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STIMULATION OF TRADE WITH GERMANY.

United States Senate,
Sub-committee of the Committee on Finance,
Washington, D. C.

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TUESDAY, JANUARY 30, 1923.

United States Senate,
Sub-committee of the Committee on Finance
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The sub-committee met, pursuant to call, at 10.30
o'clock a. m., Honorable Howard Sutherland presiding.

Present: Senators Sutherland and Frelinghuysen.

The committee thereupon proceeded to the consideration of
41 the following bill:

Senator Sutherland. We will hear you now, Mr.

Brauer.

Mr. Fairbairn. Before Mr. Brauer begins, I would like to make a short statement, Senator.

Senator Sutherland. Very well.

STATEMENT OF MR. A. D. FAIRBAIRN,

755 Princeton Place, Washington, D. C.

Mr. Fairbairn. I am authorized by J. S. Wanamaker, President of the American Cotton Association to state for him that he favors this bill and believes in it.

And I also represent what is known as the Farmers' National Stabilization Committee, an organization composed of a number of men prominent in farm organization work in the United States, all of them conservative thinkers. What we mean by "stabilization" is a means through which prices of farm products may become stabilized and become less fluctuating in their character. We do not mean that anybody shall guarantee anything.

The reason we are supporting this bill is that we believe it will have a very marked effect upon the stabilization of markets in the United States. None of us is in favor of giving Germany anything or of giving anybody anything, for that matter; none of us favor giving credit to the German government, unless this credit is supported by such collateral and such guarantees as are mentioned in this bill, which would be satisfactory to the Secretary of the Treasury. This bill provides for the total of a billion dollars of credit for Germany to be used in the course of three years; that is, at the rate of, I presume,

of about \$29,000,000 a month. So that you see the credit is doled out; it is not thrown upon the market immediately; it does not disturb the financial equilibrium, because we can absorb in this country that amount of credit each month without even creating a flutter upon the surface of credit in the United States.

Our organizations believe that something more than rural credits are needed; we believe, of course, in rural credits; we believe that the farmer has the right to obtain credit upon the same terms as ordinary commerce; we believe that the farmer is a business man. But at the same time we want the farmer to get the credit that is an asset as well as a liability, a debt out of which something is produced. And in order to do that it is necessary to find the means of marketing his product.

Now, if Germany can give us a guarantee which would justify us in extending that amount of credit, the obvious follows that she will buy about \$30,000,000 of our stuff a month, and that will mean the difference between poverty and riches of a very great many farmers, and our copper and cotton, wheat and corn industries and all that kind of thing would be immensely benefited by it.

I used up every ounce of energy I had during the war, spent time going there -- and they would not take me over to France -- to resist the German cause. But I realize the time has come when the world must begin to buy again and go back to work again, and I think one of the most potent influences in inducing France to become more reasonable and to

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accept a better settlement -- I mean by "a settlement"
acceptable
a settlement/to the world in general -- will be a
position taken by the United States that she is willing to
give her former enemy the means of coming back to some-
thing like normal industrially.

There is no more peril to the world than to have a large
part of it in a state of starvation or semi-starvation.

The Germans are great potential consumers, and they
need all these things that we have to sell them. Mr.
Brauer, of course, is able to tell something about the
security that Germany is able to offer.

Somebody has objected to this bill on the ground that
it gives credit to Germany exclusively, but that is not so.
Those of us who are supporting the bill are perfectly will-
ing that there shall be attached to it a provision that the
President or the proper authority may in his discretion extend
the same credit privileges to any other nation applying for
them, and that will give security sufficient to satisfy the
44 Secretary of the Treasury; and you know, Senator, that any
security that will satisfy Secretary Mellon will be per-
fectly good; there is not any question about that. He is a
man trained in finance, and he knows the value of securities.

So that we are not asking this country to give Germany
one dollar's worth of anything. We are absolutely opposed
to a policy of that kind, that is, the people I represent.
But we do say, "Give Germany a chance to come back through a
proper and orderly way."

Moreover, we are not championing Germany; we care very

little about Germany, except that they are human beings, as we are, with appetites as we have appetites, with desires as we have desires; and Christian friendliness for them is part of the American character, ingrained. But what we do care is this, principally: We want our farmers to become prosperous in this country, and they will become prosperous only if they get a market; and if the farmers are prosperous everybody else will share in that prosperity. It means the opening of factories, because, after all, the farmer is the greatest market there is.

Having said these few disjointed words, Mr. Brauer will discuss the bill in detail.

STATEMENT OF MR. WILLIAM WALLACE BRAUER,

303 SEVENTH STREET, N. W., WASHINGTON, D. C.

Senator Sutherland. Please state your full name, and where you live.

Mr. Brauer. My name is William Wallace Brauer; address 303 Seventh Street, Northwest.

Senator Sutherland. What is your occupation?

Mr. Brauer. I am a professional cattleman.

Senator Sutherland. An exporter of cattle?

Mr. Brauer. Yes. In connection with N. Lehman, & Company, Baltimore, I have sold many hundreds of thousands of cattle right from your country. That is my business, the exportation of cattle.

Senator Sutherland. Do you keep an office here to do this business?

Mr. Brauer. Yes, I do. There is no exporting done now, Senator, because the prices on this side are a little bit too high for the English market.

Senator Sutherland. Do you operate yourself or in connection with some firm?

Mr. Brauer. I operate only by myself now. I never have traded with other men; I have operated with other men, but I have never been under any man.

Senator Sutherland. Were you born in this country.

Mr. Brauer. I was born in Richmond, Virginia. My father was born there and also my mother.

Senator Sutherland. You might just explain in a general way your interest in this measure.

