

## BANKING AND CURRENCY REFORM

The real opposition to this bill is not as to Government control, upon which we shall never yield; it is not as to the capital subscription required, which is precisely that of the Aldrich scheme, unanimously indorsed by the American Bankers' Association; it is not as to the 5 per cent dividend allowed member banks, the exact limit prescribed in the Aldrich bill; it is not as to compulsory membership, which was provided in another way in the Aldrich scheme; it is not as to the bond-refunding proposition, infinitely simpler and less expensive than the Aldrich device. It is none of these things, Mr. Chairman, that vexes the big bankers. It is a loss of profits derived from a system which makes them the legal custodians of all the reserve funds of the country, \$240,000,000 of which funds on the 24th day of November, 1912, they had put into the maelstrom of Wall Street stock operations.

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### SPEECHES

OF

## HON. CARTER GLASS

OF VIRGINIA

IN THE

HOUSE OF REPRESENTATIVES

SEPTEMBER 10 AND 13, 1913



WASHINGTON

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SPEECH  
OF  
HON. CARTER GLASS,  
OF VIRGINIA,  
IN THE HOUSE OF REPRESENTATIVES,

*Wednesday, September 10, 1913.*

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. GLASS. Mr. Chairman, I desire to present to the House, as in Committee of the Whole, a brief explanation of H. R. 7837, reported from the Banking and Currency Committee, with immaterial amendments, and to give the reasons which actuated the committee in its construction and consideration of this measure. I would ask the kind indulgence of my colleagues as I make this presentation of the bill, and would especially request that the continuity of my speech be not interrupted, as the topic is technical and as I am unused to addressing the House. When we come to consider the bill paragraph by paragraph under the five-minute rule the chairman of the committee and other members who have collaborated with him will be glad to answer all questions, if they can.

I think it is pretty generally agreed that there is a pressing necessity for currency legislation in this country. The country itself thinks so if any significance may be attached to the thousands of letters received by the Banking and Currency Committee of the House within the last six months or to the resolutions passed by hundreds of commercial bodies throughout the United States calling for immediate consideration and action by Congress. From every quarter and from all classes of citizens the demand has proceeded; and, in the judgment of the Banking and Currency Committee, Congress should no longer evade an imperative duty.

"A BARBAROUS SYSTEM."

For more than a quarter of a century there have been strong symptoms of an intense dissatisfaction with the prevailing national banking and currency system; and this spirit of discontent has been accentuated as, from time to time, the utter inadequacy of the system has been made manifest in periods of financial peril. While the existing system has operated satisfactorily under ordinary business conditions, and while the administration of the system for the 50 years of its history furnishes a high tribute to the integrity and efficiency of those concerned in its operation and oversight, its very best friend is bound to admit that, in time of stress and storm it has broken down utterly. This has occurred so often and the ensuing disaster

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has been so dreadful as to cause the banking experts of other nations and practical financiers everywhere to marvel at our continued failure either to adopt a better system or correct the evils of the one we have. Financial textbook writers of Europe have characterized our American system as "barbarous," and eminent bankers of this country who, from time to time, have appeared before the Banking and Currency Committee of the House, have not hesitated to confess that this bitter criticism is merited. While we may boast that no note holder has ever lost a dollar, and that the losses of depositors constitute an inconsiderable percentage of the total liabilities of the banks, nevertheless the failure of the system in acute exigencies has caused widespread business demoralization and almost universal distress. Five times within the last 50 years financial catastrophe has overtaken the country under this system; and it would be difficult to compute the enormous losses sustained by all classes of society—by the banks immediately involved; by the merchants whose credits were curtailed; by the industries whose shops were closed; by the railroads whose cars were stopped; by the farmers whose crops rotted in the fields; by the laborer who was deprived of his wage. The system literally has no reserve force. The currency based upon the Nation's debt is absolutely unresponsive to the Nation's business needs. The lack of cooperation and coordination among the more than 7,300 national banks produces a curtailment of facilities at all periods of exceptional demand for credit. This peculiar defect renders disaster inevitable.

#### EFFORTS AT REFORM.

For years the business and banking community has been casting about for a remedy. In 1898 the Indianapolis Monetary Commission met and offered suggestions which were ignored. Later the American Bankers' Association at Atlantic City drafted an emergency currency bill which was introduced by Mr. Fowler, referred to the Banking and Currency Committee, but never reported or enacted into law. Several years thereafter we had the Loring bill, and next the Fowler bill, consideration of which latter measure was rudely interrupted by the action of the Republican congressional caucus in May, 1908. Ignoring the Banking and Currency Committee, the party caucus agreed upon the Vreeland bill for an emergency currency and caused the discharge of the House Banking and Currency Committee from further consideration of currency matters at that session of Congress. Meanwhile, Mr. Aldrich had introduced a bill in the Senate and, by an act of legislative miscegenation, the two became one, and in hyphenated form we have the Vreeland-Aldrich law, which soon will expire by limitation. Not one dollar of currency has ever been issued under its provisions, thus literally confirming the prediction made at the time by those who opposed the measure. However, the commission for which the bill provided was duly appointed and for three years, at a cost of nearly \$300,000 to the Government, prosecuted the work of investigation, making its report and recommendations to the Sixty-second Congress.

#### THE ALDRICH SCHEME.

I do not desire at this time to make any comments upon the work of the Monetary Commission. It is treated in some detail in the report of the Banking and Currency Committee

which accompanies the bill now under consideration. It is sufficient to say that those members of the Banking and Currency Committee peculiarly charged with the responsibility of recommending legislation felt precluded from considering the so-called Aldrich bill by reason of the fact that the platform of the Democratic Party adopted at Baltimore explicitly denounced that proposed legislation. It is interesting to note also that the platform of the Progressive Party likewise denounced the plan of the Monetary Commission, while the platform of the Republican Party was silent on the subject. The wisdom of these platform declarations has since been justified by the fact that thousands of bankers have abandoned the Aldrich bill and even some of those whom it was most intended to benefit have publicly confessed that the measure contains some exceedingly dangerous provisions.

The proponents of the bill now under consideration did not hesitate to appropriate any suggestion of a meritorious nature made by the Monetary Commission, just as the so-called Aldrich scheme embodied many of the provisions of the Fowler bill and the Muhleman central bank plan. We also made a careful study of the branch banking system of Canada and while we found that it had admirably served its purpose in that country we came to the conclusion that it would not be possible to apply it to the American system without vital alterations which would run athwart the banking principles and the business habits to which the American people have been so long accustomed. Hence, after exhaustive investigation and hearings, extending over a period of many months, the pending bill was drafted and, after full consideration as to every detail, is reported to the House with the recommendation that it be passed. Thus, Mr. Chairman, the Banking and Currency Committee feels that it has fully discharged its own duty and that further responsibility is with this body.

#### TIME TO ACT.

I venture to express the sincere hope that the House will not delay the enactment of this bill. The chief and everlasting curse of attempted banking and currency legislation in this country has been the proneness of public men to procrastinate. When the Vreeland-Aldrich makeshift was adopted ex-Secretary Lyman J. Gage warned the committee and Congress that the bill was "merely a dangerous narcotic to lull the Nation to sleep, from which slumber it would some day awaken in agony." Remembering that financial panics in the United States are decennial, and that we are fast approaching the time-limit from 1907 to 1917, it seems to me that the obligation to legislate is immediate. We should no longer, from habit or timidity, gravely shake our heads and insist that we "will not be hurried in this matter"; that we want further time for consideration; that we must have other hearings and additional information. Sometimes I am brought to wonder, Mr. Chairman, what sort of information is wanted by the public men who eternally plead for delay. There is no theme on earth upon which information may more readily be obtained than upon the currency question. There is no topic upon which we have more authoritative expert expression and there are few subjects upon the general principles of which expert opinions are in greater accord. If it did no other good, the Monetary Commission, at

a cost of approximately \$150,000, assembled a great library on the subject of banking and currency reform, which for two years has been accessible to every Member of Congress. Less than six months ago the Banking and Currency Committee of the House closed exhaustive hearings on the subject, at which the best selected representatives of every known national group testified—big bankers and little bankers, merchants and farmers, credit men and manufacturers, currency experts, laboring men and textbook writers. And there is scarcely a provision of this pending currency bill which may not be related to these hearings. They took the widest range and reflected every conceivable variety of opinion; and there is absolutely no excuse for further delay.

#### THE PLEDGE OF PARTIES.

All parties are committed to the solution of this problem. When the Vreeland-Aldrich bill was passed five years ago the Republican Party in Congress solemnly pledged itself to speedily replace that temporary expedient with a permanent and comprehensive statute, while one of the latest public expressions of the last Republican President was upon the necessity of banking and currency reform. Mr. Taft declared that—

It is more important than the tariff, more important than conservation, more important than the question of trusts and more important than any political legislation that has been presented.

The last national platform of the Democratic Party committed us to "a systematic revision of the banking laws of the country," and the Democratic President of the United States who was elected on that platform appeared at the Speaker's desk of this House more than two months ago and urged Congress not to wait until "the demands of the country shall have become reproaches." The President recommended the lines upon which we should proceed, saying:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country or their use for speculative purposes in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and its issue which our new laws are to set up must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

#### REGIONAL RESERVE BANKS.

Upon these precise lines this bill is cast. Guided by the lamp of experience, taking note of the fact that, in time of emergency, clearing-house associations in the great money centers, and even in smaller communities, repeatedly succeeded in arresting financial disaster, the House Banking and Currency Committee conceived the idea that regional organizations of individual banks throughout the country might effectually prevent disaster. Hence, the fundamental idea of the bill now presented is the creation of a new class of banks to be known as Federal reserve banks. The country is to be divided into twelve parts, having reference to capital and the existing course of business; and in each of these regions is to be organized a Federal reserve bank. The minimum capital is to be \$5,000,000 and the bank is to be owned

and operated by the stockholding banks of the district, both National and State. The capitalization of the reserve bank is to be 20 per centum of the capital of the stockholding banks, one-half paid in and one-half subject to call. The business of the reserve bank will be the rediscounting of paper presented by member banks growing out of commercial, industrial, and agricultural transactions, with a maturity in some cases of not more than 90 and in others of not more than 120 days. These banks may also buy and sell Government securities, gold and silver bullion, foreign coin, foreign exchange, and open-market bills of given maturity. They are also to conduct, without charge, the fiscal operations of the United States Government.

Under this bill there is vastly less interference with the existing independent banking system than was provided by the Aldrich scheme. Each member bank is to deal directly with its regional reserve bank in securing rediscounts, and in no case is its paper to be guaranteed by other banks. While subject to limited control by the Federal reserve board, the regional reserve bank is given an independent status as well as exceedingly important functions. It has the initiative in fixing rates of discount within its territory and the exclusive determination of the amount of paper to be rediscounted for member banks. It is operated by a board of nine directors, two-thirds of whom are selected directly by the member banks and one-third by the Federal reserve board. Three of the nine directors must fairly represent the commercial, industrial, or agricultural interests of the community.

#### SMALL BANKS PROTECTED.

In order to provide against control by the larger banks of a given district, the member banks of each region are divided into three groups equal, as nearly as may be, in number and of similar capitalization. Each bank, regardless of its size, is given one vote in the selection of directors. Notwithstanding the care which has been exercised to protect the rights of the small banks in the selection of directors, fears continue to be expressed that the larger banks of the district may control the system. By reference to the last annual report of the Comptroller of the Currency anybody who entertains a doubt on this point may readily have his apprehension quieted. I shall embody the table taken from the comptroller's report in my remarks:

*Number of national banks, classified by capital (paid in), on Sept. 4, 1912.*

Class.	Number.	Per cent.	Amount.	Per cent.
\$25,000.....	2,004	27.09	\$50,069,730	4.79
Over \$25,000 and less than \$50,000...	381	5.15	12,819,335	1.23
\$50,000 and less than \$100,000.....	2,321	31.33	121,452,200	11.90
\$100,000 and less than \$250,000.....	2,006	27.12	251,053,385	24.29
\$250,000 and less than \$1,000,000.....	498	6.73	193,282,230	18.67
\$1,000,000 and less than \$5,000,000...	169	2.29	231,305,700	22.40
\$5,000,000 and over.....	18	.21	175,000,000	16.72
Grand total.....	7,397	100.00	1,016,012,580	100.00

It will be noted that of the 7,397 national banks 2,004 have not more than \$25,000 capital; 2,321 have less than \$100,000; 2,006 have less than \$250,000, while only 685 banks exceed a capi-

talization of \$250,000. Thus of the 7,397 national banks in the system 6,712 may be classified as small banks, making it next to impossible for the larger banks to control.

#### NUMBER AND RESOURCES.

The question has repeatedly been asked as to why the number of Federal reserve banks is fixed at 12, to which I reply that the number adopted is a compromise between the extreme suggestion of 50 on one hand and 3 on the other. The great central reserve city bankers advocate but 3 regional reserve banks, to be located, of course, in their central reserve cities, while a distinguished member of the other branch of Congress advocates 1 for each of the 48 States. The committee in fixing the number at 12 gave consideration to the amount of available capital of all the national banks, which aggregates \$1,016,012,580. Three competent actuaries have made suggestive divisions of the country into 12 regions, and there can be no possible doubt, if all the national banks go into the system, that the minimum capital can be secured in the weakest of the 12 districts. The New York bank will have approximately \$20,000,000 capital; the Boston bank more than \$10,000,000; the Chicago bank nearly \$11,000,000; the St. Louis bank \$9,000,000; the Cincinnati bank \$10,000,000; the Pennsylvania bank \$12,000,000; the Washington bank \$8,000,000, and, as previously stated, the weakest bank in the system, located experimentally at New Orleans, \$5,500,000. This, of course, is merely a suggestive division of the country; the actual division is to be made by the Federal reserve board after painstaking investigation.

