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NOMINATION OF LUTHER HARTWELL HODGES TO BE  
SECRETARY OF COMMERCE

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HEARING  
BEFORE THE  
COMMITTEE ON  
INTERSTATE AND FOREIGN COMMERCE  
UNITED STATES SENATE  
EIGHTY-SEVENTH CONGRESS  
FIRST SESSION  
ON  
THE NOMINATION OF LUTHER HARTWELL HODGES TO BE  
SECRETARY OF COMMERCE

JANUARY 18, 1961

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SEAL OF THE U.S. DEPARTMENT OF COMMERCE  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE  
HEARING

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CONFIDENTIAL TO THE PUBLIC TO BE ANNOUNCED BY THE SENATOR

## NOMINATION OF LUTHER HARTWELL HODGES TO BE SECRETARY OF COMMERCE

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WEDNESDAY, JANUARY 18, 1961

U.S. SENATE,  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10 a.m., in room 5110, Senate Office Building, the Honorable Warren G. Magnuson, chairman of the committee, presiding.

Senator MAGNUSON. The committee will come to order.

The chairman wants to welcome the members of the committee that are here for the new session of Congress. There is no change in the committee membership, and no casualties. All four members of the committee that ran for reelection were reelected. Two of them are here.

On behalf of the committee, I congratulate the Senator from Alaska and the Senator from Kansas.

We have before us today the designation of Gov. Luther H. Hodges of North Carolina to be Secretary of Commerce.

I might say, Governor, that I hope the atmosphere of your nomination is a little different than that of the Secretary of Commerce we had before us in 1959.

I think the climate is a little better.

Normally, the committee sends around what we call "blue slips" for recommendations from the Senators from the State from which you come, but I see both of them flanking you on either side.

So, we will be very glad to hear from the senior Senator from North Carolina on this nomination at this time.

### STATEMENT OF HON. SAM J. ERVIN, JR., U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator ERVIN. Mr. Chairman, I appreciate this opportunity to appear before the committee and recommend that the committee take favorable action on the nomination of Gov. Luther Hodges.

I have known Luther Hodges ever since he and I were students at the University of North Carolina, and I know nothing of him except what is good.

I might add that that was at least 10 years ago. I will put it that way for fear of prosecution for perjury.

I don't think there is a man in the United States that is more ideally qualified for the position to which he has been appointed than Luther Hodges. He has had vast business experience and he has had vast political experience.

## 2 NOMINATE LUTHER H. HODGES TO BE SECRETARY OF COMMERCE

As Governor of North Carolina, he has been Governor of North Carolina longer than any man in our history with the exception of one man. He has made a magnificent success in business and he has made a magnificent success in political life and in service to our people and for these reasons I think that he combines in as rare a degree as any man in the United States the two requisites which in my opinion are essential to make a man a great Secretary of Commerce; namely, a vast business experience and vast political experience, and I know he is going to do as fine a job for the Nation there as he has done for North Carolina, and I thank the committee and I would like to state that I am not going to desert my friend but I have two other committees to attend at this same time.

The CHAIRMAN. Any questions to the senior Senator from North Carolina?

(No response.)

The CHAIRMAN. Thank you, Senator Ervin.

Senator Jordan, we will be glad to get a statement from you.

### STATEMENT OF HON. B. EVERETT JORDAN, U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator JORDAN. Mr. Chairman, it is a distinct honor for me to introduce to you and the other members of the Senate Committee on Interstate and Foreign Commerce the Honorable Luther H. Hodges.

I am confident that the committee will find Governor Hodges unusually qualified to serve as Secretary of Commerce.

I have known Governor Hodges many years. He possesses extraordinary energy, ability, and imagination, which are needed so badly in our Government at this crucial moment in history.

As Governor of North Carolina, Mr. Hodges became known throughout the United States and the world as the "Businessman's Governor." During the time he served as chief executive of our State, from November 7, 1954, until January 5, 1961, we enjoyed a period of unprecedented growth in commerce and industry.

For many years, we in North Carolina have been striving to bring about a working balance between agriculture and industry. Governor Hodges has turned these dreams into reality, and today, thanks to the leadership of Governor Hodges, North Carolina is on the threshold of unlimited greatness.

At a time when we need a more businesslike approach in many areas of our Government, it is especially fitting that President-elect Kennedy has been able to get Governor Hodges to serve as Secretary of Commerce. He brings to the office of Secretary of Commerce many years of experience in business and industry. He brings with him deep convictions about our free enterprise system and its importance to mankind's hopes for a free and peaceful world. He brings with him rare abilities at a time when our economy is walking a narrow line between expansion and recession. He brings with him a dedication to unselfish public service at a time when America and the free world must rise above selfish interests.

Mr. Chairman, I, like Senator Ervin, am supposed to be right now at the Rules Committee organization and I will have to slip out also, but I just want to say to you that I do not think that President-elect

Kennedy could have found a man in the United States who can more ably fill this most important job at a time when America needs to look into the problems that affect the things that will come through the important position to which he has been appointed and I very, very strongly recommend that we give him unanimous recommendation.

I am sure you will.

The CHAIRMAN. Thank you, Senator Jordan.

Any questions of Senator Jordan?

Senator COTTON. I have one question.

I can't refrain from asking this question, not in a hostile way. He has mentioned the fact that Governor Hodges is responsible for the magnificent upturn and the increase of industry in North Carolina.

Is he the fellow that moved all our cotton mills out of New Hampshire down into North Carolina? [Laughter.]

Senator JORDAN. Let me say this: he provided a climate that made them want to come.

The CHAIRMAN. Any further questions of the Senator?

(No response.)

Senator JORDAN. Thank you very much.

The CHAIRMAN. The committee has the biography of Governor Hodges which we will put in the record in full.

Briefly, Governor Hodges was born in 1898 in Virginia, Pittsylvania County. He attended the public schools in Leaksville and Spray, N.C., his family having moved into that area in the year 1900.

Following his graduation from high school in 1915, he entered the University of North Carolina and was graduated in 1919 with an A.B. degree. He served briefly in the U.S. Army with the rank of lieutenant.

Following his service in the Army he began his career in the textile industry, starting as secretary to the manager of a local textile mill in the Leaksville-Spray area, and in 1938, following several intermediate promotions, he was made general manager in charge of manufacturing for Marshall Field & Co. In 1943 he became vice president of that corporation.

He was head of the Textile Division of OPA in 1944, and consultant to the Secretary of Agriculture in 1945.

In 1950, upon his retirement from private business, he spent a year in West Germany as head of the Industry Division of the Economic Cooperation Administration, and was consultant to the State Department in the latter months of 1951 on the International Management Conference.

In 1952 he was elected Lieutenant Governor of North Carolina, and succeeded to the governorship in November 1954 upon the death of the then governor, William B. Umstead, whom we all know here. He served with us both in the Senate and in the House.

Governor Hodges was reelected Governor of North Carolina in November of 1956, and his term ended in January 1961. Did end?

Governor HODGES. Did end.

The CHAIRMAN. Yes. And then several other conferences and boards he served on, and his personal biography regarding his family which we will put in the record.

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(The biography of Governor Hodges is as follows:)

##### BIOGRAPHY OF LUTHER HARTWELL HODGES

(Designated to be Secretary of Commerce by President-elect John F. Kennedy, December 3, 1960)

Luther Hartwell Hodges was born March 9, 1898, in Pittsylvania County, Va. He attended public schools in Leaksville and Spray, N.C., his family having moved to this area in the year 1900. Following graduation from high school in 1915, he entered the University of North Carolina and was graduated in 1919 with the A.B. degree. He served briefly in the U.S. Army in which he held the rank of lieutenant.

