Fisheries, to make a survey of natural barren bottoms contiguous thereto within the State of Georgia, to be, and the recollection of the bill the words "be stricken out;" and the following:

LAW OF PORTO RICO.

The VICE PRESIDENT laid before the Senate the following message from the President of read, and, with the accompanying acts, relative to the establishment of a civil government for Porto Rico, and to incorporate the Ellen Wilson Memorial Homes:

H. R. 1090. An act for the relief of Alonso D. Cadwallader;
H. R. 1688. An act to amend an act entitled "An act to provide for an enlarged homestead," and acts amendatory thereof and supplemental thereto;
H. R. 2962. An act for the relief of Andrew J. Lawrence;
H. R. 3450. An act for the relief of Lottie Bany;
H. R. 4545. An act to amend an act entitled "An act to codify, revise, and amend the laws relating to the Judiciary," approved March 3, 1911;
H. R. 7295. An act for the relief of H. S. Hathaway;
H. R. 12220. An act for the relief of William A. Wallace;
H. R. 12503. An act for the relief of James W. McGreevey;
H. R. 15053. An act proposing an amendment to the Federal reserve act relative to accumulations, and for other purposes;
H. R. 20694. An act to provide for the appointment of a district judge. district attorney, and marshal for the western district of South Carolina, and for other purposes;
H. Res. 488. Joint resolution giving authority to the Commissioners of the District of Columbia to make special regulations for the occasion of the forty-ninth national encampment of the Grand Army of the Republic, to be held in the District of Columbia in the months of October 1915, and for other purposes incident to said encampment;
H. J. Res. 366. Joint resolution authorizing the Secretary of War to use any allotment made under the provisions of an act approved October 2, 1909, "An act to provide for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes," for the improvement of East River and Hell Gate, N. Y.

OPERATION OF FEDERAL RESERVE ACT.

Mr. STONE. Mr. President—

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

ADVANTAGES OF NEW BANKING AND CURRENCY LAW.

1. The Federal reserve system has already resulted in a very great relief to the public, due to confidence that aid can be obtained when needed and to the recognition of the fact that banking has now been made more safe and less subject to manipulation by a cooperation on the part of the northern banks with the Federal Reserve Board, in order to avoid a transfer of business to the Federal reserve banks in the regions applying for and obtaining lower rates than those charged by city banks to their country correspondents has been materially lowered in the borrowing regions, inasmuch as the northern banks offering money in the market have found it necessary to meet the rates established by the Federal reserve banks and approved by the Federal Reserve Board in order to continue the business to the Federal reserve banks in the regions applying for lower rates.

2. The rate of discount charged by city banks to their country correspondents has been materially lowered inasmuch as the northern banks offering money in the market have found it necessary to meet the rates established by the Federal reserve banks and approved by the Federal Reserve Board in order to continue the business to the Federal reserve banks in the regions applying for lower rates.

3. The Federal reserve banks themselves have already extended accommodations to banks which were in need of such aid up to about $18,000,000, while they have stood ready to increase this amount of accommodation many times over if desired.

4. The Federal Reserve Board has taken important steps toward standardizing commercial paper, with the result that good paper throughout the country is in process of being rendered uniform and hence generally marketable, thereby inuring lower rates to actual borrowers.

5. The Federal Reserve Board has devised and will shortly establish a plan for the purchase of bank clearings for the purpose of the inequalities and excesses inherent in the present system of exchange.

6. The Federal reserve act has legalized loans by national banks on farm security up to 25 per cent of capital, and thereby assured to the farmers a resource of which they have already been making use, but which has hitherto been refused to them because of the incidence of the law.

7. By providing for the use of the acceptance principle the Federal reserve act has begun the work of establishing a discount market wherein bank credit will be estimated at its actual value over the risk thereby aiding in the creation of a stable and uniform rate lower than could otherwise prevail and bringing our markets into direct relationship with European markets.

The Federal reserve act has provided a currency absolutely elastic and available at the demand of the business community. The elasticity of the currency is already established by experience, and over $20,000,000 of it is in circulation.

9. The Federal reserve act has provided a means of supporting the commodity price of the metals, thereby stabilizing the currency of the National Government—the two former through the open-market provisions of the act, and the latter through the reserve requirements of the short-term securities of a number of municipalities and States; the latter through the provision which permits the Government of the United States to deposit with the new banks and permits the banks to deal in the securities of the National Government.
Above all the Federal reserve act has provided for genuine
democratic control of the banking system, thereby enabling the small
banks to the extent of about $1,500,000, or 5 per cent, to share in the
common benefits that have accrued. The act has been designed to
prevent any unnecessary concentration of power in the hands of a few
large institutions, and to prevent the small banks from being
subjected to hardships because of the necessity they are
unavoidably subject to in their efforts to secure the best results
from the great business of banking.

