

MR. MCLEAN'S WAR FINANCE CORPORATION RECORD
(Continued from page One.)

WERE AGAINST THE RESOLUTION, THE FACT THAT THEY SIGNED WHEN IT PASSED PROVES THIS. THERE WOULD HAVE BEEN A MAJORITY, THEREFORE, IF MR. MCLEAN HAD VOTED WITH MEYER AND CUTCHEON; THE RESOLUTION COULD NOT HAVE PASSED. THERE WOULD HAVE BEEN THREE AGAINST IT, AND TWO FOR IT. BUT THE RESOLUTION PASSED: MR. MCLEAN COULD NOT, THEREFORE, HAVE VOTED AGAINST IT.

This conclusively shows that Mr. McLean did not vote against the resolution, and that it passed only because he consented to it. It could not have passed, if he had voted with Meyer and Cutcheon.

It is as well-established as is the mathematical fact that 2 plus 1 equals 3, and that 3 is a majority of 5.

Nuff sed! We submit the whole matter on the evidence produced by Mr. Brooks, bearing the letter from Senator Overman quoted above. Let the people be the judge.

Mr. Brooks has proved the case against Mr. McLean. He has not only proved it, he has fixed it so that Mr. McLean can never disprove it. He has closed the case against his candidate in the midst of the campaign for Governor.

The idea that the whole blame should be put upon Houston was absurd from the beginning. If Houston ran the Board, why did the others draw their salaries? Every member of that Board that acquiesced in or voted for that resolution, and did nothing while the farmers of America were being ruined, notwithstanding that the Board had power to save them, is responsible. Meyer and Cutcheon came clean. They opposed the resolution, and when it was passed over their heads, they resigned. Had Mr. McLean stood with them, the resolution suspending loans for export of farm products could not have been passed. Had he done as they did, the three of them would have whipped Houston, and the War Finance Corporation would have continued to make loans on cotton and tobacco for export, and the ruinous fall in prices would have been prevented.

When Meyer resigned he was Managing Director of the Board. Mr. McLean succeeded him as Managing Director. He and Houston remained on the Board. This was June, 1920. This was when he became "the big man on the War Finance Board"—as one of his friends said in the Greensboro News recently. From June to January, cotton and tobacco fell as they had never fallen before. Cotton fell from 40c to 10c. Tobacco from 50c to 15c. Mr. McLean stayed on and did nothing but draw his salary. All activity was suspended—except drawing salary. He had \$400,000,000 on hand in Liberty Bonds, as Mr. Brooks admits—with which to assist in exporting cotton and tobacco. He did not make a move. That is the sort of "big man" he was. His own defenders say he was utterly subject to Secretary of the Treasury Houston (now selling stocks for a New York stock-selling company). The Board did not advance a dollar. But he continued to draw \$12,000 a year salary from the United States while the Board was doing nothing, and at the same time a salary, the amount of which he has not told, from the Atlantic Coast Line R. R. It has not been six weeks since Mr. McLean's friends published an article in the Greensboro News describing Mr. McLean as "the big man on the War Finance Board". How can Mr. Brooks now say he was the little man and Houston was the big man?

So far from withdrawing our charge against Mr. McLean and apologizing, as Mr. Brooks suggests, we thank Mr. Brooks for having conclusively proved the truth of it. Senator Overman's letter is evidence that was not available to us. If any apologies are in order, they are due from Mr. Brooks to Mr. McLean. He ought to apologize to Mr. McLean for having revived and proved the Courier's charges against him just 60 days before the primary.

In the Courier's opinion, Mr. Brooks has given the Republicans a terrible weapon to use in the campaign this fall, if Mr. McLean should be nominated. The Overman letter settles the question beyond all doubt.

But Mr. McLean will not be nominated. For, thanks to Mr. Brooks, it is now well-established that Hon. A. W. McLean not only did not vote against, but that if he had voted against it, he would have prevented the passage of the resolution suspending loans for export of farm products May 10, 1920. Meyer plus Cutcheon plus McLean would have been three. And these were the majority, since the Board consisted of five men.

Mr. McLean may or he may not have been "opposed" to it; but surely he had a poor way of showing his opposition. When Meyer and Cutcheon were there so strong against it, that they resigned when it was passed, he did not vote against it—for if he had, the resolution would have been defeated 3 to 2.

Mr. McLean was therefore, responsible for the adoption of the resolution. His vote would have defeated it. He had the power to beat it. And if responsible for its passage, he is responsible for the consequences of its passage.

One vote would have beaten the resolution. McLean had it. He did not need it. He threw away the greatest opportunity that has come to any man in this generation.

