

REMARKS
OF
HON. ROBERT L. OWEN

A SENATOR FROM OKLAHOMA

ON SENATE BILL 3928

TO ESTABLISH THE FEDERAL RESERVE FOREIGN BANK
and thereby

MAINTAIN THE AMERICAN DOLLAR AT GOLD PAR THROUGHOUT
THE WORLD

FURNISH AMERICAN COMMERCE WITH STABLE EXCHANGE AND
CREDIT FACILITIES IN FOREIGN COUNTRIES, and
PROMOTE THE FOREIGN COMMERCE OF THE UNITED STATES.



IN THE

SENATE OF THE UNITED STATES

FEBRUARY 25, 1918



WASHINGTON

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Mr. OWEN. Mr. President, on February 20 I introduced a bill (S. 3928) proposing to amend the Federal reserve act, and to establish a Federal reserve foreign bank.

Mr. TOWNSEND. Mr. President, may I ask the Senator a question?

Mr. OWEN. I yield.

Mr. TOWNSEND. Does the Senator propose to bring up the bill this afternoon?

Mr. OWEN. No; I do not. I am going to submit some remarks upon it, because I want to give the reasons justifying the passage of the measure when it has been properly considered by the committees. Congress rarely moves beyond accepted public sentiment, and this is a matter which I regard as of very great immediate urgency.

I will call attention, for instance, to what is transpiring just now in Great Britain. I found in the morning press this statement:

"Forty British banks, including some of the largest in the British Empire, and with oversea branches, organized an association of oversea banks for the purpose of furthering British oversea trade and for the extension of banking facilities. This institution will also furnish trade information to British merchants.

"The British Government has fully approved this plan and is rendering assistance and encouraging the organization of institutions which have for their purpose the extension of British trade."

There are several of these important international organizations being framed now in London. Also France is taking steps along the same line. Germany has its bank plans adequately organized now.

This bill which I have proposed contemplates a capital of \$100,000,000 authorized with a paid-up capital of \$20,000,000, the stocks to be at 5 per cent, nontaxable, and to be offered to banks of the United States and to the public, and if not subscribed to be taken by the Treasury of the United States.

It gives corporate power to these banking institutions, authorizes a directorship of nine men to be appointed by the President of the United States, and that these directors shall be merchants and not bankers in the same way that the government of the Bank of England is controlled by merchants and not by bankers, these directors to serve for a period of nine years, one being chosen annually. The functions of the bank, the powers of the bank, will be "to receive the deposits from

American and foreign banks and bankers, from the United States or foreign governments, in current funds in lawful money, national bank notes, Federal reserve notes or checks, and drafts, payable upon presentation, and also for the collection of maturing notes and bills."

"The foreign bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions—that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or which are to be used for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act.

"The aggregate of such notes, drafts, and bills, bearing the signature or indorsement of any one borrower, whether a person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed 5 per cent of the net unimpaired capital and surplus of said foreign bank, but this restriction shall not apply to the discounting of bills of exchange drawn in good faith against actual existing values. The foreign bank may discount acceptances of the kinds permitted under the authority of this act."

It shall have power "to deal in gold and silver coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold";

"To buy and sell, at home or abroad, bonds and notes of the United States, bonds and notes of foreign governments, and bills, notes, revenue bonds, and warrants, with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

"To purchase and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions as hereinbefore defined;

"To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount and exchange and commissions for the opening of credits at home or abroad, to be charged by the foreign bank for each class of paper, which shall be fixed with a view to accommodating commerce and business;

"To issue bank notes and receive Federal reserve notes upon like terms and conditions as now provided for the Federal reserve banks;

"To open credits at home and abroad for account of domestic and foreign banks or bankers, to facilitate exports and imports to and from the United States and exports and imports to and from one foreign country to another foreign country."

I pause to say, as from China to Russia, which would go through the United States, and which might be properly facili-

tated by the financial powers of the foreign bank which I have proposed.

Further powers of the bank, "upon the direction and under rules and regulations prescribed by the Federal Reserve Board to establish branches and agencies in foreign countries for the purpose of facilitating commerce with the United States.

"No bank, banker, corporation, or individual, other than the foreign bank, shall sell dollar balances at less than gold par except as payment for merchandise imported into the United States without the express authority of the Federal Reserve Board."

Mr. POMERENE. Mr. President—

The PRESIDING OFFICER (Mr. HOLLIS in the chair). Will the Senator from Oklahoma yield?

Mr. OWEN. I yield.

Mr. POMERENE. The Federal reserve act authorized the different banking corporations to form branch banks abroad?

Mr. OWEN. Yes; it did.

Mr. POMERENE. Can the Senator state to what extent the banks have availed themselves of that power and privilege?

Mr. OWEN. Practically not at all. At first the Federal reserve law contemplated that they would do that voluntarily, but they did not voluntarily establish these foreign branches. Thereupon the Congress of the United States, at the instance of the Federal Reserve Board, passed an amendment authorizing the Federal Reserve Board to require them to do this; but the Federal Reserve Board seems not to have found it practicable for some reason to compel any of these banks to establish foreign branches.

Mr. POMERENE. They have established foreign branches in South America, have they not?

Mr. OWEN. No, sir.

Mr. POMERENE. The National City Bank?

Mr. OWEN. The National City Bank is not a Federal reserve bank. Some American national banks have established in the last three years several foreign branches. The National City, of New York, has established a branch at Buenos Aires, one at Rio Janeiro, and another bank or two in Brazil, one at Caracas, one in Colombia, one in Cuba, one at Panama, I am told, and perhaps several other branches. That, however, is a private bank, a member of the Federal Reserve System, and a very powerful institution, but still an institution run necessarily by the nature of its organization for profit.

Mr. POMERENE. It is given authority under this act to organize?

Mr. OWEN. Yes; that is quite true; but there is no publicly controlled bank with foreign branches all over the world charged with the duty of furnishing the member banks of the great Federal Reserve System with foreign exchange and with furnishing importers and exporters with the credit facilities and with the exchange facilities which are vital for the legitimate and urgently needed expansion of our import and export business.

Mr. President and Senators, with a trade balance in our favor of over \$3,000,000,000 for 1917, and with the American dollar backed by the largest amount of gold in the world, and backed

by the most active industrial life in the world, the American dollar is at a discount in the neutral countries of Europe of over 20 per cent, and even in South American countries is at a discount as high as 20 per cent.

The Secretary of State a few days ago, before the Committee on Appropriations of the House of Representatives, found it necessary to point out in his testimony there the astonishing condition that the American dollar was at a discount practically all over the world when all the world is indebted to America. It ought to be at a premium under such trade conditions, and there is something radically wrong in our international management when that condition is permitted to exist. It can be corrected, as I shall presently show. We lost \$100,000,000 last year by it; we lost more than that. We lost practically \$200,000,000 in our international exchange with Europe.

I submit, without reading, a table showing the imports and exports for 1916 and 1917, amounting to \$9,183,000,000 total of visible imports and exports, and showing a trade balance in favor of the United States of \$3,378,000,000. (See Exhibit A.)

I pause to remark that the trade balances must always be clearly understood as signifying only that state of the census of shipment of commodities shown on bills of lading, and do not in fact measure the full amount of international exchanges of value, but only commodities shown upon the commodity manifest customhouse records.

Our trade balance with Spain, for example, for 1917 was \$55,587,690, yet the Spanish peseta, instead of being exchangeable for our dollar at 19.30 cents, is selling for 24.30 cents, a flat loss of 5 cents out of 20 cents, or 25 per cent loss. In point of fact, the American dollar should be at 25 per cent premium in Spain, and not 25 per cent discount, so that our loss justified by the exchange balance of trade is twice as great as it appears. At all events, we certainly have a right to demand that our dollar, notwithstanding, should be at gold par in Spain.

There is a flat loss of 5 cents out of 20 cents every time an American merchant is compelled to buy a peseta with American gold or with American credit based on gold. In point of fact the American dollar should be at a 25 per cent premium in exchange, because they require \$55,000,000 of American money in order to pay their debt to us. They need the dollars, if we are only dealing with our exchange with them, and it is not fair to us that we should be put in the attitude of being required to pay a premium on their money when they ought to pay a premium on ours, if the exchange of commodities between the two countries is to determine that matter.

The fact that the Spanish peseta, however, is at a premium of 25 per cent means, in round numbers, that instead of an American dollar buying 5 pesetas it buys 4. It means that our merchants who bought \$36,000,000 worth of goods from Spain, which they paid for in pesetas, receive in Spanish commodities 25 per cent less than they would have received if our dollar was at gold par in Spain. It means that the Spanish merchants who bought \$92,000,000 worth of goods from us get with their currency one American dollar for 4 pesetas, and with that dollar, bought with 4 pesetas, get a like advantage in buying American goods, notwithstanding the fact that these pesetas in Spain do not leave

Spain. The Spanish currency in gold thus buys more and our gold currency buys less because of this unadjusted condition.

It means, as I understand it, that out of the transactions between Spain and the United States in 1917 of \$125,000,000 we suffered a net loss amounting to a fourth of this sum, approximately \$33,000,000. It is just as much taken out of the United States as if it had been taken out of the Treasury of the United States and transferred in gold and given to Spain. It is taken out from our merchants, from our consumers, from our producers, and given to the merchants and consumers of Spain. The United States Government understands this difficulty and is trying to correct it just now by arranging with France to establish a French credit in Spain that will bring Spanish exchange to par, because Spain is an international creditor. Take it altogether she has shipped out more goods than she has shipped in. So she is entitled to an international credit trade balance, and that has to be offset either in commodities, gold, or credit. The United States Government understands this difficulty, as I said, and is trying to arrange it. Spain has been reluctant to do this because of the extraordinary trade advantage of a premium on her currency to her and the matter has been hung up by the Spanish authorities. Besides this, we were compelled to ship Spain \$88,000,000 of gold to meet the debts of Great Britain and France to Spain, only to end, nevertheless, to our still unbalanced trade disadvantage, because Spain is still an international commodity creditor. The Spanish merchant takes 4 of his pesetas and buys an American gold credit dollar in London and with these dollars buys American commodities at a like discount, so the American exporter gets for his dollar a Spanish credit of but 4 pesetas when he should get 5 pesetas. He loses 1 peseta on every 4 pesetas, or 25 per cent loss. When the American importer wants to buy in Spain he takes his American gold dollar and, through London, gets 4 pesetas credit in Spain, suffering a like loss, which then falls on the American consumer in due course of trade.

Notwithstanding our furnishing \$88,000,000 of gold to Spain, we still suffer the consequences of the credit trade balance of Spain internationally considered.

The British and the French, both through private sources and by privately owned banks, are correcting this trade disadvantage of the premium on Spanish money, as far as some of their own special merchants are concerned, by establishing private banking credits in Spain and branch banks in Spain, which they will maintain until this unjust premium on Spanish exchange disappears, thus avoiding the loss to certain favored merchants of France and England, which our merchants are compelled to endure by the failure of our officials and of our bankers to safeguard in like manner our merchants. We have so far failed in the adjustment above referred to of furnishing credits in Spain. The premium on the Spanish exchange can be removed in the following ways:

Either by shipments of gold to Spain to settle her international credit trade balances or by arranging national or individual credits in Spain to cover these international credit trade balances until the international credit trade balances are removed, or by shipments of commodities to Spain to overcome the international

credit trade balances due Spain, or by forbidding arbitrage and having England and France settle their balances directly, as we would then do, and put our dollars at a premium.