The Federal reserve system was fairly inaugurated by the induction of the
Federal reserve banks into office, and only about two months
have elapsed since the reserve banks were opened. It is a technical fact
that the banks have not been able to secure the co-operation of the
people in the use of the reserve banks, but the technical fact that the
people are not interested in the reserve banks should not be
regarded as a reason for their failure. The technical fact that the
people are not interested in the reserve banks should not be
regarded as a reason for their failure. The people are not interested in the reserve banks because they are not
informed as to the possibilities that are inherent in the Federal
reserve system. It is only when the people are informed as to the
possibilities that are inherent in the Federal reserve system that they
will be able to appreciate its value. The Federal reserve system is
a system of banks, and the people are not interested in the
Federal reserve system because they are not informed as to its
possibilities.

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the strength of the demand which would otherwise be brought to bear upon the banks, and the federal reserve note system made the difference, which was brought about in the previous year, by advancing the credit facilities which the banks possessed. It is estimated that a sum of $500,000,000 had to be made available to the banks in the course of the year, as compared with $100,000,000 in the previous year, and that the amount of credit thus made available was equivalent to the amount of reserve deposits that would have been held by the banks if they had not advanced the credit.

The Federal Reserve Act of 1914 was designed to remove the congestion of credit facilities which existed in the banking system. The act established a Federal Reserve System consisting of a Board of Governors and twelve Federal Reserve Banks located in twelve districts. These banks were required to hold a reserve of currency and gold certificates, and to maintain a minimum reserve of 20 per cent of the amount of deposits in their respective districts. They were also required to make loans to member banks and to extend credit to the public, subject to the regulations of the Board of Governors.

The Board of Governors was given the power to set the rates of discount and to regulate the volume of credit available to the public. The rates of discount were established at a level that would be compatible with the needs of the economy and the ability of the banks to meet the demands for credit. The Board of Governors also had the power to issue currency notes in the form of Federal Reserve notes and to regulate the amount of currency in circulation.

The act was enacted to provide a more stable and regulated system of credit and to prevent the over-issue of currency notes. It was designed to prevent the recurrence of the financial crisis of 1893, when the over-issue of currency notes had caused a collapse of the banking system and a depression of the economy. The act was also designed to provide a more adequate and reliable system of currency than the existing one, which was based on the issuance of paper money by the state banks.

The board was to be established with a view to the prompt and efficient performance of its functions. The act provided that the board should be composed of seven members, who were to be appointed by the President, with the advice and consent of the Senate. The members were to serve for terms of five years, and were to be reappointed at the discretion of the President.

The Board of Governors was given the power to regulate the volume of credit available to the public, subject to the regulations of the Board of Governors. The Board of Governors was also given the power to issue currency notes in the form of Federal Reserve notes and to regulate the amount of currency in circulation.

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the reserve banks been in operation at the beginning of August they
would naturally have supplied the great volume of currency which
was called for by the rush of business done with a minimum of discom-
fort naturally was there has been temporarily taken from them by reason of
the increase in the money market. To meet the increased demand for
house certificates and emergency notes in the way already indicated.

The Federal reserve act wisely provided in section 14 for the promis-
curately to the Federal bank, in case of an emergency, to create new
bills of exchange in any amount. By this provision the Federal
reserves had passed, the duty of Investigating and, rounded numbers, that the Federal reserve system thus far had $300,000,000 in

The immediate call for it is over. It should be said that this Is the con-
he money that is currently in circulation. It is much more

But while the work which has thus far been done has been ben-
fic in all respects beneficial to the country and the Federal
reserves, the time may come when we will have to consider the con-
sequences of our present system. It may be that we will have to
consider whether it is advisable to modify or change the system in
any respect. If this were to be done, the Federal reserve banks
would be required to cease their operations and to turn over their
resources to the government. This would not be a hardship, as the
Federal reserve banks would be able to continue their operations
without any loss of revenue. The government would be able to
continue the work of the Federal reserve banks and to carry on
their operations in a more efficient manner. The Federal reserve
banks would be able to continue their operations without any loss of
revenue. The government would be able to continue the work of the
Federal reserve banks and to carry on

The Federal government had recognized the importance of the
Federal reserve system and had decided to continue its operations.
The Federal reserve banks had been established for the purpose of
supplying the currency that was needed by the people of the country.
They had been established as a means of stabilizing the currency
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banks which desire to build up their reserves must do so by securing bank credits with the Federal Reserve banks, and these bank credits can be obtained only if there is a reserve of eligible securities in proportion as they are rendered active, serviceable, and flexible by giving the Federal Reserve banks a proper appreciation of the power of these notes resting upon these deposits and in using them as a basis of their exchange operations. When that has been done it may truly be said that the credit of the nation has been nationalized, and the credit of the people and the new institutions that are springing up in the United States have been in the hands of the Federal Reserve banks since their opening, much has been accomplished in the way of placing

In the operation of our banking system on a secure, firm foundation. To the bankers of the country, I have said that these reserves were all independent; there was, however, a certain interdependence caused by the deposit of a certain portion of the reserves at the reserve agent in the reserve cities that were the seat of our export trade caused by the war, the constantly increasing bar of the Treasury, the banks, and in circulation on January 1, 1914, was estimated to be approximately nine hundred and four millions, while on January 1, 1915, it was approximately twelve hundred and twelve millions, a decrease of eighty-nine millions.