The resources of the Federal reserve banks can only be approximated. Basing the calculation on the aggregate capital of the national banks, the Federal reserve banks will have a capital of \$104,000,000; about \$400,000,000 in reserve funds and, perhaps, \$200,000,000 of Government deposits, making a total of \$704,000,000, giving them an aggregate credit-extending capacity of great proportions. That such additional facilities are needed for the development of the country can not seriously be questioned. In this connection I shall ask leave to insert in my remarks at this point an Associated Press dispatch from Sackett's Harbor, N. Y., under date of September 5, 1913, containing the testimony of Frank A. Vanderlip, president of the National City Bank of New York City, who asserts that \$2,000,000,000 can be profitably invested within the next five years in developing the electrical industry of this country alone:

#### COULD USE BILLIONS.

SACKETT'S HARBOR, N. Y., September 5.

Eight million dollars a week for five years—\$2,000,000,000 in all—can profitably be invested in developing the electrical industry in this country, in the opinion of Frank A. Vanderlip, president of the National City Bank, of New York. Mr. Vanderlip so declared to-night in addressing representatives of the electrical industry in the United States, meeting at Association Island. He said in part:

"In making such an estimate one does not need to draw on one's imagination. Little more is needed than a grasp of present-day statistics, compared with those of 5 or 10 years ago, to give the basis for such an estimate."

#### LARGER USE OF ELECTRICAL POWER.

"When we think what is certain to be done in the way of electrification of steam railroad terminals and heavy mountain grades; when we reflect on the larger use of electrical energy for industrial power, in agricultural uses, and in continued growth of necessary interurban

lines, we do not need to look further into the possible development of the industry to see a requirement for \$400,000,000 a year of new capital.

"That means an \$8,000,000 new capital issue every week for the next five years. It is such a capital requirement that you gentlemen are facing, and which must be successfully met if your energies are to have an adequate field of display. Can you get it?"

#### OTHER DEMANDS FOR CAPITAL.

"To get a full appreciation of the difficulties, you may well glance outside of your own field, however, and note that there will mature within that five-year period well over \$1,000,000,000 of steam railroad securities. The railroads in five years will need, say, \$4,000,000,000 for refunding and fresh capital. States and municipalities will absorb in the neighborhood of \$1,500,000,000 more, so with the \$2,000,000,000 your industry will need there should be provided between now and the end of 1918 between \$7,000,000,000 and \$8,000,000,000 for these three purposes alone, to say nothing of general industrial and other needs.

"These are bewildering figures. They sound more like astronomical mathematics than totals of round, hard-earned dollars. The raising of these sums, however, is the practical problem that financiers have directly in front of them."

#### FEDERAL RESERVE BOARD.

I do not desire to weary the House, Mr. Chairman, with too detailed a description of the provisions of this bill; therefore in the balance of my time I shall deal only with its several vital features. Overseeing the whole new system of Federal reserve banks, as a capstone of the scheme, is created a Federal reserve board, consisting of seven members. Three of them, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, are members ex officio, and the other four members are to be appointed by the President of the United States for a term of eight years each. As set out in the report of the committee, the reasons for the selection of the two Treasury officials is self-evident. The Treasury Department not only is, but will continue to be, a fundamentally important factor in the financial organization of the country, while the Comptroller of the Currency, in charge of the national banking system, will be a necessary adjunct in the management of the reserve bank system proposed in this bill. The Secretary of Agriculture has been added because of the belief that conditions in the producing regions of the country would deserve special consideration at the hands of the Federal reserve board, and that the Secretary of Agriculture is the natural representative of these interests. It is further thought that the presence of this official on the reserve board will give its deliberations a broader character than if it were composed altogether of members primarily equipped for the technical details of banking. The bill provides that not more than two of the presidential appointees shall belong to the same political party, thus emphasizing the view of the committee that the board should be a nonpartisan institution.

#### NO CENTRAL BANK.

By not a few persons of intelligent observation and long experience the confident belief is entertained that no necessity exists for any central body of control. They contend that we might safely limit the operations of the new system to a given number of regional reserve banks with the function of divisional clearing-house associations and distinctively independent of one another. But the best expert and practical banking opinion insists that the first essential of banking and currency reform

is a correlation of all the national banks at least, so as to render possible a quick mobilization of reserves at any threatened point in time of emergency. On this latter theory was based in large degree several currency plans considered by the Banking and Currency Committee of the House prior to the adoption by Congress of the Vreeland-Aldrich Act; and altogether based on this theory was the proposal of the Monetary Commission to establish a single reserve association, which in reality would have provided a central bank of banks. Indeed, in its final analysis this scheme of the Monetary Commission, more familiarly known as the Aldrich bill, falls short of being a central bank in the broad sense of the term only because it contains no provision which would authorize the transaction of business with the public. There was method in this omission, it being part of the general contrivance to avoid every semblance of competition with the great banks of the country.

I have observed, Mr. Chairman, that certain eminent bankers, appearing recently before a legislative committee of the other branch of Congress, have spoken consistently and vehemently in favor of a central bank; but if you will carefully examine the hearings had by the Banking and Currency Committee of this House last winter you can not avoid the conclusion that these gentlemen do not mean exactly what they say. They do not want a real central bank. They simply want to establish a central banking institution which they may control and use for their own convenience, but to which the American people may not resort for any business purpose whatsoever. These gentlemen, when appearing before the Banking and Currency Committee of the House, were distinctly asked if they should be understood as advocating a national central bank with branches throughout the country, doing business with individuals, firms, and corporations, as well as with individual banks, whereupon they very promptly replied that they were simply advocating a central bank of banks. A central bank such as I have described, Mr. Chairman, or a central bank such as Andrew Jackson destroyed, is the very last thing that the great banks of this country would desire to see, for the reason that such an institution would necessarily import for them competition of the very sharpest description. Hence, in the construction of the bill of the Monetary Commission, great pains were observed and much ingenuity exercised to avoid anything of this kind.

VICES AND DANGERS AVOIDED.

In the report of the Banking and Currency Committee of the House now before the Members we have in some detail set forth the objections of the committee to this Aldrich scheme, and in the construction of the bill now under consideration the committee very anxiously and carefully sought to avoid the vices and the dangers which are now generally recognized in the Aldrich plan. In that plan there was absolute lack of adequate governmental control; and while there was great pretense of protecting the interests of small banks, the very genius of the scheme and the involved nature of its mechanism made it certain that the practical operation of the system would inure to the advantage of the large financial institutions of the country. Moreover, the possibilities of inflation under this Aldrich scheme were so startling that the banking community of the country

itself became alarmed; and the distinguished publicist whose name and fame were chiefly associated with the measure was practically driven from the public platform by the terrific exposure of this defect in the bill by a prominent banker of the West, addressing a society of political economists and showing that it involved expansion to the amount of six thousand millions before the regulating tax applied. Even James B. Forgan, of Chicago, and John Perrine, of California, strong advocates of the scheme, admitted that it provided "such vast credit-extending power as to be almost beyond belief and certainly far beyond requirements in any panic." Aside from its clumsy mechanism, its dangers of inflation, its peril to the independent banking system which the spirit of this Republic and the business habits of the American people have for 50 years sustained, the whole thing was literally saturated with monopolistic tendencies.

In the Federal reserve board, which the bill reported by your committee provides, there will not be discovered any of the defects which were essential features of the Aldrich bill. No capital stock is provided; no semblance of acquisitiveness prompts its operations; no banking incentive is behind, and no financial interest can pervert or control. It is an altruistic institution, a part of the Government itself, representing the American people, with powers such as no man would dare misuse. I do not ignore the fact that the batteries of the big bankers have been directed against this board or that the sharpest criticisms of this bill relate to the powers with which this Federal reserve board is vested; and yet, Mr. Chairman, there is scarcely a power enumerated in section 12 of this bill which has not been exercised by the Government for 50 years or, indeed, which has not been confided to one or two public functionaries.

#### NO EXTRAORDINARY POWERS.

Nearly every power conferred by this bill on the Federal reserve board, composed of seven members, has been for half a century vested by the national bank act in the Secretary of the Treasury and the Comptroller of the Currency, to be exercised in the conduct and control of the national banking system. It does not seem necessary here and now to enumerate these powers; they relate to examination, regulation, publication, and control. Strictly speaking, the Federal reserve board performs no banking function; the banking business of the system is within the exclusive jurisdiction of the regional reserve banks, owned and operated by an aggregation of individual member banks. But two of the powers conferred by this bill upon the Federal reserve board have been brought in serious question or subjected to pungent criticism. One of these powers is the right of the board to "require, in time of emergency, Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks." And it is a singular fact that the raging controversy which this provision has aroused was initiated by bankers who contributed thousands of dollars to fasten upon this country the wretched Aldrich scheme, which would have impounded the surplus funds of the entire banking community of America in the vaults of a single central bank, to be by it transferred at any time to any point for any purpose that might

appeal to the sweet will or whim of the governing board of that institution. Here we provide, under the severest restrictions, a mobilization of banking strength "in time of emergency," by requiring a strong regional reserve bank to go to the temporary relief of another regional reserve bank in a plain business transaction, without risk, but actually with greater profit to the succoring bank than it might command under ordinary circumstances.

#### Mobilizing Reserves.

This power literally correlates the regional reserve bank system; it is a part of the process of mobilizing reserves. And yet gentlemen of the banking fraternity who have for five years persistently rolled this phrase on their tongues make this provision of the committee's bill an object of bitter attack. They were perfectly willing, under the Aldrich scheme, to confide this power to bankers, operating for gain, but are unwilling to lodge it with the Government of the United States to be used for patriotic purposes under a system devised for the good of the country, including the solvency of the banks themselves. As a matter of fact, Mr. Chairman, strictly safeguarded as we have it here, this power is neither dangerous nor extraordinary. It is essential to the system proposed and somewhat analogous to the power exercised for years by the Secretary of the Treasury alone, when, in time of emergency, he has withdrawn Government deposits at will from banks in one part of the country and transferred them to banks in another part of the country in an effort to cure a desperate situation, the difference being that, whereas the transfers have heretofore been made to the great money centers for the purpose of arresting stock-gambling panics, the transfers under this bill, if ever required at all, will be made to promote legitimate commercial transactions. Such transfers, you will note, are only required by this bill to be made in time of exigency. We believe that the power will not be invoked once in half a century, for the reason that if this bill should be enacted into law it will so withdraw the reserve funds of the country from stock speculative uses and apply them to commercial, industrial, and agricultural transactions, that we shall rarely ever again have bank panics in the United States. 2)

#### Suspending Reserves.

The other power conferred by this bill upon the Federal reserve board which has been moderately criticised is the right given said board to suspend the reserve requirements against deposit liabilities. Yet, Mr. Chairman, a power akin to this has been exercised by the Comptroller of the Currency with respect to national banks for nearly 50 years. Under section 5191 of the national-bank act, the Comptroller is implicitly authorized to tolerate for a period of 30 days a violation of the reserve requirements of the act without applying any penalty. By this officer the power has sometimes been abused and violations have been tolerated for several years instead of for a single month. The penalty prescribed by the national-bank act for the offense indicated is so radical that it has not been applied in the whole history of the national banking system. But here we have committed the power to a board of seven men charged with the duty of prescribing and

enforcing a reasonable penalty for violation of the law. Like the power of enforced rediscounts, this function will rarely, if ever, be exercised by the Federal reserve board. It is, however, important that the Federal reserve board should have this power. It was suggested by the fact that three times within 60 years the British Parliament found it necessary to sanction by law the action of the Bank of England in suspending specie payments in order to arrest panics in Great Britain.

"POLITICAL CONTROL."

But, Mr. Chairman, bitter as has been the criticism leveled at the powers of the Federal reserve board provided by this bill, they have not been comparable to the denunciation by big banking interests of what is termed the "political structure" of this board. It is contended that the banks should have at least a minority representation upon the Federal reserve board; and I frankly admit that the claim upon its face seems both reasonable and expedient. Indeed, the first tentative draft of this bill contained such a provision; but, after thorough consideration and full discussion, a different conclusion was reached. "This Federal reserve board is distinctly a Government institution," and eminent bankers who were here in Washington last winter and spring contending for representation were met with the challenge to cite one instance where private interests were represented on any Government board in this or any other civilized country. They could not answer.

As already pointed out, the associated banks will own and operate the regional reserve banks provided by this bill, which are made after a period of years the exclusive mediums of Government issues and subject to no severer examination nor greater control than national banks of the existing system in their relations to the Government. If it may be said that they have important responsibilities, it may likewise be said that they are given great privileges, holding the reserve funds of the country and the deposits of the Government, amounting in the aggregate to nearly \$600,000,000. The Federal reserve board, technically speaking, has no banking function. It is strictly a board of control, properly constituted of high Government officials, doing justice to the banks, but fairly and courageously representing the interests of the people. The danger which the banking community professes to see is not the real danger which I apprehend. The bankers seem to fear that men of their craft will be excluded; but the real peril of the provision is the possibility of too many bankers being included. Observe what I mean: The Secretary of the Treasury will be a member of this board, and nine times out of ten that functionary is a practical banker. The Comptroller of the Currency will be a member of this board, and nearly always that official is a practical banker. In addition to this, the bill requires that one of the four presidential appointees shall be a person of banking experience; so that we shall undoubtedly have ample banking representation on the board, and the talk of political control, in the last analysis, is the expression of a groundless conjecture.