Following his military service he began his career in the textile industry starting as secretary to the manager of a local textile mill in the Leaksville-Spray area, and in 1938, following several intermediate promotions, he was made general manager in charge of manufacturing for Marshall Field & Co. In 1943 he became vice president of that corporation.

He was head of the Textile Division of OPA in 1944, and consultant to the Secretary of Agriculture in 1945.

In 1950, upon retirement from private business, he spent over a year in West Germany as head of the Industry Division of the Economic Cooperation Administration, and was consultant to the State Department in the latter months of 1951 on the International Management Conference.

In November 1952 he was elected Lieutenant Governor of North Carolina, and succeeded to the governorship in November 1954 upon the death of the then Governor, William B. Umstead. Governor Hodges was reelected Governor of North Carolina in November 1956, and his term ended in January 1961.

He is past chairman of the Southern Governors' Conference and of the Southern Regional Education Board. He was one of the nine American Governors to make an extensive tour of the Soviet Union in the summer of 1959 and was subsequently in charge of his State's trade and industry mission to Europe in November 1959.

The Governor married Miss Martha Blakeney in Union County, N.C., in 1922. They have two daughters, Betsy (Mrs. D. M. Bernard, Jr.) of Anacortes, Wash.; Nancy (Mrs. John C. Finlay) of Rangoon, Burma; and one son, Luther, Jr., who is now attending the Graduate School of Business Administration at Harvard University.

He is a member of the Leaksville Methodist Church, a Mason, and a Rotarian and has served as an international director of Rotary.

The CHAIRMAN. Governor, I am going to ask the members of the committee if they have any questions to ask you. I will start on my right, with the Senator from Kansas.

Senator SCHOEPEL. Mr. Chairman and Governor Hodges, some of the members of the minority are unable to be here this morning and have requested that I ask certain questions of you.

The questions which I desire to ask are for the record and in the spirit of getting on the record some matters which I am sure you will understand.

First, I understand, Governor, that you, as well as the other designees of the President-elect, have had certain facilities offered to you and to your associates in the Commerce Department to familiarize yourself with the workings of that Department.

#### STATEMENT OF HON. LUTHER H. HODGES, DESIGNATED TO BE SECRETARY OF COMMERCE

Governor HODGES. Yes, sir; and the finest cooperation possible.

Senator SCHOEPEL. Thank you, sir.

Now, the Senate Committee on Post Office and Civil Service has issued a committee print entitled "Policy and Supporting Positions." It lists for the Department of Commerce all officials appointed by the

President with the advice and the consent of the Senate, officials named under special statutes and not subject to civil service, and employees on schedule A and schedule B. These listings are supposed to cover only employees subject to replacement by the new administration as necessary for policy determinations or in confidential relationships.

I take it that you are generally familiar with the existence of the document to which I refer. I would like to ask you this question, sir: Is it your intention to safeguard the civil service and to see that employees under your direction are assured their full rights under the letter and within the spirit of that civil service law?

Governor HODGES. Yes, sir.

Senator SCHOEPPPEL. I note in the Democratic national platform, and I am reading from page 9:

World trade is more than ever essential to world peace. In the tradition of Cordell Hull we shall expand world trade in every responsible way. Since all Americans share the benefit of this policy, its cost should not be the burden of the few. We shall support practical measures to ease the necessary adjustments of industries and communities which may be unavoidably hurt by increases in imports.

Now, as Secretary of Commerce, I naturally assume you will carry some high degree of responsibility in this regard.

Do you have in mind what industries and communities would be involved for immediate consideration in this, if I might inquire? You may or may not have familiarized yourself with all of the factors and circumstances that you might want to fully discuss.

Governor HODGES. Senator, I could not discuss which industries. I associate myself with the general principle but I do not have in mind any particular industry whatsoever at the moment.

Senator SCHOEPPPEL. Do you have any definite ideas in mind or program that you would wish to elaborate on at this time that would stimulate imports, and also stimulate exports?

Governor HODGES. Yes, sir. I would make this general comment: As I said at the time that Senator Kennedy designated me as the possible Secretary of Commerce, one of my chief aims would be the stimulation of foreign trade, trade generally, foreign trade, in order to help close this so-called balance-of-payments gap and to invigorate the economy of this country.

I think that our organization will be built along the line of trying to stimulate the economy, make the domestic economy strong and virile so that we may be more competitive abroad in the trade that we have with other nations.

Senator SCHOEPPPEL. Governor Hodges, I would like to ask you this: We have heard much about peril points.

Would it be your counsel to this administration that peril points be abandoned or retained?

Governor HODGES. I could not discuss intelligently as to whether or not this ought to be changed at all. I think that it is not so much what you have in the way of a peril point policy, it is a question of what you find out about the industry and what is its relation to the rest of the commerce of the country and the Nation's total needs.

You realize the Secretary of Commerce does not determine anything about that; it is up to the Tariff Commission, I believe.

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We do have the responsibility of making certain recommendations to the President after we have gotten their statement.

Senator SCHOEPEL. I would like to ask you further, Governor Hodges, the President-elect was quoted at Manchester, N.H.—and by the way, the distinguished Senator from New Hampshire is here, a member of this committee—I think it was on September 2:

We shall protect our textile and shoe industries.

Now, as an expert in the textile industry, Governor, and as a nominee for this responsible position, do you care to elaborate at all on what measures of protection you would recommend at this time?

Governor HODGES. No, sir, I would not at this time.

Senator SCHOEPEL. I note also in the platform at page 19 it pledges policies that will cause our economy to grow at an average rate of 5 percent annually without inflation.

Is it your expectation that the rate of growth for 1961 would be on the high or the low side or the readjusting side?

Governor HODGES. Well, it would have to be, Senator. I think it is on the readjusting side because I don't think you can reach the higher figure immediately.

I think it is a good goal that we can have a higher rate of growth than we have experienced in the last several years.

Senator SCHOEPEL. I note further that with reference—

The CHAIRMAN. I think the Governor should repeat what he said. This is very important.

As I understand it, you think we are going to have a little trouble for a few months and then we are going to reach sort of a plateau; is that correct?

Governor HODGES. That could be an interpretation of what I said. What I said, Senator—

The CHAIRMAN. I want you to correct me if I did not hear it right.

Governor HODGES. What I said in answer to the Senator's question was I thought there would be a readjustment period.

Certainly we are going through some adjustment now, some economists may take it one way or some another, but we are going through that. We cannot get this higher rate of growth to which the Senator referred immediately. It has to be done over a period of time. I said we had been a little on the low side in the last several years.

Senator SCHOEPEL. Further, Governor, in the discussion of inflation and its cures, the platform—I think it is on page 20—promises:

Action to restrain administered price increases in industries where economic power rests in the hands of a few.

Are you in a position to describe some of the industries to which this platform statement might refer for do you have an opinion on it?

Governor HODGES. I do not have an opinion on that, sir.

Senator SCHOEPEL. I would like to switch now, with your permission, sir, to questions from one of the members of our committee. Senator Butler from Maryland is unable to be here and has asked that I ask you certain questions.

What is your feeling with respect to the proposition of Government competition with private industry?