The establishment of the Federal Reserve banks is familiar to all. The steady exportation of our gold, the unprecedentedly high rates for foreign exchange, the derangement of the clearing system, and the failure to relieve the situation in the South, a cotton fund of over $135,000,000 was subscribed by the banks, national and State, in the reserve cities. This fund quickly demonstrated the desire and ability of the South to pay a large part of its export trade in gold, and gold, and was, in fact, in the face of the fact that a large import from the American market was supplied by the gold and silver of the Indian and other foreign countries.

The establishment of the Federal Reserve system has been, as I have said, the most important step in the recovery and is well to point out upon what theory the system is based and what it has already accomplished.

The right place it established lower reserve requirements, thus releasing an enormous amount of cash as a basis for future credit. Before the Aldrich-Vreeland Act was passed this was the law, but under the new law gold is no longer necessary in the reserve cities. The Aldrich-Vreeland Act by lowering the tax imposed upon the notes and the Federal Reserve Notes Act of 1916 the production of these notes was also facilitated by the Federal Reserve notes.

The establishment of the Federal Reserve system was thus a potent cause in our financial recovery, and it is well to point out upon what theory the system is based and what it has already accomplished.

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The establishment of the Federal Reserve system was thus a potent cause in our financial recovery, and it is well to point out upon what theory the system is based and what it has already accomplished.
Mr. SMITH of Michigan. Mr. President, the request of the Senator from Missouri [Mr. Stowe], to which there was no objection, prompts me to make a request. The case of the steamers which has recently been taken into port by the French Government and about which there seems to be a great deal of misunderstanding is bound to become a question of some importance in this country. I said during the course of the debate on this bill that I had to say about the purchase of the Dacia, a craft known for some time. I have a complete statement from Mr. Breitinger giving his entire connection with the Dacia purchase, and I am going to ask leave to have it printed as a public document. I believe that it will be very useful and that it is an eminently proper thing to do. I prefer the regulation on the Federal Reserve Board. Mr. WALTERS. Mr. President, I join in the request of the distinguished Senator from the State of Michigan [Mr. Sargent]. I have examined the papers submitted in connection with the Dacia purchase, and I am sure they will be of interest to the Senate. The situation is not one that should be overlooked that in a controversy of this character, particularly when it becomes the subject of diplomatic negotiations, public opinion is a factor that may well be reckoned with. I am unable to say, for want of information, anything about the Dacia except that it is a hulk, and other ships of that class, and I am certain that no one will argue that the transaction was an ordinary transaction, a purchase, and a complete and bona fide sale. I am sure the information given will be interesting to the public.

The VICE PRESIDENT. Is there objection to the request of the Senator from Michigan? The Chair hears none, and the order is made.

NAVAL APPOINTMENTS—CONFERENCE REPORT (S. DOC. NO. 96). The Senate resumed the consideration of the report of the conference on the amendment of the Senate to the bill (H. R. 29675), making appropriations for the Navy service for the fiscal year ending June 30, 1918, and for other purposes.

Mr. SMITH of Michigan. Mr. President, I desire to say just a word about the report. The Senate is to be commended for the work which has been done. They had a very difficult task to adjust the differences between the two Houses on the bill, and I feel very sure that they have done it in a way that will be acceptable to both Houses. The conference report now we will have to decide, and I think the work of the conference will be approved.

Mr. MILLER. Mr. President, on January 26, addressing the Senate on the naval appropriation bill, I used the following language:

It would be little short of a crime for the Senate to consider the appropriation bill for expenditures in the seven millions of dollars because of some supposed necessity. I am sure the people of this country would not be satisfied if we rushed the construction of battleships until we know what lessons the war will teach and show to be wise.

Continuing, I said:

It does seem to me, Mr. President, that we ought to wait until the war is over before we rush the construction of battleships. It is not suggested that we are going to ask leave to build six or ten of the kind of war vessels that we have to make, but I am sure that it may be considered wiser to have the country build the vessels that will prove to be the most useful and that it is an eminently proper thing to do. I am quite sure that the country will not be satisfied with less than 45 knots of speed on the surface.

With this assurance, I was content, and the amendment proposed by me and adopted by both Houses reports a bill at the next session on the best type of warship with or without limitations as to land cost. It would be far better to build 6 or 10 of the kind of war vessel than to increase those that may be demonstrated to be useless if the development of the submarine continues. It is of the highest importance that a submarine capable of running at 20 knots speed on the surface can be built, the days of the battleships are numbered.

I am unwilling to have the program on the increase of the Navy go to the country without this explanation and final word. The Senate, too, if we rush the construction of battleships, may not be wise with the construction of battleships, and I believe that the construction of battleships will not be wise.

With this assurance I was content, and the amendment proposed by me and adopted by both Houses reports a bill at the next session on the best type of warship with or without limitations as to land cost. It would be far wiser to build six or ten of the kind of war vessel than to increase those that may be demonstrated to be useless if the development of the submarine continues. It is of the highest importance that a submarine capable of running at 20 knots speed on the surface can be built, the days of the battleships are numbered.

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