A FUTILE OUTCRY.

No great reformation in any existing institution was ever accomplished except in the face of severe contention. The clatter which we have heard in certain quarters about the "uncon-

stitutionality" of this proposed system and the "confiscatory" nature of the power conferred upon the Federal reserve board is merely part of a cunningly devised propaganda to force concessions in another direction and to coerce Congress into yielding on certain other points which vitally affect certain big banks with extensive stock exchange connections. We have taken every reasonable precaution against asserting any power here that may be regarded as unconstitutional. We are not proposing to disturb any vested interest. There is nothing of a confiscatory nature in any of the powers to be exercised by the Federal reserve board. This talk takes us back to the predictions of disaster when the Interstate Commerce Commission was established. Then there was an outcry that Congress was about to "disturb the business interests" of the country; then we encountered the frantic contention that the Government was about to "seize private property."

Senator Hoar, of Massachusetts, said:

Here is a proposition which would be destructive to great business interests of the country, especially to the export business of the principal city of the State which I represent. I hope the public interest affected will have a full opportunity to be heard.

Senator Nelson W. Aldrich, of Rhode Island, said:

In order to cure evils which are apparent to the farmers of Illinois or Michigan, you propose to demoralize the whole commerce of the country; you propose to establish an arbitrary, unjust, unreasonable, impracticable rule.

Senator Orville H. Platt, of Connecticut, predicted that the passage of the Interstate Commerce bill—

would result in an immediate rate war by all the railroads of the United States, the evil consequences of which would be greater than any evil now existing under pooling contracts. It would ruthlessly demoralize business and be far-reaching in its injurious results.

Senator Leland Stanford, of California, declared:

If this bill shall become a law its consequences will be most disastrous to the various business interests of the country.

Senator Joseph E. Brown, of Georgia, said:

The fact that a few bad men have controlled great lines of railroad is no reason why Congress should seriously cripple the great railroad interests of the country and destroy the property invested in by hundreds of thousands of people. This bill will prevent the rapid and cheap transportation of commodities, retard the growth of our cities, and do immeasurable damages to our productive resources.

Gen. Charles H. Grosvenor, of Ohio, predicted that:

It will unsettle rates, disorganize the industries of the country, and thus force a reconstruction of systems of production. Meantime labor will suffer, farm products will lack a remunerative market, and uncertainty will discourage industry. It is a dangerous stride toward centralization of power in the hands of the few to the hindrance, vexation, and permanent injury of the many.

William C. Oates, of Alabama, said:

In Holland it is a capital felony to kill a stork, because the stork destroys the cels which bore through the dikes and inundate the country. To my mind this bill is a knot of cels which may bore through the dikes of safety and flood this country with trouble. I view it with grave apprehension.

Charles H. Allen, of Massachusetts, declared:

To pass this bill would be to put us at very great disadvantage, and while I am not prepared to go so far as some and see in imagination the yawning walls marking in desolate ruin the spot where once stood thriving and populous factories, yet I must say \* \* \* that the result of any shrinking of values is quite likely to show itself first

upon the poor people. \* \* \* I must protest against the passage of this measure, destined as it is to work an injury against New England and New England interests.

Lewis Hanback, of Kansas, said:

My judgment \* \* \* leads me to believe that the legislation proposed by the bill in question will be fatal to the best interests of my State, as well as to the whole country. I think it is safe to say \* \* \* that these great lines of industry, the product of capital and the employer of labor, ought not to be interfered with, as they will be by the provisions of this bill.

I. Newton Evans, of Pennsylvania, said:

It is also of the utmost importance that we legislate so that the millions and millions of dollars invested and otherwise employed in the internal commerce of this vast country shall not be so deranged as to bring about a crisis in our financial affairs, which not only bankrupt many railroads, but, like the pebble on the smooth waters, its influence would be felt far and wide. Agriculture, commerce, manufactures, and, most of all, labor would suffer greatly by such a result.

The National Republican (Republican), of Washington, commented:

It is fair to suppose that Congress did not intend to wreck railways, to ruin communities, to destroy private property, to impoverish whole sections of the country, to break down manufacturing interests, to give foreign traders the advantage over home ones, to discriminate over one port in favor of another, to advance the interests of the Canadian railways, or to reenact the civil rights bill, yet it did all these things when it passed the bill entitled "A bill to regulate commerce."

The Chicago Journal (Republican) reflected newspaper opinion largely when it said:

The President should be urged to call Congress together at once that it may rescue the commercial interests of the country from impending disaster. Let the power that enacted the offending statute be given an opportunity to right the great wrong it has done—and the sooner the better.

#### THE CRITICS CRITICIZED.

And now, Mr. Chairman, in connection with this bill, we have the same outcry from interested quarters and through inspired newspaper comment. The critics, whether of one political party or another, accentuate objection to Government control and affect to stand aghast at the tremendous power confided to a political board. This criticism emanates at times from men who should be ashamed to project it; from gentlemen who stood upon this floor and upon the floor of another chamber five years ago and vehemently supported the Vreeland-Aldrich Act. Those who now affect consternation at the powers with which we propose to vest this Federal reserve board should look to their records in currency legislation. When they complain that we give this Government board of seven public officials the arbitrary right of note issue, for very consistency's sake they should recollect that under the Vreeland-Aldrich Act they voted to confide this power in even more arbitrary degree to the Secretary of the Treasury alone, thus conferring upon a single political appointee of the President the tremendous responsibility, as well as the great power, of dispensing \$500,000,000 of currency and, within his sole discretion, determining the validity and sufficiency of \$650,000,000 of commercial paper and other securities.

Among other things, the Vreeland-Aldrich bill, section 2, dealing with the application of banks for currency, provides that:

The Comptroller of the Currency shall immediately transmit such application to the Secretary of the Treasury with such recommendation as he thinks proper, and if, in the judgment of the Secretary of the Treasury, business conditions in the locality demand additional circu-

lation, and if he is satisfied that a lien in favor of the United States on the securities so deposited and on the assets of the banks composing the association will be amply sufficient for the protection of the United States, he shall direct an issue of additional circulating notes to the association on behalf of such bank, etc.

I beg these critics to note the language of the statute:

If in the judgment of the Secretary of the Treasury business conditions demand additional circulation!

And again:

If the Secretary of the Treasury be satisfied that the securities deposited are amply sufficient for the protection of the United States. Could anybody conceive of power more arbitrary or of centralization more complete? There is nothing comparable to it in this bill, for here we commit the power to a board of seven, having a trained and trusted representative at every point of origin, applying every precaution and going through every detail known to prudent banking processes.

When this extraordinary power was conferred by this House five years ago on a single official of the Government and objection was made by Mr. JAMES, now a Senator from Kentucky, the leading Republican member of the Banking and Currency Committee, Mr. BURTON, now a Senator from Ohio, exclaimed with much feeling and effect:

I say that for one I favor lodging authority with the Secretary of the Treasury and allowing him, under the great responsibilities of his position, to determine the amount of issues rather than to leave the decisions to the banks.

With how much more reason, Mr. Chairman, may we who stand for this currency bill insist now that this power shall be lodged with a Government board, composed of high and experienced men, four of them with long tenure of office and all of them, let us hope, keenly appreciating their great responsibilities and courageously determined to do their duty as representatives of the American people.<sup>10</sup> There is no politics in this matter; there can be none. It is my earnest conviction, based upon long and serious reflection, that no man can conceive, as none has yet pointed out, how any part of this system can be perverted to political uses. In my judgment if the United States has ever had a President ingenious enough to do this evil thing, it has never had one desperate enough, and never will have one shameless enough, to thus betray the confidence of the Nation. I happened to be present when an eminent banker suggested such a possibility to the present occupant of the executive chair, and heard this banker vainly challenged to show how it might be done. I shall not soon forget the emphasis with which the President of the United States declared that no man would ever be found who would be willing to imperil his reputation or tarnish his fame by so flagrant a prostitution of his high office!<sup>11</sup> It brought to mind the splendid declaration made on this floor by Congressman BURTON, of Ohio, five years ago in discussing this very topic, when he compacted the whole thing in a single sentence, exclaiming:

There are executive acts which are theoretically possible, but which the incumbents, with their weighty responsibilities, would never dare perform, because they would know that if their course was marked by favoritism or injustice they would be discredited while living and dishonored when dead.

The X ray of publicity is turned full upon the operations of this Federal reserve board. There can be nothing sinister about

its transactions. Meeting with it at least four times a year, and perhaps oftener, will be a bankers' advisory council representing every regional reserve district in the system. This council will have access to the records of the board and is authorized to give advice and offer suggestions concerning its general policy. How could we have exercised greater caution in safeguarding the public interest?

BANKING REFORM AND THE FARMER.

For a brief period and in certain quarters this bill was assailed by those who professed to believe that it was written in the interest of the creditor class. I suspect, Mr. Chairman, that there are some folks who are incapable of accurately discriminating the real "creditor class" when it comes to the banking business. As a matter of fact, in the great volume of business transactions the "creditor class" is the people who loan money to banks. In this sense the banks themselves are distinctly debtors to their depositors notwithstanding the latter are many times borrowers of money and credit. But, for popular purposes, the "debtor class" has been craftily turned to mean everybody who borrows or desires to borrow money; and the attempt is made to have it appear that under this bill greater difficulty will be experienced by "the plain people" in negotiating loans than under the existing system.

A persistent and pernicious effort has been made to create the impression that this bill, in some unexplained way, discriminates against the American farmer. To cure these imaginary discriminations there have been suggested financial nostrums that would cause the judicious to grieve and which, if accepted, would involve the whole country in ruin. Presented in the interest of the farmer and in the name of Democracy, they would impoverish the former and eternally discredit the latter. Some of these suggestions have been prompted by an exuberant but utterly misdirected zeal; others by a pitiful ignorance of the subject, and others still have their inspiration in the perennial and ubiquitous demagoguery of a certain class of politicians. It would have been sheer foolishness, Mr. Chairman, for the proponents of this bill to have undertaken any discrimination against the American farmer, to whose favor a vast majority of Members here owe their political existence and whose interests they were commissioned to represent. And, sir, it would have been cowardly in the Banking and Currency Committee of the House had it sought to please the agricultural interests by partial legislation, hurtful to the banking and commercial interests of the United States. We have done neither of these things. We have sought to do exact justice to all classes; and any public man who would have us do otherwise affronts the intelligence and disparages the patriotism of the American farmer no less than he outrages the sense of justice of the American merchant and banker. It is gratifying to report to the House that while in some directions there have been manifestations of selfishness and in others amusing rhetorical exhibitions in behalf of the people, the committee has had a clear perception of its duty and has yielded neither to greed nor to declamation. It has steered a straight course, right between Scylla and Charybdis.

The requirements of the American farmer for bank credit are no different from the needs of other members of the community. The farmer requires loanable capital to enable him to extend his agricultural operations as far as there is profit in them, and to take advantage of market conditions which call for the application of more wealth than he actually possesses. However, while thus essentially on the same basis as others in respect to loanable funds and his need of credit, the farmer is peculiar in the respect that he ordinarily requires a longer term of credit than do some other members of the community, and in most countries requires currency in the transaction of his business rather than book credit with the bank.

#### FARM LOANS.

The present bill is intended to render capital available to banks through the rediscount operation, and at this point I desire briefly to call attention to those phases of the bill which bear upon the farmer and his welfare and in regard to which it is probable that the agriculturist will be directly helped.

In section 14 of the bill we have provided for the rediscounting of paper possessing a maturity of not more than 90 days in one case and in another case paper possessing a maturity of not more than 120 days. In the same section we have provided for the making of acceptances by national banks and the rediscounting of those acceptances by Federal reserve banks.

There has been a great deal of misapprehension in many quarters with reference to the meaning of the 90-day provision in this paragraph. The claim has constantly been made that this 90-day provision would be of no service whatever to the farmer, because the farmer never bothers with so short a loan as 90 days. This, of course, is an entire misapprehension of the whole situation. The terms of the bill do not provide that the paper shall not be discounted if it runs more than 90 days, but merely that it shall not be discounted until it is within 90 day of maturity. In other words, the bill enables the banker who holds the farmer's paper to shorten the life of the farmer's paper by 90 days and to that extent get new funds with which to aid the farmer. Now, just what does this mean? Suppose that the loans of a farming community made by national banks will average 90 days, with a renewal for 90 days, or six months in all. It is evident that a bank which had loaned, let us say \$25,000, for four months would be able to present this paper at the end of the first 30 days of the life of the loan and to get a rediscount for the remaining 90 days. That is to say, it would be able to draw back the amount of the farmer's credit at the end of the first 30 days and to relend that sum to other people. When the time came for renewal the bank would, of course, have to be in position to pay its loan or rediscount to the Federal reserve bank if it extended the farmer's accommodation for another 90 days out of new funds that have come in meanwhile; but it could again rediscount at the end of another 30-day period. In other words, if the community were doing its banking upon a four months' period of credit the bank would be able to shorten this in practice to a 30-day period of credit. It is entirely conceivable that by this process it should practically treble the amount of banking capital which it could, if necessary, place at the disposal of the community.