Governor HODGES. Basically I think private industry should handle commerce and industry. There come times when the Government has

to step in and help. I have nothing specific in mind. But if you asked me for a point of view I would be for private industry doing the job.

Senator SCHOEPEL. Another question from Senator Butler. Do you feel that steps should be taken to accelerate the merchant ship replacement program under the provisions of the Merchant Marine Act of 1936, even to the extent that you may have to request increased appropriations for ship construction?

Governor HODGES. I would not comment on that at the moment, sir, because I have not studied that. I know what the basic problem is, I know what we have roughly in the budget but I am not prepared to say I would ask for any increases at the present time.

Senator SCHOEPEL. A further question, please.

Do you expect to take cognizance of the bleak outlook for the Nation's private shipbuilding and ship-repairing industries?

Governor HODGES. Well, it will be a part of this total program that we have in the Department of Commerce of rebuilding ships, of building new ships, and of subsidizing certain shipping operations.

Senator SCHOEPEL. Senator Francis Case, of South Dakota, who is not a member of this committee, has asked that I propound some questions to you.

Mr. Chairman, am I taking too much time?

The CHAIRMAN. No; we have lots of time.

Senator SCHOEPEL. It has been suggested as desirable that the interstate highway improvements—

The CHAIRMAN. Let's not take until Friday, but we have lots of time until Friday.

Senator SCHOEPEL. I will repeat: It has been suggested as desirable that the Interstate Highway improvements be integrated with plans for mass transit facilities in cities.

Do you feel that this is desirable where mass transit plans are sufficiently advanced to permit cooperation with the highway development?

Governor HODGES. Senator, that gets into not only a technical phase but a broad policy phase; I would not at this moment think I would favor it.

I could not say definitely until I had given study to it. This is one of the toughest problems facing the Nation today, this matter of transportation.

Senator SCHOEPEL. A further question along the same line.

Construction of the Interstate System is estimated to cost considerably more than will be available in the highway trust fund under the present legislation.

Do you favor new legislation to provide for a completed Interstate System at the earliest practicable date?

Governor HODGES. Yes, at the earliest practicable date; that would be generally in line with what has been proposed. It has been expanded a little bit. Whether that takes 10 years or 12 years I would not want to say.

I do not think it will be stepped up from what the basic program is, but I think we ought to move forward.

I am in favor of doing it as quickly as we practically can, because I think the whole Nation is favoring this Interstate System.

The CHAIRMAN. The President of the United States has recommended to Congress an increase of one-half a cent on the gasoline tax. What is your opinion about that?

Governor HODGES. I think that is something, sir, that you folks are going to have to decide as a policy. I am in favor of having enough funds put in the trust fund, whether it is from the gasoline tax or excise taxes, or whatever you decide is necessary.

Senator SCHOEPEL. Another question from Senator Case.

The Federal-aid highway program involving cooperation between the States and the Federal Government for highway improvement has been operated most successfully for over 40 years.

Do you favor a continuation of this Federal-State cooperation program for highway improvement?

Governor HODGES. Yes, sir.

Senator SCHOEPEL. There have been disturbing reports of irregularities and wrongdoing in connection with the Interstate Highway program.

From your experience as Governor, would you recommend tightening the Federal controls to insure integrity in the program at all levels of the Government?

Governor HODGES. Yes, sir; I am not sure that there are certain specific things you can tighten to stop this payola business in some places. I don't think this question of irregularity is held to any part of the country or any party or group, it is an individual matter generally.

But if there are any loopholes or policies that need tightening from the Federal angle that would stop that, you may be sure I would follow it up.

Senator SCHOEPEL. One further question that has been submitted to me, Governor. Do you feel that the urban highway improvement should be coordinated with the urban redevelopment plans when or where feasible?

Governor HODGES. Yes, sir.

Senator SCHOEPEL. Mr. Chairman, I will defer other questions until a later time.

The CHAIRMAN. I might say, Governor, that this committee on this urban transportation problem, last session directed a study or an inquiry into the urban problems of transportation. We have only recently delegated the study to a group. What is the name of the group?

Senator CASE. It is the Regional Planning Association of New York.

The CHAIRMAN. The Regional Planning Association, and they are making a study of this, starting in the No. 1 priority area which is New York and New Jersey, and they will have a report ready for us I would think some time in the early spring, which we will submit to the Department of Commerce for their consideration. I think it will contain a lot of valuable recommendations.

Governor HODGES. Yes, sir.

The CHAIRMAN. The Senator from Rhode Island?

Senator PASTORE. Governor, I think we all agree that one of the most vexing and challenging problems confronting the administration and the Congress is this whole panorama of international trade, imports as against exports.

Having been associated with the textile industry for a number of years I am wondering if you are familiar with the investigation of the decline of the textile industry that was made by a special committee of this general committee with reference to the textile industry?

Are you familiar with it?

Governor HODGES. I am familiar with your committee which you chaired, Senator. I would just like to say this, in what is really a comment on this textile problem as being a specific problem of the Department, that the administration, the incoming administration, is definitely considering as on its agenda program the problem of the textile import situation.

Senator Kennedy, President-elect Kennedy, is asking two or three Secretaries, including the Secretary of Commerce, to give it study. So we will be following this up, including the report you are talking about.

Senator PASTORE. Are you familiar at all with the recommendation that was made by our committee with relation to this interagency committee?

Governor HODGES. Not specifically; I remember reading it.

I know that you did. I don't remember which agencies were involved.

Senator PASTORE. Do you think it would be helpful to the solution of the problem, if it can be solved at all, but at least in the direction of guidance to the administration in seeking to solve the problem, that we have together in one committee such as an interagency committee, representatives of the various departments that have anything at all to do with this problem?

Governor HODGES. Very definitely, sir, I think that on this and many other problems, Senator Pastore, that the State Department and the Treasury Department sometimes have as much or more influence as the Department of Commerce, even though it affects business. Whereas if it touches international trade at all you have all of them involved and I think an interagency committee is almost essential.

Senator PASTORE. Would it be your feeling that it might be in the interest of the Nation and also for a better understanding of the problem, if the negotiations at GATT that we did have there, fortifying the representatives of the State Department, personalities representing American industry?

Governor HODGES. Yes, sir. That is in the program, sir; we discussed it this morning.

Senator PASTORE. You feel strongly that would be a good thing?

Governor HODGES. We definitely should have a group of advisers, practical industrial business advisers, to sit with the people at GATT, and that is in the program, sir.

Senator PASTORE. Beginning shortly, I think it is on the 6th of February, this subcommittee, which is now a permanent subcommittee of the whole committee, on the textile industry, of which I have the privilege of being the chairman, will again reopen hearings in order to bring up to date all the data that was gathered when we started our hearings in 1958. Do you think it might be a little premature to invite you to come and testify at that time?

Would you prefer to wait for our report before you make comment?

Governor HODGES. I would prefer that. I have refrained about 50 or 75 times in the last 3 weeks from making statements about what we were going to do and so on.

I will be glad to help in any way, and if it is far enough advanced after I have learned something more about it, I should be very glad to.

Senator PASTORE. I realize it is a very difficult time for you, and I would not want to encumber you, with all the other responsibilities you do have.

I hope, once we do get this in shape, you would give it your personal attention.

I quite agree with you that it is an essential industry and there have been many lamentations of what has been happening to it, and I would hope that your Department would be a little more strenuous than the experience we have had in the past.

