting the currency or for any other purpose, not a dollar.

I have sat here for a year and heard Senators denouncing the Federal Reserve Board for withdrawing circulating notes. It has no particle of authority under the law to withdraw one single dollar of currency from circulation.

It may decline to issue currency upon request of a regional reserve bank, but there is not one instance of record since the establishment of the system in which it has done that. It may levy a tax on Federal reserve notes, so as to make their issuance uninviting to the regional banks, but there is no instance of record in which it has levied a penny of tax on note issues.

Mr. WATSON of Georgia. Mr. President——

The PRESIDING OFFICER (Mr. JONES of Washington in the chair). Does the Senator yield to the Senator from Georgia?

Mr. GLASS. I do.

Mr. WATSON of Georgia. Mr. President, I saw in the Washington papers yesterday a statement issued by the Federal Reserve Board which seemed to say that during the last 12 months they had retired of their note circulation a thousand million dollars.

Mr. GLASS. I will say to the Senator that the Federal Reserve Board has not retired a dollar. The various regional reserve banks have retired their Federal reserve notes, for which they made application when business was humming and industry was at its height. Now that there is widespread business depression, these regional reserve banks, not the Federal Reserve Board, have sent in certain notes for cancellation and destruction.

Mr. OVERMAN. Mr. President, I would like to ask the Senator, before he leaves that question, who fixes the discount rate?

Mr. GLASS. The Federal reserve banks fix the rate, subject to review and determination by the Federal Reserve Board. I am coming to that.

Mr. JONES of New Mexico. Mr. President——

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

Mr. GLASS. I do. I want to give all the information I can, but Senators by interrupting are going to prolong my speech.

Mr. JONES of New Mexico. I do not understand that the Federal Reserve Board, as such, has the power to restrict the issuance of notes or enlarge the amount of an issue; but inasmuch as one-third of the board of directors of each of the regional banks is appointed by the Federal Reserve Board in Washington, does not the Senator believe that any recommendation of policy directed to these regional banks would be quite effective, and is it not claimed that such policies have been announced by the Federal Reserve Board, and that that has resulted in the deflation of the currency in the country and in the restriction of the amount of the currency; and does not that in effect operate in the same way that it would if the board had the direct power to make the restriction?

Mr. GLASS. I say to the Senator from New Mexico that every director of a Federal reserve bank must be a resident of his Federal reserve district. The appointment of three of these directors by the Federal Reserve Board, as the Senator from Ohio will recall, was resisted by the banking community of the United States. They were put there to represent the interests of the Government, because the Government, under the operations of the banks, would be one of the largest depositors in the banks. I have no doubt the banking community to-day would gladly welcome an alteration to exclude these three appointed members from the regional boards.

Answering the other part of the Senator's inquiry, I will say that the Federal Reserve Board has never, since it was inaugurated, offered a suggestion to a Federal reserve bank that it should or should not make rediscounts or apply for currency.

Mr. FLETCHER. If I may interrupt the Senator just on that point, is it not true that the power to fix the rate of rediscount is the power to control circulation?

Mr. GLASS. I said to another Senator that I would reach that presently. If Senators will just let me get on, I hope I shall not leave any phase of the problem untouched.

Mr. FLETCHER. I did not know that the same question had been presented. It seems to me they do not need the power to control circulation as long as they have the power to control the rate of rediscount.

Mr. GLASS. Of course, the power to fix the rate of rediscount is a fundamental banking power of the system.

Mr. JONES of New Mexico. Mr. President, I am sorry to interrupt the Senator, but I saw the statement made by people who were supposed to know and be advised about it, that the Federal Reserve Board in Washington had made a direct request of the regional banks in certain sections of the country, as well as member banks, that no more loans of a certain character should be made; for instance, upon live stock. Personally, I was never able to find out from any authoritative source that such a thing had been done, and I should like to know whether or not the Senator has any information upon that subject.

Mr. GLASS. I know it is not true, I will say to the Senator from New Mexico. The Federal Reserve Board at one time did what Senator after Senator upon this floor did. In one of its public outgivings it suggested that there ought to be a cessation of extravagance in this country; that the credits of the country should be devoted to taking care of the necessities of the people rather than the luxuries of the people. Will anybody question the Solomonic wisdom of a declaration of that sort? The board has never at any time indicated to a bank that it should not engage in lawful and proper rediscount activities, and has never denied the application of a regional bank for one dollar of Federal currency.

Mr. POMERENE. Mr. President, the Senator has already referred to the fact that only one-third of the directors of the regional banks are appointed by the Federal Reserve Board. The other two-thirds are divided into two classes, one representing the smaller banks and the other representing the larger banks. The thought struck me that ordinarily two-thirds can control one-third.

Mr. GLASS. There has never been any suggestion that the one-third were in any degree out of sympathy with the agricultural, commercial, or industrial requirements of their particular region. It is not natural to suppose they ever are. They are business men of character and reputation, identified with the particular region. Why should they wish it harm?

These powers, with the right to review and determine rediscount rates, are conferred by the law on the Federal Reserve Board for the security of the banking system of the United States and to insure that any expansion of the currency shall be upon safe and sane lines.

RECKLESS CHARGE OF DEFLATION.

Yet, Mr. President, with these restricted powers unexercised to this day, the Federal Reserve Board, times without number, has recklessly been charged with instituting and executing "drastic and cruel policies of deflation." One perfervid Senator characterized it a "murderous" policy of discrimination against agricultural produce. What, precisely, is meant by this charge? It can signify but one thing, which is, in plain terms, that the Federal Reserve Board at Washington, without sanction of law, ordered Federal reserve banks, especially those located in the agricultural regions, to curtail or stop rediscounts or that the board refused to issue currency upon application of the banks or that the board did both these things. *The actual truth is, Mr. President, the Federal Reserve Board did neither of these things, and I challenge the production here or elsewhere of any particle of evidence of any such action by the Federal Reserve Board.* It issued no such order; it had no right to issue any such order. And, as I have pointed out, while the board is vested by law with explicit authority to refuse to issue currency or to tax that outstanding in order to influence its redemption, the board has not exercised its lawful power in either respect. Every dollar of bank credit denied was withheld by a local bank or regional bank. The Federal Reserve Board had nothing to do with it. Every dollar of currency retired was retired by a local bank or regional bank. The board had nothing to do with it.

By whom, then, Mr. President, was this wicked policy of deflation of the credits and currency of the system instituted and what were the agencies employed in its execution? Each regional bank of the system is master in its own domain, subject only to the Federal statutes; it is operated by men, all citizens of its territory. Two-thirds of its directors are selected by the member banks in its territory. These men are presumed to understand the conditions and to know the requirements of every interest in the territory, agricultural, commercial or industrial. If there was deflation, "wicked" or righteous, monstrous or sane, the directors of these respective Federal reserve banks, in larger degree than any other agency under the law, should be held responsible for it.

But I pointedly deny that there was deflation of either regional reserve bank credits or any diminution of Federal reserve currency for the period of the appalling drop in prices of agricultural products.

INCONTROVERTIBLE FACTS AND FIGURES.

I hope Senators will take particular note of that declaration and convict me here, if they can, of any inaccuracy that appertains to it. Rhetoric, whether the motive of it be harmless or vile, is one thing. A cold, indisputable fact is something different. In all this fanfare of prejudice and vituperation there has not been given one authenticated fact or figure to justify the assertion that the Federal reserve banking system was appreciably delinquent or in any degree oppressive. I shall present proof to the Senate that, in the period of precipitated prices of farm products, there was a constant expansion of regional bank credits and an increase in the volume of Federal reserve notes issued. At this point I shall insert in the RECORD figures furnished me by the Bureau of Statistics, Department of Agriculture, giving the average seasonal price, by the month, of cotton, wheat, corn, and oats from July, 1919, to January, 1921, inclusive:

	Cotton.	Wheat.	Corn.	Oats.
1919.				
July	\$0.311	\$2.22	\$1.76	\$0.71
August	.325	2.17	1.91	.75
September	.303	2.06	1.85	.72
October	.313	2.10	1.54	.68
November	.365	2.13	1.33	.69
December	.357	2.15	1.35	.72
1920.				
January	.359	2.32	1.40	.78
July	.374	2.54	1.86	1.01
August	.368	2.32	1.61	.82
September	.314	2.19	1.56	.70
October	.255	2.14	1.21	.61
November	.194	1.88	.87	.54
December	.14	1.44	.68	.47
1921.				
January	.115	1.49	.67	.46

Mr. President, an examination of these figures discloses the fact that cotton, quoted at 31.1 cents in July, 1919, is quoted at 37.4 cents in July, 1920, when a sharp decline set in, until for January, 1921, cotton was quoted at 11.5 cents, a decline of 69.3 per cent from July, 1920, to January, 1921.

It is seen that oats rose from 71 cents for July, 1919, to \$1.04 for July, 1920, and dropped to 46 cents for January, 1921, a decline of 55.8 per cent from July, 1920, to January, 1921.

It will be noted that wheat rose gradually from \$2.22 for July, 1919, to \$2.54 for July, 1920, and fell to \$1.49 for January, 1921, a decline of 41.4 per cent from July, 1920, to January, 1921.

It will be observed that corn fluctuated from $1.76 for July, 1919, to $1.86 for July, 1920, and feil to 67 cents for January, 1921, a decline of 63.9 per cent from July, 1920, to January, 1921.

This shocking decline in the produce of American farmers, as well as a less acute decline in the products of our mills, is a familiar story to every intelligent business man of the country. If it can be established that for this period from January 1, 1920, to January 1, 1921, the Federal reserve banks, severally or in the aggregate, contracted their credits and diminished the volume of their note issues, those who charge them with "a drastic and cruel policy of deflation" may justify the accusation with respect to these regional banks. But even in this event they can get no sanction for their assaults upon the Federal Reserve Board, which does not initiate bank credits nor issue currency except upon application of the regional banks. Now, let us see what the facts are. At this point I shall place in the RECORD an authenticated statement of paper held under discount for member banks of the Federal reserve system as of January 1, 1920, and January 1, 1921; likewise a statement of the volume of Federal reserve notes in circulation on January 1, 1920, and on January 1, 1921.

Paper held under rediscount for member banks in each Federal reserve district, also Federal reserve notes in circulation on Jan. 1, 1920 and 1921.

Federal reserve bank.	Paper held under discount for member banks—		Federal reserve notes in circulation—	
	Jan. 1, 1920.	Jan. 1, 1921.	Jan. 1, 1920.	Jan 1, 1921.
Boston	$188,039	$155,293	$244,093	$288,780
New York	790,803	871,439	807,616	867,481
Philadelphia	237,300	155,484	237,051	278,322
Cleveland	164,517	122,182	261,738	318,951
Richmond	114,772	125,473	145,765	155,169
Atlanta	88,052	166,640	155,511	173,496
Chicago	267,639	475,563	500,139	515,395
St. Louis	77,679	114,033	145,298	135,785
Minneapolis	73,857	95,991	87,187	79,193
Kansas City	110,380	139,402	104,089	111,578
Dallas	28,371	97,392	74,939	79,453
San Francisco	73,898	167,593	242,162	272,463
Total	2,215,305	2,687,383	3,008,878	3,336,281

CREDITS INCREASE AS PRICES DROP.

An analysis of these statistics shows that the total amount of rediscounted paper held by the 12 regional reserve banks on January 1, 1920, was $2,215,305,000. Instead of deflating their credits, as has been charged, these banks as of January 1, 1921, had increased their accommodations to member banks in the aggregate to $2,687,393,000, an expansion of $472,088,000 in the 12-month period.

If any Senator can controvert this fact, I pause to have him do it.

On January 1, 1920, the 12 regional reserve banks had notes in circulation to the amount of $3,008,878,000. Instead of reducing circulation, these same banks on January 1, 1921, had outstanding circulation aggregating $3,336,281,000, a total expan-

sion of currency of $328,403,000 for the 12-month period of falling prices.