Now, let us suppose that the country bank, as is no doubt frequently the case, does not have a steady run of loans such as would justify the use of the method just described. Let us suppose instead of that that the demand for loans is likely to be "bunched" in the late spring and then to slacken so that the funds of the banks are tied up on, let us say, six months' paper. Under the 120 day provision of this bill such banks would be able to take six months' paper as soon as it was two months old to a Federal reserve bank and rediscount it. In other words, funds that would ordinarily have been tied up for four months longer will now be actually available to meet such additional demands as may come to the bank in the course of the summer and early autumn. Here, again, it is evident that the loan period being practically cut down by two-thirds the loaning power of the bank is trebled, assuming that it is able to obtain from the Federal reserve bank the rediscounts for which it has the basis in the shape of paper growing out of agricultural transactions.

#### HANDLING FARM CROPS.

I have been constantly hearing that the proposed bill afforded no basis for accommodating the farmer who had raised his crops and who desired to get means that would enable him to carry them along pending improvement of prices. Nothing could be more unjust or further from the facts of the case than this. As a matter of fact, the bill makes ample provision for the handling of the great export crops of the country, such as cotton, wheat, corn, and the like. Not only does it provide for loans of the kind already referred to, but in the paragraph relating to acceptances it makes ample provision for enabling the owner or raiser of crops to retain the title to them while they are being disposed of abroad. Let us see how this works. If a cotton grower in the South, for example, needs funds he may arrange with a bank near his home to grant him a specified credit of, say \$50,000. In this event he would draw a bill of exchange or draft on the bank in question for, say, six months and would attach to it the documents showing shipment. The bank would accept this paper and he would then be in position to sell the bill practically anywhere. The credit would be based on an actual ownership of cotton protecting the actual amount of the bill and investors practically everywhere would feel entirely at liberty to purchase this paper freely because it had been guaranteed by the bank which accepted it. Everywhere in the country where there were idle funds there would be a demand for these bills. Not only Federal reserve banks, but other banks would constitute a market for such bills. When rediscounted there they would constitute a virtual extension of credit to these banks, enabling them to increase their loaning power tremendously and thereby to give to their customers accommodation which the latter could not otherwise have expected.

#### LOWER INTEREST TO THE FARMER.

The unquestionable effect of this new system would be to draw funds now idle in various parts of the country to those regions where they could be used to best advantage, and as a result to diminish the rate of interest prevailing in the communities which thus receive the additional capital through the use of the

acceptance method. There is no reason why at the present time there should be variations in rates of interest from 5 per cent in New York City to 12 or 15 per cent in small towns in the cotton-growing regions. If a standard kind of paper were provided it should command exactly the same confidence and bear exactly the same rate of interest in one part of the country as in another. This would mean that acceptances based upon goods—protected by cotton in this instance—would constitute a standard kind of paper which would be available for rediscount at any Federal reserve bank, as well as purchasable by investors and banks everywhere throughout the country. The consequence would be, as already stated, a very great reduction in the rate of interest to the grower or factor who had produced cotton and merely required loanable funds as a basis for business.

It is true that the use of the acceptance principle is limited in this bill to those commodities and operations that are connected with exportation and importation. This limitation has been complained of by many of those who believe that its extension to domestic operations would be highly advantageous to industry and would be free from the dangers which others have predicted. Whatever opinion may be entertained on this head, however, it is certain that the cotton grower or the wheat shipper can not share it in any such proportion as can other commercial factors. The fact that so much of our cotton goes abroad and that we still ship grain in enormous quantities means that those who are concerned in the exportation of these items have been exceptionally favored through the restriction of the acceptance business to them so that whatever funds are ready to be employed in that line of paper will go directly and without interference into the channels afforded to them by the trade in these commodities.

I want to add an emphatic word upon the other phase of the subject to which I have already referred--the farmer's interest in getting not only accommodation under the terms of this bill, but his interest in getting it in the cheapest possible way. I have already indicated the reasons for thinking that the working of the discount portions of the bill will greatly reduce the farmer's interest burden and supply him with means for marketing his crops to advantage. From the standpoint of the mechanism employed by the farmer there is, however, much to be said in addition to what I have already pointed out. Today the farmer in many parts of the country wants his accommodation in the form of currency. This he can not get under the existing conditions without involving the bank in heavy expense and consequently necessitating the payment of a materially higher rate of interest by himself. The reason for the conditions to which I have thus referred is this:

Under the national-banking act the bank which wants \$100 in notes must buy \$100 in bonds and deposit them with the Treasury. Assuming that these bonds were bought at par, it cost \$100 in cash to get \$100 in notes, and the bank must furthermore place with the Treasury a 5 per cent redemption fund for the purpose of bearing the redemption of the notes when they are brought to the Treasury. I will not go into the details of the cost of issuing notes further at this point than barely to refer to these matters and to the additional outlay

involved in getting the plates and paying the charge for transportation of paper necessitated by the present note system. The bank gets 2 per cent interest upon its bonds and whatever interest it can secure from the community by lending the notes. When allowance has been made for the expenses already mentioned and for the due share of administrative outlay involved in the process of conducting the bank, and presumably assigned to the loans made by the issue of notes, in proportion to their amount, as compared with the total loans of the bank, it is clear that the percentage of profit is very small where anything like a reasonable rate of interest to the borrower is charged. The borrower must therefore, and is in practice, required to pay a very high rate of interest to any bank which habitually makes its loans by issuing its own notes. Obviously, therefore, anything that will reduce the cost of this necessary instrument will reduce the charge for loans to the farmer.

Under the proposed bill it is clear that banks may obtain a supply of notes for customers who want their loans in this form by paying to the Federal reserve bank of the district in which they are situated such rate of rediscount as may be necessary to get the reserve bank to take their paper. As the reserve bank can then get the notes by segregating the borrower's paper to protect the accommodation thus secured, it is evident that there is no reason why the notes should cost the farmer anything more than the rate of rediscount fixed by the Federal reserve bank plus such commission as the local bank may charge for indorsing the borrower's paper and passing it on to the reserve bank. This change alone ought to reduce the cost of getting notes for bank loans by a very material proportion of its present amount. While no one can calculate the exact saving which will thus be made with precision, I should be inclined to estimate that through the elimination of bond security and the substitution of the new plan of issue there should be no good reason why the note loans made by banks in agricultural regions should run to a higher figure than perhaps 6 or 7 per cent as against the charge of 12 to 15 per cent that may now be found in many of the small towns of the West and South during the height of the season.

As previously stated, Mr. Chairman, we have not sought in this bill to help the farmer because he is a farmer, but to help the community which resorts to the banks for loans and to help the farmer as a necessary and important figure in that community. We have helped him as we have helped the merchant and manufacturer and other members of the body politic, by enabling him to secure, as we think, better and more abundant bank accommodation. But, in addition to this, we have removed the exceptional burdens which rest upon the rural borrower under the system of national bank-note issue which now prevails, and we have thereby placed him upon a footing of greater equality and of equity of treatment by making his credit instruments as reasonable in their expense to him as are those employed by the merchant and manufacturer. We have not attempted to exalt him and his interests above those of other elements in the community, but we have sought to give him what we believe he wanted--an open and fair share upon equal terms in the commercial credit of the country.

Exactly the same advantage, and in like degree, that will be afforded the farmers of the country under the rediscount provision of this bill will extend to every description of legitimate business and industry; hence I will not further consider this section of the measure.

#### BANK RESERVES.

Section 20 of the pending bill, Mr. Chairman, constitutes one of its vital features. It is the real point of attack by the big bankers of the central reserve cities. Recently at their Chicago conference and now before a standing committee at the other end of the Capitol these gentlemen enumerate various alterations which they would have made in this bill. But in real truth their fundamental and insuperable objection is to the reserve requirement. All other fault finding is simply strategic. This is no conjecture of my own; I assert it as a fact which has been borne in upon me time and time again since the first print of this bill came from the press. I assert it as a fact and have conclusive proof of its verity. Not one of the bankers who have recently testified before the Senate committee can controvert the statement.

"The whole fight of the great bankers is to drive us from our firm resolve to break down the artificial connection between the banking business of this country and the stock speculative operations at the money centers." The Monetary Commission, with more discretion than courage, absolutely evaded the problem; but the Banking and Currency Committee of the House has gone to the very root of this gigantic evil and in this bill proposes to cut the cancer out. Under existing law we have permitted banks to pyramid credit upon credit and to call these credits reserves. It is a misnomer; they are not reserves. And when financial troubles come and the country banks call for their money with which to pay their creditors they find it all invested in stock-gambling operations. There is suspension of payment and the whole system breaks down under the strain, causing widespread confusion and almost inconceivable damage.

#### THE REAL FIGHT.

The avowed purpose of this bill is to cure this evil; to withdraw the reserve funds of the country from the congested money centers and to make them readily available for business uses in the various sections of the country to which they belong. This we propose to do cautiously, without any shock to the existing arrangement, graduating the operation to prevalent conditions and extending it over a period of 36 months. This affords ample time to the reserve and central reserve city banks to adjust themselves to the reserve requirements of the new system. Out of abundant precaution we have actually given them a longer time than the best practical bankers of the country have said was needed. But, Mr. Chairman, the complaint of these gentlemen is not as to time but as to fact. They do not want existing arrangements disturbed; they desire to perpetuate a fictitious, unscientific system, sanctioned by law, but condemned by experience and bitterly offensive to the American people—a system which everybody knows encourages and promotes the worst description of stock gambling. "The real opposition to this bill is not as to Government control, upon which we shall never yield,<sup>2</sup> it is not as to the capital subscription required, which is

precisely that of the Aldrich scheme unanimously indorsed by the American Bankers' Association; it is not as to the 5 per cent dividend allowed member banks, the exact limit prescribed in the Aldrich bill; it is not as to compulsory membership, which was provided in another way in the Aldrich scheme; it is not as to the bond-refunding proposition, infinitely simpler and less expensive than the Aldrich device. It is none of these things, Mr. Chairman, that vexes the big bankers. It is a loss of profits derived from a system which makes them the legal custodians of all the reserve funds of the country, \$210,000,000 of which funds on the 24th day of November, 1912, they had put into the maelstrom of Wall Street stock operations.

#### DISAGREEING CRITICS.

I distinctly am not appealing to the prejudice against great bankers. No man worthy to be a representative of the American people ought to deal with a problem of such magnitude without feeling profoundly the obligation to be fair and just to every interest involved. But so should the big bankers deal with us. They have assured us that the bill is workable; yet in another place they say it is not. The critics are not agreed among themselves even as to what the bill provides or as to what it means. Mr. James B. Forgan, the Nestor of American bankers, testified before the Senate committee last Friday that this measure would contract credits to the extent of \$1,800,000,000, whereas Mr. Chas. G. Dawes, an ex-Comptroller of the Currency, now president of a large bank in Mr. Forgan's own city, publicly asserted a week ago that the bill involves an enormous inflation. So in the East recently an eminent banker of New York City declared that under this bill there would be a frightful contraction of credit, whereas in the same city the foreign exchange expert or one of the biggest banks there figured out for the president of the institution that possible expansion under the bill would reach the aggregate amount of nearly \$2,000,000,000.

And thus the conflict of opinion runs. As a matter of fact, Mr. Chairman, neither of these postulates is true. Certainly it is impossible that both of them can be true. It may be confidently asserted that there will not be one dollar of harmful contraction under this bill; and those who undertake to figure otherwise conveniently ignore the fact that we have released a considerable portion of existing bank reserve. Frankly, there can be expansion under the bill; and, according to Mr. Frank Vanderlip, of the National City Bank of New York, the country just now greatly needs credit expansion. He figures that \$2,600,000,000 can be used within the next five years in developing a single industry in America. But the committee has carefully provided against dangerous or undue expansion. If the banks of the country will not exercise common prudence in the matter, it is within the power of the Federal reserve board to compel them to do so by laying a firm hand upon the rate of discount. Moreover, the gold-reserve requirement and the redemption facilities afforded by the bill will have a powerful tendency toward checking expansion. But I will not longer claim the attention of the House upon this particular phase of the subject. I desire briefly to demonstrate the entire feasibility of the scheme provided by this bill for shifting the reserves without contracting credit. The matter has been figured out by the best experts in the country. It has been gone over

with extreme care and we confidently challenge criticism of the facts and figures presented.

PRESENT RESERVE REQUIREMENTS.

Section 22 of the bill provides for a revision of the existing reserves of national banking associations, which, under the present reserve system, are divided into three classes, (a) country banks, (b) reserve city banks, (c) central reserve city banks. Country banks are required to hold 6 per cent of their deposit liabilities in lawful money and 9 per cent in balances with other banks; reserve city banks are required to hold 12½ per cent of their deposits in lawful money and 12½ per cent in balances with other banks in central reserve cities; central reserve city banks are required to hold 25 per cent of their deposits (including those of other banks with them) in lawful money in their own vaults.

The aim of this measure is to transfer these reserves away from banks other than those to which they belong, so that ultimately bank reserves will be held partly in the vaults of the banks to which they belong, and partly in the regional reserve banks, the reserve banks taking the place of existing reserve city and central reserve city banks in their relation to member banks.