Mr. Brauer. My interest in this measure, culminates in the contract I have here, for anybody to see, but I do not believe, Senator, it would be good policy at this time to put anything on the public record, to get in the press, about any contract, that is, the contract itself. I would be glad to let any of ^{the} gentlemen of the Senate see it, but I do not think it would be a good policy to bring this out in the press. I would rather these things would not go on record, because it does not interest the public and because many are against this; one is for that and one is for the other, and it is very difficult for us to please ourselves much less to please the general public.

In relation to this contract, I was sent for, and I went over to Germany, and I made this contract with the German government, that is, two years before the present Ambassador from Germany came here; and I may say I have only seen him once in my life, because my contract was for one thing, and he is the Ambassador of Germany whom we all respect in his official capacity.

To begin with, this contract provides to purchase a billion dollars worth of foodstuffs in the United States for account of Germany, and that goes over the period of three years and as and when the goods are required by the German government she deposits here in Washington collateral security sufficient to satisfy Secretary Mellon that the result will be satisfactory with the American government, that is, final payments will be made when they are called to be made.

In connection with that, I might add, before I proceed with this: We have practically been through America from end to end. There is over three billions dollars in the hands of German-Americans in this country, and I believe, and have reason to believe, because many of the men have stated and pledged themselves to buy these securities irrespective of anybody else who may want to buy them of our American citizens other than German-American citizens. The securities themselves when they are offered from time to time by Secretary Mellon will be more than subscribed or many times over if the word of these people, who are naturally true to their country the same as Americans would be true to their country, would be taken up and bought and absorbed. There is no question about that.

The German government proposes to buy or give orders within four weeks for \$50,000,000 worth of products, and to continue taking things. But the same result of this, in addition to this contract -- it does not leave off where we are talking of the three years. -- As soon as the German government gets on its feet, which it must -- you cannot keep these people down, and if we do not do anything for these people, we were told here the other day by Secretary Hoover of the Department of Commerce, and we have been told by many men who have recently come from Germany, that they needed 100,000,000 bushels of wheat this season, and they need many other things which we have to supply to the people over there, and anybody would be glad to do it provided that necessary agencies between this country and the other country could be made safe and sane by the German

government and the American people. That is the principal thing. ^{What} / We want to aim to do is to get this credit established as early and as quickly as possible, for two reasons: The first reason is that it will directly benefit our farmers. We have gotten this bill up to give the farmers a market for their products, and no markets in the world -- I am a trader and have been a trader for close to 50 years of my life -- and that is saying quite some; and I have been studying markets extensively.

I will only give one illustration: When I was in England -- and I traded in England 21 years, and crossed this ocean 42 times and the South Atlantic Ocean 4 times in connection with this business; and that is one reason and the principal reason the German government sent for me, because they thought that at least I had the knowledge of the transaction of the business. That is all there is to it. I do not speak German. The thing I want to speak about now is this: When I was over there, one morning we had the worst market -- I am only going to give one illustration -- which was about the meanest day, foggy day, I ever saw in my life, though not the blackest fog.

Senator Sutherland. Where was this, London?

Mr. Brauer. I was in London. I sold cattle in and Liverpool, London, Antwerp, Hamburg in Germany. I sold all of Lehman Brothers, of Baltimore, cattle for 25 years, and all of former Governor Stuart's, of Virginia, cattle since 1894. On that day I had 1,762 cattle and 6500 sheep tied up for sale. The cattle were tied up back to back, and they had one gate for each set of cattle.

The buyers came in, and there is an imaginary line in London drawn by the gate, that no man can enter that line until the clock strikes ten. If he does, old George Vault, though he was a most estimable gentleman, would not wait to talk to you; he would kick you out. He was a man of very few words, but a very fine man.

When the buyers came they told me they wanted to buy these cattle at a certain price. I told them I could not sell them at that figure, that was all there was to it. I waited and waited about half an hour, and a telegram came in from Glasgow. I shipped many cattle to Glasgow and had them sold by a man by the name of Nelson. The telegram said put aside 200 cattle. I had Liverpool on the phone, trying to get an order. A telegram came in in about an hour from there. It was a revelation when that happened. In London it is the custom to cut the tails off of the cattle and clip them with a little mark of the buyer on ^{the} his rump or shoulder, and that signifies that market. I said, "Boys, close the gate on such and such cattle to such and such people, 300 and some cattle, which represented the surplus that I had. After the gates were closed, the men came around and said, "Well, what have you done?" I said, "That is none of your business what I have done. These cattle are for sale, that we have got left. Do you want to buy or don't you, and if you don't want to buy them say so quickly, because we will close the gates," because we do not trade with any easy methods with these people at all. We talk business straight from the shoulder and use few words at that. We not only

got what I expected but more. I do all the selling myself, every bit of it, by the judgment of the eye, which is as good as the judgment of the scale. We sell the cattle by simply
 51 looking at it by estimated dead weight, and we know what they will weigh dead, too, at the end of the year by the turn of the scale between the scale and the dead weight.

These buyers came and bought the other cattle. In less than any time they were sold. That is an illustration.

Of course, the sheep were sold. We had them put in the pens, and I had one man to set the price on ^{head of} 1500/sheep on the steamer and his word is good and my word is good, and the people never questioned at all. I dealt there for 21 years and never had a quarrel with any man, simply because it was understood just on what lines we were going to deal, and those lines were followed out. They are fine tradesmen. I consider the German and the English about on a parity in the trading, and we have 7/8th of our people in this country who buy our cattle. That is an illustration of a surplus product.

