

Williams' Terrific Indictment of Reserve Board

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the limits of my own direct experiences. Along the same line I have embraced in my annual reports, including the last, a number of suggestions for legislation to cleanse and strengthen our National Banking and Federal Reserve Systems. Among these is included the measure to give the Federal Reserve Banks, under proper safeguard, more latitude and power to render aid in an emergency, to member banks than is permitted under the law as it now stands. Other important changes in and additions to existing laws which my observation convinces me are needed, are set forth clearly in my last report to congress, submitted not many weeks ago; but these are not of special interest here.

I have attempted to indicate, briefly, how the Federal Reserve System might have been used, in my opinion, to lessen the difficulties with which our agricultural interests have been beset so sorely, and how it may be used in the future. It is not yet too late for the board to face about and help.

Government Expenditures Ensuing Year Can and Should Be Reduced to Three Billion Dollars and Excess Profits Tax Should Stop.

Turning now to more general matters, let me say that from such study as I have been able to give the subject, and based upon my experience and observations, I believe it possible for the ensuing fiscal year, beginning July 1st, for the present administration to reduce the total expenses of the government, including interest and a reasonable sinking fund on the public debt, to approximately three billion dollars, and in reducing receipts raised by taxation, I believe a way should and can be found to do away with the burdensome and complicated excess profits tax. We have been engrossed in fighting and winning a great war and in handling the immediate effects and results. The time for setting our house in order after the fray has come. I was an American before I was a Democrat, and like every other

man whose ambition is to be a good citizen, I hold the welfare of people and country far nearer my heart than any party or political advantage.

Therefore I hope most sincerely that the present congress and administration will complete the work of retrenching expenses and reducing taxes thoroughly and promptly.

Business World Getting Down to Bed-Rock. Readjustments in Steel and Iron Products; in Retail Dealers' Profits and in Wages, Yet To Come.

Before closing I will, if you will indulge me a little longer, say a few words as to present business and financial conditions, and the outlook. We are now, indisputably, closer to bed-rock than we have been for years, and we have it within our power to hasten the time when farms, factories, mills, mines and railroads shall again go forward at full speed.

For generations past the market for steel and iron has been regarded as the thermometer of trade. The prices for these underlying basic commodities have been regarded as an index of general condition of business. At the present time this is not entirely true, for in the great depression which now exists, the most acute perhaps that we have experienced in this generation, owing to the heat artificially applied to the bulb of the steel thermometer, steel and iron prices are still registering about 100 per cent above the pre-war basis. These artificial prices are adding enormously, directly and indirectly, to the cost of living and I believe firmly are doing much to block the road to business resumption and prosperity. They must be reduced radically.

The excessive profits still being exacted by some middle men and retail stores are also unfair and are delaying the needed increase in consumption and in production which must precede better times.

Like all who think and honestly hope for the welfare and happiness of our race, I am earnestly in favor of decent hours and liberal wages for the working man and of a fairer division of the joint products of capital and labor. But in making these adjustments there are great economic laws of which it is necessary for us to take cognizance. It is hopeless to attempt to force a rail-

road, or any other joint stock corporation or business enterprise to continue to operate at a heavy loss and to pay one class of employees eight or ten dollars a day, if there are hosts of men well qualified and anxious to do the same work for five and six dollars a day.

Principle of Eight-Hour Day and Efficiency of Labor Advocated.

I am an earnest advocate of the principle of the eight hour day, which has necessarily to be modified under some conditions, but I am equally strong in insisting that service rendered shall be efficient and thorough. Let me also add that it ought to be clear to any thinking mind that it is far better for manufacturers and business men of all kinds to keep their mills and factories going even if they have to operate at no profit, or at a small profit. It is also sound policy and common sense for the working man to accept such reduction in wages as may be necessary to enable his factory to operate rather than to precipitate a strike or a lock-out and earn nothing at all.

The twelve, fourteen and sixteen-hour days, seven days in the week, which it has been charged, have been, up to now, exacted by some great corporations are intolerable and inhuman. Eight years ago, as Assistant Secretary of the Treasury, my duties included supervision of the Bureau of Engraving and Printing, employing then about 4,000 workers, and under my instructions the Director of the Bureau arranged for operatives whose work was particularly monotonous and wearing to have a number of rest periods of say ten minutes each, at intervals during the day, without requiring them to work overtime for time so taken. He subsequently reported to me that as a result of that plan the efficiency and output of that department was increased about 15 per cent—more work performed in less time.