Will any Senator say that that is not true?

Thus it will be noted that so far from the truth is the accusation that the Federal Reserve Board "tumbled" the prices of farm products by a cruel policy of deflation, it is shown that during the whole period of falling prices the Federal reserve banks were supplying largely increased credit facilities and issuing a constantly increasing volume of Federal reserve notes.

Mr. HEFLIN. Mr. President——

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

Mr. GLASS. I yield.

Mr. HEFLIN. I do not want the Senator to get the impression that I agree to a good many of those things.

Mr. GLASS. Oh, I do not get the impression that the Senator from Alabama agrees with a single one of those things.

Mr. HEFLIN. Because I expect to reply to the Senator, and I want him to know that I disagree with him on several of these propositions.

Mr. GLASS. I would have assumed that without any statement from the Senator.

Mr. HEFLIN. The Senator compliments my friendship for the people of the country.

Mr. GLASS. Oh, Mr. President, no friendship can intervene where a great and vital interest of the country is concerned. I believe it was the Duke of Guise who once was bitterly reprimanded by the Archbishop of Paris for exhibiting some degree of acerbity toward a friend. The prelate asked how he could reconcile his attitude with his professions as a churchman, and the Duke of Guise responded, "I confess, your grace, that Christ taught us to forgive our enemies; but I think you will search Scripture in vain to find that he anywhere admonished us to forgive our friends." That is my reply to the Senator from Alabama when he appeals to friendship to avert criticism of his misrepresentation of the Federal Reserve Board here in Washington.

Mr. HEFLIN. Mr. President——

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

Mr. GLASS. I yield.

Mr. HEFLIN. The Senator from Virginia misunderstood me. I said that he was complimenting my friendship for the people of the country and my desire to have a fair deal for them, and not my friendship for the Senator, which is great; we are personal friends; but I am not appealing to that. I will take care of the Senator's arguments along that line.

Mr. GLASS. Oh, I do not doubt that.

It is significant, Mr. President—and I call the attention of my distinguished friend from North Carolina [Mr. OVERMAN] to the fact—*that these increased facilities were applied for and granted at the increased rate of rediscount put into effect by the regional reserve banks and approved by the Federal Reserve Board.* This tremendous expansion of Federal reserve credits, aggregating nearly $1,000,000,000 within the 12-month period of falling prices, was not managed except by an alarming encroachment upon the gold reserves of the regional banks, one of them, as I recall, barely escaping the humiliating if not disastrous experience of having its gold reserve wiped out of existence; it had to resort to the expedient of largely rediscounting with another Federal reserve bank at the North.

LOANS TO FARMERS.

Let me anticipate here a thought which may have place in the minds of some Senators. Doubtless they will want to know in what sections of the country these extensions of credit prevailed, in order to determine whether one class of citizens was discriminated against or another class granted peculiar privileges by the Federal reserve banks. We shall see:

The regional bank at Richmond accommodates the grain, fruit, tobacco, and cotton portions of the fifth district. Were its credits deflated or its note issues reduced during the period of falling prices? Not at all; both credits and circulation were extended. On January 1, 1920, the Richmond Federal Reserve Bank held discounted paper to the amount of $114,772,000. On January 1, 1921, its rediscounts had been increased to $125,473,000, or more than $10,000,000. On January 1, 1920, the Richmond bank's note issue amounted to $145,765,000; on January 1, 1921, the bank's note issue had been increased to $155,169,000, an expansion of nearly $10,000,000, the total expansion in currency and credits being about $20,000,000 in the period of falling prices.

The Atlanta Federal Reserve Bank, which is in the cotton belt, as the junior Senator from Georgia [Mr. HARRIS] may note, held $88,052,000 of discount paper on January 1, 1920. Was there any deflation at the Atlanta bank? Not a bit; on January 1, 1921, its rediscounts had about doubled, amounting to $166,640,000. Its note issues increased from $155,511,000 on January 1, 1920, to $173,406,000 on January 1, 1921, a total increase in credits granted of $96,483,000 within the period of falling prices.

The Chicago Federal Reserve Bank, accommodating the grain and live-stock section of the country, on January 1, 1920, had a volume of $267,639,000 in rediscounts, and during the period of falling prices these credits had increased to $475,563,000 on January 1, 1921. Its note issues for the same period increased from $500,139,000 to $545,395,000; total expansion, $253,178.

The St. Louis Federal Reserve Bank, accommodating the grain and live-stock territory, on January 1, 1920, held rediscounts aggregating $77,679,000. These credits increased during the period of falling prices to $114,933,000. Its note issues were reduced by the sum of $10,000,000; aggregate expansion of the bank's credit about $37,000,000.

The Kansas City Federal Reserve Bank, in the grain and stock section, had $110,380,000 rediscounts on January 1, 1920. These credits had expanded to $139,402,000 on January 1, 1921, and its Federal reserve note issue had increased in the same period $7,500,000; total expansion, $36,522,000.

The Federal reserve bank at Dallas held $28,371,000 in discounted paper on January 1, 1920, which amount had been more than trebled on January 1, 1921, totaling $97,392,000. For the same period its note issue increased about $5,000,000, aggregating $79,453,000; total expansion, $74,021,000.

The San Francisco Federal Reserve Bank, accommodating the fruit, dairy, and other farm industries of the Pacific States, held

$73,896,000 of eligible paper on January 1, 1920. This amount had more than doubled on January 1, 1921, when it reached $167,598,000. This bank's note issue increased from $242,462,000 to $272,463,060, an increase of more than $93,060,000 in credits and $30,000,000 in the volume of its notes.

Mr. President, while this expansion of credits was taking place in the agricultural districts of the United States, the notable fact is disclosed by the official figures that there were scarcely any increases by the banks located in the great industrial centers of the country. Senators may easily examine the table and ascertain for themselves the accuracy of this statement.

Mr. POMERENE. Mr. President——

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

Mr. GLASS. I yield.

Mr. POMERENE. Is it not true also that during this decline of prices there was an advance by the Federal reserve banks in the industrial districts to the banks in the other sections of about $267,000,000?

Mr. GLASS. The Federal reserve bank of Cleveland, in the Senator's own State, advanced, as I recall—and I will insert in the RECORD the exact figures—$150,000,000, and perhaps in excess of that, to the Federal reserve banks in the agricultural regions of the country. It did not have to be compelled to do so by the Federal Reserve Board, but took the action on its own initiative, or perhaps at the suggestion of the Federal Reserve Board.

AMAZING LIBERALITY OF RESERVE BANKS.

I shall anticipate another thought which doubtless arises in the minds of Senators who may desire to know whether strictly agricultural credits, as distinguished from mercantile and industrial credits, were diminished during the period of falling prices. The figures show that loans on agricultural and live-stock paper increased enormously within the period of price precipitation. At this point I will insert in the RECORD a table giving the loans on agricultural and live-stock paper, as segregated, each month for the entire year of 1920, showing that these loans by the banks in the agricultural sections increased more than fivefold, while prices for agricultural products were falling in a distressing degree:

Loans of Federal reserve banks on agricultural and live-stock paper for 1920.

January	$56, 905, 000
February	67, 195, 000
March	74, 665, 000
April	106, 382, 000
May	140, 691, 000
June	168, 038, 000
July	202, 520, 000
August	216, 278, 000
September	224, 424, 000
October	240, 649, 000
November	241, 561, 000
December	246, 940, 000

The figures in some detail show that at the Richmond Federal Reserve Bank loans on this kind of paper increased from $449,000 on January 1, 1920, to $9,251,000 on January 1, 1921.

The loans of the Atlanta Federal Reserve Bank on paper of this character increased from $841,000 on January 1, 1920, to $16,831,000 on January 1, 1921.

Why, Mr. President, I am amazed at the broad liberality of this regional reserve banking system in that distressing time. Had I any criticism to make of its administration it would be that it too far transgressed the requirements of safe banking.

The Federal reserve bank at Dallas on January 31, 1920, had only $4,450,000 on agricultural and live-stock paper, which was increased to $31,251,000 by January 1, 1921.

The Kansas City Federal Reserve Bank increased its loans on this kind of paper from $20,022,000 on January 31, 1920, to $46,840,000 on January 1, 1921, during the period of falling prices.

The Federal reserve bank at St. Louis on January 31, 1920, held but $294,000 of agricultural and live-stock paper, which amount by January 1, 1921, had been increased to $4,896,000 during the period of falling prices.

The Federal reserve bank at Minneapolis held on January 31, 1920, only $6,855,000 of agricultural and live-stock paper. On January 1, 1921, it held $53,896,000 of strictly agricultural paper.

The Chicago Federal Reserve Bank on January 1, 1920, was loaning but $12,783,000 on agricultural and live-stock paper, whereas on January 1, 1921, it had increased these loans to $52,695,000 during the period of falling prices.

I would call the attention of the Senate to this significant fact in this connection:

These figures constitute loans made to the agricultural interests of the country on paper having a maturity of six months, which paper may easily be segregated; but the figures are not an index to the full volume of agricultural loans, because hundreds of millions of dollars of commercial loans are made to the farmers of the country on paper of 90 days' maturity. Indeed, by reference to page 17 of the last annual report of the Federal Reserve Board it will be seen that 11 of the Federal reserve banks, excluding the New York bank altogether, made loans for farm and dairy purposes for the year 1920, comprising the period of falling prices for farm products, aggregating $1,980,063,000 as against $729,266,000 for a like period of 1919; and this great volume of credit does not include the large amounts advanced on cotton, wool, and similar lines by the greater banks of the system.

THE SYSTEM NOT SECTIONAL.

Mr. President, I am not speaking for any section of the country or against any section of the country. I am not speaking for the Democratic Party or for the Republican Party. I despise the conception of the man who thinks that we should harass and corrupt this great Federal banking institution by introducing politics into its administration or political henchmen into its personnel. Once that is done, the system is gone beyond reclamation. I am speaking for the integrity of this great Federal reserve banking system, which saved every section of the country in a time of unprecedented disturbance, when all the world beside was going into financial chaos and being wrecked almost beyond recovery. But it is a fact of some significance that the Federal reserve banks of the North, without compulsion of any kind, went largely to the assistance of the agricultural interests of the South and West. At one time, in October, 1920, in the crop-moving period of that year, when the prices of agricultural products were going down, the Federal Reserve Bank of Cleveland alone was loaning to the reserve banks in the West and South no less than $145,800,000.

Mark this: The loans of the Federal reserve bank at Cleveland in the South and West exceeded its total loans to member banks of its own district, including the banks of the great cities of Pittsburgh, Cleveland, and Cincinnati, the greatest industrial district of the United States.

These funds were derived from the stockholding banks of that district; they represented the vision, the enterprise, the activities of the men and industries of that territory. Yet, in an effort to save a distressing situation they were loaned to the banks in the agricultural regions of the United States. And so also did the Federal reserve banks at Boston and Philadelphia and New York, by permission of the Federal Reserve Board, loan from their funds to western and southern Federal reserve banks for the relief of the agricultural situation in those sections. Indeed, the Dallas Federal Reserve Bank borrowed continuously from the northern reserve banks from the spring of 1920 to December 15, 1921. Minneapolis just finished paying out of debt to these banks last November, and Richmond and Atlanta last December. Happily, all of the Federal reserve banks are now above their reserve requirements, each standing on its own resources, with the ability and the willingness to take care of all reasonable credit requirements. It was the palpable intent of the law that they should do this. It was never intended that interregional discounts should be a normal process of this system.

NOT A CENTRAL BANK.