Take our farmers on this side. For instance, there was a man in the market who produced a thousand bushels of wheat, and this country consumed 850 bushels of wheat, and could not consume and more and could not take any more. They had
 150 bushels on their hands which could not be disposed of
 52 at any price whatsoever. You hold that ~~wheat~~ wheat over and that reduces the price of the 850 bushels, because the people are smart. People in business are very clever as a rule; they know what is going on. If we had a foreign market always ready it would go a long way towards solving

the problem. It is not ready today. The meanest thing that could happen to the American farmer is to have a market bulge up by some war talk today and tomorrow be forced down by some other talk, which is really no market at all, and it does not mean wealth and business.

What our farmers want is a ready and steady market at an average price. It is the average price that makes the world go round; it is the average price that will build up this great country; not these spasmodic prices. You could not live if you got a dollar today and two dollars tomorrow; you would not know how to buy.

What we are aiming at and what is the chief aim of this thing is to have these agencies in the country where the goods are produced, in order to cut out the middlemen. That is my hobby -- cooperation. I believe in cooperation with you. I do not believe in doing some other way. I believe in having these middlemen cut out so we can sell, make so far as practicable, by having one buyer in the country where the products are to cut out the middleman or the unnecessary go between the farmer and the final purchaser.

In the case of cattle in Chicago and these places, the ^{necessary} middleman is absolutely necessary, but he is not/in places like West Virginia, and Kentucky where they have grass cattle. There is no middleman there at all, because the exporters buy direct, so that it would not be necessary for the middleman. The Lehmans have their buyer in Virginia, whom you will remember was old man Lind in that country; and I used to buy

personally through the country myself. I always did that, and I know just a little about it, I think.

Senator Sutherland. Did you get some pretty good cattle in West Virginia?

Mr. Bauer. You have some of the best cattle there.

Senator Sutherland. We have fine blue grass land up there.

Mr. Bauer. You have some great land and fine large cattle, Mr. Lehman used to tell me. He and I were partners then; and I have a letter here in which he says I have sold those cattle for 25 years in England.

It is just like the Kentuckians - they have a solid kill. They kill for what they call the yield -- more pounds to the hundred than the cattle from even West Virginia. Even Henry Stuart's cattle never did have the yield in beef, nor did any other cattle. I used to buy cattle from the present Governor Trinkle of Virginia. I had a very fine letter from him when he was a boy. Of course, I am an older man than he is, and I used to buy those cattle up there. But the yield of beef of the West Virginia cattle turns out bigger. Each cow making 56 pounds to the hundred Chicago yield is a good yield. There are no other cattle in the country that would yield that.

From the time it goes from the farm to the city, of course, they would lose so much weight, and when that shrinkage is off they may not yield as much as Chicago cattle. But they have always been of a satisfactory kind.

55 The idea is to get this credit as quickly as possible, for two reasons: One reason is to help the situation of

the farmers here. There has not yet been a bill introduced in Congress that will provide a regular market for our surplus products on the other side. That bill has not been introduced, and it will never be introduced, Senator, until some foreign government gives a contract to some one on this side to transact the business as is provided for in this contract here. That is not possible at this time; and if the American government -- I am speaking in the highest praise of our government. I am an American citizen myself, and I am only speaking of this measure -- if the American government permits this business to go along in the harum scarum fashion as we have read in the papers that some men have advocated and allows Europe to die and allows us to have that isolated life which means death and destruction to any country in the world -- and I have studied history myself from the time when it began up to the present day, and I learn that every country in the world so far has gone down to death and destruction, or at least has gone down the hill instead of going up the hill, because of the lack of the export trade. That will kill any man. If you have not got an outlet for your brains, it will kill you, it will destroy you; if you have not got an outlet for your business it will destroy you. You cannot live. If a man in a store has not got an outlet for his goods, they may be very beautiful goods and all that, but what is the good of praising himself and his goods and saying "It is all right, and somebody will come along." But nobody does come.

Your village people are broke. We ourselves have over 200 farmers of our own people in Missouri, Iowa and Illinois, that is, in 1921.

Senator Sutherland. What do you mean by "our own people"?

Mr. Brauer. My wife and mine.

Senator Sutherland. And your relatives?

Mr. Brauer. By that I mean my relatives. And from what we can gather in 1921 they could not sell the corn at 25 cents a bushel on the farm. Many of them, in fact the most of them, are tenant farmers, except some bought more farm land and they went broke, too; they could not pay for it; I do not say all of these people went broke, mind you, because some of them are doing something else. But some of them are destitute. They could sell the stuff to nobody and if they got anybody to buy the price was so reduced that it did not mean anything to them. They could not pay the rent. Of course, they could give half of the stuff to the owner of the land, and some of them make other arrangements. I only know what I speak of by what they tell me; I have not seen the people myself. But these people of ours tell me that they could not dispose of their crops, that there was no market, and that if they disposed of them it would not pay even for the seed put in the ground and the labor, without any profit whatsoever. In other words, they could not meet their obligations.

last week
Senator Sutherland. I have just returned from a trip cut to Missouri, where I talked with a good many who are in-

terested in farming, and they say conditions are very bad.

Mr. Brauer. The conditions are bad, Senator. There is no doubt about it in the world.

I send out a great many documents at different times, and I get some of the most pathetic letters a man could possibly read. If a man would allow himself to be tender-hearted he would do nothing else but deplore himself. But we must look at these things as they are.

Senator Sutherland. Are you familiar with all the conditions of this bill?

58 Mr. Brauer. Absolutely.

Senator Sutherland. Please tell in a general way what the bill does; what it is designed to do.

Mr. Brauer. I can do that, I think, Senator.