Governor HODGES. All right, thank you.

The CHAIRMAN. The Senator from Oklahoma?

Senator MONRONEY. Governor Hodges, it is with a great deal of enthusiasm that I welcome you before this committee. In fact, I considered your appointment—I think the first announced to the Cabinet—as an omen of the greatness of the personnel that has been willing to follow your lead in accepting responsibility in this administration.

I have noted with great interest in the past your aggressive attitude in building the industry of North Carolina; the great progress that this State has made under your leadership; and also your search for new industries that would fit into the economy, even if you had to send groups of people around the world to try to find new clients for it.

So, I think it will be a great addition to have a man of your experience in private business and also in public operation of a vital, growing State at the helm of our Commerce Department.

I would like to ask if you would consider it your duty as the Secretary of Commerce to advise other departments of Government as to business opportunities, that the use of their procurement, perhaps, of all types of products for use abroad might stimulate demands for these American products? What I have specifically in mind is, I think you will find practically none of the cars presently used by our embassies abroad, or by our farflung aid agencies abroad, or by our military abroad, displaying in the use over there of our rather superior compact American-made automobiles. Some way or other, it seems to me a misfire to have a product that is superior to the European small car, that fits the roads better, that would intrigue the foreign users, and then to find American agencies using abroad the more bulky, clumsy, gigantic tail fin automobiles that have no market whatever with our foreign friends.

Would you feel it a breach of duty as the Secretary of Commerce, if you found these and many other types of products abroad which are not being properly displayed in use by our agencies, to consult with, or to persuade, or to use the salesmanship which you have exhibited as Governor to help promote American industry abroad?

Governor HODGES. Very definitely, Senator Monroney. Where I could properly do it, I would certainly do it.

I think that this country has hardly scratched the surface of what it can do in the way of inventiveness and productivity, and I am very hopeful that we can interest a greater segment of our industrial machine—if we may call it that—in this country to take an interest in making things—including the things you are talking about—for consumption abroad.

I think we have a great opportunity of expanding what we are doing.

Senator MONRONEY. You would not think that you would be prohibited by the narrow limits of your own Department on new

products like new scientific breakthroughs of atomic energy for peaceful uses, diesel industrialization operations, and other things, to go to the other heads of departments and interpret to them the meaning of this as a new frontier for American business opportunity abroad?

Governor HODGES. I agree thoroughly with what you say, and I do not consider it out of place for one Cabinet officer to do what he can in this respect. It's a team play.

Senator MONRONEY. Then you conceive the job as encompassing the job of being sales promotion man for American products abroad, either by contacting foreign users or even helping to stimulate the introduction of these by our own purchases and use abroad?

Governor HODGES. Yes, sir.

Senator MONRONEY. I am very glad to hear you say that because I think this is a vacuum that has not been filled for many, many years in this dynamic effort to go after the new. We cannot always compete with the lowest price line and the lowest level of simply made materials and simply made fabrics and other things. We have got to research out the things where we could excel in technological progress if we are to replace the markets which we inevitably will lose—

Governor HODGES. I agree with you.

Senator MONRONEY (continuing). Through other people catching up with making bicycles or wheelbarrows, let us say.

The CHAIRMAN. As a matter of fact Senator Monroney, the essence of one of the recommendations of the staff report on foreign commerce takes that direction. Instead of clamping down on something that's coming in, and building the wall, it suggests that there are many other things we can do to level it off, which is a kind of new approach in this balance-of-payments deficit in our export and import problems.

Governor HODGES. That's the approach we are taking, Senator, in trying to build our team in the Department of Commerce.

Senator PASTORE. Would the Senator yield for a question on that very question you have raised?

Senator MONRONEY. Yes.

Senator PASTORE. Don't you think, Governor, that it is essential for your Department, in that regard, to investigate and explore just what articles are coming from what countries, and what we are selling to these particular countries? I think that heretofore what we have done, we have just taken the total balance figure on the ledger and said, "We sell so much and we buy so much." Now we have got to buy in order to sell, and yet nobody has taken the trouble to find out what we are buying from what country and what we are selling to those countries.

Don't you agree with that?

Governor HODGES. I think you must have your facts before you will know how to move.

Senator MONRONEY. Right along that line, you would not hesitate, after you have studied the question carefully, to necessarily improve or to expand the foreign trade efforts of the Department of Commerce, would you?

Governor HODGES. We are going to try to expand it.

Senator MONRONEY. I feel that in the Department of Commerce there is greater opportunity than giving these funds to the State Department, or to others whose association with strictly trade promotion of new items gets lost in the diplomatic paperwork and never

gets around to contacting, or helping our producers contact, prospective customers, or prospective people who could open brandnew areas of new marketing for us.

One other question, then I am through.

I appreciated your answer, and in the same context, without considering the level of expenditures on public roads and Federal aid to public roads, since 1946 we have had a Federal aid program for the assistance of local communities on a 50-50 matching basis for Federal aid to airports. Since most of our air transportation—perhaps 90 percent of it—is involved in interstate commerce, you would see nothing wrong, would you, in this program being continued as a part of the Federal responsibility—the same as we recognize the Federal responsibility in the area of Federal-State highways?

Governor HODGES. I couldn't answer that unqualifiedly because I am not as well acquainted with that as I would like to be.

The basic principle I like.

Senator MONRONEY. But the basic principle is not different from the basic principles that lead to the establishment of Federal aid to public roads, in your opinion?

Governor HODGES. Yes, sir.

Senator MONRONEY. That's all I have.

The CHAIRMAN. The Senator from South Carolina.

This is a good example of what the former Governor of South Carolina said to the former Governor of North Carolina. [Laughter.]

Senator THURMOND. I am fixing to say right now that I want to congratulate him; not only him, but the President-elect upon choosing him. I don't think he could have made a finer selection.

Governor HODGES. Thank you, sir.

Senator THURMOND. Governor, I am slightly interested, as all the States are who are manufacturing textile goods, and you have had considerable experience, of course, in that field. We feel that textiles, as you know, according to the Defense Department, ranks second to steel in importance in this country with regard to national defense. I am wondering if you have any plans in mind to make a study of the textile situation and see what can be done to alleviate some of its problems, and probably restrict some of the excessive imports that are competing to such an extent that a number of mills have had to shut down.

I know of mills in my State—one in Rock Hill, not far from the North Carolina line—that shut down several years ago. And there are others. And I was interested to know if you had thought of that subject any, and if you plan to make a study of it to see what can be done along that line.

Governor HODGES. Senator Thurmond, I'm glad to have the question. Senator Pastore raised that question before you came in, sir, and I told him this: that the new administration under President Kennedy is going to have a study made of this.

As you may know, they already have referred it to a staff member of his group.

I think that President-elect Kennedy has already taken the textile problem under advisement. He will ask an interagency committee, which will include the Secretary of Commerce probably, to study this problem and see what can be done.

I think that we must know what's coming in, even though we may put a positive accent on trying to increase our trade abroad, our

exports, that we must consider all these other things; and I can assure you that it is going to be taken into consideration. The Tariff Commission, as you know, under the present statutes and rules, makes the decision on what is done; but I think all of us can help, Senator Thurmond.

Senator THURMOND. Our distinguished chairman, Senator Magnuson appointed a special Textile Subcommittee of this committee composed of Senator Pastore as chairman, the distinguished Senator from New Hampshire, Mr. Cotton, and myself. And I want to say to you any way we can work with you or cooperate with you, it will be our pleasure.