Some Senators seem to imagine that we have a central banking system in this country. The amazing statement is made here that Congress in 1913 adopted a slightly modified form of the Aldrich bill, which did provide a central banking institution. No greater misconception was ever projected in this Senate Chamber, and no man on earth knew better than Mr. Aldrich himself that a statement of this kind involves a total misunderstanding either of the provisions of the Aldrich bill or the essential provisions of the Federal reserve statute. *We have no central bank, and the Federal Reserve Board sitting at Washington has no right, except in circumstances threatening the financial fabric of the Nation, to even order one Federal reserve bank to rediscount the discounted paper of another regional bank. Even in a financial crisis, such as the law contemplates, it requires the affirmative action of at least five of the seven members of the Federal Reserve Board to compel one of these regional reserve banks to rediscount for the other. Hence, when gentlemen talk about the great resources and earning assets of this or that Federal reserve bank and imagine that these resources are available as a normal process for use in other regions, they simply display a lamentable ignorance of the Federal reserve banking system, both as to the text and intent of the law.* When the junior Senator from Alabama assumes that the contemplated expenditure of a certain sum of money for a regional reserve bank building in New York operates to restrict the banking credits of cotton planters in the

South, he is talking pitiful nonsense. What have agricultural credits in the South to do, directly or indirectly, with a bank building in New York or Chicago or Cleveland or San Francisco? It might as well be said that the school children of Birmingham or Richmond have their educational facilities wickedly impaired because the school board at New York or Boston has been or contemplates spending more money for educational purposes next year than all the Southern States combined. That sort of talk is not even specious; it is such arrant nonsense that I should not like to believe it can deceive the very simplest among those who are the accustomed victims of demagogy!

THE CASE CLEARLY PROVED.

Presently, Mr. President, I shall briefly discuss the question of bank building and bank salaries. For the moment I desire sharply to draw the attention of the Senate and the country to the incontestable fact that the authentic figures which I have presented *prove beyond controversy that the crashing decline in the prices of farm products was not caused by the Federal Reserve Board at Washington nor by any policy adopted or pursued by the Federal reserve banks throughout the country.*

These figures prove beyond all controversy that, instead of deflating credits and currency, the Federal reserve banks, during the period of falling prices, enormously expanded bank credits and increased the volume of circulating notes. This is especially true with respect to credits in the agricultural sections of the United States, for it appears from the official figures that while agricultural credits were expanding commercial credits were contracting. Federal reserve banks in the great money centers carrying an aggregate of $467,000,000 in bankers' acceptances this last summer were carrying less than $40,000,000 of these acceptances.

The figures show a decline in commercial credits secured by Government securities of nearly $1,000,000,000 in that period. What, then, becomes of this charge of "cruel and wicked and murderous" deflation of farm credits by the Federal reserve banks under orders from the Federal Reserve Board?

Mr. President, any self-respecting board of directors of any one of these Federal reserve banks would doubtless resent an order from the Federal Reserve Board to abandon its rediscounting operations. The board has no lawful authority to issue any such order. These rediscounts frequently take place without the immediate knowledge or consent of the Federal Reserve Board. It is only when currency is desired, when application is made for the issuance of Federal reserve notes, or when a regional bank depletes its gold reserve, that the intimate knowledge and supervisory power of the Federal Reserve Board is brought into effect.

What, then, becomes of the charge of "murderous deflation" when it is examined? It takes its place in the limbo of discarded fiction. For my part, I fervently thank God that I have no responsibility for its inception or its propagation or the dissemination of its vile odors. No one will ever be able to compute the amount of damage done by this misrepresentation and the harmful use made of it by erupting politicians. *The truth in one sentence is that falling prices caused the deflation of credits and currency, such as we have witnessed since January of last year, and not deflation of credits the fall in prices.*

WHY PRICES TUMBLED.

Mr. President, the crash in commodity prices in the summer and fall of 1920 is not a hidden mystery. It did not require a Joint Commission of Inquiry to be ascertained, although I am profoundly thankful that such a commission instituted a thorough investigation of the subject. The storm was inevitable; discerning men saw it brewing and were prepared when it burst. It was not peculiar to this country; its sweep was through the whole world. First, it tore asunder economic conditions in Japan. The disaster there almost instantly reflected itself by the break in the silk market in March of 1920. The next manifestation of distress was in May, when the wool industry utterly collapsed and we had presented the phenomena of wool cheaper than cotton. Then came the break in hides and leather; then in sugar, wheat, cotton, corn, oats—all conspiring to create alarm and to occasion distress throughout the country.

Did deflation of credits by the Federal reserve banks, on order of the Federal Reserve Board, cause the crisis in Japan? Did a restriction of credit cause the violent prostration of the wool industry? Did the drop in sugar, which threatened a moratorium in Cuba and which came not far from wrecking one of the great banking institutions of this country because of a satiety of credit, have its origin in any policy of the Federal reserve banking system? *If not, how may it rationally be contended that a restriction of credit, which never took place, by an order which was never issued, is responsible for the crash in prices of other commodities?*

Mr. President, we are accustomed to get periodically more or less definite estimates of crop production, and then think we have envisaged the entire problem of prices for a given time. As a matter of fact, we have only half of the picture. It may be told with a reasonable degree of certainty what will be the supply, but nobody can ever tell what will be the demand for the products of farm or factory. Senators know perfectly well that all continental Europe, as well as the Near and Far East, has been embroiled in war and plagued by economic disasters since the armistice was proclaimed; so that our foreign markets were dislocated.

Moreover, the peak of extortionate prices in this country had all but pierced the clouds in the early summer of 1920, exceeding actually the highest point of the war period.

I pause to remark that we are a peculiar people in America. For months and months Senators and newspapers throughout the country were denouncing profiteering in the prices of commodities and of all conceivable articles of commerce. They were eager to put the profiteers in jail. They wanted to impeach the Attorney General of the United States for not quickly putting them in jail. Then, when the drop came, these impatient souls denounced the Federal Reserve Board.

THE SENATE ORDERED DEFLATION.

Mr. McLEAN. I remind the Senator that in May, 1920, we passed a resolution for an investigation of the cause of high prices, and at that time condemned the Federal Reserve Board for not raising its rediscount rate.

Mr. GLASS. Yes; and I shall show that you practically undertook, without any authority of law, to compel the Federal Reserve Board to raise its rediscount rate. *The Senate voted for a resolution unanimously, offered by the distinguished Senator from Montana* [Mr. MYERS], *demanding to know what the Federal Reserve Board had done, or what it purposed to do, to deflate the credits and currency of the country.* Senators are making me anticipate my speech.

[At this point Mr. GLASS yielded the floor for the day.]

Tuesday, January 17, 1922.

Mr. GLASS. Mr. President, when the Senate recessed on yesterday I had covered those phases of the problem under discussion which related particularly to the question of alleged deflation of credits and currency in this country and was undertaking to describe the causes and course of the fall in prices.

CONSUMERS ON STRIKE.

The peak of extortionate prices in the United States, as I said before, had all but pierced the clouds in the early summer of 1920, exceeding actually the highest point of the war period, and the people of the United States had become tired of being profiteered and the people of Europe could no longer pay the prices. At home and abroad the people in their righteous indignation went on strike, as it were, against the profiteers. That vitally affected the situation, because when the people once began to do without luxuries, by the very processes of psychology they began to economize in the more necessary things of life. The demand for all products was thus enormously diminished. Then railroad rates were skyrocketed, not alone putting a tax on the things which the farmer must transport to market, but likewise on everything which the farmer was compelled to bring back to the farm. Building was reduced to the minimum, road construction was stopped, furnaces from one end of the country to the other were banked, unemployment to a frightful extent ensued; and all this, Mr. President, for no lack of credit facilities, but for lack of markets in which to sell the products of farm and mill and factory. There is the picture! Why not tell the farmer and everybody else the truth about the thing? Why invent the wretched fiction about deflation of bank credits, and by this false predicate seek to impair the usefulness and ultimately to destroy a banking system that preserved this country from chaos and that, if let alone, will restore the financial equilibrium of the world, if it be not already beyond restoration?

WHY FARMERS SUFFERED FIRST.

The consequences of this crash in commodity prices were more pitiful to the American farmer, because the pelting storm found him defenseless and without shelter. The factory men and mercantile interests, both jobbers and retailers, have better insurance against sudden collapse. They are more compactly organized; they may longer resist falling prices than the farmer. I do not charge that they are more acquisitive; but at least they do not find themselves obliged to accept their losses as promptly as the farmer. This is why the farmer was hit first, and hit hardest and suffered most. Why not tell the farmer the truth and advise him, if he would escape the consequences of another such disaster, he should organize; organize, Mr. President, not to be the plaything or the instrument of designing politicians, but organize for an intelligent investigation and pursuit of economics; organize for a cooperative marketing of his product; organize, if it may seem desirable, for the cooperative purchase of his requirements; organize for an intelligent understanding of the source and volume of demand for farm products.

I commend to the consideration of every intelligent American farmer the report of the Joint Commission of Inquiry upon the Agricultural Crisis and Its Causes; and to indicate that I have not to-day in anywise misstated the situation, I will here quote a paragraph to be found on page 17 from the report in question on—

THE BREAK IN PRICES.

The crisis was not confined to this country. The avalanche of declining prices and its attending hardships, sacrifices, and losses involved the whole world. It began in distant Japan with the break in the silk market and the Chinese boycott of Japanese goods. It traveled the circle of the Far East, Australia, India, Java, England, France, Italy, the whole of Europe, South America, Canada, and the United States. It embraced all countries and all industries, though not to the same extent or in the same way.

Mr. President, the difficulties of the farmers of the United States can not be cured by listening to the sickening rhetoric of politicians or professional agitators. Recurrent distress can not be averted by indefensible assaults upon the integrity of the Federal reserve system or defamatory accusations against the clean, courageous, trained men who are engaged in its administration. The farmers of the country can be helped in two practical ways, one of which involves the strengthening rather than impairment of the Federal reserve system itself.

NONMEMBER BANKERS POWERLESS.

I draw the attention of Senators from the agricultural sections of the country to the fact that a large part of the banking power of their States is wholly independent of the Federal reserve banking system and refuses to avail itself of the tremendous advantages of the system. In the South 42 per cent of the banking power of that entire section is lodged with nonmember banks, institutions which had no access in the recent crisis to the currency vaults or credit facilities of the Federal reserve banks. They were powerless to help the situation because they could not avail themselves of the rediscount privileges of this great banking institution.

Very likely, Mr. President, most of the State banks did what they could in the circumstances; possibly they responded to the limit of their facilities to the demand of the agricultural interests for bank credit; but they were not members of the Federal reserve banking system and had no access to its advantages.

In the Middle Western States 39 per cent of the banking power of all that region is lodged with banks which do not belong to the Federal reserve system; they likewise were powerless to help in this crisis which so afflicted not only the agricultural interests but every interest in this country.

In the far Western States, the great grain-growing section, 50 per cent of the banking power of that region is lodged in banks that are not members of the Federal reserve system; they are powerless, beyond their own restricted resources, to aid in any national crisis. And in the Pacific States 36 per cent of the banking power is lodged in banks outside the Federal reserve system. These nonmember banks have total resources amounting to $19,144,393,000, which were availed of in that crisis to only a limited extent because these banks were not members of the Federal reserve system.

A STARTLING FACT.

If some Senators will go home and talk sense to bankers who remain outside the pale of protection, instead of talking nonsense to farmers and arousing prejudice against the Federal reserve banking system, which has afforded them protection, something worth while will be accomplished. Why, Mr. President, on August 22, 1907, when that great financial crash which started in New York traversed this country, the total rediscounts and bills payable of all national banks in the United States was but $59,177,000. I ask Senators particularly to note this fact: All the rediscounts and bills payable of all the national banks of the United States on the 22d day of August, 1907, under the old bank system, were but $59,177,000, *whereas in the month of October, 1920, in the midst of falling prices, the Federal Reserve Bank of Kansas City alone advanced the member banks of the single agricultural State of Nebraska over $38,000,000*, which was more than half the entire amount of rediscounts and bills payable of all the national banks of the United States when the great crash came in 1907.

The Federal reserve bank at Richmond during the recent crisis loaned the member banks of the single State of South Carolina $21,105,000, nearly as much as one-half of the total rediscounts and bills payable of all the national banks in the United States under the old banking system in the panic of 1907. And so I might go from State to State pointing out the vast advantages of the system, the incomparable aid rendered by it, and yet Senators, ignoring these great achievements, persist in misrepresenting the operations of this institution to the farmers of the country.