We are willing anywhere, any time, to submit to any unprejudiced forum the question of Mr. McLean's responsibility for the passage of this resolution upon his own evidence, that is the letter from Senator Overman and the letter from Mr. Eugene Meyer, each of which Mr. Brooks has had

painted in Mr. McLean's behalf.

IT IS NOT CONTENTED THAT THE WAR FINANCE BOARD DID NOT MAKE LOANS IN 1921—mainly to banks—AFTER THE RUIN OF THE FARMERS WAS COMPLETE, BUT IT IS ASSERTED WITHOUT FEAR OF CONTRADICTION THAT FROM MAY, 1920, UNTIL AFTER JANUARY, 1921—THE PERIOD OF DEFLATION AND RUIN—THE BOARD DID NOT LEND A DOLLAR. SENATOR PAT HARRISON RECENTLY SPOKE IN KINSTON OF A LOAN THAT WAS MADE TO A MISSISSIPPI FARMER THIS WAS IN 1921—not in 1920, when it was needed.

IS THERE A FARMER IN NORTH CAROLINA THAT GOT A LOAN FROM MAY 10, 1920, UNTIL MARCH 1, 1921? IF SO, LET MR. BROOKS PRODUCE HIM.

The entire controversy comes down to three simple questions:

1. IF SECRETARY HOUSTON ALONE COULD HAVE SUSPENDED THE LOANING OF MONEY FOR EXPORT BY THE WAR FINANCIAL CORPORATION, WHY WAS THE RESOLUTION OF SUSPENSION SUBMITTED TO THE BOARD OF FIVE MEMBERS? WHY DO A VAIN THING?

2. IF MEYER & CUTCHEON WERE AGAINST THE RESOLUTION, AS SENATOR OVERMAN SHOWS, WHY COULD NOT MCLEAN—if he also was opposed to it—HAVE JOINED WITH THEM AND HAVE DEFEATED IT THREE TO TWO?

3. IS THERE A FARMER IN THE WORLD THAT GOT A LOAN OR ASSISTANCE FROM THE WAR FINANCE CORPORATION FROM MAY 10, 1920, UNTIL MARCH 1, 1921—THE PERIOD OF DEFLATION AND RUIN? IF SO, NAME YOUR MAN!

If Mr. Brooks, or any other defender of Mr. McLean, ventures to come again—why they will not do let them answer these three questions. All the nice testimonials of friends and political associates in the world will not serve in place of a direct answer to these simple questions.

And if they will not answer these simple questions, what will the victim of the War Finance Corporation's failure to make advances for export of farm products from May 10, to March, 1921—the period of ruin—say of Mr. A. W. McLean as candidate for Governor?

The office of Director of the War Finance Corporation is the only public office he has held. Is his official record such as to justify placing in his hands the governorship of this state? We are discussing only Mr. McLean's official record. We offer no personal criticisms. The people—the voters—ought to know the facts as to the public record of any candidate. And only those who are afraid of the facts will object to an honest exposure of the official record of any candidate.

MR. MCLEAN AND THE WAR FINANCE BOARD.

Editor of The Daily News: In an editorial appearing in your esteemed paper December 24 last, referring to the Roxboro Courier's attack on Hon. A. W. McLean and my reply thereto, you say:

"The gravamen of the accusation against Mr. McLean is that he caused the 1920 panic. He held up the money which the farmers and everybody else needed. He was on the war finance board. He voted for deflation and billions went to waste thereafter."

You then add:

"Now, just suppose he did no such thing . . . In a word, what if the Lumberton statesman should be able to knock the whole business into a cocked hat . . . We are just asking you as a matter of opinion."

I assume you expect and want an answer. On your editorial page December 30, you print the Roxboro Courier's reply to my article from which I take the following quotation:

"If Mr. Brooks, able lawyer that he is, will come to the point and of for a reply to our article, we will print it . . . Come on, Mr. Brooks, with a straightforward answer to our statements of fact and we will give you all the space you can take."

Your inquiry and these invitations having appeared on your editorial page, I naturally make answer to and through your paper. My response has been deferred, owing to pressing professional engagements and a determination to go to the bottom of this matter and to personally get the facts from original sources and present them connectedly, so that no further dispute about the facts involved will be possible. To do this, I went to Washington, consulted senators and representatives and examined the law governing the powers and duties of the war finance corporation. Following this, I addressed letters to a number of senators and representatives, asking specific questions. Below I give a list of these questions and the answers from a number of senators and representatives. I have selected only a few replies, but will be glad to furnish all for publication if desired.

Upon my investigation of the law and the testimony of the senators and representatives, replying to my questions, I find the following to be the indisputable facts:

1. The act of congress creating the war finance corporation made its activities depend upon the will of the secretary of the treasury and that without his approval and co-operation it could not function; that the secretary of the treasury ordered the suspension of its activities.