Senate Bill, No. 4243, which provides a plan by which to stimulate American trade by providing a credit to enable Germany to purchase foodstuffs and raw materials in the United States, was introduced in the Senate by Senator Holm O. Bursum.

The House Bill, for the same plan, was introduced in the House by Representative Thomas S. Williams, of Illinois, and is No. H. R. 15608.

This bill calls for a credit -- not a loan, and you will see by reading the bill that collateral must be of sufficient quantity and of such a character as will, in the judgment of the Secretary of the Treasury, be ample to secure American producers from any loss. The Germans will furnish adequate collateral security for credits granted as and when required to do so by the American Government.

There is no possibility of either any American

producer or government of the United States losing a single dollar by granting this credit.

When this credit is given to Germany, the other countries will see, for instance, we will say France will see that America has recognized in a moral way the Germans, because they are in great distress, and there is no doubt about it from what I have heard and what I know as far as a man can know without being there, that ^{millions} many of these Germans will starve to death this year and quickly unless we get something over there to help them. That is the advice we get direct from the German government.

Senator Sutherland. Unless they get foodstuffs?

Mr. Brauer. Yes, they need foodstuffs, I am not speaking so much of the raw materials, but they need raw material copper, cotton and other things to go on with their business, because they cannot pay the men unless they have the things to work, and they must have cotton and copper to carry on their work.

Senator Sutherland. Is there a shortage of foodstuffs there?

Mr. Brauer. Oh, yes, a great shortage. There is an immense shortage of cattle feed. They have a fair number of cattle in Germany at the present time, but they have not got the cotton seed cakes and the bran food which they desire to feed the cattle; and I know these cattlemen very very well, and they are fine men. They have what they call societies over there, and they are ruled over by one man at the head, who is quite a good friend of mine.

Through the enactment of the measure providing a billion-dollar credit for Germany the foundations for the stabilization of the credit of the world will be laid.

Lloyd George said it would be impossible to have a prosperous Europe with a prostrate Germany. It is necessary to restore the hub before the machinery can acquire safe and wholesome motion. The Bursum-Williams bill will go far to bring about the restoration of the machinery and place in operation these economic forces without which the hopes of the world will continue to be long deferred.

But the fundamental purpose of the Bursum-Williams bill is to afford an outlet for surplus American farm products. And if surplus American farm products are unloaded in a foreign market it means the restoration of industry of all wholesome kinds in the United States. The farm market, though now greatly depressed, continues to be the chief market of the world. To bring farm and factory industry back to normal it is only necessary that the buying power of the American farmer be enhanced.

To accomplish this the Bursum-Williams bill proposes no artificial, fanciful, or even untried method. The enactment of this bill means:

Germany is expected to purchase about 700,000 head of live stock of various kinds in the United States. This will only be a beginning, but through this immense deal the waning live stock industry in the United States will be revived. Obviously the opening of such a market to American live stock will favorably affect prices, and dividends instead of deficits will be collected by those engaged in the enterprise of providing citizens of this and other countries

with necessary products.

According to the most reliable available figures, obtained from official sources, Germany needs about one hundred million dollars worth of American wheat. The influence of such an immediate purchase upon the wheat market of this country would be incalculable and the grain farmers of the United States would soon be collecting cash instead of mortgages, and this will be done without causing an increase in the cost of bread to our consuming public. Maximum production decreases the production cost per acre, and coupled with a regular foreign market our farmers will be sure of regular markets at satisfactory profitable prices at all times, which can never be without foreign markets.

Germany needs every kind of cattle feed needed for the nourishment of its sixteen million head. This would mean the purchase in vast quantities of cotton oil cakes, bran and other nourishing substances raised by the grain and cotton farmers of the United States.

Germany needs enormous supplies of cotton. It is estimated in official quarters that she would buy all the detailed, or lowest grade cotton held by planters in this country and regarded by them as of little value. She would also buy thousands of bales of the higher grades to feed the numerous looms now reported to be idle in Germany.

When given the credit provided for in this bill many of the now closed copper mines of the United States would be reopened. From the most reliable data the fact is established that a copper famine is afflicting the German industries, but without the necessary credit she is unable to acquire any considerable proportion of our copper product. But given

this credit she would consume much of our entire surplus and require that the industry which is now languishing to become immediately active, paying dividends to owners and good living wages to workmen. The influence of the reopening of copper mines upon industry in the West, and its stimulating effect upon business in every part of the country cannot be estimated.

Germany needs our hides, our wool of low grade, our tobacco, our leather and great supplies of our leather goods. These and many other things from our farm and factory she would buy in our market were this credit extended. The fact that under the contract which would make the credit to Germany operative, she must spend every dollar of this fund in the United States, should not be lost sight of. It is a very important item of this whole prosperity program.

It should be perfectly obvious that if Germany again becomes a normal buying power, American manufacturers as well as farmers will become the beneficiaries of much improved conditions.

This credit would bring prosperity of a permanent character to all American farm, factory and banking interests.

Credits should be granted only to Governments in Europe when such governments, first of all, ask for credit; secondly, when they have authorized, by written contract, someone in America to secure credit for them from the American Government, and, thirdly, it should be agreed that the collateral security satisfactory to the American Government shall be made available, in America, on demand by the American Government for products as and when the same are purchased in America. This is the only safe way the American Government can grant credits to Europeans and get the money back. All products must be paid for before they leave America.

Surplus products represent our farmers' profit, and the price of all products is finally made by their surplus. If the surplus cannot be sold in Europe, then a much lower price must be taken for that portion of the farmers' products which is consumed in America. Nothing is more important to American agriculture than the complete re-establishment of foreign markets.