BANKS ALARMINGLY EXTENDED.

The distinguished senior Senator from South Carolina [Mr. SMITH], who is by no means a stranger to this system or the system to the Senator, who had something to do with its fabrication, and who, I am glad to be told, has renounced his suggestion to legislate out of office the Governor of the Federal Reserve Board——

Mr. SMITH. Mr. President, will the Senator allow me to make a statement right there?

Mr. GLASS. I yield.

Mr. SMITH. It was a coincidence that at that time section 2 of the proposed bill that I introduced under its terms would have had the effect of legislating the governor of the system out of office.

Mr. GLASS. I accept that statement. I was merely referring to the effect of the proposed legislation.

Mr. SMITH. I understand; but, inasmuch as the impression has gone abroad that that was the object of the legislation I want to state—and I know the Senator from Virginia is glad to correct that impression—that it was entirely erroneous.

Mr. GLASS. Absolutely so.

Mr. SMITH. When that bill was drafted none of us, including myself who drafted it, had any knowledge whatever as to whom it would effect. We merely provided that the first vacancy should be availed of because we wanted to expedite the presence on the board of a man identified with the agricultural interests.

Mr. GLASS. I accept that statement fully, Mr. President; but I fear my friend may entertain a misconception as to what was done or left undone in South Carolina by the Federal reserve bank of that district in the unprecedented crisis of 1920. I do not know and do not undertake to say anything about the credit facilities afforded by nonmember banks of South Carolina; but the figures show there was scarcely a member bank in that great cotton State which was not amazingly expanded beyond its basic line of credit with the Federal reserve bank at Richmond during the entire period of falling prices. I have the list on my desk here now. I have the figures from other States. There were not many borrowing banks in the State of the eminent Senator from Alabama, the basic credit of which was not tremendously exceeded. There were some banks in Alabama—national banks, member banks—entitled to a basic line of credit of $8,000,000 in that period which did not borrow one dollar from the Federal reserve bank in order to assist the farmers of that State and section? Why does not the Senator go home and assail these local banks, not one of which borrowed as much as one dollar from the Federal reserve banks, although they were entitled to a basic line of credit of $8,000,000; and had they followed the example of banks in Alabama and other States and transcended their basic line ten times they might have borrowed many times $8,000,000 from the Federal reserve bank in order to help their farmers, whereas they did not borrow a dime. Why did they not borrow? The rediscount rate at that time was but 6 per cent. They had a margin of 2 per cent. Why did they not borrow if it would help the farmer? Why come here and denounce the Federal reserve banking system when the trouble, if there was really a deficiency of credit, was inherent at home?

Mr. President, to give the laymen in the Senate—one of whom I am—a concrete illustration of how the Federal reserve banks went to the rescue of business in the cotton territory of the United States, let me present some facts and figures:

Here is a South Carolina national bank entitled under the rule of basic credit to borrow $29,000 from the Federal reserve bank at Richmond. On June 30, 1920, when cotton was about at its peak, it was borrowing $74,000, until by progressive stages is was borrowing on June 30, 1921, $212,000 from the Federal reserve bank. Think of it! It was entitled to borrow as its fair quota, $29,000, and it borrowed $212,000. Here is another bank which was entitled to borrow $37,000 from the Federal reserve bank at Richmond. On June 30, 1920, it was borrowing $91,000 when cotton was highest. On a falling market it managed to increase its loans at the Federal reserve bank to $200,000. Here is another little bank with a basic line of credit at the Federal reserve bank of $23,000 in that period of stress; it borrowed from the reserve system $111,000; and another little bank, entitled to borrow $16,000, was loaned $235,000 by the Federal reserve bank at Richmond.

These furnish a fair example of the operations of the smaller banks of this State. Here is a larger bank, entitled to borrow $578,000 from its Federal reserve bank; it borrowed $1,467,000. Here is another entitled to borrow $468,000 as its quota of credits at the Federal reserve bank; to meet emergency it was loaned $2,622,000. All of the member banks combined of South Carolina were entitled to borrow $7,699,000; they borrowed $21,105,000 during the period of falling prices.

Mr. POMERENE. Mr. President, does the Senator mean by that statement that that amount of credits were out at one time?

Mr. GLASS. I do; on each given date.

Mr. POMERENE. And I assume that that statement applies to each of the other illustrations which the Senator has given?

Mr. GLASS. It does.

Mr. DIAL. Mr. President, do these figures apply to conditions generally over the country or simply to these particular States or regions?

Mr. GLASS. They apply to the country; but the charge here has been that there was discrimination in the agricultural sections, and I am undertaking to show that that is utterly groundless.

CURSE OF TOO MUCH CREDIT.

Mr. President, not infrequently too much credit is a worse curse than too little. It allures individuals and corporations into the morass of financial disaster. Attempts to make too much money frequently result in losing all one has. Of course, some of us can see now what we could not see 18 months ago; but the one thing that clearly stands out is the fact that, had the banks of the country curtailed loans just before the drop in prices, as is mistakenly charged, instead of lavishly extending loans, as authenticated figures attest, thousands of people who are now in distress would be happy and content. For the good of borrowers themselves, the member banks and the Federal reserve banks too long delayed liquidation. They loaned too much money rather than too little; at least, that would be my criticism of their administration.

NEW SYSTEM NEEDED.

I quite agree, Mr. President, in the next place, that there is need in this country for a strictly rural-credits system, adapted to the peculiar wants and processes of the agricultural communities. Such a system conjoined with the existing Federal land-bank system, extending long-time seasonal credits, embracing crop preparation and production as well as orderly and advantageous marketing, would be of inestimable value to the farmers of the United States. This matter was being meditated when the advent of war diverted the attention and absorbed the activities of statesmen at Washington. We can not too soon renew consideration of the subject with a purpose to devise a system that will do for the farming community of the United States what the Federal reserve system immeasurably has done for the commercial and industrial interests of the country. But, Mr. President, you can not build up a long-time credit system by picking to pieces or by impairing the liquidity and the general efficiency of the existing commercial banking system. The two systems may successfully operate side by side, sympathetically and helpful, but the moment you undertake to transform one halfway into the other you will produce a financial prodigy, part fish and part fowl, which will neither swim nor crow.

Mr. POMERENE. Mr. President, in view of the statement which the Senator from Virginia has made with regard to an extension of the system of personal rural credits, I might add that there is now a joint commission composed of Members of the Senate and of the House who are studying that question. They have been taking some testimony on this subject, and I think next week they are to take testimony in the city of Atlanta.

Mr. GLASS. That, of course, I am glad to know.

WARNINGS NOT HEEDED.

Adverting, Mr. President, to the "cruel and murderous" policy of deflation which, as I have shown, never actually had any existence outside the vivid imagination of perplexed politicians, it has been said here that the alleged policy would have been sound in fact had it been applied gradually. I contend that no policy of deflation was applied for the period indicated; but if it be meant that ample warning was not given against a continuation of the wild orgy of speculation and of the alarming inflation of credits and currency at an angle at one period of 45 degrees, it can clearly be demonstrated that warning after warning was given. The Treasury, time and again, literally implored people to desist from their inordinate extravagance, and the public press was filled with editorials of caution against the riot of expenditure.

The very first official function I performed as Secretary of the Treasury was urgently to insist on the continuance of the Money Committee, composed of patriotic, public-spirited New York bankers, to administer a large fund designed to restrict the rate of interest on commercial transactions to 6 per cent. Meanwhile call money was soaring as high as 30 per cent on speculative transactions. Many bankers insisted that money was worth what it would bring in a competitive market, and a distinguished ex-governor of New Jersey bitterly assailed the restrictive policy of the Treasury, which was, of course, merely in the nature of moral restraint and in no sense compulsory.

The members of this Money Committee served without compensation, submitting patiently to the violent condemnation of those who selfishly desired to tax commerce with a high rate of interest on borrowed money. I cite this incident to show that as early as in the fall of 1918 the public had warning that interest rates were being held in leash only by a resort to extraordinary expedients.

CONGRESS FAVORED DEFLATION.

In the late fall of 1919 the governors of the larger Federal reserve banks were invited to Washington, and were urged by the Secretary of the Treasury to warn member banks that speculative credits must be curtailed or legitimate commerce would soon be penalized and a condition presented which would shock the country. Even then we were discussing the advisability of increasing the rediscount rates of the Federal reserve banks, and House and Senate, impatient and peremptory, were sending up resolutions demanding to know what steps the Federal Reserve Board was taking or contemplating to check the frightful inflation of credits and currency. One of these resolutions barely missed being an explicit order. It was adopted unanimously by the Senate on May 17, 1920, and reads as follows:

Resolved, That the Federal Reserve Board be directed to advise the Senate what steps it purposes to take or to recommend to the member banks of the Federal reserve system to meet the existing inflation of currency and credits and consequent high prices, and what further steps it purposes to take or recommend to mobilize credits in order to move the 1920 crop.

The Treasury experts, advised by some of the most eminent bankers of the country, held the view that any appreciable increase in the rediscount rate of the Federal reserve banks would accentuate the difficulties of floating the Victory loans and greatly impede the certificate borrowings of the Government, amounting to billions of dollars. My personal view also was that speculative loans should first be curtailed before we began assessing higher interest charges against legitimate commerce.

All these things were conspicuously discussed in the public press, particularly in the financial journals of the country. But the various warnings went unheeded; speculation flourished; credits in greater degree expanded. The country was aghast at the range of prices and the high cost of living. England was in worse plight. The Bank of England advanced its discount rate to 6 per cent and in January, 1920, the larger Federal reserve banks, soon followed by other regional banks, advanced the rate here to 6 and later to 7 per cent. Did these advances in the rediscount rates serve as a warning that a day of reckoning soon must come? Did this action by the Federal reserve banks, approved by the Federal Reserve Board, and practically urged by resolutions of Senate and House months before, result in tightening the reins? One only has to examine the figures I have presented here to see that the inflation of credits still persisted; that the volume of the currency continued to increase; that even after commodity prices began to topple the Federal reserve banks made a desperate effort to impede the velocity of the fall. From January 1, 1920, to January 1, 1921, these reserve banks expanded loans to member banks in an amount approaching $1,000,000,000. Yet, Mr. President, in the very face of this indisputable evidence, Senators berate the Federal Reserve Board and the Federal reserve banks with the utterly false charge of ordering and executing a policy of "murderous deflation." Such talk is wicked mummery.

PASSING THE BUCK.

Mr. President, Senators may wonder how this misconception got abroad about "the deflation of credits and currency." One way in which it got abroad was the willingness, first, of politicians, and then of local banks, to "pass the buck"—I believe that is the phrase—to the Federal Reserve Board and banks. Agitators advised the cotton interests of the South to hold their cotton for 50 cents. They held it; and instead of getting 50 cents it fell to 11 cents. When the slump came and disaster ensued, these evil advisers got from under their mistaken advice by "laying it on the Federal Reserve Board." I have in mind now one of these agitators who advised the cotton planters of the South to hold their cotton for 50 cents. He has been maligning the Federal Reserve Board, although his own bank was extended nearly 300 per cent above its proper quota. Of course, he tells his victims that "the Federal Reserve Board did it."

In the fall of 1920, campaigning in Virginia, I learned that a bank in one of the counties where I was making a speech had refused credits to its customers and had told these patrons that it refused them credit because it "could not get any rediscounts at the Federal reserve bank at Richmond." It was a nonmember bank. It had no right to rediscounts at the Federal reserve bank. It had loaned $96,000 for the purchase of automobiles, and had no more money to loan; and, not wanting to admit its plight, it told its borrowers it could not loan money because the Federal reserve bank—of which it was not a member—would not rediscount its paper!

I have here a form of notice sent out by a bank in an agricultural district to many of its borrowers, which reads as follows:

Your note for $______ falls due ______.