PROPOSED RESERVE REQUIREMENTS.

Carrying out this plan, it is provided (a) that 5 per cent of the outstanding deposits of all banks shall be carried in the new reserve banks; (b) 5 per cent of the deposits of present country banks to be carried in cash in their own vaults; (c) 2 per cent of the deposits of present country banks to be carried either in cash in their own vaults or as a balance with new reserve banks; (d) 9 per cent of the deposits of present reserve city and central reserve city banks to be carried in cash in their own vaults; (e) 4 per cent of the deposits of present reserve city and central reserve city banks to be carried either in cash in their own vaults or as balances with the new reserve banks.

It may be here explained that the "balances" spoken of can be obtained by rediscounting paper with the new reserve banks.

THE DEMONSTRATION.

From the foregoing it is clear that as some discretion is left to the banks about their reserves the exact position of those reserves at any given time can not be predicted. Maximum and minimum limits can, however, be fixed. This is done as follows:

At the date of June 4, 1913 (comptroller's last report), the present bank reserve in central reserve cities was \$409,601,424 held in cash.

At the same date, the reserve which would have been required under this bill would have been 9 per cent of net deposits then subject to reserve requirements in cash, and 9 per cent in balances with the new reserve banks, as follows:

To be held in cash	\$141, 127, 835
To be held as balances	111, 127, 335
Total	252, 255, 670

From this it is clear that if the balances under the new plan were established by taking actual money and putting it in the reserve banks the actual release of cash as compared with the present plan would be the difference between the total new reserve and the present reserve, while if the reserve balances were

created by rediscounting the cash released under the new plan would be the difference between the cash required to be held under the new plan and the cash now actually held. That would signify:

Maximum release of cash-----	\$268, 473, 589
Minimum release of cash-----	127, 345, 754

At the same date mentioned above the banking reserve in reserve cities as held by the banks was:

Held in cash-----	\$250, 383, 926
Held in balances-----	232, 799, 679
Total-----	483, 183, 605

Under this bill these banks would have to hold in cash 9 per cent of their net deposits subject to reserve requirements and a like amount in balances which would be for the reserve cities as a group:

Held in cash-----	\$175, 128, 701
Held in balances-----	175, 128, 701
Total-----	350, 257, 402

Comparing these figures with the present requirements as already given it is seen that the new plan might mean either a—

Maximum release of cash-----	\$75, 255, 225
Or a maximum contraction of cash-----	99, 873, 476

At the same date mentioned above the banking reserve in country banks was held as follows:

Held in cash-----	\$289, 392, 177
Held in balances-----	310, 689, 129
Total-----	600, 081, 306

Under this bill the cash required would be 5 per cent of their net deposits subject to reserve requirements and 7 per cent in balances (2 of this at the bank's discretion). This would mean:

To be held in cash-----	\$180, 533, 642
To be held in balances-----	252, 717, 100
Total-----	433, 250, 742

On the same principle as before this would mean a maximum release or contraction as follows:

Maximum release-----	\$108, 858, 535
Maximum contraction-----	143, 888, 565

Thus it appears that there would be a possible maximum contraction as follows:

Reserve city banks-----	\$99, 973, 476
Country banks-----	143, 888, 565

Total-----	243, 862, 041
Deduct central reserve city release-----	127, 345, 754

Net contraction-----	116, 516, 287
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It is also evident that the result might work out as follows:

Released by central reserve city banks-----	\$268, 473, 589
Released by reserve city banks-----	75, 255, 225
Released by country banks-----	108, 858, 535

Total-----	452, 587, 349
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It might reasonably be asked which of these results would probably be reached? Assume that the first (contraction) was the net result owing to banks fulfilling their reserve requirements by depositing cash in every instance. The Government balances which are now to be poured into trade channels through the new reserve banks will run from \$200,000,000 to

\$250,000,000. Bearing in mind the fact that the capital of the new banks has to be raised in cash, it will be seen that independent of this capital the monetary situation would be left about the same as it is to-day, except that the new reserve banks would be in position to add their loaning power to that of the older banks. If we now assume that the transfer of reserves resulted in the extreme limit of expansion already referred to, it would be noted that the cash is released only on the assumption that the reserve requirements are met by rediscounting. If, however, the new reserve banks have to hold one-third in lawful money in order to make these discounts, it is clear that only two-thirds of \$152,587,319, or about \$300,000,000, will be released. Of this sum a certain part would be needed in bringing the reserves of State banks which may become members of the new associations up to the level which is required of them. How much this would be can not be positively asserted.

If it be asserted that this process will lead to inflation the answer to be made is that whether it will or not is a matter in the hands of the reserve banks, which have it in their power, by fixing their rate of discount suitably, to prevent the banks from creating reserve balances in excess of the required 5 per cent. If the reserve banks should do this, it would be found that the required 5 per cent referred to would be about \$350,000,000, while the amount which the banks at their option might or might not obtain in this way would be about \$213,000,000, the actual cash required to be held by them under the new plan being as follows:

Central reserve city banks-----	\$141, 127, 835
Reserve city banks-----	175, 128, 701
Country banks-----	180, 533, 612
Total-----	496, 790, 178

Add to this the amount which the reserve banks can at their option make it worth while for the other banks to hold in cash, or to deposit with them in cash, and we have a total of about \$710,000,000. The actual cash held to-day by the banks at home and in the redemption fund is about \$950,000,000. Something like \$210,000,000 would thus be released under the probable working out of the system and this would be drawn upon for the other purposes already referred to.

#### COUNTRY BANKS UNDER THE BILL.

There has been a strenuous effort to prejudice the country banks against the bill, inspired, as I believe and have reason to assert, by banking institutions with close and extensive Wall Street affiliations. The propaganda was not prompted by any special solicitude for the country banks, but by chagrin over the prospect of being deprived by this bill of the reserve funds of the country banks. Mr. OWEN, the Senator from Oklahoma, in a letter which has since been made a Senate document, sharply pointed out the fallacy of the contention that country banks are offered no inducements to come into this system; so it would seem superfluous for me to present this aspect of the case here. However, I shall do so very briefly.

Let it be assumed that a bank of \$100,000 capital (no surplus) is the owner of \$75,000 in United States 2 per cent bonds and has outstanding \$75,000 of circulation. Let it also be assumed that this bank has total outstanding deposits of \$100,000. The bank is a country bank.

How will the new plan affect this institution? In the first place, the bank in question, if it has \$100,000 of deposits, must have on hand in its own vaults 6 per cent of that amount in cash, or \$24,000, and must have 9 per cent of that amount, or \$56,000, as a balance with the reserve city bank.

Under this bill this bank must have a reserve of 12 per cent instead of 15, of which 5 per cent, or \$20,000, must be in cash in the vaults, while \$20,000 must ultimately be placed with the reserve bank and \$8,000 may be kept either in the one place or in the other, when the whole measure has become operative at the end of three years.

As the bank has \$24,000 cash when it enters the system, it is \$4,000 ahead of the amount required to be held in its own vaults. It can draw for the remaining \$28,000 required of it upon its present reserve city correspondent, with which it holds \$36,000, sending the \$28,000 check to the new Federal reserve bank. After the transaction is over its reserves will be complete, and it will have \$4,000 in cash and \$8,000 in balances over and above what it needs to meet its reserve requirements.

The bank, however, must contribute \$10,000 to the capital stock of the Federal reserve bank which it has joined. If it pays this amount out of the \$12,000 surplus it will become the owner of \$10,000 stock in the new reserve bank and will still have \$2,000 surplus out of its former balances.

This bank was receiving probably 2 per cent upon the \$36,000 balances it carried, making in all \$720 a year. Assuming that the stock in the new reserve bank pays 5 per cent, it will yield an income of \$500 a year. The bank, moreover, has \$2,000 of free cash still remaining which it can loan after withdrawing it from its present correspondents—say, at 5 per cent, bringing in \$100 annually. Or if it were to use this \$2,000 as a reserve upon which to build up new loans it could lend about \$16,000 thereon, which at 5 per cent would yield it \$800. On this basis the changed situation of the bank might result in a loss of about \$120 a year or in a gain of \$580 or in anything between those two sums. The reasonable expectation would be that the bank would get a material increase in its revenue. Just how much would depend upon the extent of the loans it could make in response to demand in the community.

The bank would be able to exchange each year 5 per cent of its present \$75,000 of 2 per cent bonds, or \$3,750. If we assume that the bank sells the 3 per cent bonds it receives through this exchange at par, and with the proceeds pays off the notes now outstanding against them, the effect is simply to reduce its assets and liabilities by equal amounts, at the same time releasing it from the necessity of retaining the 5 per cent redemption fund in Washington which at once becomes available as a basis for reserve loans at home. This 5 per cent redemption fund would be on \$3,750 equivalent to about \$185. If this were loaned directly at 5 per cent it would yield an income of \$9.25. If the \$185 were used as a 12 per cent reserve against loans, about \$1,500 of loans could be made which at 5 per cent would yield \$75. This if taken in connection with the showing made above would reduce the loss to \$45 a year or would increase the gain to \$655, with corresponding changes in intermediate points between these two extremes. If the banks had no notes outstanding against the bonds which it converted and sold, it would get fluid funds equal to the amount of the bonds thus

sold which could be loaned at 5 per cent instead of the 2 per cent now paid by the bonds. This would be a difference of 3 per cent per year in favor of the new plan on a principal of \$3,750. On the other hand, if the bank simply paid off its outstanding notes out of nonreserve money on hand (as in many cases it might) and held the new 3 per cent bonds as an investment it would profit to the extent of 1 per cent over the existing situation on a principal of \$3,750 a year or \$37.50 the first year, \$75 the second year, and so on. At the end of 20 years it would be 1 per cent ahead on its whole \$75,000 bonds, or \$750 annually. In this event it is clear that within three years the increased revenue from its bonds would offset any possible loss due to the sacrifice on the 2 per cent interest on reserves. Against this might fairly be set off the income, if any, that it might have made by loaning the cash used to cancel its outstanding bank notes.

Summarizing, it is safe to say that upon the narrowest possible basis likely to present itself in the case of this bank the institution would, if it paid up its whole reserves under the new plan in cash, fully clear itself and make an additional revenue of from \$200 to \$500. If instead of paying up its reserves in cash it got the reserve credit by rediscounting, it might profit to a very much greater degree; how much greater can not be estimated without knowing the rate of interest in the community and the extent to which it could obtain paper eligible for rediscount.

#### REFUNDING BONDS.

Retirement of the national-bank circulation, frequently redundant and never elastic, is regarded as one of the essentials of currency reform. During the 12 years that I have served as a member of the Banking and Currency Committee the universal testimony of banker and business man, text writer and political economist has favored this alteration in the existing system. All political parties are pledged to this reform, notably the Democratic Party, which has repeatedly declared for it. In its platform of 1896 it declared:

Congress alone has the power to coin and issue money, and President Jackson declared that this power could not be delegated to corporations or individuals. We therefore denounce the issuance of notes intended to circulate as money by national banks as in derogation of the Constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for dues to the United States, shall be issued by the Government of the United States and shall be redeemable in coin.

Again, in 1900, the Democratic platform on the same subject declared that—

A permanent national-bank currency, secured by Government bonds, must have a permanent debt to rest upon, and if the bank currency is to increase the debt must also increase. The Republican currency scheme is therefore a scheme for fastening upon the taxpayers a perpetual and growing debt. We are opposed to this private corporation paper circulated as money but without legal-tender qualities and demand the retirement of the national bank notes as fast as Government paper or silver certificates can be substituted for them.

This measure provides for the gradual retirement of national-bank circulation over a period of 20 years and the reversion of the right of note issue to the Government of the United States. Such an alteration in the existing system necessitates the refunding of United States 2 per cent bonds, which afford the basis of bank-note circulation. To my mind it needs no argument to determine that both the honor and the credit of the Government are involved in the proposition that whenever the Government

withdraws the circulation privilege from its 2 per cent bonds it should reimburse the holders of its securities for the inevitable depreciation which will ensue. The refunding scheme which we have here provided contemplates this; and while it involves the assumption by the Government of a slightly increased interest charge, it is perfectly manifest that the Government has long ago received its compensation in the abnormally low rate at which it has been enabled for years to float its indebtedness under the existing system.

But aside from this, Mr. Chairman, the bill provides other compensations. It enables the Government to resume and exercise a function which for 50 years has been confided to private corporations, the value of which has been variously computed to be between  $1\frac{1}{2}$  and  $2\frac{1}{2}$  per centum on the amount of circulation outstanding. In addition to this the Government shares in the excess earnings of the regional reserve banks; and finally, but most important of all, this new system will provide a rediscount scheme so much less expensive than the existing bond-secured currency plan as to make certain a reduction in the interest charge upon commercial transactions with the banks; so that, from every practical point of view, as well as upon considerations of public honor, the 2 per cent Government bonds should be refunded into 5 percents or paid by the Government at par with accrued interest. I am well aware that there are critics of this plan who are not mere cavers; but we do not fear to subject our attitude on this question to the dispassionate judgment of the American people.