Section two of the original war finance corporation act provides:

"That the capital stock of the corporation shall be \$500,000,000, all of which shall be subscribed by the United States of America and such subscriptions shall be subject to call upon time to time upon the vote of three-fifths of the directors of the corporation, with however, the approval of the secretary of the treasury, at such time or times as may be deemed advisable."

All bonds that were issued by the corporation bore the signature of the secretary of the treasury and section 2 of the act further provides:

"That the corporation shall be empowered and authorized to subscribe for, acquire by sale and deal in bonds and obligations of the United States to such an extent as the board of directors, with the approval of the secretary of the treasury, may from time to time determine."

Acting under the power, with the approval of the secretary of the treasury, the corporation had invested in United States obligations, at the time of its suspension in May, 1920, \$422,000,000. Immediately following the suspension, Secretary Houston gave out an announcement to the press as to why he had suspended its operations, in which he stated that the war finance corporation had no available funds to lend for the purpose of financing exports for the reason that \$422,000,000 was then invested in the obligations of the United States and \$103,000,000 was invested in loans which the corporation had theretofore made, that this consumed all of the \$525,000,000 of capital and surplus then outstanding. It thus clearly appears that the war finance corporation could not function over the objection of the secretary of the treasury. Hence, the only remaining question upon this point is did the secretary of the treasury actually order the suspension in May, 1920? The best and most conclusive answer to this is found in the joint resolution of the house of representatives and the senate, passed by the senate on December 11, 1920, ordering the rehabilitation of the corporation. As a part of that joint resolution, the senate and the house of representatives declared:

"Whereas, the activities of the war finance corporation were suspended in May, 1920, by an order of the secretary of the treasury, etc." Senator Overman in his reply to my letter says:

"The cause of suspension at the time mentioned is a matter of public record. In the annual report of the secretary of the treasury for the fiscal year ending June 30, 1920, the secretary on page 148 gives a detailed account of the circumstances under which these activities were suspended and corroborates statement made to the press at the time that this suspension was at his request. Some, if not all, of the directors—including Mr. McLean—opposed suspension. When the secretary insisted Mr. Meyer and I think Mr. Cutcheon were opposed to its suspension. I know that Messrs. McLean and Meyer were, because they came to see me in reference to the matter and expressed their very strong opinions that the activities of the corporation should not be suspended."

"I also know that Mr. McLean was very active in placing the matter before Congress and in getting the war finance board restored and its powers enlarged and increased so that it could help the farmers of the country."

"It was obviously impracticable for the directors to overrule the secretary in the matter of suspending the corporation's activities or to carry on its export activities without the co-operation of the secretary. This because the secretary is in charge of and is responsible for the fiscal operations of the government and its financial policies and because funds of the corporation have to be obtained through the secretary."

Congressman Doughton in reply to my letter, says:

"No money could be withdrawn from the treasury on account of the capital stock of the corporation, without the approval of the secretary of the treasury, and the secretary of the treasury had to approve all bonds issued by the corporation and had to affix his signature thereto. If it had been thought that the secretary of the treasury did not control the policies of the corporation it would not have been necessary for congress to pass the joint resolution ordering the resumption of the activities of the corporation."

2. That Mr. McLean was helpless to prevent the suspension, opposed it and was induced to remain on the board to help revive it, and did so; that no senator or representative during the debates condemning the secretary of the treasury for suspending the activities of the corporation ever charged that Mr. McLean was responsible either directly or indirectly for the deflation, but fixed the whole responsibility therefor upon Secretary Houston and the federal reserve board.

From the letters received from various senators and representatives appearing below replying to my inquiry touching this matter, I wish to emphasize certain statements. Senator Fletcher of Florida says:

"The secretary of the treasury had control of the funds of the corporation, in the last analysis, and not only that, but, under the law, he could recommend to the President the removal of any or all of the directors of the war finance corporation. He took the position that the war finance corporation had nothing except a credit on the books of the treasury. If the corporation should draw against that credit the treasury would have to borrow to get the money. If the activities of the corporation were resumed, after having been suspended by the direction of the secretary of the treasury, who insisted that they should be terminated, but modified his resolution so as to suspend, rather than terminate, the financing of exports, I have received letters of similar import from Congressmen Lyon, Abernathy and Hamilton." Limitations of space prevent the publication of these letters.

My readers by this time will have no doubt reached the conclusion that the attack in the Roxboro Courier was not only unfounded and false, but that it was positively stupid.

