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The need of Europe for a stable gold-secured currency as a means of measuring contracts in manufacturing, buying and selling, increasing production, and restoring the purchasing power of Europe—Senate bill 2915.

REMARKS
OF
HON. ROBERT L. OWEN,
OF OKLAHOMA,
IN THE SENATE OF THE UNITED STATES,
Friday, January 20, 1922.

PROPOSED FEDERAL RESERVE FOREIGN BANK.

Mr. OWEN. Mr. President and gentlemen of the Senate, I again call the attention of my colleagues, and especially of my Republican colleagues, and appeal to them to consider the proposal I submitted January 4, Senate bill 2915. Action on this subject promptly is of vital importance to our foreign commerce. It offers an important means to restore the value of our agricultural and manufactured commodities, to relieve our industrial depression, to engage our unemployed labor, to stimulate the industrial activities of Europe, to enable Europe to buy our commodities, to assist Europe to repay us the loans we made to England, France, Italy, Rumania, Belgium, and Russia.

The bill proposes to give Europe the wonderful benefits which we receive and enjoy from the wise and sound principles of the Federal reserve act and the enormous gold supply we have built up under that system; that there shall be established a Federal reserve foreign bank for European operations, with \$500,000,000 gold capital, owned by our 12 Federal reserve banks, with power to issue \$2,500,000,000 in bank notes—denominations, \$1, \$5, \$10, \$20, \$50, \$100, \$1,000, and \$10,000—to be issued against 100 per cent sound short-term bankers' bills, secured by 100 per cent of staple, merchantable, insured commodities, title covered by documents, with a 20 per cent gold reserve for redemption purposes, redeemable in gold at London, Paris, and Berlin by member banks only; that such bank should lend such currency notes against such bankers' bills, and thus furnish the people for till money and pocket money, and to the banks of Europe \$2,500,000,000 of gold bank notes as a currency with which to measure business contracts and afford a stable measure of value in buying, selling, and contracting for the manufacture and delivery of commodities.

The most vital financial need of Europe is a dependable, stable international currency as a medium of exchange. America alone at this time is able to furnish such a currency, as America alone has the gold. We alone have the available gold.

We have 35 per cent gold reserves, against \$1,784,000,000 of deposits of member banks, equal to \$634,400,000, which is idle, useless, and unproductive, because the deposits can not, except in case of an occasional bankruptcy, be withdrawn under the statute, and could be paid in reserve notes even if the deposits of an insolvent bank were withdrawn. We can use \$500,000,000 of this unproductive gold and still leave the Federal reserve notes with 100 per cent of gold for redemption purposes.

The Bank of England during the Great War, although the bulwark of Great Britain's financial structure, got down to 8 per cent reserve without creating any financial disturbance.

It will be very profitable. These loans of \$2,500,000,000 of bank notes would approximately pay 3 per cent, or \$75,000,000 gold annually, and expand the service to the extent of European requirements.

The one great overwhelming need of Europe is a money equal in value to gold, and as stable as gold, in the pockets of the people, in the tills of the merchants, manufacturers, business men, and bankers.

Buyers and sellers with a fluctuating currency are terribly handicapped. The buyer finds the mark buys less in commodities as the mark falls in value, so that his money is losing value all the time. The seller finds his commodities bring marks of less gold value as the mark falls. When he tries to

save himself by raising the price in terms of marks it is to his disadvantage in selling. When he receives the marks for his goods, before he can buy new commodities the mark has again fallen in gold value. He suffers both ways. Measuring contracts by a fluctuating currency is like measuring silk cloth with a rubber yardstick; like selling oil by the can without defining the size of the can; buying coal by the bucket without knowing the size of the bucket.

It is chaos, hopeless confusion. Under such conditions the manufacturer, merchant, and business man is almost paralyzed. Productive activities and profitable commerce are well-nigh impossible. The greatest duty of statesmen is to promote the profitable employment of the people, to furnish them facilities in sound currency and credits, to remove obstructions to commerce and production, make raw materials accessible, promote transportation.

European business men would rejoice to have the use of this gold currency.

It would tend to immediately stabilize contracts and credits, stimulate production and employment.

It would tend to stabilize exchange.

It would greatly assist Germany to meet its reparation bills in gold payments, and thus help France, Belgium, Great Britain, and Italy.

It would help to make the gold dollar the standard measure of international contracts.

It would make the United States the greatest and most useful servant of mankind, and entitle America to the increased respect of the whole world.

It will enable Europe to create the commodities needed to pay America \$1,500,000,000 of debts and interest thereon.

It will preserve the gold standard and prevent Europe going permanently to a paper-money basis.

It will increase the demand for gold for monetary use in Europe, where such demand has largely ceased to the disadvantage of our excess hoarded gold and its purchasing power.

It will be profitable and earn a minimum of \$75,000,000 per annum.

It will stimulate our foreign commerce or exports and imports.

It will tend to raise the prices of our export products, to increase the employment and the wages of labor in the United States, and relieve our present industrial depression.

Foreign nations alone can place their currencies on a gold par basis. If they conclude to do that, they must balance their budgets, be economical, by taxes take up their surplus currency, and arrange a plan by which debtors will pay their debts or bonds on the gold basis of value, so that the debtor, whether a citizen or a nation, shall only pay the gold value originally advanced by the creditor. On this basis Governments would only tax their people to the extent of what the Government got in terms of gold when they sold their bonds. There must be some equitable adjustment between the debtors and creditors in Europe, between the bondholders and the taxpayers of Europe. It can be done, but it is a matter exclusively in the hands of the statesmen of the several countries involved.

We can nevertheless furnish them with a gold-secured currency and with credits, and this assistance to Europe I urge upon you.

We should agree to merge the interest on the European national debts to our Government into the principal of the debt for the next 5 or 10 years.

We should put the interest at the prewar rate, 3 per cent.

We should extend the time for paying the principal for from 30 to 50 years.

We should help them with our gold and give them a gold-commodity secured currency and the credits that would be easily afforded through the proposed Federal reserve foreign bank.

When we extend the payment of the European War debts to 30 or 50 years now we should do the same thing in the United States and extend the payment of the United States war bonds for a like period.

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