#### DIVISION OF EARNINGS.

The division of earnings provided by this bill for the Federal reserve banks will stand the test of fair disputation, albeit many of the bankers are insisting that the cumulative dividend provided should be increased from 5 to 6 per cent. The rate fixed by this bill is exactly the rate fixed by the Aldrich bill, which the bankers unanimously indorsed. But the contention is that the Aldrich bill did not shift reserves and thus deprive the country banks of the 2 per cent interest which they have received upon their balances with correspondent banks. That is true. Neither did the Aldrich bill reduce country reserves from 15 to 12 per cent and other reserves from 25 to 18 per cent, nor did the Aldrich bill provide, in addition to a cumulative dividend, that the stockholding banks might receive 40 per cent of the excess earnings of the system. I have already pointed out that the interest to be derived by country banks from credit extensions based on the reserve-release clause of this bill will greatly more than compensate them for the loss of interest on their balances, to say nothing of the vastly superior advantages of a banking system which will never break down over a banking system which has repeatedly involved all the banks and the whole country in disaster.

#### NOTE ISSUES.

In this country there is sharp division of opinion upon the question of note issues, one school of thought contending that it is strictly a banking function and another that it is an essential function of government. In this bill we have provided that the Government shall issue the notes, but only upon application by the banks and through the banks. The controversy over this provision is entirely sentimental. The section as it stands con-

stitutes a compromise; but there is not a single element of unsoundness in the provision. Behind the notes is a gold reserve of 33 $\frac{1}{3}$  per cent, commercial security amounting to dollar for dollar, a first and paramount lien on all the assets of the reserve banks and, superimposed, the obligation of the United States. To those who advocate Government issue, it may be said that they have it here in terms, with discretion in the Federal reserve board to issue upon application or to withhold. To those who contend for bank issues, we may say that, in the practical operation of the system, you have it here; because only upon application of the bank can the Government issue. To those who affect, or sincerely entertain, solicitude for the Government's credit, it may be pointed out, as a practical fact, that the security behind the notes here provided is many times more than sufficient to protect the Government before the note holder would reach the Treasury counter. Whatever other objections may be urged to the system, not a critic of this bill—banker, business man, or specialist—has ever suggested that the note here provided is not as sound as gold itself. [Applause.]

CONCLUSION.

I will not, Mr. Chairman, weary Members with an explanation now of the minor details of this measure; these are fully set out in the printed report which accompanies the bill. We have made provision for foreign banking, designed to extend our foreign trade by furnishing quicker exchanges and affording infinitely better banking facilities in that field of enterprise. We have incorporated in the bill a savings-department clause, which will enable the national banks of the country to do business of this nature under authority of the statute rather than in disregard of the law. We have provided a more effective and less expensive method of domestic exchange and collection and also a system of examination and publicity which better safeguard the banking operations of the country.

The work of the Banking and Currency Committee has been tedious and laborious, dealing with a subject exceedingly complex and upon the details of which, if not upon the general principles involved, there are wide divergencies of opinion and varying degrees of antagonism. We have done the best we could. Without practical banking experience, disclaiming expert knowledge of the subject, I have tried as chairman of the committee to reconcile conflicting views, to compose all friction from whatever source arising, to embody in the bill the technical knowledge of the banker, the wisdom of the philosophers, and the rights of the people. We have not desired to approach or consider the question from the standpoint of party politics. It is too universal a problem for that. It is not a matter for party advantage. I have kept in constant contact and pleasant intercourse with the ranking minority member of the committee, giving him every successive reprint of the bill, affording all the information that he might desire, and inviting in good faith such suggestions as he might care to make. And now, Mr. Chairman, sure of our ground, yet conscious of human limitations, we submit this bill to the judgment of the House, challenging a fair consideration of its provisions and devoutly invoking the patriotic cooperation of our colleagues in what should be a great service to the country and a memorable achievement of the Sixty-third Congress. [Loud applause.]

SPEECH  
OF  
HON. CARTER GLASS,  
OF VIRGINIA,  
IN THE HOUSE OF REPRESENTATIVES,

*Saturday, September 13, 1913.*

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. GLASS. Mr. Chairman, the members of the Banking and Currency Committee of the House on this side of the aisle have reason to feel a lively sense of satisfaction over the fact that, after a general discussion of the currency bill reported to the House by the committee extending, over a period of four days, no impression adverse to the measure seems to have been created.

I confess to a sense of personal gratification that my opening speech in presenting the bill to the House seems to have anticipated every objection that might, in reason, be offered; and I trust I may, with becoming modesty, express the judgment that it answered every adverse suggestion before it was made here upon the floor of the House, except, perhaps, one or two points involving, I suspect, legal refinements.

Member after Member on the Republican side has come forward to this stand and, declaring he had this or that objection to the bill, nevertheless concluded that it is so much better than the existing system he would have to vote for it upon its final passage. We, of course, think it is so much better than the existing system that it should pass the House with a unanimity that will insure its speedy enactment into law. There seems to be little serious objection to the details of the bill.

Our Republican friends apparently do not object so much to what the bill provides as to the manner of its consideration. There has been a good deal of criticism on this score, as if we had proceeded in a most unusual way and adopted unprecedented methods.

Some gentlemen who have urged this objection are absolutely sincere in their opposition to caucus processes. I have a degree of toleration for colleagues who really take that view, and to these I beg to repeat the assurance that we have not desired to make a partisan matter of this banking and currency bill in any offensive sense. But it must be remembered that we legislate through and by parties here; and I have been unable to understand how we may ever expect to overcome that defect of our American system, if it be a defect.

There has been complaint about there not having been hearings on the bill. The answer is that the bill itself is the product of extensive hearings on the subject of banking and currency reform. As soon as it became definitely known that the Sixty-third Congress would be immediately charged with the

responsibility of currency legislation the Banking and Currency Committee of the House set about getting information on the subject. We had elaborate hearings, as I have already stated, to which not only were the bankers of the country invited but the select representatives of every national group in America.

The representatives of the trade-unions, the farmers' unions and granges, commercial bodies, railroad employees, the manufacturers, the credit men, specialists on the subject—all were invited to testify and did testify.

As to the consideration of the bill by the Committee on Banking and Currency, the Democratic members had conferences of their own; but there was no binding obligation upon any member to vote for any provision there agreed upon.

For weeks we carefully and diligently considered every feature of a tentative measure, discussing the alterations that were desirable and making changes that seemed to be wise. During all of that period, as I have previously indicated, I kept in constant communication and contact with the senior Republican member of the committee, assuring him that we did not care to make a partisan issue of the problem. We felt obliged, however, to proceed in the usual way.

After we had agreed on the details of the bill it was taken to a party caucus. Is that a startling procedure? Is there anything of an unusual nature about that? Is it something so extraordinary and genuinely unique as to occasion amazement on the Republican side of this House?

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Certainly.

Mr. PLATT. I ask for information. Is it usual to take bills into caucus, discuss them there, and settle them before they have been in general debate in the House?

Mr. GLASS. It is on the Republican side. When the Republicans were in the majority it was not only usual, but almost invariable.

Mr. PLATT. I have been informed that there has only been one case on one bill.

Mr. GLASS. I never have known an important measure to pass this House relating to the currency or tariff that was not agreed on in party caucus or put through under party rule.

Mr. PLATT. Was that in caucus before going in general debate in the House?

Mr. GLASS. The Vreeland currency bill was put in the Republican caucus, and there was no debate of any description on it in the House until the day it was passed. Then only four hours of general debate were allowed instead of four days, which we have given you. [Applause on the Democratic side.]

Mr. SLOAN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. SLOAN. As another new Member, I would like to ask the gentleman if the Payne tariff bill was considered in caucus by the Republican Party? I do not know. I was not here at the time, and I have not been informed. I do not mean the committee, but I mean the caucus of the Republican Members of the House.

Mr. GLASS. I was here, but I was not in the secrets of the Republican Party. I imagine the tariff bill went to caucus; but if not, the Republican Party of the House was then operat-

ing under rules and discipline that required every Republican Member to toe the mark or let Uncle Joe know the reason why. [Applause on the Democratic side.]

Mr. STEENERSON. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. STEENERSON. Has the gentleman ever read the resolution that was passed at the Republican caucus which agreed to the Vreeland-Aldrich bill?

Mr. GLASS. Yes; I have read it. I have it right before me, and I am going to read it to you presently. [Applause on the Democratic side.]

Mr. STEENERSON. So have I. I say the gentleman misrepresents that resolution—

Mr. GLASS. I do not misrepresent the resolution, because I have not yet referred to it.

Mr. STEENERSON. The gentleman said we were bound by the action in caucus.

Mr. GLASS. I have not said anything of the kind; but I am going to say it, and prove it.

Mr. STEENERSON. I defy the gentleman to prove it.

Mr. GLASS. I will read the resolution.

Mr. STEENERSON. If the gentleman will permit me, I will read it.

Mr. GLASS. Go ahead.

Mr. STEENERSON. This is the resolution adopted at the caucus on May 5, 1908, on the Vreeland currency bill:

*Resolved*, That this meeting or any adjournment thereof is only a conference and not a caucus, and shall not have the binding effect of a caucus; and that those who participate in its deliberations shall be absolutely free hereafter to act in accordance with their own judgment with reference to all matters considered before it.

That is found on page 6216 of the CONGRESSIONAL RECORD, May 14, 1908, first session, Sixtieth Congress.

Mr. GLASS. And to show just how sincere you were in that expression, when Charles N. Fowler, the Republican chairman of the Banking and Currency Committee, undertook to act on the resolution his head came off. He was removed from his position and Mr. Vreeland was made chairman in his stead. [Applause on the Democratic side.] That is how much freedom there was.

Mr. STEENERSON. Here is the Record before me.

Mr. GLASS. And there I have given you the real transaction as it occurred. Mr. Fowler, who had been eight years chairman of the Banking and Currency Committee, was humiliated and decapitated because he was simple enough to think your caucus resolution meant what it said.

Mr. STEENERSON. Oh, no; that is not it, I deny that.

Mr. HELGESEN. Will the gentleman yield—

The CHAIRMAN. Does the gentleman yield?

Mr. GLASS. I did not yield, but I will.

Mr. HELGESEN. Assuming that the Republicans for long years have done business along the same line Democrats are now doing business, is it not true the Democrats have complained and criticized that method for the last 16 years?

Mr. GLASS. Yes; JOHN SHARP WILLIAMS used to rush up and down this aisle nearly every day in the session, exclaiming: "Here is another outrage you are about to perpetrate," and that is what you gentlemen are doing now when we are proposing to pass this bill.

Mr. JOHNSON of Washington. Will the gentleman yield for a question?

Mr. GLASS. Oh, no; I want to proceed.

Mr. JOHNSON of Washington. I just wanted to ask if the Democratic caucus was part of the new freedom?

Mr. GLASS. Yes; our caucus action portends the new freedom—a new freedom signalized by an achievement that no other Congress has ever exceeded. We are going to give you a revision of the tariff and pass a currency bill at a single session of Congress. That is new freedom, both industrial and financial. [Applause on the Democratic side.]

The gentleman from Minnesota [Mr. STEENERSON] talks about this resolution of his party "conference" by which nobody was bound. Let us see what Members of his own party thought of that resolution. Hear the plaint of Mr. Prince, a Republican member of the Committee on Banking and Currency of the House, with respect to this resolution that the gentleman has read:

My fellow Members, put the yoke upon you if you will.

Free to act as you please! Yet here was a Republican Member complaining that the last one of you was about to put on the yoke, and the last one of you did. The gentleman who read the resolution just now went along with the rest. [Laughter on the Democratic side.]

"Walk under the yoke," said Mr. Prince; "under buck," as the expression was at the time with respect to a yoke of oxen. He went on:

Now, the yoke may be easy and the burden light, but I want to say to you that I will not be put under the yoke. I will not assume the burden and go before my constituents and say that I am in favor of makeshift legislation; that I am in favor of discharging a committee of this House; that I am in favor of overriding the wishes of the people; that I am to be a mere tobacco sign.

Was the gentleman from Minnesota a mere tobacco sign on that occasion?

Mr. STEENERSON. The gentleman who made those remarks remained in the party, and was the chairman of a committee, and continued so during that Congress and the next. He was not kicked out of the party.

Mr. GLASS. I referred to Mr. Fowler, who was kicked out of the chairmanship of the Committee on Banking and Currency.

Mr. STEENERSON. No, I am talking about another man, who remained chairman of his committee.

Mr. GLASS. Now, Mr. Chairman, when I was interrupted I was trying to indicate just how we have proceeded with this bill; and a little further on I desire to contrast our conduct with that of certain gentlemen who have assailed us. I said we kept in constant communication with the senior Republican member of the Banking and Currency Committee, advising with him in good faith as to the provisions of the bill and asking suggestions from him. We received suggestions from him and embodied some of them in the bill that was subsequently reported here, after we had considered it in caucus and tamed some of our own members. [Laughter on the Republican side.]

Mr. SLOAN. With the yoke? [Laughter.]

Mr. GLASS. No. By convincing them of the error of their way. The bill was adopted by a vote of 163 ayes to 9 noes. We then took it to the full Committee on Banking and Cur-

rency for consideration, and there amendments were made. One of the amendments offered by my courteous friend, Mr. SMITH of Minnesota, and accepted by the Democrats was today made the subject of sharp Republican criticism here. [Laughter on the Democratic side.]