Our *Federal Reserve Bank* owns this note, having rediscounted it for us. As it has been renewed several times, they are *insisting on a payment*. It is *absolutely necessary* to arrange this note on the day of its maturity.

Yours, truly,

______ ______,
Cashier.

There was not a word of truth in that; and as soon as the Federal Reserve Board found that notices of this sort were being disseminated throughout that district by member banks it issued an order exposing the deception and expostulating against it.

I have here a letter from a business man of Tennessee, written to the governor of the Federal Reserve Board, saying:

On September 20 I offered to the Farmers' Bank of ______ $2,250 of third and fourth Liberty loan bonds, as collateral for a 30-day $1,000 loan; this they refused to grant, because they claimed they did not have the money and could not get it.

And he wants to know "why the Federal reserve bank is restricting credits in that way." Gov. Harding wrote him, in acknowledgment of the letter, saying:

While the Federal Reserve Board can not compel a Federal reserve bank to rediscount paper for a member bank which, in the opinion of its discount committee, is undesirable, I feel certain that the Federal reserve bank would cheerfully have rediscounted your note for the Farmers' National Bank with the bonds as security had it been offered.

Of course, it would have done it. That sort of deception by banks that do not desire to make loans has largely produced the impression throughout the country to which I have referred. Nonmember banks finding an excuse for not accommodating their patrons, and member banks not having the courage to refuse a loan, "pass the buck" to the Federal reserve banks of the country.

THE CHARGE OF "EXTORTION."

A great clatter has been raised about the alleged "extortionate" interest charges of the Federal reserve banks; but, as in other respects, a half truth only is told. The real facts are conveniently suppressed.

The "progressive" interest charge was not a feature of the original reserve act; it was put in about three years ago by Congress. It was intended by Congress as a penal provision. It was not designed to aid borrowing banks; it was intended to penalize any bank that should persist in borrowing more than its fair quota of the funds of a reserve bank, thereby depriving some other member bank of its fair basic line. If Congress did not want that done it should not have authorized it to be done.

But, Mr. President, this "progressive" interest charge was put into effect by but 4 of the 12 reserve banks. By these it was applied to comparatively few borrowing banks in their districts. These banks were incorrigible offenders against every requirement of cautious and safe banking. They were perpetually exceeding their allotted line of credits; they were incessantly appropriating more than their fair share of reserve bank funds. But the assailants of the reserve system suppress these facts. *They fail also to tell those whom they mislead that the average rediscount rate charged by the Federal reserve banks against the great body of borrowing banks in the four districts where "progressive" rates were very occasionally applied was much below the rate charged by these borrowing banks against their own customers.*

Take the case of the one little bank in the Atlanta district, the evil fate of which has so lustily been bewailed here and elsewhere. This bank was far below its lawful reserve for 11 months out of 12. *It exceeded its basic line of credit nearly ten times. Ninety per cent of its capital was loaned on notes indorsed by its president.* It seems to have outraged every rule of sound banking. It was penalized under the act of Congress in order to restrain its excesses and to compel it to get back in line. It could not have complained fairly had it been put in the hands of a receiver. When it had been forced to abate its excesses the amount of the "progressive" rate was returned to it. I doubt if this should have been done.

But why pick out a few rare and extreme cases of offending banks like this and make it appear that the Federal reserve system is "extortionate," when its general interest rate to the great multitude of borrowing banks was not only moderate but far below the average rate charged business men by these borrowing banks? Why judge the system by the discipline administered to a few banks which persisted in "running amuck" of sane banking practices, and ignore the generous and beneficent treatment accorded the many thousands of banks throughout the Nation? Does not this very thing exhibit the enemies of the system in their nakedness? What evil motive could a reserve bank have to charge excessive rates when in no event can it pay its stockholding banks above 6 per cent in dividends? What unworthy prompting could the Reserve Board have in sanctioning excessive charges, when the board itself derives no single penny of profit from any transactions of the banks? Is not the utter foolishness of such talk deplorable?

A DESIGNING PHRASE.

It has been asserted by Senators that if the Federal reserve banks had extended as great a percentage of credits to the "country" banks as were extended to the member banks in the great central reserve cities—New York, Chicago, and St. Louis—there would have been a billion dollars more to loan on agricultural products. Mr. President, already I have pointed out that credit was not the urgent need of any rationally operated business interest in this country. The crying need was markets, not greater banking facilities. But let me expose the specious nature of this play upon the phrase "country banks," the evident purpose being to produce the impression that "country" banks necessarily engage in financing agricultural products.

As a matter of fact, every national bank in New England, outside of the city of Boston, is classed as a "country" bank. Every bank in the great State of New York, outside New York City, Albany, and Buffalo is classed as a "country" bank; and until recently all the banks in the great industrial city of Buffalo were "country" banks. Every bank in the State of New Jersey is a "country" bank, and every bank in the great industrial State of Pennsylvania outside Philadelphia and Pittsburgh is a "country" bank. And so nearly all national banks in the industrial State of Ohio are "country" banks and all in Illinois outside Chicago and Peoria and in Missouri outside St. Louis and Kansas City. Most of these banks are engaged in financing industrial enterprises and not agricultural products especially. Had they borrowed greater sums from their Federal reserve banks there is no assurance, indeed it is incredible to believe, that such funds would have been devoted to the use of agriculture. Senators who use this insinuating argument fail to state that, because of their larger reserve requirements, member banks in these great central reserve cities are obliged to borrow about twice as much to keep up their 13 per cent reserve as a country bank has to borrow to keep up its less than 7 per cent reserve. These Senators, with design, simply invoke the tyranny of a phrase to make it appear that farmers are the victims of discrimination, when facts and figures show it is not true.

PRINTING PRESS ECONOMICS.

Mr. President, there is one other aspect of this subject to which I think allusion ought to be made. I shall do that very briefly, because I do not want to deprive other Senators of an opportunity to discuss this problem in detail and to reply to anything I have said. If, as it may be, I have said anything that is inaccurate, I want to be corrected. If I have drawn any deductions which are not warranted, I want them exposed.

It has been said in some quarters that the Federal Reserve Board might have disregarded the reserve requirements of the Federal reserve bank act, and by doing so have issued other billions of dollars of notes and credits; and that is true. That is what England did, Mr. President, and her foreign exchange became dislocated, her trade for a long time was gravely impaired, and in some directions destroyed; that is what France did, and the currency of the nation was debased; that is what Germany did and is doing to-day, and the mark is worth hardly a half cent. That is the doctrine of Lenin—the printing-press doctrine—and look at the plight of Russia, where it takes a million rubles to buy 10 pounds of butter! At that rate it would take a trainload of printing-press "money" to buy a bale of cotton.

Yes, the Federal Reserve Board might have pursued the policy which has been suggested; but had it done so, instead of our country being the financial Gibraltar of the world, it would have been drawn into the frightful maelstrom of currency depreciation and credit debasement. I can not conform my judgment to that of men who advocate the "printing-press" doctrine practiced by Lenin and under which in Russia to-day the material upon which rubles are printed is worth more as waste paper than it is as authenticated currency.

AN HISTORICAL PARALLEL.

Coming from a center of culture and familiar with the epochal events of history, you will recall, Mr. President, that several decades before the French Revolution the currency of France was the product of the printing press; and the business of the kingdom was thereby depressed beyond the imagination of men. Those in power enacted a law making it a penal offense for the farmers of France to discriminate against paper "money" in favor of coin of the realm.

The penalty was a heavy fine and long imprisonment in jail. Later the rulers, still thinking they might compel credit by legislation, amended the law with a view to effective enforcement; they made it a capital crime to discriminate between paper and metallic currency. Eventually the heads of many of these economic jugglers dropped into the basket—a just recompense of their folly and profanation of power. That is the kind of currency with which some Senators would have us flood this country; but I venture to think, if we should follow their lead, that the farmers of the South and West would soon shrink from it as they would from the drippings of a pest house.

It is a wise man that considers the purchasing power of money. There are superficial people who would rather receive a wage of \$5 a day, when it costs them \$6 a day to live, than to receive a wage of \$2.50 a day, when it costs them \$1.50 to live. One signifies ruin and the other betokens thrift; yet there are many people who fail to discriminate; who fail to understand the purchasing power of the dollar.

Mr. President, should we deplete our gold reserves and set the printing press in motion we would literally ruin the country. I know the junior Senator from Alabama thinks the printing press was invented to print "money."

ALLEGED EXTRAVAGANCE EXAMINED.

Mr. President, it has been a staple criticism in this Chamber that the Federal reserve banks are being operated in an exorbitantly extravagant way in the payment of salaries and general expenditures, and this charge has been amplified into the amazing statement that because the Government of the United States is the residuary claimant of all earnings of the banks after the disbursement of 6 per cent of the capital, these excess salaries and expenditures in building operations amounted to a theft by the Federal Reserve Board from the United States Treasury. I am no advocate of extravagant expenditures in either Government or private institutions.

I think had I been a member of the Federal Reserve Board, except in the direst necessity, I would not have agreed to expend one dollar in building operations at this time, because of the enormous profiteering of the building trades both by people who supply material and those who furnish labor. Investigations of the Lockwood committee in New York show appalling graft. They indicate a state of affairs which ought to land in jail many persons who now are going at large.

I hold no brief for the Federal Reserve Board on this point. It may be that some excessive salaries have been paid in the system. It may be that some expenditures have been too large and others may have been deferred. But we can arrive at a correct conclusion in such matters only by comparing relative facts.) Let us see, then, how the expenses of the Federal reserve banking system appear in contrast with the expenses of the great central bank of the most thrifty nation on earth.

A FAIR CONTRAST.

The last official report of the Bank of France shows a total amount paid to the State out of the last year's profits of ap-

He went on to compare the Federal Reserve System proximately 104,000,000 francs, or, at the old basis of exchange parity, something like $21,000,000. At the same time, there was paid to stockholders by the Bank of France approximately 47,000,000 francs, or about the equivalent of $9,500,000. The capital of the bank was 182,500,000 francs, or about $36,500,000.

In the Federal reserve system for the year 1920, with a capital of approximately $94,000,000, the payments to the Government amounted to something like $60,000,000, while the balance was either paid to stockholders or carried to surplus account. In this way the stockholding banks received a total of about $5,000,000, as against the $9,500,000 paid by the Bank of France to its stockholders. It will easily be seen that the amount obtained by the Government of France from the operations of its great central bank, now nearly a century and a quarter old, was far less than obtained by the Government of the United States from the Federal reserve system, while the amount paid by the Bank of France to its stockholders was almost double what was paid by the Federal reserve system to its stockholders, who are the constituent member banks.

Mr. President, the Bank of France states the total of its expenses of administration during the year 1920, including depreciation, salaries, and pensions, at approximately 150,000,000 francs, or the equivalent, at old rates of exchange, of about $30,000,000. For the year 1920 the expenses of administration of the Federal reserve system were reported in the annual report of the Federal Reserve Board as having been approximately $30,000,000. When it is remembered, Mr. President, that the total loan and discount operations of the Federal reserve system, with 12 great banks and 23 branches, were in the neighborhood of $85,000,000,000 in 1920, while the total discounts and advances, other than to the Government, of the Bank of France amounted at old rates of exchange to roughly $12,000,000,000, a comparison between the cost of operating the two institutions may easily be drawn—by no means to the discredit of the Federal reserve system.

OFFICIAL SALARIES CONSIDERED.

Mr. President, I desire to supplement the foregoing general comparison of expenses between the Bank of France and the Federal reserve system with a brief reference in detail to the official salaries prevailing in the various Federal reserve banks with the official salaries in individual member banks of the various Federal reserve districts. Let us note the case first of the New York Federal Reserve Bank, against which criticism has been most violent. Its total annual salary account is $509,800 for its 40 officers, an average of $12,745, contrasted with an annual salary account of $768,200 for 67 officers of one large member bank, an average of $11,466.