The same thing is true in degree with Holland, Denmark, Norway, and Sweden. Our trade with Spain, including these countries, amounted in 1917 to \$450,000,000, involving a loss in 1917 of approximately \$100,000,000 instead of a gain of \$100,000,000, to which we are entitled by our trade balances.

We have no orderly method to protect our American merchants and American producers and American consumers against these losses. Our international bankers are interested as bankers in selling exchange, but they are not charged with the responsibility of establishing the American dollar at a premium or at gold par. They are naturally content with their commissions, charges, and profits for exchanges, which, apart from interest, amount probably to at least \$100,000,000 annually.

The United States, in order to establish the American dollar at gold par throughout the world and maintain the American dollar at gold par, must have a mechanism charged with the duty of safeguarding the American dollar as far as possible, such as I propose in the Federal reserve foreign bank.

For a half century the trade balances have steadily been in favor of the United States. We have a right to expect that this will continue, and that these trade balances will crystalize in the ownership by the people of the United States in securities and properties scattered throughout the world. This is what has made Great Britain the greatest financial power in the world. Great Britain has always had the wisdom to maintain the pound sterling at par. For this reason the pound sterling has become the standard measure of value throughout the entire world and has contributed largely toward making London the greatest commercial and financial center of the world.

The British Government buys London bills in New York and uses credits in New York in order to balance the deficit of an international trade-credit balance against her in order to keep the pound sterling at about par, so that a British merchant who handles the pound sterling as a measure of the transaction knows what he is talking about when he makes a contract, and the British Government finds it necessary to stabilize this measure of the British merchant's contracts. America has not had the wisdom to understand this, and I am now engaged in the business and the duty, as chairman of the Committee on Banking and Currency, of calling the attention of the country to this matter in the hope that the Congress of the United States will speedily correct it.

Mr. SHEPPARD. Mr. President—

Mr. OWEN. I yield to the Senator.

Mr. SHEPPARD. Through what agency does the British Government perform that function—through the Bank of England?

Mr. OWEN. Yes; through the Bank of England, which serves as the treasury of Great Britain; and the Bank of England is a bank whose directorship is controlled by merchants and not by the bankers.

Mr. SHEPPARD. I understand that no commercial banker is a member of the board of directors.

Mr. OWEN. No; he is not permitted to be, for a reason the United States ought never to lose account of—that that great bank has for its function the protection of the industry and commerce of Great Britain as a public institution. Although the stock is owned by private hands, that matters not at all. It is a public institution nevertheless, just as I propose here that this stock may be owned by private hands; but still it shall be governed by the United States Government. The trouble with the banker is that he always thinks in terms of interest, in terms of commission, and that is natural. That is not a criticism of the banker; that is his business. He is a merchant in credit and is not to be blamed that he thinks in terms of interest and commissions, and I must not be understood as meaning to criticize him at all.

I am only pointing out that he is not properly the custodian of the commerce of the United States; that is all; because he looks at it as a thing to serve his interest instead of looking at himself as purely to serve its interest. There is a difference in the point of view which is obvious.

I have prepared a bill, which I now submit (S. 3928¹) amending the Federal reserve act so as to establish a Federal reserve foreign bank. The 12 Federal reserve banks have found a field of such enormous activity in the domestic banking life of the United States that they have not been situated for adequately handling foreign business, further than the acquisition of a very small part of available foreign bills. They have utterly failed to meet the services expected. The foreign bank proposed is intended to serve as a medium through which all the reserve banks may safely, conveniently, and economically transact foreign business, if they wish; may buy and sell foreign exchange, and thus accommodate all of the banks in the United States, doing business with the Federal reserve banks, and to give like accommodation even to those banks and bankers who are not members of the Reserve System, in order that our importers and exporters, wherever located, may have every facility of buying and selling foreign exchange and establishing credits here and abroad for the purpose of buying foreign commodities and of selling domestic commodities abroad. It is intended by this act to provide banking accommodations to all our merchants who are buying and selling goods abroad, and to enable them the better to accommodate their home and foreign customers.

It has been said that nearly all the importers and exporters are located in New York City or in the immediate vicinity. As a matter of fact, the lack of these facilities, the very thing of which the country most justly complains, has compelled importers and exporters from the Pacific States, the Rocky Mountain States, the Mississippi Valley, and the Southern States to keep agents in New York to transact their import and export banking business, and this at great expense to them, and, moreover, the expense is one which has no justification in sound reason. In fact this is a great disadvantage to the importers and exporters of all the United States except New York City, and against this the country justly protests. Moreover, it has a most injurious effect upon the commerce of the United States, because

¹ See page 37.

the lack of these facilities throughout the body of our country prevents the expansion of export and import business with the body of our country, and is a thing which is against the development and prosperity of the United States.

Moreover, it is against the greater expansion and the greater prosperity of New York City itself, which would be benefited if the full powers of the United States in the export and import business could be developed, and that to its highest capacity, for, be it clearly remembered, finance is the handmaid of commerce, not commerce of finance—financial power follows successful commerce and decays with decaying commerce.

It has been said that this foreign bank would compete with the few New York banks having foreign-exchange facilities. It seems to me I heard something of this kind when we were framing the Federal reserve act. Then these New York banks bitterly complained that establishing 12 reserve banks would deprive them of deposits, of prestige, and of money-making power. Their lack of vision, as seen in the result, is fully evident. They have gained deposits enormously; they have gained prestige; they have gained increased power, with expanding power of the United States and its banking system. Only a half dozen New York member banks handle foreign exchange, and all of them should have these facilities through the foreign bank I propose.

The Federal reserve foreign bank would offer them facilities for serving their customers more economically, more efficiently than their own facilities can now afford. They would avoid the expense of keeping large deposits abroad, the expense of keeping foreign offices any further than their specialty might require them, and they could use this bank as an economical means of transacting their own business and would be able to liquidate their foreign bills through this bank in a manner which they can not easily do now. It would expand their power. It is true, I think, that where they are charging unreasonable commissions, unfair profits, and imposing unjust exactions which hinder the commerce of America, they would be, in the course of time, dissuaded from these practices by having a standard of fair value operating side by side with them. It would not interfere with their legitimate business. It might abate to some extent practices which are injurious to American commerce, injurious to our national development, and indirectly injurious to them in so far as they may be disposed to kill the goose that lays the golden egg. Our American bankers have not sufficiently realized that banking grows with commerce. The power and dignity of London are based on the verity of this conception. It will be remembered that the Bank of England has its directorate composed exclusively of merchants and not of bankers. They do not permit bankers merely to be on this board of directors for the obvious reason that the banker, who thinks in terms of interest and commission and profits and exactions, is not happily constituted to determine the best methods of serving commerce. Many bankers fail to really understand commerce. When Secretary McAdoo introduced Lord Cunliffe, governor of the Bank of England, as a banker, Lord Cunliffe quickly corrected this and said no, he was a merchant.

This foreign bank would make mobile and liquid the foreign deposits of American banks and would attract from abroad very large deposits of foreign banks who would like to use the facilities of this Federal reserve foreign bank.

The powers given to the foreign bank are the same which have been given to the reserve banks, except that the foreign bank does not look to the reserve banks or to the member banks either for capital or for reserve deposits. The capital to be used by the foreign bank it is proposed to obtain by the issuance of 5 per cent cumulative nontaxable stock, giving to the United States the surplus earnings after a 50 per cent surplus is provided for the foreign bank. It is proposed that this bank shall begin with a paid-up capital stock of \$20,000,000 and a present authorized capital of \$100,000,000.

The resources of this bank will be further supplemented by deposits from banks transacting foreign-exchange business, in its international transactions, from the deposits of the United States, of foreign Governments, and of foreign bankers. The same safeguards are thrown around the foreign bank as have been found wise in the case of the Federal reserve banks, with the same powers of issuing notes and receiving Federal reserve notes. But the foreign bank is particularly charged with the duty of facilitating financial transactions involving imports and exports of our merchants, and it will be the duty of this bank, as far as possible, to promote the parity of the American dollar in other countries, which will itself be a very great aid for American commerce.

The establishment of a gold fund in Washington by the 12 Federal reserve banks for adjusting their balances with each other by bookkeeping entries instead of by actual transfer of gold has served a great public economy, and the same thing can be done with international exchanges by establishing a gold fund in the United States and abroad to serve a like function.

A very important proposal of this bill is the concluding paragraph, to wit: "No bank, banker, corporation, or individual, other than the foreign bank, shall sell dollar balances at less than gold par, except as payment for merchandise imported into the United States, without the express authority of the Federal Reserve Board." It is the intention of this provision to prevent the transfer of credits to the injury of the parity of the gold dollar.

I digress here to say that we may now make the American dollar at par in Spain by transferring credits to Spain. All in the world we need to do is to transfer a credit to Spain sufficient to cover the international trade balance or a credit to pay for our own imports from Spain. The moment that is done the premium on the peseta disappears, because in normal times there is no premium on the peseta; and if you establish a credit there to be paid at some future time in pesetas, when the peseta is at par you are obviating this 25 per cent premium now on the peseta. It is perfectly plain. A citizen can do that; a single bank can do that; the Federal reserve banks can do it; the United States can and ought to do that now in order to safeguard our merchants from loss, and not to safeguard alone the merchants from loss, but to safeguard the American consumer and the American producer from such losses.

A nation is composed of the sum of its parts; a nation consists of individual units. When the individual merchant, as one of

the units of our commercial and financial life, suffers a severe loss he transmits it to the body of the people through the goods which he handles. If he buys the goods where the American dollar is worth only 75 cents on the dollar he passes the loss on to the consumer; or, vice versa, he passes it to the producer, if he is buying for shipment under such conditions.

The reason for this is that the present tremendous discount of 25 per cent on the American dollar in Spain has been brought about by the transfer of American credits through London and Paris to Spain and the refusal of Spain to adjust the international differences by like credit transfers. If Spain can do this to our injury and to her advantage, we should protect our dollar by the same principle, and it takes actions, not words.

The United States, Great Britain, and France are now urging Spain to agree to take French securities or French credits for the purpose of correcting this injurious discount on American, English, and French money, all of which are suffering from a like discount in Spain, due to Spain's refusal to adjust by transfer of international credits.

Mr. POMERENE. Mr. President—

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

Mr. OWEN. I yield to the Senator.

Mr. POMERENE. The Senator from Oklahoma has indicated that Great Britain has been able to protect herself, because of the Bank of England and her methods of doing business throughout the world, against the very conditions from which we are now suffering. If she has those facilities, why is she not at present able to protect herself against Spain?