That is a simple recital of the entire procedure upon which we have been so bitterly arraigned. The gentleman from Pennsylvania [Mr. MOORE] initiated the talk about the "gag rule of the Democratic majority," and next the gentleman from Wyoming [Mr. MONDELL] performed. With a mien of injured innocence and an unction that would have made Dickens ashamed of Uriah Heep [laughter]; with a simulation that would have driven Mr. Pecksniff, broken hearted, into oblivion [laughter], he deprecated the partisan zeal of Democratic members of the Committee on Banking and Currency and the Democratic caucus. He even tried to invest the whole thing with an air of mystery, suggesting that there was something sinister about it. He heard the question had been asked in the caucus and never answered as to "who had written the bill."

It occurs to me that if the gentleman's curiosity was acute enough to ascertain that such a question had been asked he might have been diligent enough to have learned that it had been promptly answered. As a matter of fact, it was asked. As a matter of fact, it was answered; and it would have better comported with the usages of fair debate had the gentleman from Wyoming stated the answer along with the inquiry. There is no secret about it. Every provision of this bill which was not written by the chairman of the committee or some member of the committee was written under the immediate direction of the chairman by the expert of the committee, who had thorough technical knowledge of the subject. That is the way the bill was prepared; and, now, where is the mystery about it? After all, it is not a question as to who wrote the bill. It is a question as to what it contains; and that seems to be avoided by the critics. They all return to the same "King Caucus" plaint, which in nowise affects the merits of the legislation proposed.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. GREEN of Iowa. I will bring the gentleman to talk about the subject which he spoke of just now. By virtue of this bill the national banks will have to subscribe—

Mr. GLASS. I will come to that presently. I want to talk a little more about what your side talked about chiefly, and then I will come to the provisions of the bill, though not one of them has been successfully assailed.

Mr. GREEN of Iowa. I wanted to ask a question. Will the gentleman yield further?

Mr. GLASS. Not right now; but I will further on.

Mr. GREEN of Iowa. Very well.

Mr. GLASS. The gentleman from Wyoming [Mr. MONDELL] made much ado about the partisanry of this side of the House. He talked in a pious vein about the patriotism which should characterize the consideration and enactment of currency legislation. I am constrained to question the sincerity of the gentleman when he ventures to decry the party caucus, for of the leading figures in the Republican caucus five years ago on the Vreeland currency bill the gentleman from Wyoming [Mr. Mon-

DELL.] was one of the foremost. How can he reconcile his preachments now with his performances then? How did our Republican friends proceed on that occasion? They introduced the Vreeland bill in the House on the 13th day of May, 1908, late in the afternoon. Before 11 o'clock on the 14th day of May the gentleman from Pennsylvania [Mr. Dalzell] brought in a rule. Will my friend who interrupted me awhile ago insist that he was not bound by the rule? He voted for it.

Mr. STEENERSON. I will say to the gentleman that I voted for it because I favored it. It was an emergency measure.

Mr. GLASS. The rule read:

*Resolved.* That after the adoption hereof the Committee on Banking and Currency shall be discharged and the House shall proceed to the consideration of H. R. 21871—

I was a member of the Committee on Banking and Currency, and I assert here that the bill never got to the doors of the committee. Not only that, I assert that when the rule was brought in the bill had not yet come from the Government Printing Office. The rule further provided that—

Debate thereon shall be concluded at not later than 5 o'clock p. m. to-day.

[Laughter on the Democratic side.]

The time to be equally divided between the friends and the opponents of the bill. It shall be in order as a substitute for the bill H. R. 16730. On the conclusion of the debate, as herein provided, a vote shall be taken without delay or intervening motion first on the question of substituting H. R. 16730, if said bill shall have been offered, and then upon the passage of the bill or the substitute in lieu thereof, as the case may be.

What did all that mean? It meant that the Vreeland bill, made the subject of caucus action by the Republican Party, was brought into the House one evening and referred to the Banking and Currency Committee, which it never reached; the committee was discharged next morning from consideration of a bill that it had never seen. Under the rule no amendments were allowed to be offered on either side of the House, and debate was to be concluded in four hours. It permitted a substitute to be offered, but actually prescribed the very text of the substitute. [Laughter.] It undertook to make the Democratic side responsible for a substitute that the Democratic side had not considered and did not favor; and when no Democrat would offer the substitute in the terms provided by the Republican rule a Republican Member, the gentleman from California [Mr. KAHN], assumed to offer a Democratic substitute to a Republican currency bill, thereby not only mocking justice but making a harlequinade of the entire proceeding.

Mr. ALLEN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. ALLEN. Does the Record show whether the bill was read or not?

Mr. GLASS. I do not now recall. I once heard John J. Ingalls describe Paradise Lost as "that great epic poem which everybody praises and nobody reads." [Laughter.] The Vreeland-Aldrich bill, whether read or not, was that great legislative enactment that no Republican wanted, but for which all of them voted under caucus rule. [Laughter.]

The Aldrich end of it was denounced by Republicans in this Chamber and the Vreeland end of it was denounced by Republicans in the other Chamber; and when there was a legislative

union of the two bad measures the composite bill represented 50 per cent of House infamy and 50 per cent of Senate infamy, according to reliable Republican testimony. [Laughter.]

The Record will show that Mr. Prince, a Republican Member, asked where he could get a copy of the bill, and Mr. FITZGERALD, of New York, declared that no copies were to be obtained. The telephones in the cloakroom got busy, and a few copies were sent up from the Government Printing Office, whereupon Mr. FITZGERALD took one of these and called attention to the fact that the paper was not yet dry on which it was printed.

That is the way the gentleman from Wyoming [Mr. MONDELL], so piously complaining of our procedure now, performed when he last had occasion to consider currency legislation. He voted for a gag rule that gave us only four hours of debate, contrasted with four days for this bill. He voted for a rule that denied both the Democratic and Republican sides the poor privilege of offering a single amendment to the bill, whereas we shall give every Republican full opportunity to offer amendments to this bill.

Should not the gentleman be ashamed of that sort of inconsistency on the floor of the House?

Mr. BUCHANAN of Illinois. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. BUCHANAN of Illinois. Was the Vreeland-Aldrich bill read and considered under the five-minute rule?

Mr. GLASS. Oh, no; never. Not only not read and considered under the five-minute rule, but they did not permit a solitary amendment to be offered to it. And yet the three gentlemen who have most bemoaned the method of procedure in the preparation and consideration of this bill were the three gentlemen most conspicuous in "perpetrating an outrage" on JOHN SHARP WILLIAMS and the Democratic Members of that Congress—Mr. Moore, of Pennsylvania; Mr. MONDELL, of Wyoming, "Old Faithful" [laughter]; and my good and genial friend from Pennsylvania, Mr. BURKE, all of them standpatters. The last one of them toting the mark when the whip cracked and each sneezing every time the Speaker took snuff. [Laughter.]

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Oh, yes; I always yield willingly to my friend.

Mr. PLATT. I wanted to ask why the Democratic Party should start out by taking the worst precedent of the Republicans instead of the best.

Mr. GLASS. We have not done that. I have tried to point out, in contrast, how decently we have treated you in requital of the bad treatment accorded us when your side had charge of currency legislation. We shall let you offer all the amendments you want to offer, and with great cheerfulness and consistency we will vote most of them down. [Laughter.] We shall do that, I think, because we are not willing to believe that a party responsible for the Vreeland-Aldrich bill could possibly improve this bill. [Laughter.]

The speech of my friend from Wyoming is a strange mixture of sense and, if I may say it without the least offense, nonsense. He asserts that the Federal board is given more power under this bill than any institution on earth, whereas I have shown, and no man here can show the contrary, that there is scarcely a power with which that board is invested which has

not been performed by one or two Government functionaries for the last 50 years.

I challenge any Member on this floor right now to name a power conferred upon the Federal reserve board by the pending bill that has not been exercised by the Secretary of the Treasury or the Comptroller of the Currency under the national-bank act with respect to existing banks in some sense or degree for many years, except the power of note issue.

It is complained that the Federal reserve board has the option to issue notes or not to issue. Of course it has. Did not the bankers under the Aldrich scheme have the option of issuing or not issuing notes as they might please? Why not, when this is a Government issue, give the Federal board the option? When I directed attention to the fact that the Vreeland bill, for which the gentleman from Wyoming voted, vested this power with the Secretary of the Treasury alone, he insisted that I had not correctly quoted it. When I asked him in what particular I had misquoted, he said he did not have time to answer. I offered to yield him time to answer, but he has not answered yet. Why? Because I quoted the law correctly. The Vreeland bill distinctly, in section 2, vested the Secretary of the Treasury with the exclusive power of issuing \$500,000,000 of credit currency and passing on the sufficiency of security; so that the gentleman was willing to vest with one man the very power that he protests is too great to be lodged with seven men! He talks derisively about this bill setting up a Pooh-Bah in the banking system, totally insensible of the fact that the measure which he helped put on the statute book does vastly worse in the way of concentrating control. I might aptly paraphrase his doggerel and remind him that the Secretary of the Treasury under the Vreeland-Aldrich Act is not only—

"The cook, and the captain bold,  
And the mate of the *Nancy* brig,  
And the boatswain tight, and the midshipmite,"  
But—the whole infernal rig.

[Laughter and applause on the Democratic side.]

The gentleman sneeringly criticized the President of the United States, and rather offensively, I regret to say, intimated that Mr. Wilson has been using patronage to force currency legislation. I do not believe a word of it. [Applause on the Democratic side.] I refuse to believe that the present occupant of the White House is capable of undertaking to sway men's opinions or to coerce their actions by the use of Federal patronage. [Applause on the Democratic side.]

The gentleman from Wyoming, as did the gentleman from Pennsylvania, criticized the President for his alleged invasion of the privileges of the legislative branch by undertaking to coerce members of the Banking and Currency Committee and likewise members of the Democratic caucus. Retort to that sort of comment is easy. I might remind him, were I disposed to be disagreeable, that the preceding occupant of the White House caused his Attorney General to draw up a railroad bill which accompanied a presidential message to Congress, advising us to pass it. [Applause.] But what has all that to do with the merits of a currency bill now under consideration?

The gentleman from Pennsylvania [Mr. BURKE] discovered a mare's nest in this bill. "We have to fight over the battle

for the gold standard," he exclaimed. For the first time, he said, since the Republican Party 13 years ago put a declaration on the statute books in favor of the gold standard, the doctrine has been repudiated in a currency bill. What nonsense! The gentleman seems ignorant of the fact that the national bank notes which Federal reserve notes will gradually displace are redeemable in "gold or lawful money." He seems not to know that the Vreeland-Aldrich Act, for which he voted five years ago, requires that its emergency notes shall be redeemed in "gold or lawful money." He seems not to understand that the Aldrich scheme, which he confessedly favors now, uses precisely the same phrase as to the redemption of the notes for which the bill provides—"gold or lawful money." Even so sane and ordinarily sensible a paper as the New York Sun appears to be alarmed because this bill follows the national banking act and the Vreeland-Aldrich statute and the provision of the Aldrich scheme concerning note redemption. They affect to think we have made an assault upon the gold standard. What a pitiful sort of opposition to this bill that is.

My excellent friend, Mr. BURKE, found out something else. I hate to ruin his speech by calling attention to his discovery. [Laughter.] He said we have provided in this bill in behalf of the agricultural classes, for loans on unencumbered farm lands, but have discriminated against the humble laboring man in the cities; that we deny the workman the right to borrow money with which to defray the cost of his modest home. In that same speech he admitted that he was for the Aldrich bill, by reference to section 40 of which it will be noted that no loan on real estate is permitted in any one of the 47 reserve cities or the three central reserve cities of the country. Mr. BURKE being from Pittsburgh, a reserve city, thus advocates a scheme that expressly denies his humble laboring men the right to borrow money to defray the cost of their modest homes. [Laughter on the Democratic side.]

And so these astonishing inconsistencies proceed, Mr. Chairman. The gentleman from Wyoming [Mr. MONDELL] advocated the mobilization of reserves, but assailed the very provision of this bill which provided for mobilization; he advocated decentralization and assailed the very decentralizing feature of this bill. He talked about the failure of this measure to provide uniform discount rates. The Aldrich bill provided a uniform discount rate; but, if you will examine the hearings had before the Committee on Banking and Currency, you will there see that eminent bankers openly admitted that it was an impossible provision. The truth is, it was a pretense. While the bill provided that the rate of discount should be uniform, no method was devised to make the rate uniform, whereas the open-market provision of the pending bill will enable the reserve bank to enforce its rate of discount.

Next, the gentleman from Wyoming criticized the bond-refunding provision of this bill, saying it would cost the Government \$7,000,000 per annum, whereas refunding under the Aldrich bill would not cost the Government a cent. Such simplicity, such credulity, were never witnessed before since the world was created. As a matter of fact, if there was one pretense in the Aldrich bill more obvious than many others, it was the pretense that the Government would be involved in no cost

in refunding the 2 per cent bonds. Why not? The 2 percents were to be refunded into threes. Who was to pay the difference? The pretense was that the Government was to be authorized to levy a franchise tax in order to compensate itself. But the franchise tax was to come out of the Government's part of the earnings of the Federal reserve association, so that the Government was required to take its own funds with which to pay itself!