Governor HODGES. Thank you, sir.

Senator THURMOND. Again I congratulate you and the President-elect upon your appointment.

Governor HODGES. Thank you, Senator Thurmond.

The CHAIRMAN. The Senator from Ohio.

Any questions?

Senator LAUSCHE. Yes.

Governor Hodges, you have been in the Governor's office now for 6 years and a bit more; is that right?

Governor HODGES. That is right, sir.

Senator LAUSCHE. Tell me, while you were Governor, did you strive to develop a balanced budget and to impose taxes that would be adequate to finance the necessary current expenditures?

Governor HODGES. Yes, sir; we always had a balanced budget. Under the North Carolina law you couldn't spend it until you had it. [Laughter.]

We never had an unbalanced budget.

Senator THURMOND. Do you think we could get that adopted here? [Laughter.]

Governor HODGES. It's a good idea to consider.

We didn't have to have many new taxes, Senator Lausche, while I was down there.

Senator LAUSCHE. You did have to have?

Governor HODGES. No.

Senator LAUSCHE. But you basically believe in the principle that Government, just as the family and the individual, ought to operate on a balanced budget?

Governor HODGES. Senator, I'm so simple in my thinking that I think big Government is just an extension of an individual property.

Senator LAUSCHE. Even though you did not have constitutional limitations, your basic philosophy would be that except in extraordinary emergencies the Government ought to operate within the limit of its revenues for each year?

Governor HODGES. That is right, sir.

Senator LAUSCHE. Now, beginning with that as the base, you said that you would favor moving forward as rapidly as is practical in the development of the highway program. I would like to explore the meaning of the word "practical."

I think you were with me on the Governors' committee back in 1954 when we studied what was supposed to be a recommendation for the development of the Interstate Highway System; is that correct?

Governor HODGES. That is right.

Senator LAUSCHE. And we at that time suggested that it be initiated, but on the basis of current financing of the program. Is that about right?

Governor HODGES. I think so.

Senator LAUSCHE. And I judge from what you said that you feel that the highway trust fund basically ought to be made adequate under the formula of funds contributed to that program as now set forth in the law; but you qualify that a bit and say that if the Senate or the Congress determines to take it out of the general revenue, of course, you would have to go along?

Governor HODGES. It would be up to us, sir, to build the highways in the most economical way possible.

Senator LAUSCHE. Would you urge the building of the highways under this term as rapidly as is practicably possible if you knew that there were extravagances and wastes being committed because of the hasty promotion of the program, the elimination of necessary competition because of the excessiveness of work, the excessive payment of prices for land when the landowners know that they have got the Government on the hook; or would you think that those are practical factors that ought to be considered in determining the speed with which you go forward?

Governor HODGES. Basically, Senator Lausche, some of those problems you have properly brought out ought to be handled administratively within the Department. I do not know the details of them yet. But beyond that, if we could not handle it, it comes back to a matter of policy.

I would make this statement: I would not be so foolish as to say that you ought to double the gas tax in order to get the roads through in a certain year. I say "as quickly as practicable" and I think the basic thing of putting it 10 or 12 years ahead is basically a sound suggestion.

Senator LAUSCHE. There is a soundness to this thought, too, and I think we had it in mind that we ought not to think that in 1960 and 1961 we ought to do all things when there will be succeeding generations wanting some public works to be done by them. Is that correct?

Governor HODGES. That's what I tried to say. I would not hurry it to the point of doubling taxes in order to get things done. You have to take the time, and you make less mistakes if you take the time.

Senator LAUSCHE. I think you are going to be confronted with this problem: the competition between the railroads, the pipelines, the airlines, the bus lines, and the water lines—

The CHAIRMAN. The inland waterways.

Senator LAUSCHE (continuing). The inland waterways. You will probably somewhere along the line have to decide whether one type of transportation is being subsidized to the disadvantage and to the impairment of the life of the other types.

Do you have any views on that subject of subsidies?

Governor HODGES. Well, I think at times, Senator, you do have exceptional subjects, such as in our shipping situation. I would not at this time say which are wrong.

Senator LAUSCHE. I understand that.

But on this, if you found from the facts that one type of transportation was being subsidized by the general taxpayers and thus damaging the ability of the other type of transportation to survive, do you think it would be worthwhile looking into?

Governor HODGES. I would certainly look into it.

I said earlier, Senator Lausche, that this transportation problem, nationwide, is one of the most difficult that we face. There are studies on it, and we will all try to put our heads to it.

The CHAIRMAN. Have you selected your Undersecretary for Transportation, yet?

Governor HODGES. We have not yet, Senator. We hope to do so shortly.

Senator LAUSCHE. Now, one other further question.

There has been considerable discussion about the outflow of gold, and I'm of the opinion that the discussion will grow broader, that the seriousness of the problem will have its impact upon the minds of our American citizenry.

In the efforts to solve that problem, in my opinion, there will be various remedies suggested that will deal with the symptoms and probably not at all with the causes. As Secretary of Commerce will you, in the examination of that subject, boldly declare what you find the facts to be with respect to causes and remedies, regardless of which segment of the economy those conclusions might hit?

Governor HODGES. Yes, sir; that is one of the basic principles.

Senator LAUSCHE. That is, you will want to ascertain the truth, tell the truth, and if that truth shows that we are pricing ourselves out of the world markets in some areas, you will so state?

Governor HODGES. Very definitely.

Senator LAUSCHE. That's all.

The CHAIRMAN. The Senator from Texas?

Senator YARBOROUGH. Governor Hodges, we welcome your appointment. I think it's fortunate that the country will have as a Secretary of Commerce a man who has proved himself successful both in business and in Government and has served at home and abroad.

Governor HODGES. Thank you, Senator.

Senator YARBOROUGH. I will not go into this line of gold, or our imbalance in payments. You have been asked about that.

I am going to ask a little subsidiary question.

Are you familiar with Mr. Packard's book, "The Waste Makers," and the general problem with which it deals, of the manufacture of items that will wear out in a hurry so that a replacement can be sold?

Governor HODGES. I haven't seen that book, sir. I know the practice.

Senator YARBOROUGH. Well, I recommend that you read that book, not as the ultimate authority but merely a popularized version of some problems; and with your business experience, I want to recommend, Mr. Secretary, that you give that deep study on its overall impact upon our American economy and our American resources and consider ways and means that a Secretary of Commerce might take to right whatever evils exist in that regard; and I'm sure that we will both agree that there are some evils in that.

Governor HODGES. Thank you, Senator.

The CHAIRMAN. The Senator from Alaska.

Senator BARTLETT. Governor, I, too, wish to congratulate you upon the eve of your assuming this important office.

Governor, do you know approximately how many employees are in the Commerce Department?

Governor HODGES. Roughly 35,000.

Senator BARTLETT. Do you know how many of those are in the field and how many here in Washington?

Governor HODGES. Oh, I would say more than half of them are here in Washington.

Senator BARTLETT. And quite a few of them are abroad.

Governor HODGES. Not many abroad; a few.

Senator BARTLETT. Abroad, are they stationed with the State Department?

Governor HODGES. Generally.

Senator BARTLETT. But have autonomy of their own?

Governor HODGES. Generally not too much autonomy of their own.

The Department of Commerce really gets its commercial statistics from the State Department, the commercial attachés. We have a limited number of our own observers abroad, and they are autonomous, responsible to us.