Mr. OWEN. Mr. President, what Great Britain does actually now, so far as Spain is concerned, is that private banking concerns in Great Britain have established branches in Spain and have established credits in Spain; and by establishing credits in Spain they have those credits represented in pesetas. They are carrying those pesetas as a credit and selling those pesetas now to favored British merchants in London, to the protection of those merchants who have the wit to see what the loss is, while they leave the current exchange at a discount in London for the "accommodation" of those who do not see. What I am trying to do is to make America see. I do not want this to continue, and that is why I am delivering this address now to the Senate in the hope of also persuading the people of the United States.

I have many letters from importers and exporters urging that the dollar be brought to gold par.

The present war binds the United States to Great Britain and France so closely that the United States dollar, the English pound sterling, and the French franc suffer in precisely the same way so long as we extend the American credits to our allies in excess of our actual net nominal balance of trade.

The nominal balance of trade is arrived at by ascertaining the difference in commodity shipments and the actual balance of trade is a very different thing. The actual balance of trade must be ascertained not merely by commodities but also by credit transfers, and into the determination of the actual balance of trade we must consider not only exchange of commodi-

ties and exchange of securities but many other factors, such as freight charges by Great Britain, for example, at \$150 a ton for furnishing our supplies to them, but also the charges, commissions, and profits paid by us in foreign ports; the purchase by our troops in France of large local supplies; the traveling expenses of our citizens abroad, and many such items which are not registered in any census bureau; also the purchase of foreign properties by Americans, and also interest payments which the United States is required to pay on stocks and bonds held abroad; also the interest payments which are payable from foreign countries to the United States; also remittances by foreign residents in the United States abroad to their friends and relations and many such factors which are not within the power of anyone to give. But we know that when the demand for the American dollar ceases and the American dollar is not at par that then a condition has arisen from these various causes at which we are being injured in a very subtle and very practical way, which falls first upon both our importers and exporters, and, secondly, upon our consumers of imported products and upon our exported products, injuring America in its most vital parts. This I wish to correct. I demand its correction and appeal to our business men in America to hold up my hands in the effort to furnish them a mechanism through which these unjust discriminations against the American dollar shall absolutely cease.

When peace comes the United States will be charged with the duty of maintaining its dollar at par, whether Great Britain or France protect their money at par or not, but the United States and our allies should attend to this matter now, for it is injuring us all.

The bankers in the Scandinavian countries and in Spain do not feel safe in carrying large balances in the United States, notwithstanding the stability of our Government, because, since we permit a fluctuation in exchange, they do not know whether they will receive the same amount back when the time comes that they will want their funds at home, and for the same reason American bankers hesitate to place credits in these foreign countries because when they want their money back they may find that the differences in exchange are interrupting them and preventing them from receiving their funds back dollar for dollar. For that reason the lack of parity in the currencies of the various countries comprise a very serious obstruction to commerce and prevent the easy establishment of an international gold fund which would safeguard all countries from the expense of shipping gold back and forth 3,000 miles across the Atlantic.

Any person of sound reasoning faculty ought to be able to see this. Nevertheless those who are called expert in banking seem not to have had the vision to properly apprehend it.

Some of the New York bankers in foreign exchange advise me that the exchanges are now furnished to importers and exporters at such low rate that there is no profit in the business. Strangely enough the same gentlemen advised me that this foreign bank is highly undesirable because it will compete with them in this undesirable business.

My attention was called yesterday to an interesting transaction involving the purchase of commodities from Spain, in-

volving in round numbers approximately \$100,000, on which there was a charge of one-half of 1 per cent by a bank of Washington, D. C.; one-half of 1 per cent by the bank in Baltimore, Md.; one-half of 1 per cent by a bank of New York City; and one-half of 1 per cent by the bank in Barcelona, Spain, amounting to \$2,000 charges outside of interest, without any risk whatever against commodity shipments insured at par and a transaction which would take probably 30 days to cover, thus imposing a tax on this 30-day accommodation of 2 per cent. I do not complain of these banks in the least. They are looking at it from the point of view of the banker and not from the point of view of merchants, but since the bank in Washington had no facilities to deal directly with the bank in Barcelona, they go through two other correspondents for sundry reasons. Evidently, if there were a Federal reserve foreign bank, a member bank could furnish its customers the accommodation more economically than by this crude, unscientific, and very expensive system. It is probably true that in some very large international transactions the rate might be very low, but taking it as a whole these rates are high, and, moreover, it not infrequently happens that the bankers take other advantages of those engaged in commerce to participate in their commercial profits with which the bankers have no proper connection, just as under the old system bank directors would negotiate accommodations through their banks and be paid privately for their valuable influence, a practice which the Federal reserve act found necessary to stop, because it was levying an unfair tribute upon American commerce. There are bankers engaged in foreign exchange who advise me that this foreign bank is highly desirable and that it will enable them to transact their foreign-exchange business more economically by having one Government-managed agency through which this business can be conveniently and economically handled.

I was astonished to be told a few days ago by gentlemen employed by the Government as experts that it was desirable to have the American dollar at a discount in the neutral countries of Europe, because, among other reasons, while it was against the interests of the American importer, it was beneficial in the same degree to the American exporter, because one was the opposite of the other. I have carefully analyzed this astonishing statement and I am of the opinion that there is no foundation whatever for any such suggestion; that the exact contrary is true. It injures the exporter as much as it does the importer.

The American commodity producer who has a thousand dollars' worth of commodity in America is entitled to buy a thousand dollars' worth of commodities in Spain on a par gold basis, but when he exchanges his commodities for American dollars, or exchanges his American dollars for Spanish pesetas, he gets 4,000 pesetas instead of 5,000 Spanish pesetas. He loses 1,000 Spanish pesetas in the exchange. He is entitled to receive 25 per cent more than he gets. An attempt has been made to confuse this proposition by saying that commodity prices in the United States have risen more than they have in Spain and in the neutral countries of Europe. This confusing suggestion would be better plead if it were a fact. It happens not to be a fact, however, and would have nothing to do with the case if it were a fact.

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The point is that the American gold dollars will not buy on parity Spanish gold money. The fact is that the American gold dollar, because of international trade balances, arbitrage, gold embargo, and so forth, will buy only 75 per cent of Spanish gold money, regardless of commodities, and any attempt on the part of "experts" to cloud this issue with the suggestion that Spanish commodities have risen less than American commodities shows the poverty of argument of these gentlemen. They appeal to a statement of fact, which if true would be immaterial, and which is not shown to be true. Norway products rose on an average 110 per cent since the war; Sweden, 66 per cent; Denmark, 66 per cent; Netherlands, 54.8 per cent; Spanish commodities probably about 50 per cent. The average of staple commodities in the United States have not risen greater than this, although some specialties have done so where the allies urgently needed them.

The one unhappy fact appears to be that when the American producer, with his thousand dollars' worth of commodities, buys a thousand American gold dollars, he exchanges it for 75 per cent of Spanish gold money, and then with but 75 per cent of Spanish gold money he buys less of Spanish commodities than he would in normal times.

COMMERCE THE VITAL MATTER.

It is not a question, however, of merely accommodating foreign exchange banks, although this purpose will be served. The much more important matter is stabilizing foreign exchange as we have stabilized credits in the United States and lowered the interest rates in the United States by the Federal reserve banks. This bank ought to be controlled by merchants just as the Bank of England is controlled by those who are trained and specially skilled in commerce.

In a striking editorial by one of the greatest editors in the United States, Arthur Brisbane, of the Washington Times, of February 12, 1918, appears the following:

In the seventeenth century, when Cromwell had power, he asked himself first of all: "What does England need?" He knew that a commercial nation needed men that understood commerce.

And he points out that the policy of England established at that time of inviting to England men who understood commerce had resulted in the tremendous commercial growth of England, while those countries which treated men who understood commerce with indifference and with neglect and even with persecution went into decay.

America needs men who understand commerce. This bank ought to be controlled by men who understand commerce and not by bankers. The mechanism of banking is understood perfectly well by those who understand commerce, but the banker, who is engaged in banking for the purpose of making commissions, of getting the highest interest rate he can, does not sympathetically deal with commerce as commerce.

Men who have this point of view should not be in unrestrained control of American commerce, of the business of American importers and exporters, of American manufacturers, of American producers, of the interests of American consumers.

It was the inability of bankers to perceive that the commerce and industrial interests of America were superior to their private acquisition of property that made necessary the Federal

reserve act and which took out of their hands the power to fix credits in the United States, to make panics or squeeze credits from time to time in order that they might multiply their fortunes at the expense of the American people. They can still do that within degree, and they still do it within degree, beyond a shadow of a doubt. Any man who is familiar with Wall Street knows it perfectly well. The traders in stocks are very skillful in diagnosing the conditions when that situation arises, and those who are experts are enabled to play successfully on either the bull or the bear side, just as credits are being expanded or being contracted by those who measurably control the credit market in New York City. Under the Federal Reserve System, however, they can only now operate within a very restricted field.

It may be expected that gentlemen who take this view will oppose any activity of Government that will undertake to protect American foreign commerce. I shall desire these gentlemen to record their objections before the Committee on Banking and Currency in public, where their objections may be scrutinized with a microscope and answered by men engaged in importing and exporting in order that the truth may be made clear and that private interests shall no longer control the foreign commerce of the people of the United States. The United States Government should have as sympathetic an attitude toward foreign commerce as toward domestic commerce.

I call attention to an interesting editorial of Mr. Arthur Brisbane in the Washington Times of February 12, appealing for justice in this matter. [See Exhibit B.]

I submit an interesting editorial of the Journal of Commerce of February 11. [See Exhibit C.]

This very able editor of the Journal of Commerce points out that making foreign bills readily subject to rediscount would make such bills as liquid as domestic commercial paper. He points out that private banks sometimes hesitate to invest heavily in foreign bills because in case of a stringency they might not be readily saleable, while the foreign bank could immediately provide a ready market for such bills and when exchange was scarce, or when rates tended to advance, could ease the situation by selling exchange and so help in a most important way and lessen the injurious fluctuation of exchanges.

He points out the sound maxim that trade follows the loan, and that having a foreign bank properly organized for this service could be of substantial service to those engaged in expanding the foreign trade of the United States.

He points out very wisely that the prestige of Great Britain had been due to the fact that her foreign trade was established not only by efficient labor but by capital available in the right spot and at the right time and under the right conditions to facilitate foreign business and that this fact developed in Great Britain a large body of investors, accustomed to employing their capital in other countries; that their investments became the channels or outlet for the products of British industry just as the returns that came to them became the means of their financing other British imports and exports; that this accounts for the great world market in London. The same conditions are obviously essential to make New York City, and San Francisco,

and Galveston, and Chicago world markets by affording them like facilities.

He calls attention to the last words of President McKinley, warning "against the illusion that we could possibly have a permanent one-sided trade." In the long run imports are paid for by exports and exports are paid for by imports. The nations can not discharge balances of trade merely in gold, for they would exhaust quickly the gold basis upon which their currency is founded. America must encourage imports and exports. America must establish reciprocal trade relations with other countries. America must furnish her importers and exporters with a mechanism by which to accomplish this. This is the purpose of the bill I submit.

Through this bank we can accomplish many important results: First, we can give better facilities to our importers and exporters, and thus serve our manufacturers and our producers in field, forest, and mine. Second, we can thus enormously increase our foreign trade by extending these facilities through suitable credits, for commerce follows credit. We can make the capital of our importers and exporters go much further by giving them these facilities.