The Progressive floor leader of the House [Mr. MURDOCK], like most other gentlemen who have spoken, thought there were defects here and blunders there, and mistakes elsewhere in the bill, but graciously conceded that it was so much better than the existing system that he was inclined to vote for it, hoping that it would be improved at the other end of the Capitol. Nevertheless, he criticized the Democratic majority for an alleged violation of its platform pledges. The bill, he said, is timid, weak, halting, because it does not include a provision against interlocking directorates as promised in the Democratic platform. As a matter of fact, the Democratic platform declaration against interlocking directorates treated that subject as an antitrust proposition and did not associate it with banking and currency laws at all. And it is a trust proposition. What does the platform say on the subject? The exact language is this:

We favor the declaration by law of the conditions upon which corporations shall be permitted to engage in interstate trade, including among others the prevention of holding companies, of interlocking directorates, etc.

So that the declaration there had no connection with or relation to the subject of banking and currency; and it is absurd to charge that the Democrats in Congress have repudiated their platform merely because they refuse to embody extraneous matter in a bill for a banking and currency system. The presiding genius of the Money Trust investigation was the employed attorney, Mr. Samuel Untermyer, of New York, who so searchingly interrogated the witnesses; and he has publicly declared that the two subjects have no relation one to the other. He goes to the extreme of saying that anybody who undertakes to associate one with the other and to complicate this currency legislation with the proposition to embody in it the Pujo recommendations "is a party marplot."

But, pray, what is the position of the Progressive Party upon currency legislation? My friend from Kansas [Mr. MURDOCK] made a speech yesterday covering seven pages in the Record, and it contained seven lines about currency reform. He was given the privilege of naming a member of the Banking and Currency Committee. Am I not correct in that supposition?

Mr. HAYES. He was.

Mr. GLASS. Why did he not persuade this Progressive Member to embody in some one of the numerous bills he introduced some provision against interlocking directorates? Treated as a trust question, we know very well the position of the gentleman's leader, Mr. Roosevelt, on the subject of monopoly, because it is recalled that he made terms with the great Steel Trust magnates and promised the culprits immunity before they perpetrated their crime of absorbing the Tennessee Coal & Iron

Co., thus consummating one of the most gigantic industrial monopolies of the world. [Applause on the Democratic side.]

Yet, with this record of his chief staring him in the face, the Progressive floor leader here criticizes the Democratic Party upon the pretense that it has violated faith with the people and repudiated its platform because it will not embody in a banking and currency bill something that relates properly to trusts and combinations in restraint of interstate trade.

Mr. Chairman, I believe I will not further tax the patience of the House by commenting on such irrelevant criticisms of the bill. They seem to have made no serious impression. I have been gratified, as well as astonished, at the moderation of gentlemen who have essayed to criticize the bill. It is a complex question, an exceedingly difficult problem, and while I knew that we had thrashed it out among ourselves pretty thoroughly I scarcely hoped that we had made such a good job of it as the criticisms from that side of the House would indicate.

I will not proceed longer in the discussion of the matter, and I thank my colleagues for their patient attention. [Applause.]

### FEDERAL RESERVE BOARD.

#### ITS POWERS NOT AS GREAT AS THOSE OF INTERSTATE COMMERCE COMMISSION.

[Extract from CONGRESSIONAL RECORD, Sept. 16, 1913.]

Mr. MADDEN. There ought to be minority representation on this board, and the men who furnish the money to organize the Federal reserve banks proposed to be organized under the terms of this bill ought to have a voice in their management.

Mr. GLASS. Will the gentleman permit a question?

Mr. MADDEN. Certainly.

Mr. GLASS. Was it found necessary to put railroad presidents or railroad managers on the Interstate Commerce Commission in order that the Government might efficiently supervise and control the railroads?

Mr. MADDEN. That is quite a different proposition. In the case of the Interstate Commerce Commission we give them only regulatory power. In the case of the reserve bank board they are given absolute jurisdiction to manage and control every item of business that may be created or conducted by the Federal reserve banks.

Mr. GLASS. Mr. Chairman, I shall put into the RECORD right at this point a statement of the powers of the Interstate Commerce Commission, showing that they are infinitely greater than the powers granted to the Federal reserve board.

Mr. MANN. The gentleman is not familiar with the interstate-commerce law, evidently.

Mr. GLASS. I will say to the gentleman from Illinois [Mr. MANN] that I may not be as familiar with the technical terms of law as he, but I have read the powers conferred upon the Interstate Commerce Commission, and, in my conception of the term, they are infinitely greater than the powers conferred on this reserve board.

Mr. MADDEN. Mr. Chairman, I simply want to say in reply to my friend from Virginia [Mr. GLASS], the chairman of the

committee, in charge of the bill, as I understand the power of the Interstate Commerce Commission it is that it has the power to regulate the rates to be charged by the railroad companies, but no power whatever to manage the railroads of the Nation.

On the other hand, I understand the power of the Federal reserve board to be not only to direct but to control and regulate every phase of the management of the Federal reserve banks, down to the smallest item.

They have nothing whatever to do with the finances of the railroads, and they can only say to the railroad companies that the rate proposed to be charged is unjust and that they must modify the rate to meet what the Interstate Commerce Commission believes to be a just one.

Mr. GLASS. Mr. Chairman, I will not consume the time of the committee right now in reading in detail the powers of the Interstate Commerce Commission, but will ask to insert in the Record this recital of the powers:

EXHIBIT.

PRINCIPAL DUTIES OF THE INTERSTATE COMMERCE COMMISSION.

(Revised to February, 1906, by H. T. Newcomb.)

SECTION 1A. To order the construction, maintenance, and operation upon reasonable terms of switch constructions between any railway and any lateral branch line of railroad or private sidetrack where safe, reasonably practicable, and there is sufficient business.

Sec. 6A.<sup>1</sup> To modify the requirements of the law as to length of notice of changes in rates or as to publishing, posting, and filing rate schedules or tariffs.

Sec. 6B.<sup>2</sup> To execute and enforce the law.

Sec. 6C.<sup>2</sup> To apply to district attorneys of the United States to institute and prosecute proceedings for the enforcement of the law.

Sec. 6D.<sup>2</sup> To issue subpoenas and subpoenas duces tecum.

Sec. 6E.<sup>2</sup> To order testimony taken by deposition for use before itself.

Sec. 6F.<sup>2</sup> To appoint persons to take depositions in foreign countries for use before itself.

Sec. 13A.<sup>3</sup> To receive complaints and investigate matters made the subject of complaint.

Sec. 13B. To institute inquiries "on its own motion" and "to the same effect as though complaint had been made."

Sec. 14A.<sup>1,3</sup> To make written reports of its investigations.

Sec. 14B.<sup>2</sup> To include in its reports of investigations its "decision, order, or requirement in the premises," and, if it awards damages, its "findings of fact."

Sec. 15A.<sup>3</sup> "To determine and prescribe," after "full hearing," "what will be the just and reasonable rate or rates, charge or charges, to be thereafter observed as the maximum to be charged, and what regulation or practice in respect to such transportation is just, fair, and reasonable to be thereafter followed; and to make an order that the carrier shall cease and desist from such violation, to the extent to which the commission find the same to exist, and shall not thereafter publish, demand, or collect any rate or charge for such transportation in excess of the maximum rate or charge as prescribed, and shall conform to the regulation or practice as prescribed."

Sec. 15B.<sup>3</sup> To prescribe, within certain limits, when its orders shall take effect and how long they shall remain in force.

Sec. 15C.<sup>3</sup> To prescribe divisions of joint rates.

Sec. 15D.<sup>3</sup> To establish through routes and fix joint maximum rates and divisions of rates on such routes.

Sec. 15E.<sup>3</sup> To prescribe maximum allowances for services connected with transportation performed by owners of the goods transported.

Secs. 16A<sup>2</sup> and 16a. To make orders directing the payment of money damages.

Sec. 16B.<sup>2</sup> To suspend, reverse, or modify its own orders.

Sec. 16C.<sup>2</sup> To employ counsel "in any proceeding" under the law.

Sec. 16D.<sup>2</sup> To apply to the Federal courts to compel obedience to its orders.

Sec. 16E.<sup>2</sup> To defend suits brought "to enjoin, set aside, annul, or suspend" any of its orders.

SEC. 17A.<sup>3</sup> To make and alter its own rules of practice.

SEC. 19A. To prosecute anywhere, by one or any number of its members "any inquiry necessary to its duties."

SEC. 20A.<sup>1</sup> To require annual reports from carriers subject to the law.

SEC. 20B.<sup>1</sup> To prescribe the form of such reports and to require specific answers in them to "all questions" on which it "may need information."

SEC. 20C.<sup>1</sup> To fix a date after which all carriers subject to the law must have "as near as may be" a uniform system of accounts and the manner in which such accounts shall be kept.

SEC. 20D.<sup>1</sup> To require special monthly reports of earnings and expenses.

SEC. 20E.<sup>1</sup> To prescribe the forms of all accounts, records, and memoranda of traffic movement and receipts and expenditures of money permitted to be kept by the carriers.

SEC. 20F.<sup>1</sup> To have constant access to and to inspect the accounts of carriers.

SEC. 21A.<sup>1,2</sup> To report annually to Congress and to make "recommendations as to additional legislation."

The following powers were added by the Mann-Elkins Act, 1910:

Responsibilities added:

Long and short haul, telephone, and cable companies.

Long and short haul put absolutely in hands of Interstate Commerce Commission.

Power to suspend proposed changes in rates pending hearing and decision.

SEC. 6. Amended so as to require written quotation of particular rate on written request.

Power to order, after hearing, "through routes" and to prescribe joint rates, even when one of the connecting carriers is a water line.

The only limitations are--

(1) That no through route shall be formed with a street railway not engaged in passenger business.

(2) That no route may be established when the transportation is wholly by water, as this will be beyond the jurisdiction of the commission.

(3) That no railroad shall be required to embrace in the through route substantially less than the entire length of its road, or any intermediate road under its control, which lies between the terminal or the proposed route.

Shipper may designate in writing the route he prefers through traffic to take, subject to exceptions made by the commission.

Passes clause modified.

Classification of property for transportation ordered.

SEC. 13. Amended so as to give same powers to inquiries on "its own motion" to those on "complaint" in the matter of ordering rates.

SEC. 15. Amended to give the commission jurisdiction over all regulations and practices of carriers and the power to prescribe reasonable regulations to be hereafter followed.

Every carrier to provide reasonable facilities for through routes.

By certain supplementary acts the commission is also given extensive powers for the enforcement of the safety-appliance and hours-of-service laws and the collection of data covering accidents.

(Extract from an article in the Quarterly Journal of Economics, 1910, by F. H. Dixon.)

NOTE.—By the acts of 1906 and 1910 they (the people) have created an administrative agency clothed with powers more extraordinary than have ever before been intrusted to any similar body in the history of the country. The Interstate Commerce Commission has jurisdiction over all important carriers of interstate commerce in the United States, except those operating solely by water. Their rates, classifications, regulations, and practices are subject to the commission's authority either with or without complaint. Prospective rate changes may be suspended by it for 10 months beyond their effective date, and if the commission wills it may never become effective. Its permission must be secured before a less rate can be charged for a longer than a shorter

<sup>1</sup> Accounting and reporting sections.

<sup>2</sup> Prosecuting sections. No. 30 possibly in this class.

<sup>3</sup> All these powers and duties relate to the receipt and adjudication of complaints, to the procurement of testimony necessary therefor, or to redress wrongs complained against and shown by testimony to exist.

distance. At its discretion it may establish through routes and joint rates. Its orders are in force when made unless the courts set them aside, and this the courts can not do without a hearing after notice. Finally, if present rulings are not overthrown, the courts will enforce all the commission's orders, unless they are unconstitutional or beyond its authority. Surely the people of the United States have placed upon this commission a grave responsibility. Upon its wisdom and justice the people rely for a successful regulation of the interstate commerce of this country. (Other interstate commerce legislation enacted under separate measures at the last session of Congress include an act granting authority to the commission to investigate railroad accidents; a supplement to the safety-appliance acts requiring that cars after July 1, 1911, be equipped with sill steps, hand brakes, ladders, and running boards; and an amendment to the employers' liability act defining the procedure and right of action.)

Mr. MADDEN. Will the gentleman yield for a question?

Mr. GLASS. Yes.

Mr. MADDEN. I wonder if the gentleman would contend that the Interstate Commerce Commission can demand the assets of one railroad company to help out another if the other is in distress?

Mr. GLASS. As I read the powers of the Interstate Commerce Commission, it can initiate a joint rate which in its effect would be doing that very thing.

Mr. MADDEN. Well, the gentleman has not answered my question. The Federal reserve board will have the power to direct one Federal reserve bank to rediscount the paper of another Federal reserve bank under certain conditions.

Mr. GLASS. Yes; and it will inure to the benefit of the discounting bank.

Mr. MADDEN. Well, has the Interstate Commerce Commission the power under any conditions to divert the assets of one railroad to another in order to help it out?

Mr. GLASS. I answered the gentleman that it has, in that it has the power to initiate a joint rate which might have that effect.

Mr. BORLAND. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. GLASS. I do.

Mr. BORLAND. I wanted to suggest to the gentleman from Virginia [Mr. GLASS] that the Interstate Commerce Commission does have power to compel a common carrier to accept a certain class of business, whether the common carrier wishes to do so or not.

Mr. MANAHAN. Mr. Chairman, let me suggest to the chairman of the committee that the Interstate Commerce Commission has the power to compel the interchange of freight cars, the actual equipment of one railroad with another railroad, by orders to that effect; and undoubtedly it is expressly provided that the assets of one railroad in its equipment can be compelled to be hauled clear across the continent and be used by other railroads for the public good.