Another large member bank in New York City with 82 officers has a total annual salary account of $1,574,500, or an average of $19,201 for each officer. The comparison with a kindred result might be extended to other individual banks in New York. The governor of the New York Federal Reserve Bank receives a salary of $50,000, and I may say to the Senate that before he went with the Federal reserve system he was receiving a salary of $60,000.

Mr. POMERENE. May I add, in this connection, without naming him, that I know of one of these presidents who is getting a salary of $25,000, and he has standing open now two offers of $50,000.

Mr. ROBINSON. Why does he not take one of them?

Mr. POMERENE. Because he wants to devote himself to the public service.

Mr. NORRIS. Mr. President, if the Senator from Virginia will permit an interruption, does the Senator think that a salary of $50,000 is too much, or is it fair? Is the Senator in favor of paying a salary of $50,000, or permitting it to be paid by the Federal reserve bank?

Mr. GLASS. I will say to the Senator that, in this particular time of stress, I would think it bad policy to pay the president of even so great an institution as the Federal Reserve Bank of New York as much as $50,000. Furthermore, when it was first suggested to me, while I was chairman of the Banking and Currency Committee of the other branch of Congress, to fix the salary at that figure, I protested that the time was inopportune to pay a salary that large. I thought it should be deferred; I believed the bank would incur the very sort of criticism it has incurred.

But Senators must remember that a bank can not be conducted by hod carriers; you can not even run it with a Congressman in charge, or a newspaper publisher, as I am. You have to get expert banking talent and technical skill of the highest description to run a great bank like the New York Federal Reserve Bank, and you have to get it in open competition with great individual banks. The Senate should remember this in considering the matter. Two member banks in New York City pay their president $100,000 per annum each; 3 member banks pay their president $75,000 per annum; 1 member bank pays its vice president $75,000; 1 pays the chairman of its board of directors $65,000; 4 member banks pay their vice presidents $50,000; and 22 other member banks pay their vice presidents all the way from $25,000 to $40,000. So that by contrast, Mr. President, the salary of the governor of the Federal Reserve Bank of New York, greater in volume of business transacted than the Bank of England or the Bank of France and of any five Federal reserve banks combined, is not so astounding as one might be led to suppose without any examination of the facts.

The Boston Federal Reserve Bank has a total annual salary expenditure of $135,500 for 14 officers, an average of $9,679, as contrasted with one member bank having 25 officers with a total salary expenditure of $411,200, an average of $16,448; another member bank with 21 officers has a salary account of $298,000, an average of $14,190. This comparison likewise might be extended to other member banks with a similar result. The governor of the Federal Reserve Bank of Boston receives $25,000. One member bank of the Boston district pays its president $75,000, another $50,000, and another $40,000. One member bank pays its vice presidents $42,000. Many of them pay their vice presidents salaries ranging from $25,000 to $42,000. So that in Boston, as in New York, officials of the Federal reserve bank, doing vastly more business than any member bank, indeed vastly more business than many member banks combined, receive very much smaller salaries than many individual banks pay to their officers.

The Federal Reserve Bank of Philadelphia pays its governor $25,000. One individual member bank in Philadelphia pays its president $80,000; one other pays $45,000; another, $36,000; another, $25,000; one pays its vice president $10.000. The official salary account of this regional bank has an average much lower than the individual member banks of the district.

The Federal reserve bank at Cleveland pays it governor $30,000. One individual member bank at Cleveland pays its president $50,000; another pays its president $36,000; another pays $35,000; the vice presidents of various other Cleveland banks get in excess of $30,000. The general salary account of this bank averages very much less than the salary account of the individual banks of Philadelphia.

The governor of the Federal reserve bank at Richmond gets $18,000. The president of one member bank at Richmond gets $25,000; and of another, $25,000. The general salary account of the reserve bank at Richmond just about matches that of the various member banks.

The governor of the Federal reserve bank at Atlanta gets $18,000. The president of one member bank at Atlanta gets $20,000; another, $17,500. The vice president of one bank there gets $18,000. The salary account of the Atlanta Federal Reserve Bank averages very much less than the salary account of the individual member banks.

The governor of the Federal reserve bank at Chicago gets $35,000. The chairman of the board of directors of one Chicago bank gets $75,000 and another $60,000, and the President of one Chicago bank gets $50,000 and another $36,000. Many vice presidents of individual member banks at Chicago get salaries running from $25,000 to $37,500. The average official salary paid by the Chicago reserve bank is about one-half the average official salary of the individual member banks.

The governor of the Federal reserve bank at St. Louis gets $25,000. The president of one member bank at St. Louis gets $50,000 and another $15,000; one executive manager gets $10,000 and another $35,000. Several vice presidents get $25,000. The average of official salaries for this reserve bank is much less than the average for member banks.

The salary of the governor of the Federal Reserve Bank of Minneapolis gets $16,000. One president of the Minneapolis National Bank gets $15,000; another, $40,000; and several executive chairmen and vice presidents get salaries of $25,000. The average official salary for this bank is a little more than half the average for member banks.

The governor of the Federal Reserve Bank of Kansas City gets a salary of $20,000. The president of one individual member bank there gets $26,000 and two $25,000 each. The average salary at the St. Louis bank is very much less than at the individual member banks.

The salary of the governor of the Dallas Federal Reserve Bank is $18,000. The salary of a president of one member bank is $20,000 and the two vice presidents each $25,000. The average official salary at the reserve bank is very much less than the average paid at member banks.

The Federal reserve bank at San Francisco pays it governor $24,000. The president of two individual member banks gets $50,000 and of another $36,000. The average official salary is less than half at the reserve bank than at the individual member banks.

Mr. JONES of New Mexico. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Virginia yield to the Senator from New Mexico?

Mr. GLASS. I hope Senators will let me hurry through, because I desire to conclude.

Mr. JONES of New Mexico. If the Senator does not care to be disturbed, I will not interrupt him.

Mr. GLASS. I yield to the Senator.

Mr. JONES of New Mexico. I merely wanted to inquire of the Senator if he thought there was any difference between the responsibility of a bank which is dealing only with securities coming through and indorsed by other banks and that of a bank which is dealing with individual paper.

Mr. GLASS. I think when we consider that the president of the New York Reserve Bank and the board of directors thereof are directly responsible for $5,000,000,000 in cash and securities, the greatest gold reserve that ever was mobilized since the world began to revolve on its axis, we must admit that the responsibility of those officers is infinitely greater than that of the officers of a dozen individual banks combined.

SALARIES FIXED BY DIRECTORS.

It must be understood, Mr. President, that these salaries are fixed by the board of directors of these respective Federal reserve banks, two-thirds of which directors are selected by the stockholding banks of each district and all of them citizens of the district. The Federal Reserve Board has the right of review with respect to these salaries, but it must be admitted that the regional board of directors, familiar with all the conditions, circumstances, and extent of labor involved, knows better than the Federal Reserve Board—knows vastly better than Congress—what are the actual requirements and what is a fair average compensation. At all events the Federal Reserve Board does not initiate these salaries, and to say that honorable men who constitute this board should be indicted by a Federal grand jury because they approve the considered judgment of the boards of directors of these regional banks is to make a declaration that should not enhance the reputation of a Senator for sanity or for temperate speech.

The salary of Gov. Strong, one-half that of several officials of individual banks in New York, was approved by the Federal Reserve Board on motion of the Secretary of the Treasury, Mr. McAdoo, concurred in by every other member of the board, the vote being unanimous. I realize that gentlemen may differ upon questions of expenditures, particularly with reference to official salaries, but it is monstrous to charge high-minded, patriotic men with theft from the Treasury when we disagree with their judgments.

ASTOUNDING MISCONCEPTIONS.

In this connection, Mr. President, let me show the Senate to what extent misconception and ignorance on these questions may go. Several weeks ago a Senator on this side in a burst of indignation exclaimed:

> If the governor of the Federal Reserve Board is worth $50,000, what is the value to the country of the President of the United States? What is the value of the Vice President?

Gov. Harding enjoys the luxuriant and luxurious privilege of fixing his own salary. That is a privilege which the President does not enjoy. It is a privilege that the Vice President does not enjoy. It is a privilege that no Senator enjoys, no Congressman enjoys, no admiral in the Navy, no general in the Army, no member of the Supreme Court.

W. P. G. Harding is the only man that I know of that has been given the power to fix his own salary and to fix the salaries of his subordinates.

Mr. President, I have not the remotest idea that the Senator who made this remarkable deliverance had the faintest purpose to misrepresent the Federal reserve banking system or to treat the governor of the Federal Reserve Board with derision. The Senator thought his premise was correct, hence the emphasis and feeling with which he denounced what seemed to him an extraordinary situation. As a matter of fact, a glance at the Federal reserve act would have shown him that Gov. Harding has no power to fix his own salary or the salaries of any of his subordinates. He can not, except in conjunction with other members of the board, fix the salary of a typist in his office! A glance at the law would have shown this indignant Senator that the salary of the governor of the Federal Reserve Board is definitely fixed by Congress and may not be altered by anything that Gov. Harding or the Federal Reserve Board may do. He would have seen that Gov. Harding's salary is not $50,000. It is but $12,000, so fixed by Congress, not a dollar greater than that of any other member of the board. Seeing these things, the Senator would not have tripped into the mistake of moralizing about evils that do not exist.

I have no intimate personal relations with the governor of the Federal Reserve Board; in no sense or degree am I his spokesman here. But out of my actual observation and knowledge I feel, in very decency, obliged to say to the Senate that I have seen this honorable public official during a fateful period work himself to the bone for his country. I have seen him do the Government's work night and day until his very life was in peril by reason of physical exhaustion and nervous prostration. I myself have driven him from the Treasury Building for a few hours of rest to avert utter collapse.

DEFAMATION OF PUBLIC OFFICIALS.

I now ask the Senate's attention to a statement even more astonishing than that which I have just confuted. Indeed, Mr. President, it is a declaration made in this Chamber which should engage the very gravest attention; for, notwithstanding the ludicrous misrepresentations which it comprises, it carries an implication which, if true, affects the integrity of a great Government institution, and which, if false, affects the integrity of the Senate. I am one of those who can not conceive that the constitutional immunity granted Senators and Representatives in Congress was ever intended as a shelter for libel of public men or private citizens, leaving them no means of redress. Some time back the distinguished junior Senator from Alabama, according to the RECORD, said in this Chamber:

Mr. President, I am not advised as to whether or not any of the friends of the Federal Reserve Board were speculating in cotton at that time. The Senator from Georgia [Mr. WATSON] reminded us the other day that they loaned to themselves in the system the sum of $18,000,000.

Think of it—a board that can not loan a dollar to an individual or concern or corporation charged with having loaned to its own members $18,000,000!

I continue reading from the statement of the junior Senator from Alabama:

> I want to say just here, Mr. President, that if they invested any of that $18,000,000 in speculating on the bear side of the cotton market in the month of August last year, they made a lot of money.
>
> Do you know, Mr. President, how much money the man made who sold on the exchange 1,000 bales of cotton for the month of August, 1920? He made on that 1,000 bales $45,000 in cash. The Federal Reserve Board knew what effect its deflation policy would have upon the cotton market. Those who knew that that policy was going to run wild in August last year made millions of dollars to the distress and great injury of the cotton farmers of the country. Between the months of June and December that policy cost the cotton farmers more than $200,000,000 a month. Think of that, Senators! The deliberate and premeditated deflation policy of the Federal Reserve Board cost the cotton farmers more than $200,000,000 a month between June and December of last year.

What was the value of the entire cotton crop of the country in 1920, may I ask the junior Senator from South Carolina [Mr. DIAL]? How much was it in the aggregate, approximately or roughly?

Mr. DIAL. I would say about $2,000,000,000.

Mr. GLASS. I wanted to know, because a multiplication of the sum given by the Senator from Alabama by the number of months will make it appear that the cotton growers lost pretty nearly the entire crop.