We can make more useful and more available United States credits now in foreign banks.

We can make and keep the United States dollar at gold par throughout the world and thus make the dollar the medium of international exchange and clear not only our own import and export business in American centers, but we can cause business between Asia and Europe to be transacted as it should be, through intervening financial centers in America, clearing sales of China tea, for example, to Russia through New York. These facilities will make the United States the financial center of the world, because we have the most gigantic and highly perfected banking system on earth, with the largest available capital resources in the world. The resources of the reserve banks alone are over three billions, and the bank resources of the United States now have a visible supply exceeding thirty billions.

It will lead to banks all over the world carrying balances in this foreign bank for the purpose of getting its accommodation. It will bring balances from foreign governments to this bank. I desire to see this bill perfected so as to meet the requirements of American commerce.

Recently the United States Chamber of Commerce held a very important convention of American business men at Atlantic City, lasting four days, September 17 to 21, 1917. This organization represents 400,000 merchants, wholesalers, jobbers, manufacturers, and business men, and they unanimously adopted the following resolution:

"Whereas the foreign trade of the United States for the last fiscal year shows a balance in favor of this country of nearly \$4,000,000,000; and

"Whereas loans to our allies greatly exceed our 'favorable balance of trade'; and

"Whereas the continuance of any set of conditions which tend to curtail imports, because imports represent the only form of cash payment which our entire foreign trade is yielding; and

"Whereas high foreign exchange premiums penalize imports and tend indirectly to increase the enormous inflationary debit balance which the Nation is rolling up against the future in the form of foreign loans; and

"Whereas the advances to our allies are now proving a boom-erang, leading to the depreciation of the American dollar in foreign markets because of lack of governmental regulation; and

"Whereas all our allies are now taking every step necessary to protect their own currencies abroad; and

"Whereas the American dollar is now at a discount of from 3 to 20 per cent in neutral foreign countries: Be it

Resolved, That the United States Government, through its proper departments, take whatever action may be necessary to keep at parity the American dollar in every country of the world."

I believe that the Congress and the President of the United States and the executive officers of the Government should respect this expression of public opinion, especially when it is founded on sound reasoning and good sense.

The President of the United States undoubtedly is in cordial sympathy with this desire of the business men of America to improve their facilities for doing international business, and I respectfully submit some of the expressions from addresses made by the President referring to this question and pointing out in advance who may be expected to oppose it, and why.

Mr. STONE. Mr. President, if the Senator will permit me, it is quite important that the parity of our money should be maintained abroad in every country. Is the Senator going to follow what he has just been stating by suggestions as to the best way to do that?

Mr. OWEN. I have already made suggestions by which it may be done in four different ways.

Mr. STONE. Well, I was not present at the time.

Mr. OWEN. I will repeat them for the Senator. It is a very simple matter. It can be done by a transfer of commodities, by a transfer of gold, by a transfer of credits, or by the forbidding of arbitrage. The forbidding of arbitrage, I might explain, means that a debt of Spain to the United States can not be canceled through London; it must be canceled direct. It prevents the shifting of credits from one nation to another nation for the purpose of canceling credits between other nations; in other words, if we forbid arbitrage, then our commodity trade balance would put the American dollar at a premium in Spain, and the same thing is true with regard to all the neutral countries. Great Britain could not then borrow from us large amounts of money, pay her debts to Spain and other neutrals, and leave the American dollar at a discount while she safeguards her private merchants by private arrangements of credit transfers from London to Barcelona and to Madrid. That is what I am trying to call attention to.

Mr. HENDERSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nevada?

Mr. OWEN. I yield to the Senator.

Mr. HENDERSON. Do I understand the enactment of the bill which the Senator advocates would correct the evil of which the Senator is now speaking?

Mr. OWEN. No; it would provide a mechanism by which to prevent its recurrence.

Mr. HENDERSON. It would be another one of the means for curing the evil referred to by the Senator from Oklahoma in reply to the Senator from Missouri?

Mr. OWEN. Yes; it would provide a mechanism by which the evil would not be permitted to recur in future and could, if passed, effect almost an immediate remedy.

Mr. HENDERSON. I merely refer to that because I do not think the Senator from Missouri quite caught the point the Senator from Oklahoma was making.

Mr. STONE. Not being a financier, or the son of one, I do not quite understand why, if England borrows money of the United States and gives her securities at par for our money at par, she would transfer that borrowed money to Madrid or Barcelona or any other place to pay debts at 75 cents on the dollar. How could she do that without very great loss?

Mr. OWEN. England, when she borrows money from the United States, immediately pays it out to her manufacturers—

Mr. STONE. Yes.

Mr. OWEN. And her manufacturers, having these credits transferred to London, can then transfer them to Spain to settle their debts to merchants in Spain; and when they do that they give Spain an international credit balance. The consequence is Spain does not need our dollars to pay her debts here, but she uses the dollars which she has obtained from the British merchant to pay her debts here and that leaves us with our dollars at a discount.

Mr. STONE. Well, what kind of dollars do they get from the British merchants to pay their balances?

Mr. OWEN. They get them in payment for commodities imported to London from Spain.

Mr. STONE. But are the dollars English dollars?

Mr. OWEN. No; they may be in the form of English money or American money—either one.

Mr. STONE. Or they may be an exchange of credits?

Mr. OWEN. They may be an exchange of credits. The dollar and the pound sterling are merely measures of value; that is all. When Great Britain borrows from us in dollars she converts them in pound sterling, which does not change the substance at all, but when she gets this money at London and transfers it to Spain she puts the dollar at a discount unless we protect it by a similar transfer of credits.

Mr. STONE. I presume that is perfectly clear, but I am still confused as to just how it can be done.

Mr. OWEN. It is not a difficult question if the Senator has had his attention directed to it at all. It at last comes down simply to this, that when Spain is an international creditor of commodities there is due to Spain either in French francs or in British pounds sterling or in American dollars a certain amount of gold in exchange for the commodities which she shipped in excess of those which she had imported.

Mr. STONE. And the money is to settle the balance?

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Mr. OWEN. These funds are required to settle the balance. When Spain occupies the position of an international creditor, then our money and the money of foreign countries dealing with her will be at a discount, unless we forbid arbitrage; and in that case she can not deal with us as one of a number of international allies, but must deal with us simply and directly on her indebtedness to us.

Mr. STONE. How is it with the pound sterling or the franc?

Mr. OWEN. They are both at a discount in Spain.

Mr. STONE. On a par with our dollar?

Mr. OWEN. No; they are a little below our dollar.

Mr. STONE. They run along the same general line, I presume.

Mr. OWEN. Along similar lines; yes. The pound sterling is about 2 per cent less and the French franc about 10 per cent less, due largely to large paper issues.

Mr. STONE. That is rather arbitrary.

Mr. OWEN. No; it simply follows the laws of trade and the charges which bankers feel justified in placing upon the business going over their counters.

Mr. POMERENE. Mr. President, the Senator read a moment ago the preamble and resolutions adopted by the United States Chamber of Commerce. In the preamble they make a statement to the effect that our loans to our allies have proven a boomerang, and as a result of these loans the American dollar has been depreciated abroad. Does the Senator indorse that sentiment?

Mr. OWEN. I do not indorse the language. The term "boomerang" is not an apt description of what has occurred to us. Extending these credits beyond a point where we safeguard our own balance with Spain, for example, has resulted in our dollar going to a discount. It could have been adjusted with comparative ease by the United States placing a credit with Spain to protect them. It only happened so because we have not the necessary mechanism. It ought not to have happened; there ought not to be any reason why such a thing should occur or should be permitted to remain.

Mr. POMERENE. The difficulty I have is to understand the casual connection which the United States Chamber of Commerce says exists between our making loans to our allies and the depreciation of our dollar abroad.

Mr. OWEN. What they mean is this, that Spain shipped a great deal more of her commodities abroad than she imported of foreign commodities into Spain. The consequence was that the outside world shipped to Spain \$88,000,000 in gold, and there was still a balance due Spain on the excess of commodities she exported over what she imported, so that the pound sterling depreciated, so did the French franc, and so did the American dollar.

Mr. POMERENE. Mr. President, unless I misunderstand, while that may account in part for the depreciation of the American dollar in Spain, I fail to see the casual connection between that depreciation and our making loans to our allies.

Mr. OWEN. What they mean by it is this, that the money we loaned to our allies went into Spain and put into Spain a large amount of surplus gold, but still left her an international

creditor. The consequence was the Spanish people did not need American dollars and put our dollar at a discount accordingly. That is what they mean by it.

Mr. STONE. Mr. President, was the American dollar a gold dollar?

Mr. OWEN. Yes, sir; it was a gold dollar. There is, however, this to be considered in connection with international exchanges, that the gold dollar now, to be adjusted by shipment across the sea, has to run the danger of the submarine; and the rate of insurance upon shipping gold has been rather high, at times going up as high as 8 and 10 per cent when the country was more alarmed than it needed to be. Then, besides that, there is in Spain a discount of 3 per cent on American gold, which does not circulate there.

Mr. JOHNSON of South Dakota. Mr. President, may I ask the Senator, with reference to that 3 per cent discount on gold imports, if it makes any difference whether the gold comes directly from this country or not?

Mr. OWEN. Yes. American gold does not circulate. There is no discount against British or French gold.

There is no reason why we can not have an agreement with Great Britain and with France to maintain the French franc and the British pound sterling and the American dollar all at par. We can do it simply by an adjustment of credits. That is all that is required, and that is what I am urging now, not so much for the purpose of dealing with the present mischief as for the permanent dignity and honor and power of this Nation; that our dollars shall be at par all over the world, and shall be, therefore, a constant measure of value all over the world. When that occurs, then we may expect the dollar to be the standard of measure and we may expect New York to be the financial center of the world. Until we do protect the American dollar we shall have failed to take one of the important steps which it is necessary to take. Of course, to make New York City, which is our great shipping port, the world center, as we hope some time it will be, the only way to do that is by doing as England did in making London the financial center of the world. It is through our merchants sending American-made goods to the ends of the earth and bringing back foreign goods to our shores for use here. It is commerce that will make New York a great financial center and not finance that will accomplish it.

EXTRACTS FROM VARIOUS PUBLIC ADDRESSES BY PRESIDENT WILSON AT THE PLACES AND TIMES INDICATED.

The President said in his speech in Baltimore, Md., September 25, 1916:

"One of the most interesting circumstances of our business history is this: The banking laws of the United States—I mean the Federal banking laws—did not put the national banks in a position to do foreign exchange under favorable conditions, and it was actually true that private banks and sometimes branch banks drawn out of other countries, notably out of Canada, were established at our chief ports to do what American bankers ought to have done. It was as if America was not only unaccustomed to touching all the nerves of the world's business but was disinclined to touch them and had not prepared the instrumentality by which it might take part in the great commerce of the round globe." (Baltimore, Md., Sept. 25, 1916.)