Senator BARTLETT. There has been mentioned here several times this morning this important area of foreign trade. In connection with that, Governor, what is the participation of the Commerce Department? Is it administrative, or is it largely promotional and advisory?

Governor HODGES. Let me say from my conception of it as I have looked at it, it is, or ought to be, promotional. It ought to encourage business both from domestic business and ought to specifically encourage export trade and investment, et cetera. I think our building of a team for the Department is going to be one of using our own experience, merchandising, and selling; namely, to encourage business and industry in this country to do a job.

Senator BARTLETT. And in respect to basic trade policies, I should infer that you would not, as Secretary of Commerce, be able to operate on your own motion. This would be in conjunction with other departments of Government and the President himself. You would be part of the whole; is that right?

Governor HODGES. That is right, sir. We must work together.

Senator BARTLETT. But you will be taking the lead, I assume, in making recommendations that would include the situation?

Governor HODGES. I conceive it my duty, as a Cabinet officer, representing the business end of it, to make such recommendations.

Senator BARTLETT. Governor, is the Federal Maritime Board, if you know, independent administratively, or does it come within the jurisdiction of the Secretary of Commerce?

Governor HODGES. Theoretically, it comes within the jurisdiction of the Secretary of Commerce. I cannot answer practically at the moment.

Senator BARTLETT. You have read, or at least heard of, the Landis report?

Governor HODGES. Yes.

Senator BARTLETT. Have you read that yet?

Governor HODGES. I have not, sir. Oh, I have read the newspaper accounts; but I have not seen the book.

Senator BARTLETT. We are in the same situation: I haven't read it yet, either. [Laughter.]

Senator BARTLETT. But in case, after you take office and make studies and decide that changes ought to be made on that Board, for example, this, then, would be done administratively apart from such agencies as Federal Trade Commission, the Federal Power Commission; is that right?

Governor HODGES. Yes, sir; that would be my judgment.

Senator BARTLETT. Thank you, Governor.

That's all, Mr. Chairman.

The CHAIRMAN. Well, Governor, what is your interpretation of the legal function of the Maritime Board in this respect; this committee has jurisdiction over the Maritime Board, they operate under the Maritime Act of 1936. The Commerce Department, of course, handles the Maritime Board in the sense they are the housekeepers, the budget and all the things, but would you say that you were advisers to the Maritime Board or that you would direct them on decisions?

Governor HODGES. Senator Magnuson, I couldn't answer it specifically. You are far more acquainted with that than I am. They are in the Department; I understand that they are part of the general organization. I do not know what the legal restrictions are on their not getting direction as opposed to others.

Senator BARTLETT. Mr. Chairman, may I say in that connection, I didn't intend at all to try to place any words in the Governor's mouth that the Secretary of Commerce would decide the decisions.

The CHAIRMAN. I think the Governor does understand the function of the Maritime Board is to operate under the law, the 1936 law, but the Department of Commerce exercises a sort of advisory jurisdiction over the Board as to what they may do within the framework of the 1936 act. Is that your interpretation?

Governor HODGES. Yes, sir.

The CHAIRMAN. The Senator from New Hampshire.

Senator COTTON. Governor, first I wish to join the other members of this committee who have expressed their pleasure and gratification at the fact that you have been designated by the President-elect.

As a member of His Majesty's loyal opposition I, too, feel the same way, and am for you.

I do want to ask you two or three rather specific questions and I know that you will understand I am not trying to get you to shoot from the hip or put you on the spot before you even take over the duties, but at least it will pinpoint certain things that I am sure you will be considering later and that we will be able to discuss with you later.

One is I wanted to make sure that I understood the discussion that you have had regarding the Interstate Highway program. I take it from what you said, Governor, that you agree in the main with what we call the Byrd amendment, that whatever we do in the matter of the Department we do in the tradition of North Carolina on a pay-as-you-go basis and not spend our money until we get it.

Governor HODGES. I think you have established the policy of the trust fund. If the trust fund has money we spend it, if it doesn't, you don't spend it.

Senator COTTON. The Chairman asked you about the question of adding a half a cent to the gasoline tax. I wasn't entirely clear about your response, I quite understand that you might not want to go on record today, but I believe your response was that is up to us and not up to you, but I think that sooner or later the committee is entitled to your advice on that.

Governor HODGES. Well, I am not prepared today to give you advice on that particular situation, or any other one, but my comment was a little fuller than what you say.

I said that if it were necessary to finish the program in the basic plan that had been previously outlined, that it took extra gas taxes and/or exercise taxes I thought we ought to have them.

As to whether it ought to be a half a cent, a quarter of a cent or a cent and a half I am not prepared to say. Basically, you must make that final decision. I say from my point of view we have to have these built, we will try to build them as economically as possible. Whatever it takes within the trust fund we will do it.

Senator COTTON. Thank you, Governor. To save time, as a member of the subcommittee that worked on our textile problems, I wanted to associate myself most emphatically with the suggestions and the questions of the Senator from Rhode Island and the Senator from South Carolina.

I am going to say one thing that perhaps in their kindness and courtesy and graciousness they wouldn't say today when the present administration is just on its way out, but I think I can say it as a Republican and as a very staunch admirer and loyal supporter of the outgoing administration. I had the distinct feeling that the administration just went through the motions in the matter of this inter-agency committee that our committee recommended and wanted to have set up. It was set up and it was named, but I never thought that they went through with us too much on it and I never was very happy about it, and I think I can say it perhaps more appropriately this morning than some other members of this committee.

The President-elect, we know him, to our sorrow, that when he undertakes something he carries it through. [Laughter.]

I assume that as Secretary of Commerce, which you certainly will be, and as a former textile man yourself, your influence is going to be to really do something definite and not just go through the motions and have a lot of pleasant talk about the plight of the textile industry in this country. Am I correct?

Governor HODGES. Yes, sir; I associate myself with President-elect Kennedy in his determination to do something, whatever it is.

Senator COTTON. This principle of saying, and I agree with it and it is fine, of saying that in dealing with our foreign trade that the idea is to try to sell more American products abroad rather than stop foreign products coming in, sounds well, but isn't it your opinion, Governor, that we must take some thought—that is a good general program—but you can't sacrifice an industry like the textile industry, that in case of, for instance, in case of future emergency is just as necessary to this country as steel or guns or weapons; you can't sacrifice it to that principle that because we perhaps sell more automobiles abroad, why, we will let the textile industry fall by the way-side. I am sure you will agree to that.

Governor HODGES. I agree to that.

Senator COTTON. Now, to be a little specific and again I am not trying to ask you to shoot from the hip but I would like so far as possible to get your thinking.

Some of us didn't feel very happy a short time ago when an export license was granted to 40 American companies to enter into a contract to furnish the Soviet Union with a new \$30 million up-to-date, last word, textile plant. I understand that the day we hope will come when we can share the world trade in a friendly way with our potential enemies, but we felt that we are in a contest with our opponents

just as much commercially and industrially as we are militarily and some of us were very unhappy about that and now I find that the same movement is on foot to grant an export license for certain miniature ball-bearing machinery. Incidentally we in New Hampshire, being a good deal like Switzerland, have to live on our skills. We don't have the broad acres that your great State has and we don't have the large manufacturing that we used to have. Now, that is one of the industries we have built up in my own State and I am no more happy about having up-to-date machinery sent to be set up in the Soviet Union to get them into this field than I was about the textile plant.