In other words, our farmers, our manufacturers and our people in general, are now experiencing unnecessary and uncalled for hardships. They are suffering financially and otherwise for the want of regular foreign markets for their surplus products. They should be placed in situation to get cash money in hand from the sale of their surplus products before it is possible for them to either pay taxes or lift the mortgage which is the result of too much unnecessary credit.

Prosperity can only be continuous in America when our farmers can actually sell their surplus products to foreign Governments at profitable, fair and reasonable prices, consequently it is highly necessary in their interest for our Government to make it possible for foreign Governments to have their representatives here buy of these products year in and year out. Farmers need less credits and more buyers. Too much credit is just as bad as too little credit or no credit at all. When our farmers can sell all the products they produce they may not need any credit other than the same class of credit that built up America's great agricultural industry.

Ninety-nine per cent of farmer credit talk is nothing more or less than compressed mental anxiety. It is not

real and farmers who actually produce products don't hesitate to say so.

The buying of food and raw material, under the German credit, is expected to be done by an American corporation composed of American citizens with instructions to cooperate with, and buy farm products at market prices from farmers or their co-operative organizations without the intervention of unnecessary middlemen or any other unnecessary gobetweens, and to establish one or more buying agencies in each state, and to appoint, as far as circumstances will permit, farmers' cooperative companies or societies already established in each state, as its buying agency so that farmers may sell their products when available, for cash right on the spot to the resident appointed agency. The idea is to endeavor to bring about direct dealing whereby the American farmers will benefit immediately by saving the cost of his products being handled by several middlemen before it reaches the final purchaser.

The total credit granted under this act shall be not more than \$50,000,000 in any one month, nor more than \$350,000,000 in any one year, and not more than \$1,000,000,000 in the aggregate. No credits shall be allowed hereunder until the Government of Germany, by duly authorized action, shall have agreed to accept and abide by all the terms of this act and until appropriate evidence of such action shall have been filed with the Secretary of State and by him certified to the Secretary of the Treasury.

The Government of Germany shall utilize the credit authorized by this act by making purchase of foodstuffs produced in the United States to the full extent of such credit within

the period of three years from the time the credit becomes available to such Government, and to continue to buy here as shown herein. The Government of Germany shall also cause such products to be transported to Germany in vessels of United States registry, whenever such vessels are available for the purpose, at market rates.

The Government of Germany shall pay to the Secretary of the Treasury in legal tender of the United States the full amount of credits granted under this act on or before the expiration of ten years after the allowance of such credits and shall also in the meantime pay to the said Secretary of the Treasury in legal tender of the United States, in semi-annual installments, interest on all outstanding credits granted under this act at the rate of 5 per centum per annum.

That whenever any credit is granted under this Act the Government of Germany shall deliver to the Secretary of the Treasury its bonds in like amount in a form approved by him, which shall be secured by adequate collateral and industrial obligations or other securities sufficient to guarantee the prompt liquidation of any credits extended hereunder, and the security so given shall be in such form and of such character as the Secretary of the Treasury may require. The government of Germany shall also hold the proceeds from its sales of goods purchased under this Act or the equivalent of such proceeds from its sales of goods purchased under this Act or the equivalent of such proceeds as a trust fund to secure the payment of its obligations under this Act in such manner as the Secretary of the Treasury may prescribe.

There is a marked difference between the American Government extending buying power credits to foreign

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Governments or making loan to foreign governments.

The money from a loan may be removed to Europe with no benefit to the American citizens, whereas an American Government credit, extended to a foreign Government, means that not one dollar of such money will leave America, but that all of it will be spent in America for food and raw materials; thus we see that the American public as well as the people in the European borrowing government would benefit.

Stagnation is death. A pool cannot be kept clean and sweet and renewed unless there is an outlet as well as an inlet. It is the business of the American Government to keep the outlet open, it is also its business to keep the stream flowing in and through it.

This can be done by the American Government granting the credit asked for, which will assure our farmers, manufacturers, merchants and bankers of an immense export outlet for American surplus products, year in and year out for many years, and prosperity from one end of America to the other. Let America supply the outlet, and the ~~prosperity~~ farm and factory the inlet, at which time there will not be any stagnation and the great pool of American surplus products, which cannot be sold here at any price, whatsoever, will be kept sweet and renewed and flow in and out.

The people in every state will materially benefit when Congress provides foreign markets for American farm and factory surplus products, which cannot be sold in America now at any price, whatsoever.

The people in every one of our states without exception have something to sell that Germany will buy, and as America produces more products than its people can possibly consume, and as this excess production is absolutely necessary to

keep the wheels of prosperity turning in the right direction, vision of large dimensions is more necessary at the present time, than perhaps ever in the history of America so as to provide our farmers with foreign markets without delay.

This Congress now has an opportunity of establishing a permanent program which will enable American farmers to increase production, so as to keep pace with the ever-increasing population in America, and suitable legislation is necessary now so as to make possible for Germany to buy and pay cash on the spot, in America, for our farm and factory surplus products. This can only be done by the American Government granting a buying power credit to Germany which is the only government that has actually applied to the American Government for a credit of one billion dollars to spend in America for our farm and factory surplus products on the revolving purchase plan which will be continuous.

The revolving purchase plan is expected to show the following results, viz:

So as to feed its people and keep its manufacturing establishments working full time, Germany is expected to keep the entire amount of credit, granted to it by America, employed at all times by purchasing food and raw material in America, exporting it to Germany, selling it after arrival to German wholesale manufacturers, merchants and tradesmen for gold, liquid credit, legal tender, or other forms of money, which, after collection, may be transferred by cable or otherwise, to the credit of the German Government, in America, so as to enable it to purchase additional quantities of food and raw material in America. It is expected that this plan of revolving purchasing will be continuous, year in and year out, according to the requirements of the people in Germany.