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"I have always believed, and I think you have always believed, that there is more business genius in the United States than anywhere else in the world; and yet America has apparently been afraid of touching too intimately the great processes of international exchange." (Detroit, Mich., July 10, 1916.)

"Men are colored and governed by their occupations and their surroundings and their habits. If I wanted to change the law radically I would not consult a lawyer. If I wanted to change business methods radically I would not consult a man who had made a conspicuous success by using the present methods that I wanted to change. Not because I would distrust these men but because I would know that they would not change their thinking overnight, that they would have to go through a long process of reacquaintance with the circumstances of the time, the new circumstances of the time, before they could be converted to my point of view." (Detroit, Mich., July 10, 1916.)

"I do not like to say it, but I have been impressed sometimes with the very marked difference between American business men whom I have talked with and foreign business men. I am not speaking of some of the men who stand highest in the management of American business. They seem to be veritable provincials, ignorant of the markets of the world, ignorant of the courses and routes of commerce, ignorant of the banking processes, even by which goods were exchanged." (New York, Sept. 4, 1914.)

"We have left it until very recently to foreign corporations to conduct the greater part of banking business in bills of exchange. We have seemed to hold off from handling the very machinery by which we are to serve the rest of the world by our commerce and our industry. And now, with the rest of the world impaired in its economic efficiency, it is necessary that we should put ourselves at the service of trade and finance in all parts of the world." (Extract from address delivered at St. Louis, Mo., Feb. 3, 1918.)

"America, of all countries in the world, has been timid; has not until the last two or three years provided itself with the fundamental instrumentalities for playing a large part in the trade of the world. America, which ought to have had the broadest vision of any nation, has raised up an extraordinary number of provincial thinkers, men who thought provincially about business, men who thought the United States was not ready to take her competitive part in the struggle for the peaceful conquest of the world. For anybody who reflects philosophically upon the history of this country that is the most amazing fact about it. But the time for provincial thinkers has gone by. We must play a great part in the world whether we choose or not." (Detroit, Mich., July 10, 1916.)

"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 of 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." (Joint session of two Houses of Congress, June 23, 1913.)

"I have found that I had a great deal more resistance when I tried to help business than when I tried to interfere with it. I have had a great deal more resistance of counsel, of special counsel, when I tried to alter the things that are established than when I tried to do anything else. We call ourselves a liberal nation, whereas, as a matter of fact, we are one of the most conservative nations in the world. If you want to make enemies, try to change something. You know why it is. To do things to-day exactly the way you did yesterday saves thinking. It does not cost you anything. You have acquired the habit; you know the routine; you do not have to plan anything; and it frightens you with a hint of exertion to learn that you will have to do it a different way to-morrow." (Detroit, Mich., July 10, 1916.)

"We have not been accustomed to the large world of international business, and we have got to get accustomed to it right away. All provincials have got to take a back seat. All men who are afraid of competition have got to take a back seat. All men who depend upon anything except their intelligence and their efficiency have got to take a back seat. It will be interesting to see the sifting process go on." (Detroit, Mich., July 10, 1916.)

"We must cooperate in the whole field of business, the Government with the merchant, the merchant with his employee, the whole body of producers with the whole body of consumers; to see that the right things are produced in the right volume and find the right purchasers at the right place, and that, realizing that nothing can be for the individual benefit which is not for the common benefit." (Baltimore, Md., Sept. 25, 1916.)

"Not until the recent legislation of Congress known as the Federal reserve act were the Federal banks of this country given the proper equipment through which they could assist American commerce, not only in our own country but in any part of the world where they chose to set up branch institutions. British banks had been serving British merchants all over the world, German banks had been serving German merchants all over the world, and no national bank of the United States had been serving American merchants anywhere in the world except in the United States." (Baltimore, Md., Sept. 25, 1916.)

"The national banks of the United States, until the recent currency act, were held back by the very terms of the law under which they operated from some of the most important international transactions. To my mind that is one of the most amazing facts of our commercial history. The Congress of the United States was not willing that the national banks should have a latchkey and go away from home. They were afraid they would not know how to get back under cover, and banks from other countries had to establish branches where American bankers were doing business to take care of some of the most important processes of international exchange. That is nothing less than amazing, but it is not necessary any longer. It never was necessary; it was only thought to be necessary by some eminently provincial statesmen. We are done with provincialism in the statesmanship of the United States, and we have got to

have a view now and a horizon as wide as the world itself." (Detroit, Mich., July 10, 1916.)

"My fellow citizens, this is what I believe: If I understand the life of America, the central principle of it is this, that no small body of persons, no matter how influential, shall be trusted to determine the policy and development of America. You know what you want in your business. You want a fair field and no favor. You want to be given the same opportunity that other men have, not only to make known what you have to sell, but to sell it under as favorable conditions as anybody else; and the principle of the life of America is that she draws her vitality not from small bodies of men who may wish to assume the responsibility of guiding and controlling her, but from the great body of thinking and toiling and planning men, from whom she draws her energy and vitality as a Nation." (Philadelphia, Pa., June 29, 1916.)

"A literary friend of mine said that he used to believe in the maxim that 'everything comes to the man who waits,' but he discovered after awhile by practical experience that it needed an additional clause, 'provided he knows what he is waiting for.' Unless you know what you are looking for and have trained eyes to see it when it comes your way, it may pass you unnoticed. We are just beginning to do, systematically and scientifically, what we ought long ago to have done, to employ the Government of the United States to survey the world in order that American commerce might be guided." (Washington, D. C., Feb. 3, 1915.)

"Then came the currency reform. You remember with what resistance, with what criticism, with what systematic holding back, a large body of bankers in this country met the proposals of that reform; and you know how, immediately after its passage, they recognized its benefit and its beneficence, and how, ever since the passage of that reform, bankers throughout the United States have been congratulating themselves that it was possible to carry out this great reform upon sensible and solid lines." (Washington, D. C., June 26, 1914.)

"Bankers, as body of experts in a particular, very responsible business, hold, and hold very clearly, certain economic facts and industrial circumstances in mind, and possess a large and unusually interesting mass of specialized knowledge of which they are masters in an extraordinary degree. But I trust you will not think me impertinent if I say that they excuse themselves from knowing a great many things which it would manifestly be to their interest to know, and that they are oftentimes singularly ignorant, or, at any rate, singularly indifferent, about what I may call the social functions and the political functions of banking." (Denver, Colo., Sept. 30, 1908.)

"The trouble with some men is that they are slow in their minds. They do not see; they do not know the need, and they will not allow you to point it out to them. If we can once get in a position to deliver our own goods, then the goods that we have to deliver will be adjusted to the desires of those to whom we deliver them, and all the world will welcome America in the great field of commerce and manufacture." (Detroit, Mich., July 10, 1916.)

"Not until the recent legislation of Congress known as the Federal reserve act were the Federal banks of this country given

the proper equipment through which they could assist American commerce, not only in our own country but in any part of the world where they chose to get up branch institutions. British banks had been serving British merchants all over the world, and no national bank of the United States had been serving American merchants anywhere in the world except in the United States." (Baltimore, Md., Sept. 25, 1916.)

"We have not been accustomed to the large world of international business and we have got to get accustomed to it right away. All provincials have got to take a back seat. All men who are afraid of competition have got to take a back seat. All men who depend upon anything except their intelligence and their efficiency have got to take a back seat. It will be interesting to see the sifting process go on." (Detroit, Mich., July 10, 1916.)

Mr. Paul M. Warburg, in "Essays on Banking Reform in the United States," says:

"The only modern bills in our country are the so-called 'foreign-exchange' bills drawn on European banks and bankers, which are indorsed, and which always have a ready market. But what an anomalous position! Instead of having the credit of the entire country available in the shape of millions upon millions of modern paper which Europe might and would buy, we must rely on the willingness and the ability of a few banks and bankers to use their own credit by drawing their own long bills on Europe. This is a costly and most unscientific mode of procedure which is in no way adequate to the necessities of the situation."

And in his "Discount System in Europe" Mr. Warburg said:

"It is inconceivable that the United States, a Nation that leads the way in industrial progress and that more than any other nation weeds out old machinery and replaces it by the newest appliances, should be either unable or unwilling to modernize thoroughly its financial system and to discard old-fashioned financial machinery which other people have long since thrown upon the scrap heap."

Mr. Justice Brandeis, in "Other People's Money," said:

"The great monopoly in this country is the money monopoly. So long as that exists our old variety and freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the Nation, therefore, and all our activities are in the hands of a few men who, even if their actions be honest and intended for the public interest, are necessarily concentrated upon the great undertakings in which their own money is involved and who necessarily, by every reason of their own limitations, chill and check and destroy genuine economic freedom. This is the greatest question of all; and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men."

The Reichsbank of Germany has a foreign portfolio which has increased in importance from year to year until the paralysis of the present war, but the German Government is now making the most elaborate plans for protecting its commerce after the war, to the ends of the earth, with proper credit and banking facilities.

The Bank of France has the right to discount foreign paper, and is using it with great ability. But France is also making elaborate preparations for safeguarding its commerce at the end of the war.

The Bank of England has relied upon acceptance houses and private bankers in England to handle a large part of the foreign banking business, but nevertheless the English Government is now making elaborate preparations to safeguard its commerce, providing adequate credit and banking facilities throughout the world at the end of this war. The details of what is being done by Great Britain and by France I add as a supplement to my remarks as taken from the Commerce Reports, December 27 and 28, 1917, pages 1177 and 1194. I ask to have those exhibits printed without reading.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibits E and F.)

Mr. OWEN. No thoughtful man can deny that the United States must rise in its dignity and majesty of power and adequately meet the demands which will arise at the immediate close of this great world war.

What I have desired to point out, Mr. President and gentlemen of the Senate, is that our present facilities and our present statutes have proven ineffective. We authorized the Federal Reserve Board to require the Federal reserve banks to establish this foreign accommodation and it has not been done; and I do not think it would be easy to accomplish it through the mechanism, for instance, of the Federal reserve bank of New York, for the reason that the directorship of the Federal reserve bank at New York City is controlled by a few banks that are engaged in these international banking operations, and they probably would regard it as trespassing upon their preserves in some way. They will not stop to digest it. They will regard it as an innovation, just as they did the Federal reserve act, and they will be opposed to it; and I have no doubt that they have been enabled to prevent its being done in New York, although I have no detailed information about that. But I will say that the Federal reserve bank of New York has enough to do to handle the great volume of domestic business piling in upon them; and that work, I am sure, they have done with great ability and with great efficiency.

What I want to point out is the need for a mechanism by which the commerce and industry and manufacturing powers of the people of the United States shall have the means of imports and exports, shall have the opportunity of buying and selling bills of exchange against imports and exports, and shall have the necessary credit facilities, and shall have a competent authority where a merchant can wire and ask whether or not a merchant in Buenos Aires has a good credit, and whether he would be safe in making an important shipment of merchandise to him from the United States. Until our people have that kind of information conveniently at their hands, free from any suspicion of personal interest, the commerce and industry of the people of the United States will not have the means for adequately expanding.

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I regard this matter as one of very great importance, and will have it considered in due time by the Committee on Banking and Currency of the Senate; and I hope the House committee will consider it, and that we may arrive at some substantial adjustment of the matter.