Would you care to comment on that situation, specifically?

Governor HODGES. I do not know enough about it, Senator, to comment.

Senator COTTON. Well, I can understand that, but it may be some little time before we get a chance to see you again. I hope that you give that your earnest attention and that after you have gotten acclimated and underway down there, that you will permit some of us either with you or some of your subordinates to have a heart-to-heart discussion of that point.

Governor HODGES. I will be glad to, sir.

Senator COTTON. Thank you, thank you very much.

The CHAIRMAN. The Senator from New Jersey.

Senator CASE. Thank you, Mr. Chairman.

Welcome, Governor, and I add my congratulations and good wishes to you in this terribly important job. There are just two points I want to raise with you. One I think you have already answered in substance.

I am deeply interested in this whole matter of a national transportation policy, one that is coordinated and one which takes account of all parts and does not deal with this as we have, I think, too much with the various activities in the transportation system of our country as if they were separate and not closely interrelated as they are.

I know from what you said that you agreed that this is a desirable thing. I just want to emphasize your statement, I think, that you will not only, when things go wrong as the Senator from Ohio suggested and a subsidy to one may be a disadvantage to another, take action then, but actively yourself, interest yourself in the development of such a policy and take direction of it so far as you can?

Governor HODGES. Yes, sir.

Senator CASE. Turning now to the highway building program, there are two points I want to make.

I have been many times distressed about what seemed to me to be—

The CHAIRMAN. Senator Case, I think the record ought to say when we are speaking of the highway program, which I am sure you are, that we are talking about the condition of the so-called trust fund, whether or not we raise a tax to implement the trust fund or whether the trust fund is adequate to keep what you said, Governor, is a reasonable progress in the highway program, so the record will be straight on that.

Senator CASE. I am interested, of course, in that phase of it but my question really was directed to a broader phase of that situation. It has seemed to me, as representing the State which is pretty highly

built up and where the green space is almost under our eyes disappearing into oblivion, that one of the things that ought to be done is to have in the Federal Government responsible attention, not only to the question of building highways where they can be most efficient for the transportation of more and more and more people, but also adequate consideration of the needs of the area, urban and suburban and the rest, to the relation of building of more highways to the preservation of these green spaces and the amenities of decent living.

I am wondering whether you have given any thought to this problem because to us in the metropolitan areas and the suburban areas that are fast swallowing up all the green space of our State, it is a matter of very great importance in the present and for the immediate future.

Governor HODGES. Well, Senator, of course, if you are going to have a proper highway system, an integrated system, we must take those things into consideration in our congested population centers. I think it is the policy of the highway building people, they have taken that into consideration to a certain extent.

For illustration, take North Carolina where we had \$40 or \$50 million several years ago, it has been cut in half. Virginia, which is the smallest State, I am using only as an illustration, has increased tremendously. Well, that is primarily because it is now on a needs basis and the metropolitan area of Washington, Arlington, and Alexandria needs the money.

The same principle will hold good in New Jersey and other places. It is going to cost more and is going to take a larger ratio of money from now on to take care of the situation you are discussing.

Senator CASE. I am glad you raised that point. It has been very clear to me since I have gotten more actively into this matter in the Senate, that the needs of our part of the country are not adequately taken care of in the proportion to all the rest and that we have been short changed. I don't suggest any malevolence here, but a state of facts that I believe to be very, very true.

In this connection of the interrelation between the development of the highway program and other interests and values, one specific thing that has been suggested and I have urged this strongly myself, is that there be conferences and consultation and perhaps some system set up for a veto on the building of new roads which may affect other Federal developments, other developments in the way of urban renewal and slum clearance and city planning and adequate care for people who live in slums now, and that we do not just adopt, without question, a report of engineers and economists as to what is the most direct and efficient way from the standpoint of transportation only in building new roads without regard to their effect upon these other programs. Do you agree with this?

Governor HODGES. I understand what you are talking about, Senator Case. Basically, under our policy of highway building we leave it to the States to decide where the road goes, as you well know.

Senator CASE. This, I know.

Governor HODGES. Now, a State ought to recognize its own problem more quickly than a Federal department recognizes it. Who, if anybody, should have the veto I am not prepared to say. I think it would be foolish if we built a road, say, to Newark or Trenton or somewhere, without any consideration of all the other agencies of the

State, but I think the primary responsibility would be with the State and its agencies to associate themselves with that basic decision before it is made.

Senator CASE. I don't in any way want to take away from the States either the responsibility or authority in these matters, but I have had the feeling that the nature of problems in areas where highways and highway systems cross State lines, for example, there ought to be not only State attention but Federal attention to this problem, too.

Governor HODGES. We will take a look at it.

Senator CASE. Thank you very much. I have nothing further.

The CHAIRMAN. The Senator from Pennsylvania.

Senator SCOTT. Thank you, Mr. Chairman.

Governor, I think this Republic of ours is very fortunate that it is going to have the benefit of your recognized talents and I certainly congratulate the administration on that wisdom in the selection of their Secretary of Commerce.

Governor HODGES. Thank you, Senator.

Senator SCOTT. I recall that it has been the policy of the Commerce Department to send from time to time representatives abroad and I have in mind particularly when Assistant Secretary of Commerce Mueller traveled in Asia and I wanted to ask you whether you approve and would expect to continue the program of having your representatives visit other nations, discuss and explain our trade problems and difficulties and seek, where possible, to bring about a voluntary modification and amelioration of the trade policies of those nations which intensify our own problems.

Governor HODGES. Senator Scott, that statement makes a lot of sense. I think it is far better to do it on a voluntary basis, sitting down together, than it is to issue an edict and say we will do this or no. Sometimes you have to do both, but I like that approach.

Senator SCOTT. I do want to associate myself with what Senator Cotton said on cotton, and add that we, too, in my Commonwealth, are a textile State and that we have these great concerns. I won't go into any questions on that. I wanted to turn to the distressed area program, and if such a bill is enacted—and I would expect it will be—should it be placed under the Department of Commerce, should that occur, would you be prepared to give that a very definite priority, considering the serious nature of chronic unemployment in many parts of our country?

Governor HODGES. Yes; I would, Senator Scott. We would give it the best administration possible, with the broadest sympathy as possible for a program of that kind because I think, as you well know, some people close their eyes to it. We have had greater unemployment over a long period of time.

Senator SCOTT. There is no question about it, and it is based, of course, on the migration of industry, or the diminution of demand for the basic resources available to the industry, or the change of population trends, and these are deep-seated causes, and I wonder if you agree with me that you could not expect that such a problem could be solved rapidly but that it should be considered as a long-range problem and that it should be attacked immediately?

Governor HODGES. That is right; I agree with that.

Senator SCOTT. And would you expect that if the program is under your supervision that the States and the local communities would assume their full share of the responsibility as determined by their laws and by the laws of the Federal Government?

Governor HODGES. Yes, sir.

Senator SCOTT. There has been some discussion of urban transportation problems. Since this comes under the Department of Commerce it might not be proper to ask you to comment at this time on this question. If you do not it will be perfectly understandable, but should you care to I would like to know whether you would favor the transfer from the Department of Commerce of these urban functions to a new Department of Urban Affairs?

Governor HODGES. I would prefer to study that further, sir.

Senator SCOTT. Would you give it some study so we might later inquire about it?

Governor HODGES. Yes, sir.