This should enable Germany to spend over ten billion dollars in America for food and raw material during the life of this credit arrangement, of ten years.

The passage of this bill will result in increased bank deposits, larger saving accounts and a general healthy revival of business.

You, as an American business man, are interested in the passage of such legislation as will bring prosperity to our country.

It is believed that this is the only means of providing a regular foreign market for our farm and factory surplus products, and America now has the opportunity to grant Germany a credit of one billion dollars to spend in America, which may result in revolutionizing the Great American agricultural industry, and place it on a rock-bottom foundation in the front rank of first-class business, and make it a safe, profitable business.

You are invited to act immediately and favorably on this measure which means prosperity to all American and the beginning, in the right direction, to bring about a good result in the interest of the world stabilization and peace on earth, all of which will never be done in any other way than via the Rocketback.

I may mention, that a senator, whom I was down to see the other day -- I have known him for quite some time -- said "Mr. Brauer, you add a section like this to your bill, and I do not believe any senator will vote against it." That is, leaving this bill as it is. You see that bill conforms with the contract. That senator suggested that this section 10 here be added to the bill: (Reading)

"Sec. 10. That in addition to the credit authorized by this Act to be granted to the Government of Germany, credit may be granted to the Government of any other country, recognized by the United States, which is likewise in need of the products mentioned in this Act in such an amount as the President may find to be necessary, provided that the government of such other country shall comply with the same terms and conditions that are imposed by this Act with reference to the granting of credit to the Government of Germany.

The Secretary of the Treasury is authorized to borrow from time to time in the manner and on the terms prescribed in Section 8 of this Act such additional sums as are necessary to carry out the provisions of this Section."

Then, another senator said to put in a clause, which would be Section 11: (Reading)

"That whenever the disposition of the money and other property of German nationals now in possession of the Alien Property Custodian shall have been determined by Congress, the Secretary of the Treasury may, in addition to the security prescribed by Section 6 of this Act, accept as such security any of such money or other property remaining in the hands of the Alien Property Custodian not otherwise disposed of, provided the written consent of the German Nationals

claiming the same shall have first been obtained."

Senator Sutherland. Have you see a letter written by the Secretary of the Treasury to the Chairman of the Committee on Finance, Senator McCumber, in regard to this bill?

Mr. Brauer. I have not.

Senator Sutherland. You might look that over and see if you have any observations to make about it. (Handing paper to Mr. Brauer.)

Mr. Brauer. (Reading)

"THE SECRETARY OF THE TREASURY,

WASHINGTON,

January 20, 1923.

Dear Mr. Chairman:

I have received the Committee's letter of January 3, 1923, with the enclosed copy of S. 4243, the bill introduced by Mr. Bursum on December 27, 1922, "to stimulate trade by providing credit to enable Germany to purchase foodstuffs and raw materials in the United States." I believe that the bill is badly conceived and that it should not be enacted into law.

In substance the bill provides credits for Germany out of the Federal Treasury to an amount ranging as high as \$1,000,000,000 in the aggregate, or up to \$50,000,000 a month of \$350,000,000 in any one year, on condition that the Government of Germany shall utilize the credits thus provided by purchasing foodstuffs and raw materials produced in the United States. Under the terms of the bill those credits would in effect constitute a ten year loan from the United States Government to the Government of Germany. The Treasury is opposed to making further Government loans to

foreign governments, and, since the close of the World War, has consistently maintained that foreign governments desiring to find finance in the United States should appeal to the ~~investigating~~ ^{investing} public and not seek government aid. I know of no reason for taking any more favorable position with respect to the German government than toward foreign governments associated with us in the late war. The United States Treasury moreover, has no funds available for loans to foreign governments, and if such a bill as this were passed would have to find the funds by new borrowings or additional taxation of the American people, either of which would be out of the question for such a purpose as this, for the government's borrowings are already too heavy and existing taxes are too high for the good of agriculture, business and industry.

The purpose of the present bill is apparently to assist producers of agricultural products or other raw materials to find a market for their products, and to do this by lending money to prospective buyers, without adequate security or satisfactory assurance of ability to repay principal and interest when due. I do not believe that such an extraordinary measure is justified by conditions. The emergency condition which existed in agriculture in 1921 has in large measure passed and conditions are becoming more normal. Better machinery for distribution and marketing and some additional credit facilities may be necessary in order to establish the agricultural and livestock industries on a more stable basis, but the credits to be provided should, I believe, follow the lines indicated in S. 4063, the bill introduced by Senator Capper, which was recently reported in slightly

modified form by the Banking and Currency Committee of the Senate as S. 4280, and passed the Senate a day or two ago. I have already expressed the Treasury's views as to this bill, and the general agricultural situation, in my letter of December 29, 1922, to the Chairman of the Committee on Banking and Currency, a copy of which is enclosed for your ready reference, and in that connection have suggested that in so far as special relief may be necessary to meet emergency conditions and still remain as a result of the derangement of markets and depressions in business it should be provided by a further extension of the life of the War Finance Corporation for a limited period. By this means, rather than by a spectacular Government loan to our enemy in the late war, it will be possible, I believe, with the help of the established banking facilities to provide the necessary credits for agriculture and such expert credits as may be justified by world business conditions.

Very truly yours,

(Signed) A. W. Mellon

Secretary of the Treasury.

Hon. P. J. McCumber,
Chairman, Committee on Finance,
United States Senate,
Washington, D. C.

1 enclosure."