I thank the Senate for its patience.

APPENDIX.

EXHIBIT A.

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, February 4, 1918.

IMPORTS AND EXPORTS, BY GRAND DIVISIONS AND COUNTRIES.

Total values of merchandise imported from and exported to each of the principal countries during December, 1917, and the 12 months ended December, 1917, compared with corresponding periods of the preceding year, were made public to-day by the Bureau of Foreign and Domestic Commerce of the Department of Commerce, as follows:

Imports from—	Month of December—		12 months ended December—	
	1917	1916	1917	1916
Grand divisions:				
Europe.....	\$40,617,322	\$59,107,818	\$551,144,599	\$633,316,883
North America.....	56,506,340	47,686,900	871,982,524	658,433,120
South America.....	49,689,439	43,786,488	598,818,532	427,009,562
Asia.....	62,142,195	45,422,209	758,237,165	516,704,047
Oceania.....	12,792,804	4,827,542	99,221,196	93,673,332
Africa.....	6,183,397	4,003,231	73,063,939	61,893,333
Total.....	227,911,497	204,834,188	2,952,467,955	2,391,635,335
Principal countries:				
Austria-Hungary.....		27,980	64,937	631,251
Belgium.....		156,835	158,022	1,479,342
France.....	8,662,632	10,488,210	98,639,653	108,893,119
Germany.....	451	138,209	159,352	5,819,472
Italy.....	3,219,301	4,789,202	35,489,807	60,235,172
Netherlands.....	747,674	3,689,940	22,744,504	43,602,076
Norway.....	261,481	84,802	6,280,233	6,430,316
Russia in Europe.....	2,661,145	83,848	12,550,179	4,478,990
Spain.....	3,496,232	3,673,167	36,881,630	32,577,377
Sweden.....	329,403	5,505,941	18,069,487	18,856,633
Switzerland.....	1,826,252	1,927,923	19,834,668	22,414,383
United Kingdom.....	16,574,793	25,765,390	280,080,175	305,486,952
Canada.....	36,232,354	23,753,953	413,674,846	237,249,040
Mexico.....	9,858,406	10,399,693	130,434,722	105,065,780
Cuba.....	5,058,741	9,108,597	248,598,199	243,728,770
Argentina.....	17,560,443	12,509,181	178,245,833	116,292,647
Brazil.....	8,233,119	14,286,609	145,274,931	132,067,378
Chile.....	13,618,362	5,914,498	142,597,929	82,123,995
China.....	8,402,995	6,352,337	125,106,020	80,041,851
British East Indies.....	20,992,304	17,138,997	259,629,897	201,190,844
Japan.....	23,692,557	17,268,621	253,669,709	182,090,737
Australia and New Zealand.....	7,403,284	1,682,769	32,002,203	55,826,228
Philippine Islands.....	4,633,395	2,718,912	62,386,641	34,162,081
Egypt.....		2,944,041	27,352,444	29,533,795

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Exports to—	Month of December—		12 months ended December—	
	1917	1916	1917	1916
Grand divisions:				
Europe.....	\$323,690,436	\$349,558,509	\$4,054,362,029	\$3,813,278,324
North America.....	155,135,812	93,285,797	1,264,688,666	924,553,649
South America.....	33,700,646	22,787,859	312,420,985	220,266,818
Asia.....	60,465,901	42,447,145	431,149,591	364,959,155
Oceania.....	14,591,876	9,751,896	117,158,921	105,572,649
Africa.....	6,279,609	5,402,574	51,464,784	54,010,506
Total.....	593,864,280	523,233,780	6,231,244,976	5,482,641,101
Principal countries:				
Austria-Hungary.....				61,771
Belgium.....	8,400	6,691,023	22,628,659	30,998,928
Denmark.....	134,363	4,165,928	32,388,864	56,329,490
France.....	73,564,381	58,706,507	940,510,070	860,821,006
Germany.....		1,142,353	3,275	2,260,634
Greece.....	1,030,494	1,431,702	8,477,603	33,685,689
Italy.....	46,162,066	37,974,651	419,095,473	303,530,476
Netherlands.....	7,899,931	11,345,624	90,520,301	113,730,162
Norway.....	1,668,338	4,224,745	62,966,850	66,209,717
Russia in Europe.....	816,462	23,097,932	314,639,528	309,806,581
Spain.....	10,159,988	6,577,521	92,469,320	64,316,888
Sweden.....	503,364	5,990,309	20,900,854	47,967,590
United Kingdom.....	177,433,009	185,209,430	2,001,031,104	1,887,350,665
Canada.....	101,767,255	60,939,523	829,972,331	604,908,199
Central America.....	4,861,129	4,008,658	52,206,466	46,531,841
Mexico.....	15,485,408	4,415,374	111,111,541	54,270,283
Cuba.....	24,652,166	18,846,295	196,350,315	164,666,037
Argentina.....	11,583,945	7,192,128	107,641,805	76,874,258
Brazil.....	6,566,030	5,210,987	66,207,970	47,669,050
Chile.....	7,586,863	3,919,899	57,483,996	33,392,887
China.....	6,366,898	3,645,538	40,203,612	31,516,146
British East Indies.....	7,290,060	3,775,091	42,746,749	30,799,916
Japan.....	40,199,201	14,821,946	186,347,941	109,156,490
Russia in Asia.....	525,675	16,540,391	109,169,243	100,701,673
Australia and New Zealand.....	6,474,755	7,351,503	76,909,225	81,305,968
Philippine Islands.....	7,804,316	2,268,853	38,148,726	22,775,491
British Africa.....	5,215,449	2,508,294	39,023,443	32,448,177

Statement of imports and exports, 12 months ended December, 1917.

	Exports.	Imports.	Balance in our favor.
Netherlands.....	\$90,520,301	\$22,744,504	\$67,775,797
Norway.....	62,866,850	6,280,233	56,586,617
Spain.....	92,469,320	36,881,630	55,587,690
Sweden.....	20,900,854	18,069,487	2,831,367

EXHIBIT B.

[Editorial, Arthur Brisbane, Esq., Washington Times.]

TO THE PRESIDENT AND MR. MCADOO—IS THERE ANY WAY OF MAKING THE AMERICAN DOLLAR WORTH 100 CENTS IN NEUTRAL COUNTRIES ABROAD?

This question, it seems to us, is important.

The United States has forbidden gold exports, which is wise. Since gold is a fetish among the nations, let us keep our fetish supply at home.

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But while we keep our gold at home, let us arrange in some way so that the American dollar will not be marked down too low on the bargain counter of other countries.

The dollar in Spain is worth 75 cents or less in Spanish money.

The same thing is true of China, Sweden, Norway, Holland, and Denmark. In all the neutral countries the American dollar is worth much less than 100 cents.

There ought to be some way to stop this.

Mr. Warburg, of the Federal reserve bank, might devote his mind to the problem—he has excellent financial ability.

This is written primarily for the President of the United States and the Secretary of the Treasury.

If it is the duty of the Government to protect the American citizen abroad, it is also the duty of the Government to protect the dollar abroad. The dollar travels and buys for the citizen.

Federal reserve exchange and credit banks on the other side properly organized would be able to attend to the matter.

This is a creditor Nation in every sense of the word.

The world owes us billions.

And our exports are far in excess of our imports.

In other words, the outside countries, including the neutrals, owe us much more than we owe them. Therefore our dollar should be the best dollar.

The thing can be arranged, and it ought to be.

The four big neutral countries—Spain, Norway, Netherlands, Denmark—owe us every year tens of millions more than we owe them, because our exports exceed our imports.

Spain, for instance, must pay us forty-one millions more than we pay to Spain in one year.

Our money ought to be at a premium; it is just the other way round.

Senator OWEN, chairman of the Banking and Currency Committee of the United States Senate, is to be congratulated upon the interest that he has shown in this unnatural and harmful condition.

The American buying in a neutral country should not be obliged to pay \$1.25 for \$1 worth of goods.

And the buyer from a neutral country should not be able to buy a dollar's worth of American goods for 75 cents of his own money. And that is the present condition.

EXHIBIT C.

[From the Journal of Commerce and Commercial Bulletin.]

FUTURE CONDITIONS OF FOREIGN TRADE.

The bill introduced by Senator OWEN to establish in connection with the Federal Reserve System of banking an organization designed to furnish facilities not now available for the promotion of American foreign trade seems to be a step in the right direction. The idea is that the Federal foreign-trade bank shall occupy somewhat the same position toward international trade that the reserve banks at present occupy toward domestic trade. As matters stand, private banks can extend a certain amount of credit to exporters and importers, and may derive some assistance from the reserve banks by having their foreign bills rediscounted under prescribed restrictions. Should the proposed system come into operation, the investment of an individual bank in foreign bills, being readily subject to redis-

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count, would become practically as liquid as its domestic commercial paper, which can be immediately discounted at the reserve banks. Under the existing system banks sometimes hesitate to invest heavily in foreign bills because in case of stringency they might not be readily salable. The foreign-trade bank, however, would provide an immediate market for such bills, and when exchange was scarce and rates tended to advance would ease the situation by selling exchange and so helping to lessen the fluctuation in rates. All this is very much to the good, and, considering the soundness of the axiom that trade follows the loan, the proposed legislation, properly guarded, could hardly fail to be of substantial service to the men engaged in expanding the foreign trade of the United States.

But in this matter it is well to keep a firm hold on first principles. The United States grew and prospered and built up great wealth out of the natural resources of this continent. But there has been a steady flow of raw materials from this country to Great Britain and western Europe, to be there manufactured and distributed around the world. A protective tariff enabled us to keep some of these materials for manufacture here, chiefly for domestic consumption. But the necessity of the tariff was an admission that the sum of the influences for cheap production and distribution was against us. These influences were chiefly the supply, first, of labor and then of capital, but they included experience in industry and foreign trade, and the prestige, good will, and facilities of an established business. The superabundance of capital which existed in Great Britain before the war caused an overflow from that country to be directed around the world. There was thus developed in the United Kingdom a large body of investors accustomed to employ their capital in other countries, and their investments naturally became the channels of outlet for the products of British industry, just as the returns that came to them were the means of financing British imports. There has been a great, free, readily accessible market in London for all the commodities of commerce, not merely a market for the country's own products and for what it consumes, but a distributing market for the rest of the world. British ships have been in every port, British bankers and traders in every mart. There has been British capital available everywhere, ready to build a railway, buy a brewery, open a mine, or move the products of the country to market. It is the combination of these conditions which made London the clearing center of the world and the pound sterling the standard of value.