Mr. President, the plain implication here is that members of the Federal Reserve Board had prostituted their sacred trust by using their positions for the purpose of speculating in cotton with the funds of the Federal reserve banks. If the charge is true, these public officials should not only be put in jail but they should be kept there. The alleged act would constitute a crime little short of treason. If the charge is not true, then the Senate should contemplate the injurious effect of such accusations upon its own reputation.

In the period to which reference is made by the Senator from Alabama the members of the Federal Reserve Board were David F. Houston, Secretary of the Treasury in President Wilson's Cabinet; John Skelton Williams, of Virginia, Comptroller of the Currency by appointment of Mr. Wilson; Charles S. Hamlin, Assistant Secretary of the Treasury under President Cleveland; W. P. G. Harding, governor of the board by designation of Mr. Wilson; Adolph S. Miller, a university president of distinction in California; and Edmund Platt, former Representative in Congress and member of the Banking and Currency Committee of the House from New York—all appointees of Mr. Wilson. The implication of crime is leveled by the Senator from Alabama against every one of these men without exception. Is there a Senator here who believes the implication that would impute crime to these honorable public servants? If the Senator from Alabama believes that the accusation which he suggests is not a libel against their names and character, if he thinks he can justify his amazing insinuations, it is his duty to the country to ask for a grand jury investigation of these gentlemen, who have always borne and now sustain a reputation among men for probity and integrity.

But, Mr. President, we do not have to await the verdict of the courts or the findings of a committee to see clearly the utter absurdity of some of these statements. The Federal Reserve Board, it is charged, loaned its own members $18,000,000, which vast sum it is suggested they used to gamble in cotton after deliberately using their official powers to depress the price for their own profit. Perhaps there are cotton pickers on plantations of the South who may be deceived by such trumpery, but surely there is no Member of the Senate who does not understand how absolutely preposterous these accusations are.

The Federal Reserve Board, under the law, could not loan the President of the United States 25 cents; it could not loan the Chief Justice of the Supreme Court a dollar; it could not loan John D. Rockefeller a dime; it could not loan the United States Steel Corporation or the Standard Oil Co. a penny. The Federal Reserve Board has not a dollar to loan and never had a dollar to loan.

No Federal reserve bank in the system can loan any individual or corporation in the United States a penny. The Federal reserve banks neither receive deposits from nor make loans to individuals or concerns or corporations. These banks are banks of banks and do business only with banks; so that if John D. Rockefeller, with all his millions, should desire to borrow money, he would be compelled to borrow it from a local bank; and the only way that the local bank could get a dollar from the Federal reserve bank in Rockefeller's district would be to indorse Mr. Rockefeller's collateral note, as that of any other person, and put it up as security for a credit at the reserve bank. The Federal Reserve Board would not necessarily have any part in or knowledge of the transaction.

Aside from this, Mr. President, no member of the Federal Reserve Board is permitted by law to own one dollar of bank stock or to have any pecuniary interest whatsoever or connection with the operation or profits of any banking institution; and every member of the board has to take a solemn oath to this effect. Moreover, under the law, the Federal reserve banks are strictly prohibited from loaning one dollar to member banks for speculative purposes. Thus the whole charge is so literally without foundation in fact, and so saturated with misunderstanding of Federal reserve banking processes and of the Federal reserve act itself as to render it comic if it were not pitiful.

IGNORANCE RUN MAD!

I venture to invite the attention of Senators and the country to another interesting discovery by the distinguished junior Senator from Alabama. On Friday of last week, in speaking to the Newberry case, the Senator said:

> The Federal Reserve Board got an amendment to the Federal reserve act through a Republican Congress permitting them to set aside a certain percentage of earnings to be used in providing buildings and establishments for use in the service. They accumulated $100,000,000 in a year. What do you suppose they did? Without asking Congress the Federal Reserve Board appropriated $26,000,000 or thereabouts—to do what? To build a bank building in the city of New York in Wall Street.

Mr. President, that statement comprises a paragraph of eight printed lines in the RECORD. It contains six distinctive assertions; all of it is true except the six distinctive assertions. [Laughter.] All of it is true except (1) the amendment to the

Federal reserve act was passed by a Democratic Congress, voted for by the Senator from Alabama, then a Member of the other House——

Mr. HEFLIN. I should like to see the RECORD.

Mr. GLASS. I have the RECORD. And was approved by Woodrow Wilson. So we can not make any Democratic politics out of that. The Senator's statement is true except (2) that the Federal Reserve Board did not accumulate $100,000,000 or any other amount; except (3) that the Federal Reserve Board did not appropriate $26,000,000 or any other amount; except (4) that the Federal Reserve Board can not under the law or the operation of the system appropriate one dime for any purpose; except (5) that no Federal reserve bank to cost $26,000,000 is to be built anywhere; except (6) that the proposed new Federal reserve bank building in New York is not to be erected in Wall Street.

Mr. WADSWORTH. Aside from that, the statement is all right.

Mr. GLASS. It is all right with those six exceptions.

Mr. HEFLIN. I should expect the Senator from the State where the big bank building is being erected to agree with the speech of the Senator from Virginia.

Mr. GLASS. With these six exceptions the Senator's statement is true; and this signifies how much reliance may be put in the accuracy of statements made by the Senator from Alabama with respect to the Federal reserve banking system. His assaults are made up of fiction and are almost entirely devoid of facts.

CONGRESS SANCTIONED BUILDINGS.

It is true—and I hope Senators will mark this—that the Federal Reserve Board respectfully asked Congress to permit the Federal reserve banks to increase the amount of their surplus out of their earnings to an amount equal to 100 per cent of their paid capital. Congress exceeded the expectations of the board by having the increase apply to subscribed capital plus 10 per cent permanently to surplus. The board openly and frankly stated that the purpose of the request was, among other things, to provide the various regional reserve banks with better building facilities. Representative Phelan, a Democrat of Massachusetts, chairman of the Banking and Currency Committee of the House, presented and explained the amendment in that body. It was voted for unanimously.

The amendment was presented to the Senate by Mr. HITCHCOCK, a Democrat of Nebraska, acting for the Banking and Currency Committee of the Senate, and was unanimously agreed to here. The bill as passed was approved by Woodrow Wilson, President of the United States. It is now a law and has been for nearly three years.

MORE MISINFORMATION.

After first charging the reputable gentlemen who constitute the board of directors of the New York Federal Reserve Bank with being criminals, the Senator from Alabama proceeds:

> Mr. President, I can not get away from these figures without looking at them once more. A bank building in Wall Street, ordered to be constructed by the Federal Reserve Board of seven men, is to cost around $26,000,000 * * *. It seems to me to be surrounded and covered over with the atmosphere of graft.

At this point the Senator from Alabama was interrupted by the distinguished senior Senator from Georgia [Mr. HARRIS], who said:

> I want to call the attention of the Senator to the fact that this $26,000,000 building in New York will accommodate only about 500 employees, while the State, War, and Navy Building, which cost one-third that amount, accommodates several thousand employees.

Mr. HARRIS. Mr. President——

Mr. GLASS. I will ask the Senator to wait for a moment.

This opportune interruption of the Senator from Alabama by the Senator from Georgia, and the fine piece of information conveyed by the latter to the former, was an inspiring contribution to the discussion; and the Senator from Alabama with renewed zest exclaimed:

> That is a good point that my friend from Georgia made. The thing gets worse the more you look into it. Five hundred clerks and stenographers and coin carriers in Wall Street, whose god is gold! This building will accommodate 500 people, as against buildings of less cost that accommodate thousands.

Mr. President, it fills me with wonder that Senators seek to discredit the greatest banking institution on earth by giving currency to statements having no more semblance of fact in their justification. I now yield to the Senator from Georgia, in order that he may tell me where he gets sanction for his statement to the Senator from Alabama that the proposed new bank building in New York will accommodate but 500 employees.

Mr. HARRIS. Mr. President, I wish to state that in reading the report of the Federal Reserve Board I observed the statement that in this building there were 512 men, as I remember, but afterwards in reading the letter from the governor of the Federal Reserve Board, which on yesterday was printed in the RECORD, I ascertained that there are 512 in one building, but there are more than 2,000 in all the buildings. That is how I made the error.

Mr. GLASS. The Senator does not for a moment imagine that I am suggesting intentional misrepresentation on his part? I do not believe he is capable of it; and, for that matter, I do not believe the Senator from Alabama has intended to misrepresent these things; he does not just know anything about them. I do not say that in any spirit of acerbity. It is not remarkable that Senators know little about this complex matter. It is a problem repellent in its very nature, and few men have the patience or the foolhardiness to bother with it; but I say that either Senator might have found simply by reference to the letter of the Federal Reserve Board, written in response to a resolution of the Senate, that the woman's café alone in this building will seat 530 persons; that the men's café alone will seat 530 persons; that the cafe facilities alone of this new building, designed to give the men and women employees decent accommodations and meals at cost, will take care of 1,060 people, or twice as many as these two Senators gave as the measure of the facilities of the entire bank building. Either of these Senators might have easily ascertained that this bank building is designed and planned to accommodate 5,000 employees, ten times the number they told the Senate and the country it would accommodate.

Mr. SIMMONS. Mr. President, does the Senator from Virginia mean that that number of people are employed in the Federal Reserve Bank of New York?

Mr. GLASS. Will be.

Mr. WADSWORTH. They are.

NO "MARBLE PALACE."

Mr. GLASS. I would like to be told by either of the Senators what sanction he has for the statement that this bank building is to cost $26,000,000, and I would like to ask the Senator from Alabama what proof he has that the honorable men selected by the New York banks as their members of the board of directors of the reserve bank are in conspiracy with the honorable members of the Federal Reserve Board in Washington to commit the crime of graft?

Mr. HARRIS. Mr. President, the Senator has referred to the two Senators, and, as I am one of those whom he has in mind in making that statement, I desire to say that I read to the Senate yesterday the exact cost of the building as set forth in a letter from the governor of the Federal Reserve Board. The building will cost over $22,000,000, as I remember, and the furnishings will bring the total up to $23,000,000. I think that is accurate.

Mr. GLASS. Oh, no; the Senator, I am sure, is mistaken, and I think I can show that he has misread the letter of the governor of the Federal Reserve Board.

Mr. President, has the Senate of the United States become a body in which the character of private citizens may thus be assailed without proof of wrongdoing; in which astounding charges may wantonly be directed against public officials who all their lives have enjoyed a reputation as honest men?

Mr. President, I should like to put in the RECORD—I will not weary the Senate by a recital of the figures—statistics showing the unimaginable volume of business transacted by the Federal Reserve Bank of New York. That institution, as I indicated a while ago houses $5,000,000,000 of gold and securities. It moves every working-day in the year an average of $180,000,000 in cash and $1,910,000,000 in securities. Its discounts and advances aggregate $50,000,000,000, and so on.

The PRESIDENT pro tempore. Without objection, the matter referred to by the Senator from Virginia will be printed in the RECORD.

The matter referred to is as follows:

The Federal Reserve Bank of New York is the largest bank in the country in resources, in size of its staff, and in daily turnover. It does about one-third of the entire transactions of the Federal reserve system. Its present staff is 36 officers and 2,715 clerks, *exclusive of the Buffalo branch*. The volume of its operations for 1920 was as follows:

"Discounts and advances, 180,462 items, aggregating $50,539,428,847.

"Acceptances purchased for New York and other Federal reserve banks, 106,237 items, aggregating $2,428,000,000.

"Federal reserve notes and other paper money handled and counted, 558,397,400 pieces, aggregating $2,291,785,688.

"Shipments of currency and coin, 67,405 shipments.

"Checks collected, 87,036,424 items, aggregating $55,325,112,827.

"Notes and drafts collected, 563,814 items, aggregating $1,994,713,245.

"Telegraphic transfers of funds, 147,302 transfers, aggregating $17,021,509,734.

"Balances settled through gold settlement fund, $48,840,900,000.

"United States Government checks and warrants paid, 10,712,243 items, aggregating $2,437,759,148.