This letter does not state the facts. In the first place, the bill does not provide funds for Germany out of the Federal Treasury, and it does provide funds for the American public; and I have made myself, through my various agencies, a thorough canvas of the situation, and it is believed that about three billion dollars is now in

safe deposit vaults in the savings banks belonging to German-Americans, and these people have declared that they are ready and willing to take up bonds to the full limit of their possessions, so as to help Germany get on its feet.

Furthermore, Secretary Mellon says that under the terms of the bill the credits would in effect constitute a 10-year loan from the American government to the German government. In answer to that, I will say that it is not true that the government is given the loan; but they are given a credit to buy products in America -- the American farmers' products. That loan may be taken out of the country, but a credit is not taken out of the country, and not a dollar of this billion dollars' credit will be removed from America but will all be sent here.

No one can object to the Treasury making further loans to foreign governments. But his expression ^{does} ~~is~~ not voice the sentiment of the people of the United States; and doing the last ten days members of the Senate and the House have received enough communications from people in every State in the United States to justify the American government granting this credit.

Another thing, Mr. Mellon has always been against Germany. There is a man very close to him, Mr. Eugene Meyer, who consults with Mr. Mellon very much on this subject; and I have good reason to state that Mr. Mellon's statements are not his statements only, but are the statements of Mr. Eugene Meyer, Jr. for this reason: At 1731 I

Street, Washington, D. C., on the night of October 28, 1920, I was invited to speak, with Mr. Meyer, and we went afterwards into executive session, 24 men chosen from 250 or more farm organizations, and Mr. Meyer spoke, and afterwards I spoke; and then the chairman of the committee asked Mr. Meyer what he thought of this German loan. Mr. Meyer rose from his chair very much excited and said these words: "Of course, I have already stated to the Government of the United States, my mother was a French woman and I am a Frenchman, and I would not give one dollar to every German if it is the last act of my life."

Therefore, I say, and I have reason to believe, that Mr. Mellon's mind has been biased. In his letters to me he has been the same way. He never has changed, and I do not believe in this circumstance that his word should be considered as final, because he is not the President of the United States; he is simply the Secretary of the Treasury, and I do not believe that the people of the United States would be satisfied with accepting his word as final.

Mr. Mellon says "I know of no reason for taking any more favorable position with respect to the German Government than towards foreign governments associated with us in the late war."

In that I quite agree. These people who have borrowed money from us in the war never intend to pay us and they are never going to pay us; and the \$100,000,000 that was paid to us a little while ago was simply in order to have we believe, the whole amount reduced. No one blames

England for that; but I am only stating the fact.

So far as I concerned, I do not know whether the United States Treasury has no funds available for loans to foreign governments, but we are not asking the Treasury to make any loans; we are asking the people of the United States to make loans; and, furthermore, we are not asking the people of the United States to be taxed; we are simply asking the people who desire to put up the money for this credit to Germany to put it up, and they have got it to put up, as I have endeavored to show above.

The purpose is, as Mr. Mellon says quite right, to find a market to assist producers of agricultural products or raw materials to find a market for their products, and to do it by lending money to prospective buyers.

But Mr. Mellon has no right to state that the prospective buyers are without adequate security or satisfactory assurance of ability to repay the principle and interest when due.

I take exception to that remark, as it is entirely and highly untrue. The German Government have the collateral security to put up whenever these credits are made available to it with which to buy that raw material in this country.

How does Mr. Mellon know that Germany is not able to put up security? What evidence has he produced? Simply a statement in a letter in which the statement is highly untrue, and I have the proof here to prove it.

Mr. Mellon says: "I have already expressed the Treasury's view as to this bill" -- meaning the Bursum Bill, S.4243. That is not what he said there. I am telling it in my own

words. It must be said in behalf of over 100,000,000 people in this country that Mr. Mellon's say so does not constitute the whole country. Our people want markets for their surplus products. They do not want to be staved off by other people, and Mr. Mellon has no right to come to any conclusion without he is justified by the actual facts as they exist today, and not by theories or propositions in his department. That is not for him to say. If he has anything to say, let him state the facts as they are and not come out with any such statements as he has made in this letter.

The German Government has the collateral security to put up; the German Government itself has no money. But the Nationals of Germany are ready and willing to put up all the security necessary to provide for this credit, as and when they order the goods in the United States. They are ready now to do it; we do not have to wait one minute.

Senator Sutherland. Have you any further observations you wish to make?

Mr. Brauer. I do not think so, Senator.

Senator Sutherland. Is there anybody else here who wants to discuss this bill?

Mr. Brauer. I do not see that anything can be added, except to show the credit, etc.

Senator Sutherland. What have you bearing on that subject?

Mr. Brauer. If the Germans fail to put up the collateral security, then they do not get any foodstuffs and raw materials from the United States, and we are not losing

a dollar; for instance, you take the cattle business in Chicago. I scalped in Chicago in my young days. I have sold for old Nelsø Morris, and I have sold more cattle than any one individual ever sold in the history of the world for 21 years personally for commission buyers of cattle and sheep. One of the largest livestock commission people in the country or in any other country wrote me some time ago and they said that the cattlemen were broke and the sheepmen were broke, and that trainloads of sheep are coming to Chicago that could not pay freight and expenses.

Senator Sutherland. The subcommittee will take this under advisement and ^{after} ~~the~~ consideration report ^{there} ~~its~~ opinion to the full committee.

(Thereupon, at 12.40 o'clock p. m. the subcommittee adjourned.)

(51)

67TH CONGRESS,
4TH SESSION.

S. 4243.

IN THE SENATE OF THE UNITED STATES.

DECEMBER 27 (calendar day, DECEMBER 20), 1922.