Senator Simmons and a number of the other senators and representatives quoted above say that the suspension of the war finance corporation had nothing on earth to do with deflation and that they had never heard any senator or representative charge or claim that it was the cause of deflation.

Senator Ladd of North Dakota says in his letter:

"The war finance corporation secured its funds by the government of the United States subscribing to its capital stock and such subscriptions were payable upon call upon time to time upon the vote of three-fifths of the directors of the corporation, with however, the approval of the secretary of the treasury."

The war finance corporation secures its funds by the government of the United States of America and such subscriptions shall be subject to call upon time to time upon the vote of three-fifths of the directors of the corporation, with however, the approval of the secretary of the treasury," says the Courier.

treasury. The secretary of the treasury had the final word. This was likewise true as regards other methods the corporation had for raising money from the issues of its bonds, which could not be issued without the approval of the secretary of the treasury.

In May, 1920, Mr. Houston, who was then secretary of the treasury, advised the war finance corporation's directors that loans or advances for export purposes should be discontinued. Regardless of what the attitude of other directors of the corporation was I am reliably advised that Mr. McLean was opposed to the views of the secretary of the treasury."

Representative Stevenson of South Carolina replied to my letter saying:

"The export credit activities of the corporation were suspended by an order of the secretary of the treasury in 1920 and not by order of the directors."

"In my opinion, it was not practical for the directors of the corporation to carry on the work without the approval of the secretary of the treasury. I think it is generally agreed among the senators and representatives that the corporation could not have functioned in the face of the opposition of the secretary of the treasury."

"Mr. McLean opposed the suspension of the activities of the corporation in 1920, and I believe he did everything within his influence and power to continue the work of the corporation."

Senator McKellar of Tennessee writes:

"It is my opinion that the directors of the war finance corporation were powerless to carry on the business of the corporation against the opposition of the secretary of the treasury. My understanding was that Directors McLean, Meyer and Cutcheon were opposed to its suspension. I know that Messrs. McLean and Meyer were, because they came to see me in reference to the matter and expressed their very strong opinions that the activities of the corporation should not be suspended."

"I also know that Mr. McLean was very active in placing the matter before Congress and in getting the war finance board restored and its powers enlarged and increased so that it could help the farmers of the country."

Senator Simmons in his letter to me says:

"I know, as do many other senators and members of congress, that Messrs. McLean and Meyer, both directors of the war finance corporation, opposed this purpose of the secretary of the treasury at the time he disclosed it and his resolution of the 10th of May declaring the corporation terminated because these two gentlemen discussed at the time the whole subject with Mr. Kitchin and myself, leaders in our respective houses in the management of the legislation creating the corporation, as well as with other senators and members who thought as we did that the corporation should not be terminated but if by reason of the secretary's attitude it could function that its machinery and personnel at least should be kept intact as far as possible to meet emergencies which the situation existing forecast as highly probable if not imminent. I know as a result of these conferences the consensus of opinion was that the corporation could not successfully function without the approval and co-operation of its chairman, the secretary of the treasury. I know that so far as Mr. McLean is concerned he was not only opposed to the action of the secretary of the treasury with reference to the suspension of the finance corporation but was bitterly opposed to the policy and action of the federal reserve board in the matter of credit restriction."

Congressman Doughton concludes his letter with this statement:

"In my opinion, nothing could be more unfair than to charge Mr. McLean with the responsibility in any way or deflation and the disastrous conditions that resulted therefrom. It would be just as far from reasonable to accuse George Washington with having been a Tor or Noah with having brought on the flood as to charge A. W. McLean with the responsibility in any way for deflation."

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Mr. Brooks in his communication appends at this point a number of letters relative to the subject of the war finance board and Mr. McLean, all expressing largely the same views as are expressed above. They are from Senator Overman, Senator Hartigan, Representative Doughton, Senator Harris, Representative Stevenson, Senator Heflin, Senator McCall, Senator Fletcher, Representative Byrns, Senator Capper, Senator Kendrick, Senator Simmons. Mr. Brooks adds that "in addition to the foregoing I have received letters of similar import from Congressmen Lyon, Abernathy and Hamilton." Limitations of space prevent the publication of these letters.

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"It is indeed rather disgusting to fair-minded men to witness such an attack as was made upon you by an anonymous writer in a local paper in your state recently when your record on the war finance corporation was so unjustly assailed.

"Does it not also suggest the irony of fate that anyone should have the presumption to question the value of your services to the great farming interest of the country when you have won for yourself a reputation far and wide as the farmer's friend, and when it is so well known that you labored earnestly and consistently to prevent or defeat measures and policies which you believed injurious to the farming classes, and at the same time took a leading part in the advocacy and development of plans from which the farmers of the country have derived enormous benefits?"