"Government bond department transactions, 47,797,417 pieces, aggregating $6,955,101,000.

"Total certificates of indebtedness department transactions, including issues and redemptions, $4,897,841,000.

"Securities handled in custody for United States Treasury and member banks, $100,759,404,785."

The cost of operating departments handling United States Government transactions is about $800,000 per annum, a large part of which used to be paid by the Treasury, but since July 1, 1921, it is all absorbed by the bank.

The bank holds about $5,000,000,000 in cash and securities stored in 11 vaults located in five separate buildings. Some of these vaults do not afford sufficient protection, but no others are available. The average value of cash and securities withdrawn and replaced in the various scattered vaults daily is, cash $180,000,000, securities $1,940,000,000. A daily average of 368 transfers of cash and securities are made through the streets and the corridors of office buildings at great risk of loss.

RELYING ON OLD ESTIMATES.

Mr. GLASS. Now as to the cost of this building: I have here an official statement which shows that Senators have been misled by estimates prepared a year ago, in March, 1921. It was an outside estimate of cost. Some Senators absurdly think that the "estimated" cost of a bank building in New York curtails rural credits in the State of Alabama. The estimated cost in March, 1921, of the building at New York was $17,990,000, from which must be subtracted the price that the bank will receive for its annex building, now being temporarily occupied, and which will be abandoned and sold when the bank goes into the completed building. From this extreme estimate, over a million dollars has been saved on one item and hundreds of thousands of dollars on other items. Over a half-million dollars alone has been saved on the estimated cost of vaults; by the expenditure of $75,000 in expert engineering investigations, half a million dollars was saved by these "grafters" on the board of directors of the Federal Reserve Bank of New York.

I might detain the Senate by a description of this building which has been spoken of as a "marble palace."

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

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

Mr. GLASS. I do.

Mr. CALDER. Just to permit me to say that if the same savings are obtained in the other departments of the building, it will mean that the building will cost less than $13,000,000 instead of $26,000,000.

Mr. GLASS. Precisely.

Now, let us look at this thing relatively. Let us determine the reasonableness of it by contrast.

The bank building of the Illinois Merchants' Trust Co. in Chicago, exclusive of real estate, under contract, is to cost $10,781,000; and if the contract had been let when these estimates of cost were made for the New York building, it is estimated that the cost of this Chicago building for an individual bank, doing not one tithe of the business of this great reserve bank in New York, would have been over $14,000,000.

The cost of the reserve bank at Richmond, measured by the resources of the bank, is less than that of the combined individual bank buildings of Charlotte, N. C., or of Lynchburg, Va., my town, of 40,000 inhabitants.

The New York Federal Reserve Bank, even at this outside estimate per cubic foot, would cost but $1.09, whereas the United States Assay Building just constructed in New York under authorization of the Congress of the United States will cost $2.04 per cubic foot.

The charge to the Government of the architect for the New York Federal Reserve Bank, covering his services for a five-year period with all of his multitude of assistants, was the same as his charge to the Government for the assay building in New York.

Senators know perfectly well that nearly all, if not all, the eminent professional architects of this country belong to the American Institute of Architects. They have a standard charge, and any man who goes below that charge will be turned out of the institute. The New York Reserve Bank paid the standard charge. It could not have gotten a competent architect for any less money. The plans were competitive. While the bank is not to be built in Wall Street, as Senators blatantly declaim, it can not be built in a sage field or a Long Island swamp. It must be located in a business center, and accessible sites in New York cost more than vacant lots in Virginia or Alabama.

The latest estimate of the cost of this building, if the percentage of savings in other items is as great as the savings already made, will be $12,836,000 and not $26,000,000; and the plans show that very little marble will be used in its construction. The description of it as "a marble palace" is mere distortion and in no degree approaches the truth. The construction is very plain, and to my personal knowledge the present New York bank building is frightfully inadequate; any Senator who will go through that enormous establishment and see its congested condition, in rented quarters, with the gold reserves and the securities of the member banks of that great district and of the Government located in five insecure buildings must admit the exigent need of a new building, for of the 3,700 employees 1,200 reacted to tuberculosis tests.

Mr. WADSWORTH. On account of overcrowding?

Mr. GLASS. On account of overcrowding. The business of the bank is being conducted to-day in open and flagrant violation of the health requirements of the State of New York.

WHOSE MONEY IS IT?

Some Senators say, with the best intent on earth, that if this had been the money of the New York bank it would have been a different thing, but it was "the money of the people." So was the money expended by this Illinois bank for a new building derived from the people; and the money to be expended on this New York bank by sanction of Congress itself is no more "the money of the people" than the money to be expended on the Chicago bank. The funds of neither bank belong to "the people" in the sense that they are common property.

the controversy over construction of a building by the New York bank

Senators should want to be fair. I am sure the Senator from Nebraska [Mr. NORRIS] does. He spoke more of real sense on the pending proposition here yesterday in five minutes than some Senators have spoken on it in five months. Let us see to whom this money belongs.

As previously said, the board recommended to Congress that the reserve bank be permitted to increase their surplus for the express purpose of providing these building facilities. The Congress, as I have said, not only granted the request of the board, but it went much further than the board asked. It is this surplus fund which is being invested in this bank building. To whom does it belong? By act of Congress, by authority of law, it belongs to the Federal Reserve Bank of New York, which is owned by the stockholding banks of New York. It is the usufruct of the enterprise, the industry, the thrift, and labor of the business men of that Federal reserve district. If this money were not applied to this purpose it would be invested in some other way. Not a dollar of it could go to Alabama or to Virginia or to any other State. Not a dollar of it could be taken by the people of any other section of the country for any purpose, because the people of no other section contributed a dollar to this fund. It does not affect credits anywhere on earth. It does not withhold from agriculture or commerce or industry or any enterprise one dollar. On the contrary, it gives work to unemployed; it puts money in circulation for materials; it gives a decent, necessary building to house the greatest bank on earth.

Whose money is it?

I will say to the distinguished Senator from Nebraska [Mr. NORRIS] in no event could one dollar of this surplus go into the Treasury of the United States. Even if it were to go there it could not be loaned out; it could not be used to erect public buildings for the Government anywhere; it could not be used to prevent wild mismanagers of banks from committing suicide. It could only be used, under the division of profits provision of the act, to increase the gold reserve behind Treasury notes or to liquidate an inappreciable part of the public debt. What a fiction it is to imagine that rural credits have been restricted by mere estimates of what this great bank building will cost!

A FINAL MISREPRESENTATION.

Mr. President, there is one other item of the speech delivered by the eminent Senator from Alabama which is more or less personal and with which I did not care to have anything to do. It is a quarrel primarily between him and the governor of the Federal Reserve Board. It does not concern me; it does not concern this problem, except that the statement made by the Senator may influence the prejudices, if not the reason, of some Senators here.

On Friday of week before last the Senator said:

> W. P. G. Harding voted the Republican ticket in 1920, as I have said here before. Before Senator Warren G. Harding was elected President, he—Gov. Harding—was bowing and smiling like a Democrat, and after Senator Harding was elected President he bowed and smiled like a Republican.

What difference does it make, in the discussion of this question, how Gov. Harding voted? I have a faint idea, recalling the election returns, that a few other Democrats voted the Republican ticket in the last presidential election—a few.

Mr. CARAWAY. And have been ashamed of it ever since.

Mr. GLASS. Mr. President, I would like to leave my friend from Alabama with one accurate statement to sustain his position, but I take leave to read into the RECORD a letter written me on January 7 by the governor of the Federal Reserve Board, in which he says:

MY DEAR SENATOR GLASS: I have just read in the CONGRESSIONAL RECORD of this morning the remarks made by Senator HEFLIN on the floor of the Senate yesterday concerning me. I feel that it is hardly necessary to assure you that the slurs upon me, stated mildly, are false. I do not claim to be infallible, as far as judgment is concerned, but I do assert that I never made any improper use of my official position. I did not go home to vote in November, 1920, for the reason that I could not spare the time. The election occurred just at the time when the strain on the Federal reserve banks was greatest and I was tied down to my desk arranging interbank rediscounts. * * * I knew that there was not the remotest possibility of my failure to vote having the slightest effect upon the election results in Alabama. * * *

Sincerely, yours,

W. P. G. HARDING.

Mr. HEFLIN. If the Senator will permit me, I will state that under the laws you do not have to go home to vote. You can vote by mail.

Mr. GLASS. Yes; that is true, and thus I am prompted to say that there was one paragraph in this letter from Gov. Harding I purposely omitted to read and did not care to read. I would not now state it but for the provocation offered by the Senator from Alabama. Gov. Harding states in his letter that he was not particularly eager to go home to vote or to send a ballot by mail, because he would have had to vote for the Senator, and he did not want to vote for the Senator.

Mr. HEFLIN. I am not surprised at that statement or the statement of the Senator who is defending his record.

Mr. GLASS. I am not defending Gov. Harding's vote or failure to vote. I am not defending anybody's record. I am correcting misconceptions and combating misrepresentations concerning the greatest banking system on earth.

A FARMER ON THE RESERVE BOARD.

With respect to the pending measure, I have no objection to a trained, resourceful farmer on the Federal Reserve Board, and never had any. I myself am a farmer. The original Federal reserve bill as presented by me to the House of Representatives provided that the Secretary of Agriculture should be ex officio a member of the Federal Reserve Board. Were we to eliminate from the galaxy of great statesmen the names of those who tilled the soil there would not be left enough outstanding figures to make us proud of the country. In my own State, for example, we would eliminate George Washington, Thomas Jefferson, Patrick Henry, John Marshall, Madison, Monroe, and other great men of the farm.

When we provided that the Secretary of Agriculture should, ex officio, be a member of the Federal Reserve Board we had two sound reasons for the requirement. We thought a political element should be introduced into the organization of the system—I do not mean a partisan political element; I use the term in its broad sense. We did not want to erect a financial Frankenstein which might never be reached by the people for correction of evil policies or the arrest of financial tyranny.

We felt also that the Secretary of Agriculture would be a man of exceptional force, acquainted with the requirements of scientific agriculture, and might exercise a wholesome influence in the deliberations of the board.

That was the House bill; but the Senate in its wisdom excluded the Secretary of Agriculture. I think now it might be a good thing to substitute the Secretary of Agriculture on the board for the Comptroller of the Currency. That would preclude the expense of an additional member; but I shall not be intractable about the proposition to increase the membership with a view to getting a farmer on the board.

Frankly, however, I find myself in agreement with the Senator from Nebraska [Mr. NORRIS], who in his opening remarks said, in effect, that anyone who is simple enough to suppose that this proposed legislation is going to create a revolution in the policies of the Federal reserve banking system—that putting on a farmer is going to bring the millennium to the agricultural interests of the country—will find himself sadly deceived.

CONCLUSION.

Mr. President, I know perfectly well that, compared with the great men from my own State who have adorned high positions in the service of the country, I do not rank as much of a figure in public life; but I fervently thank Heaven that no man may truthfully say I ever misrepresented things to my constituents or practiced the arts of a deceiver. I have tried to render service in the 20 years I have been in Congress. If I have failed, it is my fault; and never shall I undertake to excuse my delinquency by telling the people of Virginia things that are not true about measures upon which I have been called to pass. I try to inform myself and to act with intelligence and composure. I am not afraid of consequences, because I would rather retain my self-respect than to occupy a seat in this or any other body for the balance of the limited time I have to live.

In this connection I may recall that in the comedy by Eupolis, called "The Demi," all the demagogues in hell, one by one, are made to come up and pass in review. At last, when Pericles is named, a character in the play exclaims:

> And here, by way of summary, now we've done,
> Behold, in brief, the heads of all in one!

God knows I would rather in the day of judgment take my place with outcasts than to have any honest person say of me in respect of a vital and pregnant problem of government what was here said of this Athenian palterer. Any Senator who discovers his own likeness in the picture is at liberty to appropriate the analogy.