Mr. BURSUM introduced the following bill; which was read twice and referred to the Committee on Finance.

A BILL

To stimulate trade by providing credit to enable Germany to purchase foodstuffs and raw materials in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That when used in this Act—

4 The term "person" means any individual, partner-
5 ship, corporation, or association; the term "foodstuffs and
6 raw materials" means all articles commonly known as
7 foodstuffs and raw materials, including live stock, grains,
8 wool, cotton, tobacco, dried fruits, cotton-oil cake, con-
9 densed milk, meats, meat products, canned goods, and phos-
10 phates and other minerals; and the term "Secretary of the

1 "Treasury" means the Secretary of the Treasury of the
2 United States.

3 SEC. 2. That the Secretary of the Treasury is author-
4 ized, upon the terms and conditions and in the manner
5 hereinafter provided, to pay to any person the purchase
6 price of any foodstuffs and raw materials produced in the
7 United States which are purchased from such person by
8 the Government of Germany, and also to pay to the person
9 entitled thereto all expenses incident to such purchases and
10 the transportation and delivery of the goods to a German
11 seaport.

12 SEC. 3. That the total credit granted under this Act
13 by payments made under section 2 hereof shall be not
14 more than \$50,000,000 in any one month, not more than
15 \$350,000,000 in any one year, and not more than
16 \$1,000,000,000 in the aggregate. No credits shall be
17 allowed hereunder until the Government of Germany, by
18 duly authorized action, shall have agreed to accept and
19 abide by all the terms of this Act and until appropriate
20 evidence of such action shall have been filed with the
21 Secretary of State of the United States and by him certified
22 to the Secretary of the Treasury.

23 SEC. 4. That the Government of Germany shall utilize
24 the credit authorized by this Act by making purchases of
25 foodstuffs and raw materials produced in the United States

1 to the full extent of such credit within the period of three
2 years from the time the credit becomes available to such
3 Government. The Government of Germany shall also
4 cause such products to be transported to Germany in ves-
5 sels of United States registry, whenever such vessels are
6 available for the purpose, at market rates.

7 SEC. 5. That the Government of Germany shall pay
8 to the Secretary of the Treasury in legal tender of the
9 United States the full amount of credits granted under this
10 Act on or before the expiration of ten years after the al-
11 lowance of such credits and shall also in the meantime pay
12 to the said Secretary of the Treasury in legal tender of
13 the United States, in semiannual installments, interest on
14 all outstanding credits granted under this Act at the rate
15 of 5 per centum per annum.

16 SEC. 6. That whenever any credit is granted under this
17 Act the Government of Germany shall deliver to the Sec-
18 retary of the Treasury its bonds in like amount in a form
19 approved by him, which shall be secured by adequate col-
20 lateral and industrial obligations sufficient to guarantee the
21 prompt liquidation of any credits extended hereunder, and
22 the security so given shall be in such form and of such
23 character as the Secretary of the Treasury may require.
24 The Government of Germany shall also hold the proceeds
25 from its sales of goods purchased under this Act or the

1 equivalent of such proceeds as a trust fund to secure the pay-
2 ment of its obligations under this Act in such manner as the
3 Secretary of the Treasury may prescribe.

4 SEC. 7. That whenever the Government of Germany
5 desires to purchase any products under this Act it shall, in
6 addition to the bonds secured as provided in section 6 hereof,
7 file with the Secretary of the Treasury, through its author-
8 ized purchasing and forwarding agent, a written statement
9 showing the kinds and amounts of such products, the name
10 and address of the person from whom they are being pur-
11 chased, and the purchase price to be paid to such person for
12 such products, together with the expenses incident to such
13 purchases and the transportation and delivery of such prod-
14 ucts to a designated German seaport. If the Secretary of
15 the Treasury finds that the transaction meets the require-
16 ments of this Act, he shall pay the amount of said purchase
17 price and expenses to the persons entitled thereto in accord-
18 ance with section 2 hereof.

19 SEC. 8. That the Secretary of the Treasury is author-
20 ized to borrow from time to time on the credit of the United
21 States such sums not exceeding \$350,000,000 in any one
22 year and not exceeding \$1,000,000,000 in the aggregate,
23 as may be necessary to carry out the provisions of this Act,
24 and to prepare and issue therefor bonds of the United States.
25 Said bonds shall be in such form and subject to such terms

1 and conditions of issue, conversion, redemption, maturities,
2 payment, and rate and time of payment of interest not ex-
3 ceeding 5 per centum, as the Secretary of the Treasury
4 may prescribe. The principal and interest thereon shall
5 be payable in gold coin of the present standard of value
6 and shall be exempt both as to principal and interest from
7 all taxation now or hereafter imposed by the United
8 States, any State, or any of the possessions of the United
9 States, or by any local taxing authority, except estate or
10 inheritance taxes and graduated additional income taxes,
11 commonly known as surtaxes, now or hereafter imposed by
12 the United States upon the income of any person; but
13 such bonds shall not bear the circulation privilege, shall
14 be issued at not less than par and shall be offered so that
15 all citizens of the United States shall be given an equal
16 opportunity to subscribe therefor.

17 SEC. 9. That if the Government of Germany fails at
18 any time to comply with any requirement of this Act, the
19 Secretary of the Treasury may refuse to grant any further
20 credit hereunder until such requirement has been met.

67TH CONGRESS, }
4TH SESSION. } **S. 4243.**

A BILL

To stimulate trade by providing credit to enable Germany to purchase foodstuffs and raw materials in the United States.

By Mr. BURSUM.

DECEMBER 27 (calendar day, DECEMBER 29), 1922.—
Read twice and referred to the Committee on
Finance.