Our success in taking the place that rightly belongs to us in the markets of the world must largely depend on our readiness to imitate the liberal conception of what really constitutes commerce which gave the United Kingdom the position which it had attained. One of the last words of the late President McKinley was a warning against the illusion that we could possibly have a permanently one-sided trade, but there are abundant evidences that the false conception which he tried to dissipate still retains a good deal of its vitality. If Great Britain must resume her financial and industrial rôle after the war, with greatly impaired resources and enormously increased burdens, she at least takes up the commercial struggle with the enormous advantage of having to learn very little about the conditions

under which it can be most successfully prosecuted. In one respect the war has been almost incredibly beneficial to British industry, and that is by demonstrating the extraordinary gains that may be made in manufacturing efficiency. Take, for example, this illuminating passage from a book just published by authority of the Council of the British Association on Industry and Finance: "The increased output in shells which has in large measure been attained since the foundation of the ministry of munitions and the subsequent recruitment of female labor for work in the factories, with all the adaptation and rearrangement that has been effected for the purpose of speeding up, has never been more strikingly illustrated than when it was officially declared that a year's output at the rate attained in 1914-15 is now provided in the following periods: Eighteen-pounder ammunition, in 13 days; heavy howitzer shells, in 7 days; shells for medium guns and howitzers, in 5 days; shells for heavy guns, in less than a day." As the London Economist remarks, this record not only shows a wonderful achievement in time of war, but gives serious reasons for thought concerning the inefficiency, whatever may have been its cause, of the organization on which it has been an improvement. That the keying-up process has not been confined to war industries is sufficiently evident from the returns of British foreign trade for the last calendar year. Here commercial exports figure for the very respectable total of \$2,625,000,000, which, though less than half the total of our own export trade, excludes most of the supplies incidental to the promotion of the war, which in our case figure for over \$600,000,000. It may be incidentally noted that the British exports for the year of cotton yarns and textiles aggregated \$730,000,000, while our own appear to have been very little in excess of \$150,000,000. That a Britain with only one arm free should have been able to make such a record in the competition for the world's trade suggests possibilities, of which we would do well to take heed, of what may be accomplished by a Britain with both arms available for industrial production.

EXHIBIT E.

CAPITAL FOR AFTER-WAR TRADE.

[Alfred Nutting, clerk in American Consulate General, London, England,
Nov. 30.]

The minister of reconstruction has established, in conjunction with the treasury, a committee on financial facilities after the war, the object of which is to anticipate and provide methods to overcome the financial difficulties that will arise in connection with commerce and industry. The vast number of factories which have been diverted from their normal trade to war work will face a critical period between the time when hostilities cease and the time when it is possible for them to return to their prewar activities, for an interval more or less lengthy must occur during which it will not be possible to revert to former productiveness, while the question of cost in restoring factories to conditions formerly prevailing will require careful consideration and the preparation of plans to provide the necessary money and capital. Apart from that aspect there is the certainty that largely increased costs of raw materials, higher

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wages, and a much greater value on stock in hand or on credit will have to be met, requiring fresh capital, while longer credit may be necessary.

Some of the most important matters with which the committee will be empowered to deal will be the extent of the aid that banks and financial houses will be able to render; if such help should appear likely to prove insufficient, what other sources of credit can be sought; and by what method can the required capital be most efficiently distributed, in the event of a shortage, among essential trades and commerce.

COMMITTEE REPRESENTS ALL BRANCHES OF COMMERCE AND INDUSTRY.

The members of the committee appointed to deal with this fundamental subject of finance and capital after the war include representatives of banking, financial, commercial, and industrial circles, and are not restricted to London concerns, but include those vitally interested in industries and workshops throughout the country. The chairman of the committee, Sir R. V. Vassar-Smith, Bart. (chairman of Lloyd's Bank, one of the two largest banking corporations in the United Kingdom), in a recent address before the Institute of Bankers, said:

"The financing of our industries will be immensely facilitated by trade organization. During the war we have seen our productive industries organized on a large scale and under the control of the State. Both organization and control were forced upon us by war. As regards State control, I hope and believe that the necessity for it is temporary. As to trade organization, I firmly believe that the necessity for it will remain after the war. It is no new thing, this tendency to production and organization on a large scale, though it has not shown itself so much in this country as in some others. The day of small industries on individual lines is gone. Our manufacturers and traders must organize for united effort. This will have the closest bearing on questions of finance. An unstable, unorganized industry is the despair of bankers. I have confidence in stating that an industry organized on large lines has seldom lacked financial support in this country, and in spite of financial stringency, which we shall doubtless have to face, it is not likely to suffer in the future."

It is stated that the committee will commence work immediately.

EXHIBIT F.

FRENCH PREPARATIONS FOR TRADE AFTER WAR.

[Commercial Attaché C. W. A. Veditz, Paris, Oct. 26.]

Since the outbreak of the war numerous French writers upon commerce and industry have discussed in detail the economic consequences of the war and the problems of reorganization that will need to be solved after the termination of hostilities. Nearly all of them have insisted upon the importance of developing France's export trade, and their suggestions in this connection have been both critical and constructive. That is to say, they have pointed out those features of the present situation that must be remedied and have also proposed a series of new measures and organizations that are now totally lacking.

Naturally enough, the French foreign service has been subjected to a critical examination with regard to its efficiency as an agency for the promotion of export trade; and an impression

has prevailed that it is susceptible of improvement in that respect.

The chief Government agency for the promotion of French export trade in the office national du commerce extérieur, intrusted by the law of March 4, 1898, with the task of furnishing French merchants and manufacturers with such commercial information as is likely to contribute to the development of French foreign trade and the expansion of French markets in foreign countries and in the French colonies and protectorates. The office national has the aid in this task of three groups of agencies—the diplomatic and consular services, the French chambers of commerce, and the foreign-trade counselors. The office maintains a collection of foreign-trade catalogues, which it analyzes and brings to the attention of interested French firms. It puts the benefit of its investigations at the disposal of French merchants and manufacturers. Unlike the United States Bureau of Foreign and Domestic Commerce, which is the corresponding American institution, it furnishes confidential information concerning the standing and financial resources of particular foreign firms. The office receives daily inquiries from foreign agents and importers, who are put in touch with French firms that have indicated an interest in foreign markets, and it keeps a classified list of French exporters. The office also undertakes to bring together groups of French exporters who would be unable individually to maintain an export organization. Whenever the office has cognizance of foreign-trade opportunities, particularly of important orders to be placed competitively by public or private corporations, such opportunities are brought to the attention of interested French chambers of commerce, trade associations, or even individual firms whose names are registered with the office.

THE FOUR DEPARTMENTS AND THEIR FUNCTIONS.

The work of the office is carried on by four departments. The first has to do with publications and information concerning the commercial standing and reputation of foreign houses. The publications of the office are the following:

The *Moniteur Officiel du Commerce* is normally issued every Monday. Its publication ceased at the outbreak of the war but will shortly be resumed. The *Moniteur* reports changes in foreign tariff laws, in French commercial legislation, and in the commercial laws of foreign countries. This publication has the exclusive right to the reports of French consuls and diplomats on commercial subjects. In brief, the *Moniteur* is the commercial-information periodical of the French Government, resembling in general the daily *Commerce Reports* of the American Government. It contains the trade opportunities brought to its notice that are likely to interest French exporters and manufacturers.

The office ordinarily issues weekly a *Feuille d'Information*, or *Bulletin of Information*. This publication also was stopped at the outbreak of the war but will soon be taken up again. It contains the more important news items and reports issued in the *Moniteur Officiel*. This bulletin is regarded as an efficient agency of trade propaganda; it has a large circulation in France and is posted publicly in railway stations, city halls, schools of commerce, and other places where it is likely to attract public attention. Its aim is to furnish general trade information and to

stimulate an interest in export trade, even among those manufacturers and tradesmen who have previously shown no disposition to seek business in foreign markets.

The third class of publications of the Office National consists of the so-called *Dossiers Commerciaux*, or commercial documents, each relating to a particular commodity or group of commodities, or to the export market offered by a particular country or district. These documents often contain confidential information not intended for general circulation. They furnish detailed and specialized information along some specific line, likely to interest only those French dealers or manufacturers engaged in that line. They are furnished only to bona fide French firms located either in France or in its colonies.

Finally, the office publishes, in the form of monographs, the results of special investigations into the market for particular products singled out for such surveys. There have already been published such special monographs relating to wines, cutlery, porcelain, glassware, canned-food products, and the collection of credit claims abroad. The most recent of these *Notes Commerciales* concern the different sections of Morocco, investigated from the standpoint of exports and imports and with regard to agriculture and colonization.

The office national furnishes, free of charge, information concerning the standing and commercial rating of foreign firms and has in its files a large collection of catalogued cards enabling it in many instances to furnish such data without delay. It also furnishes the names of lawyers prepared to take charge of claims for the collection of unpaid bills abroad.

Another department of the office is concerned with the dispensation of general commercial information, the transmission of samples, and the furnishing of technical data. It undertakes to provide exporters of a given product with data concerning the principal nations exporting that product and with details concerning the requirements of particular markets. It furnishes lists of foreign dealers and importers and undertakes, on behalf of French inquirers, to purchase, on their account, samples, catalogues, and so forth.

A third department of the office specializes in matters of customs tariffs and trade statistics. It undertakes to furnish information with regard to import and export duties, commercial and navigation treaties and regulations, importation in bond, certificates of origin, trade-marks and patents, etc. It also seeks to keep fully informed concerning statistics of production, consumption, imports, and exports.

A fourth division of the office national is concerned with transportation matters. It keeps track of transportation charges, both by water and by rail, of ocean freight and insurance rates, of postal charges and regulations, of telegraphic rates and regulations, of port charges and navigation taxes.

ASSOCIATION NATIONALE D'EXPANSION ECONOMIQUE.

Since the outbreak of the war the importance of encouraging French export trade, particularly after the termination of the conflict, has seemed to warrant the establishment of several new organizations and agencies, and special attention has been given to the efficiency of German methods of trade expansion (as set forth, for example, by Henri Hauser in his book, *Les*

Méthodes Allemandes d'Expansion Commerciale). Several new groups have been founded to aid and encourage the exportation of French products. The first and one of the most important of these is the Association Nationale d'Expansion Economique, formed under the leadership of the Paris Chamber of Commerce, which is a semiofficial organization having close relations with the French Government and especially with the ministry of commerce. The purpose of this organization is to prepare for competition after the war, for the new economic and commercial dispensation that will inevitably follow the cessation of hostilities. The association is divided into several committees intrusted with the study of particular branches of the export trade. It comprises the most important, if not all, of the chambers of commerce throughout France and of the various manufacturers' and merchants' associations in the Republic.

This association held an important commercial congress last March, which was presided over by the minister of commerce and which discussed some of the more important problems that will confront the nation in connection with the resumption of normal economic life at the end of the war. The most important single accomplishment of the association thus far is the preparation and publication of a rather complete survey of the industry, commerce, and agriculture of France, with particular reference to the problems and conditions that will arise after peace is restored. The reports in which the results of this survey are given number 70, and their subjects are as follows: General report; the woolen industry; the felt industry; silk and silk goods; ribbons and silk and textiles partly of silk; trimmings and braid; ready-made clothing; the cotton industry; flax and hemp goods; laces and embroideries; jute; hosiery and knit goods; dressmaking; women's wear ("la mode"); furs, lingerie, perfumery, etc.; leather, hides, and shoes; chemical fertilizers and other chemical products used in agriculture; dyestuffs; the products of large-scale chemical industry; coal; the extractive industries; the metallurgical industries; mechanical construction; electrical materials and construction; hardware; watches and clocks; optical glass; the photographic and cinematographic industries; jewelry; toys; ceramics and glassware; surgical and sanitary articles; paper; book publishing; resin and resinous products; trade in wood and lumber; food products; fishing; the merchant marine; mineral-water and health resorts; the hotel industry and tourist business; banking and credit; insurance; colonial administration; the cereal crops; the cattle industry; the meat industry; cattle raising in the colonies; dairy products; the exportation of wines; the exportation of liqueurs; forestry after the war; fruit and truck farming; horticulture; industrial plants (beet sugar, hemp, hops, etc.); the trade in seed; agricultural resources of colonial France; agricultural machinery and equipment; agricultural labor; the exportation of farm products (on which subject there are nine reports, covering the principal export markets for French agricultural products).