Regardless of whatever flaws there may be in its administration, our Federal Reserve System has, in the past, saved our country from conditions far worse than those which we are now enduring, and I believe that with the reversal of certain policies, and by the adoption of a constructive program the Federal Reserve System could now aid enormously in restoring lost confidence and in inspiring hope and a justifiable optimism.

Reserve Board Under Existing Conditions Should View With Shame Rather Than Pride Big Reserve Ratios.

There has, in my opinion, been an indefensible withholding of credit in many of the producing sections of the country when sorely needed. I stated frankly at a meeting of the Federal Reserve Board not many weeks ago that a HIGH RATIO OF RESERVE, indicating useless impounding of funds in Reserve Banks, under existing conditions, when money is so badly wanted for the vital purposes of agriculture and business of all kinds, was a thing for the board to be ashamed of rather than to boast of.

The time has come, in my judgment, when the rates of Federal Reserve Bank loans should be reduced to a maximum of 6 per cent per annum.

Rate on Bank Loans Secured by Liberty Bonds Should Be Reduced to 4 1/2 Per Cent.

On U. S. government bonds purchased and subscribed for at par upon which the banks are now lending the original subscribers, the discount rate to member banks should be reduced to 4 1/2 per cent, with a

proviso that the member bank shall reduce the rate to its customer to not exceeding 5 per cent.

Unused Lending Power of Federal Reserve Banks Now Fifteen Hundred Million Dollars Ten Times as Much as All National Banks of the Country Ever Borrowed at Any One Time Before 1914.

Prior to the inauguration of the Federal Reserve System, according to the official reports, the maximum amount of money which the national banks of the United States had ever borrowed at any one time on their bills payable and rediscounts was not over 150 million dollars. I know that our twelve Federal Reserve Banks at this time have an UNUSED LENDING POWER OF APPROXIMATELY FIFTEEN HUNDRED MILLION DOLLARS, or TEN TIMES as much as the maximum amount which all the national banks of the country ever borrowed at any one time on their bills payable or rediscounts prior to the European war.

Under such conditions as these, there is no reason why every farmer and business man in this country of good credit should not be able to obtain all the money needed for their conservative business wants—at least so far as the domestic requirements of our country are concerned. Obviously the question of funds for foreign trade while the world is upset as it is at this time is another problem yet to be solved.

Of course you do not expect, and I do not intend, that I pour out on you any theories of government or general program of legislation, domestic and foreign. I presume you have agreed on legislation you will ask in favor of the organized farmers and working men of the country. I have tried to give you for your consideration and mental digestion some of the thoughts brought to me by contact with conditions.

Policy Discussed by "High Official" to Put on "Still More Pressure" at This Time Resented as a "Mas-sacre of Business."

Precisely in point with what I have been saying and as illustration of what I may call callous, if not the brutal, attitude of some of our officials, let me read you a paragraph or two from the New York financial article printed in the newspapers the day before yesterday.

The writer of the article said: "From a talk I had today with one of the important officials of the Federal Reserve Bank here it appears that there is a consensus of opinion among the different governors of the Federal Reserve Banks favoring a continuation of present policies despite the criticism heard from all quarters for lower interest rates and withdrawal of pressure to force payment of outstanding loans. There are three general policies which might be adopted, it was pointed out. "One would be to ease up on interest rates, but that policy with the heavy inflow of gold, it was argued might result in a renewal of dangerous speculation and inflation.

"Another policy might be adopted that would result in putting on still more pressure, thus cleaning up the after-war mess in a hurry and getting it over. But if that course were adopted, it was pointed out, 'we would be a long time in picking up the pieces caused by the many forced failures."

"By far the best plan, it was urged, was the one now being followed, which permits continuous, but moderate liquidation."

It must be noted that the only objection mentioned by the "important official" of the Federal Reserve Bank quoted, to the plan for "PUTTING ON STILL MORE PRES-

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