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THE DAILY WASHINGTON MERRY-GO-ROUND

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and "More Merry-Go-Round".

CONGRESS CERTAIN TO INVESTIGATE R.F.C. LOANS;
COUZENS-COUCH FRIENDSHIP DISTURBS COMMITTEE
LOOKING INTO CRITICISM ON POLITICAL ANGLE;
ROOSEVELT PLANNING DRASTIC REORGANIZATION

WASHINGTON--Troublesome days are ahead of the Reconstruction Finance Corporation in the coming months of Congress.

Friendly congressional quarters have warned the directors of the four billion dollar agency that a challenging investigation by one and perhaps both houses of Congress can be positively expected.

Both the Democrats and the Progressives are convinced that the vast resources of the corporation were used for political purposes by the Hoover administration during the recent presidential race. Charges to this effect were repeatedly made by them during the campaign. At one phase of the election fight the Democrats had investigators checking the list of Republican contributors to see if any connection could be traced between the donors and R.F.C. loans.

Within the last few days new fuel has been added to this attack upon the corporation by the receipt from it by a special subcommittee of the Senate Banking and Currency committee of a report showing the corporation's loans when it was first organized. As originally set up the corporation did not have to file monthly statements with Congress.

The report is confidential, and was submitted strictly for the private perusal of the seven members of the subcommittee. Its very existence is supposed to be secret. Whether the statement will be made public will be determined by the entire membership of the Banking and Currency committee when it meets following the convening of Congress.

Although supposed to be a deep secret, enough has leaked out about the report in behind-the-scenes Senate circles to have aroused considerable indignation over its contents. The report lists hundreds of loans made to banks, the largest of which is the much-discussed \$80,000,000 credit given to the Chicago bank of General Charles G. Dawes within a few days after he retired from the chairmanship of the corporation.

But the significant thing about these hundreds of loans is neither their size nor their number. What has aroused members of the subcommittee who have examined the statement is the discovery of the concentration of the grants to a few large financial centers. The report shows that in the first months of its operation the corporation, under the presidency of General Dawes and the chairmanship of Eugene Meyer, Governor of the Federal Reserve Board, allotted 75 per cent of its loans to a few metropolitan cities. Virtually every bank in Chicago, according to the report, received a government loan.

The report also was found to disclose that California and Illinois, the home states of President Hoover and of General Dawes, were by far the most favored by the corporation.

The report reveals that loans were not only made to banks, but to their affiliates. In other words, and as one Democratic financial authority put it, the R.F.C. "not only shovelled money into these institutions by the front door, but backed up a load at the rear entrance."

The Democrats and Progressives are eager to put through an R.F.C. investigation not only for political purposes, but because President-elect Roosevelt has definite plans for a drastic reorganization of the corporation, both as to personnel and scope. An inquiry that would dig up some political "dirt" would be a good strategical prelude to putting through the contemplated reorganization.

How the Banking and Currency subcommittee came to be set up for a private scrutiny of the corporation's affairs is an interesting story. Late last Spring, and at a time when considerable criticism of the R.F.C.'s policies was being voiced on the Senate floor, Harvey Couch, Arkansas power magnate and one of the three Democratic members of the corporation, called on Senator James Couzens, Republican, of Michigan.

Couzens was one of the most aggressive of the corporation's critics. Couch laid before Couzens some of the problems then confronting the R.F.C. and asked his advice on the matters. At first Couzens was inclined to take a stand-offish attitude, but Couch, a man very much of Couzens' type, convinced him of his sincerity and a warm friendship developed between them. Couch made a practice of dropping in once or more a week on Couzens and acquainting him with the work of the corporation.

From time to time the Banking and Currency committee of which Couzens is a member discussed the R.F.C. During one of these discussions Couzens replied to some criticism of the corporation with a detailed defense. His intimate knowledge of the corporation's affairs surprised the committee and he was pointedly asked how it came that he knew so much, while the other members not only were in the dark but had been unable to get any information. Couzens told of his relationship with Couch.

A hectic argument followed this revelation. Senator Peter Norbeck, Chairman of the committee, went so far as to intimate that Couzens had "gone behind the committee's back". Couzens finally left the committee room in anger. The committee on its part voted the setting up of a subcommittee of seven, among whom are Senator Carter Glass, Democrat, and Senator Brookhart, Insurgent, to make a confidential inquiry into the corporation's affairs.

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