The Association Nationale maintains a bureau of commercial information prepared to advise French exporters concerning customs duties, import and export regulations, black lists and the blockade, transportation rates and regulations, the exchange situation, taxes, antifraud legislation, colonial conditions, and

trade opportunities. It also maintains a department for commercial translation work and issues a bulletin designed to keep its members informed promptly of changes in commercial laws, tariff rates, etc. The association will publish annually an Index of French Producers in the French, English, and Spanish languages, to be circulated widely among foreign jobbers, purchasers, and importers. It has already begun the publication of a monthly review, called *L'Expansion Economique*, containing a section of industrial and commercial notes, a section of agricultural notes, articles on current economic topics, and a summary of industrial and commercial news relating to France and the principal commercial nations of the world.

OTHER NEW ORGANIZATIONS TO PROMOTE AND PROTECT FRENCH TRADE.

Of somewhat more recent formation than the Association Nationale is the Union Nationale pour l'Exportation des Produits Français et pour l'Importation des Matières Premières, founded by M. Raoul Peret, former minister of commerce. This organization seeks above all to encourage the grouping of French manufacturers and dealers in order that by this means smaller producers who are unable independently to maintain an export organization may be able to enter the export trade. It is believed that by forming such cooperative groups of comparatively small concerns it will be possible to deal advantageously with steamship and railroad companies and to obtain the special benefits now confined to the larger establishments that have created and maintained their own export organizations. It is the ambition of this association to foster the creation of such groups and to create transportation companies under its own control.

Quite different are the aims of the Union Intersyndicale des Marques (a union of manufacturers' associations for the protection of trade-marks), founded by a well-known electrical engineer, M. Raynald Legouez. The main purpose of this organization is to protect French manufactures against imitation and misrepresentation. It is held that the Germans have been in the habit of selling their own goods as of French manufacture, not only on neutral markets but even in France; also that products nearly finished in Germany have in the past been shipped to France and finished there in order that they might be sold as French goods. The Union Intersyndicale is therefore carrying on an active campaign to persuade French manufacturers to place upon the market only goods that bear the distinctive label of the union—with the letters U. N. I. S.—as a guaranty of French origin. The union hopes to include all important groups of French manufacturers and thus to prevent the sale of goods that are not marked with the label of the union.

MOVEMENT FOR ESTABLISHMENT OF ANNUAL FAIRS.

In addition to organizations of the kind described, attention should be called to the movement in France in favor of annual fairs or markets comparable to the famous German fairs at Leipzig. The first experiment in this direction was made by Senator Herriot, the mayor of Lyon, in March, 1916, when Lyon held its first sample fair (*Foire d'Échantillons*) and 1,342 exhibitors took part. The second Lyon fair, held in March and April, 1917, was attended by 2,593 exhibitors, 424 of them being from foreign countries, with 25 representing American firms.

It is reported that during the fair the exhibiting firms obtained orders amounting to about 200,000,000 francs.

In September, 1916, Bordeaux held a fair, but this was considered as devoted especially to the products of French colonies and to wines and foodstuffs, for which Bordeaux has always been a center of great importance. The second Bordeaux fair, held in September, 1917, repeated the success of the first.

In May, 1917, Paris inaugurated a fair, in which special attention was given to the so-called "articles de Paris" and "articles de luxe" that play so important a part in the industrial and commercial life of the French capital. Other cities have indicated a disposition to undertake similar projects; it is stated, for example, that Marseille contemplates having its annual fair. There is, of course, some danger here that the rivalry of French cities may militate against the establishment of a fair that will be truly national or international, and it now appears likely that the fairs of Paris and Bordeaux will specialize in certain groups of commodities, in the production or handling of which these cities play a leading part, whereas the Lyon fair will be of a more general character and thus become a real rival of the one at Leipzig.

NEW COMMERCIAL PUBLICATIONS.

In addition to the new organizations to which reference has been made, and to the newly established French fairs, the awakening interest in French export trade is manifested by the publication of a large number of new reviews, newspapers, and other periodicals devoted to commercial subjects, and especially to the expansion of French foreign trade. Easily the foremost of these is the *Exportateur Français*, published weekly under the editorship of Maurice Ajam, deputy and former under secretary of state. Mention should also be made of *Le Soir*, a daily commercial newspaper; *La Victoire Economique*, a weekly newspaper; *Le Moniteur du Commerce*, published weekly; *L'Initiative Commerciale*, a monthly review; *Commerce et Industrie*, a monthly; and *Mercure*, the organ of the French Federation of International Commerce. All these publications give special attention to French export trade.

A bill (S. 3928) to amend the act approved December 23, 1913, known as the Federal reserve act, as amended by the acts of August 4, 1914, August 15, 1914, March 3, 1915, September 7, 1916, and June 21, 1917.

Be it enacted, etc., That section 14 of the act known as the Federal reserve act be, and is hereby, amended as follows:

Strike out all in paragraph (e) of section 14 and insert in lieu thereof:

"(e) To establish accounts with other Federal reserve banks and with the Federal reserve foreign bank."

After section 25 insert a new section, as follows:

"Sec. 25a. There is hereby created a Federal reserve foreign bank of the United States, to be under the supervision of the Federal Reserve Board, and to be located in the city of New York, State of New York.

"The Federal reserve foreign bank of the United States, hereinafter referred to as the foreign bank, shall have an authorized capital of \$100,000,000, and shall begin business with a paid-up capital stock of \$20,000,000. The stock of such bank shall be offered at par to the banks of the United States and to the public by the Secretary of the Treasury, any stock not subscribed for to be taken by the Treasury of the United States subject to sale at the option of the Secretary of the Treasury.

"The capital stock of the foreign bank shall pay 5 per cent annual dividends if earned and shall not be taxable by any State or municipal-

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ity or by the United States. The 5 per cent dividend if not earned in any one year shall be cumulative. Any surplus shall be distributed as follows: One-half to surplus and one-half to the United States, until 50 per cent surplus on the then outstanding capital shall have been accumulated, and thereafter such surplus dividends shall be paid into the Treasury of the United States.

"The Federal Reserve Board shall prepare an organization certificate and file the same with the Comptroller of the Currency.

"Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said foreign bank shall become a body corporate, and as such shall have the power—

"First. To adopt and use a corporate seal.

"Second. To have succession for a period of 20 years from its organization, unless it is sooner dissolved by an act of Congress.

"Third. To make contracts.

"Fourth. To sue and be sued, complain and defend, in any court of law or equity.

"Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this act, to define their duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees.

"Sixth. To prescribe by its board of directors, by-laws, not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

"Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this act.

"The foreign bank shall be conducted under the supervision and control of a board of directors, consisting of nine members, appointed by the President, upon the advice and consent of the Senate.

"One of the directors appointed by the President shall be known as the governor, one as vice governor, and one as the Federal reserve agent. The directors shall name a committee of five as an executive board to actually manage the affairs of the bank. The members of the board shall be citizens of the United States, over 35 years of age, and be men of tested mercantile experience, and be fairly representative of the various parts of the United States.

"The directors shall be designated by the President to serve for from one to nine years, respectively, and thereafter each member so appointed shall serve for a term of nine years, unless sooner removed for cause by the President.

"After the first year the directors shall annually elect the governor and vice governor from among the directors appointed by the President of the United States.

"The salaries of the directors and officers shall be fixed by the Federal Reserve Board and be paid from the earnings of the foreign bank: *Provided*, That the governor of the foreign bank shall receive \$25,000, the vice governor \$15,000, and the reserve agent \$10,000.

"The directors of the foreign bank shall receive in addition to their salary a reasonable allowance for necessary expenses in attending meetings of the board.

"The board of directors shall perform the duties usually appertaining to the office of directors of banking associations and perform all such duties as are prescribed by law.

"Said board shall administer the affairs of the foreign bank fairly and impartially and without discrimination, and shall, subject to the provisions of law and the orders of the Federal Reserve Board, extend to Federal reserve banks and to member banks, and to all other banks and bankers throughout the country, and to foreign banks and bankers such accommodations as may be safely and reasonably made in relation to foreign banking business.

"The powers of the foreign bank shall be as follows:

"To receive deposits from American and foreign banks and bankers, from the United States or foreign Governments, in current funds in lawful money, national-bank notes, Federal reserve notes or checks and drafts, payable upon presentation, and also for the collection of maturing notes and bills.

"The foreign bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or which are to be used for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act.

"The aggregate of such notes, drafts, and bills, bearing the signature or indorsement of any one borrower, whether a person, company, firm, or corporation, rediscounted for any one bank, shall at no time exceed 5 per cent of the net unimpaired capital and surplus of said foreign bank, but this restriction shall not apply to the discounting of bills of exchange drawn in good faith against actual existing values. The foreign bank may discount acceptances of the kinds permitted under the authority of this act.

"The foreign bank shall not at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the following nature:

"First. Notes of circulation.

"Second. Moneys deposited with or collected by the foreign bank.

"Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the foreign bank or due thereto.

"Fourth. Liabilities to the stockholders of the foreign bank for dividends and reserve profits.

"Fifth. Liabilities incurred under the provisions of the Federal reserve act. The discounting and rediscounting and the purchase or sale by the foreign bank of any bills receivable and of domestic and foreign bills of exchange and of acceptances shall be subject to such limitations, restrictions, and regulations as may be imposed by the Federal Reserve Board.

"The foreign bank shall have power—

"(a) To deal in gold and silver coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

"(b) To buy and sell, at home or abroad, bonds and notes of the United States, bonds and notes of foreign Governments, and bills, notes, revenue bonds, and warrants, with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

"(c) To purchase and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions as hereinbefore defined;

"(d) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount and exchange and commissions for the opening of credits at home or abroad, to be charged by the foreign bank for each class of paper which shall be fixed with a view to accommodating commerce and business.

"(e) To issue bank notes and receive Federal reserve notes upon like terms and conditions as now provided for the Federal reserve banks.

"(f) To open credits at home and abroad for account of domestic and foreign banks or bankers, to facilitate exports and imports to and from the United States, and exports and imports to and from one foreign country to another foreign country.

"(g) Upon the direction and under rules and regulations prescribed by the Federal Reserve Board to establish branches and agencies in foreign countries for the purpose of facilitating commerce with the United States.

"(h) No bank, banker, corporation, or individual, other than the foreign bank, shall sell dollar balances at less than gold par except as payment for merchandise imported into the United States without the express authority of the Federal Reserve Board."