Senator SCOTT. I again want to wish you every success, Governor, and simply add this, that with four former Governors on this committee you have got it made anyway. [Laughter.]

The CHAIRMAN. Well, we have run out of Governors. We will go now to the Senator from Kentucky.

Senator MORTON. Governor, I want to associate myself with the remarks made by Senator Scott. I think that the administration and the Nation is indeed fortunate to have prevailed upon you to come into the Washington maelstrom.

I am sorry that I was late. My question may be repetitious; if it is, I beg your pardon.

The extension of the Trade Agreements Act comes up, I believe, next year. From the time the program was first inaugurated under the then Secretary of State, Cordell Hull, it was presented to the Congress by the State Department with the other affected Departments, Commerce, Agriculture, Labor, and Treasury, sustaining the position. The last time that it was presented—the last two times it has been presented to the Congress, I think—certainly the last time—the Secretary of Commerce and the Department of Commerce took the lead, supported by the others.

You perhaps, I am sure, haven't had a chance to go into all these things, but have you any thoughts as to whether the Department of Commerce should continue to take the lead in that program?

Governor HODGES. Senator Morton, I definitely think that the Department of Commerce should take a leading part. Whether or not they be designated as the leader, I can't answer that at the moment. We said before you came in, we are going to urge a revitalization of this whole matter of trade both ways, and I think the Department of Commerce, the Secretary, has the responsibility of advising the President and the administration, the people of the country as a whole, on what he thinks is best for this, and we are going to do that vigorously.

Senator MORTON. I am glad to hear that.

I might just point this out, that as an officer of the State Department during the first years of this administration, a good share of the responsibility fell on my shoulders for getting that program through, extended on two occasions, with the Secretary of State having the primary responsibility.

I will admit that the program has many international complications and State should have an important voice, but I think it will be far better, and that the Congress will receive it with greater enthusiasm, if the move is made to transfer primary responsibility to the Department of Commerce if the enactment of this legislation is continued.

I remember on one occasion beating the bill to recommit the whole program in the House of Representatives by just one vote, and I seem to have a faculty in getting myself involved in close elections—my own and others—and programs.

I hope, sir, that the Department of Commerce and Secretary of Commerce will continue to be the leading figure in the development of that program in its presentation to the Congress. I am for the program. I think we have to make adjustments. I have always been for it and I have always supported it and I think the program will fare better under the leadership of not just you as an individual, and I am sure it will fare well under you as an individual, but under the leadership of the Department of Commerce. As a member of this committee, if there is anything I can do to help you in any way or members of your staff, my door is always open.

Governor HODGES. Thank you, Senator.

The CHAIRMAN. I may say, Governor, that there probably will be in this session of Congress several proposals to amend and modify the Trade Extension Act and we will be calling upon your Department to give us advice in this matter, as the Senator from Kentucky says.

I think it needs a lot of overhauling, the whole act.

The Senator from Indiana?

Senator HARTKE. Mr. Chairman, I want to thank you, and Governor, I am delighted to see you here, and to renew our personal relationship.

I want to extend to you the warmest of congratulations and the warmest of feelings and also congratulate your lovely wife and extend to her my sympathy for the many hours which she is going to have to share with the rest of the country when you are absent from her.

I know that this is more than just a passing thing here in Washington, I think we can agree with that.

I would like to point out to you that the manual of orders, in regard to the Office of Secretary, makes this particular statement in section 2 in subparagraph (1):

That it shall be the province and the duty of said department—that is the Department of Commerce—to foster, promote, and develop the foreign and domestic commerce, manufacturing, shipping, industry, and transportation.

I recall that when the immediate Secretary was before this committee I asked him about these words, and I asked him whether he was willing to assume this duty of actually promoting particularly the domestic and foreign commerce, or whether he thought it was in their province only to sort of go along and coast with the tide. I would like to have, although I think I know your answer, I would like to have for the record your opinion as to what these words imply.

Governor HODGES. Well, sir, I am the oldest man in the Cabinet, but I drive a Thunderbird car.

Senator HARTKE. I think that takes care of that. [Laughter.]

I think this spirit in and of itself will to me at least be a refreshing influence after what we have gone through.

I notice you made the statement that we are going through an adjustment. I hope that you won't characterize this as a rolling readjustment?

Governor HODGES. I don't know what the economists think about all this. I just said we have an adjustment to make. I cannot tell you—I am not an economist—if the so-called recession is going down a little bit or up or what.

I think we do have an adjustment to make, I think we have all got to put our shoulders to the wheel.

Senator HARTKE. I again was delighted to hear you make the statement that you would not only extend your best efforts in regard to any distressed area bill which we anticipate will be passed, but that also you would extend your sympathy to these people who are so unfortunate. I think this is something that is frequently omitted in regard to people who are out of work, and that is they are human, and not mere statistics.

Governor HODGES. Right, sir.

Senator HARTKE. And the rather shocking story which was on the front page of the Washington Post—I call your attention also to the shocking story which was given to us in the eastern part of Kentucky when Senator Cooper and I had the hearings there. The father of eight children, in order to accommodate his family committed suicide so they could draw his social security payments. Just this week the headlines in Chicago told of a man who killed himself and his wife and two children because his unemployment checks had expired, and, because of the fact that he could not obtain any help from the welfare department to help his diabetic condition, proceeded to take a rather hard way out.

This is being repeated more often, it requires not alone just a heart approach but a sympathetic one which I know you have.

I would hope also, Governor, that you would understand that Senator McGee and I come from west of the Appalachian Mountains. You have had all this talk of textiles, all the problems of the United States are not involved in this one particular industry.

Governor HODGES. No.

Senator MCGEE. Will the Senator yield?

Senator HARTKE. I will be glad to.

Senator MCGEE. I would think there was very little wrong with the textile industry that greater use of Wyoming wool would not correct.

Senator SCOTT. So long as it is not pulled over anybody's eyes. [Laughter.]

Senator HARTKE. I might comment upon that, Governor. I am certain we have had enough of that in the past few years and that the future does not look so much like it is going to be in that direction.

I am particularly interested in one thing and particularly this as regards to the international problem of the Soviets and their allies and the satellites in the field of dumping products upon the American market.

I am sure you are familiar with this.

Governor HODGES. On the American market, elsewhere?

Senator HARTKE. Upon the world market, that is right, and the resulting depressing effect it has upon our own economy and the prices of our items. And this has occurred in aluminum, also in the field of bicycles.

I was wondering whether you felt that the bringing in of even small items such as the intention to bring in the Soviet-built automobile by a New York concern with the car priced at an amount substantially less than the going price in Russia, whether you would feel that it would be within your province to object to this type of interference in our society and our American way of life?

Governor HODGES. I doubt if the Department of Commerce has that under its jurisdiction.

Senator HARTKE. This is why I want to go back to those orders, because I feel that the order says it is not alone your duty to foster, promote, and develop this business, this commerce of America. I think this could probably be within the scope of the orders of the Department of Commerce, and I would hope that you would see fit to do this, at least to look into these items and make your recommendations to the President.

Governor HODGES. Yes, sir.

Senator HARTKE. I also would like to have your opinion upon whether or not you feel the overall program of international trade fairs is one which should be either continued, expanded, or curtailed?

Governor HODGES. I think it ought to be expanded, sir.

Senator HARTKE. Expanded?

Governor HODGES. Expanded, particularly to South America.

Senator HARTKE. Particularly in South America?

Governor HODGES. Yes.

The CHAIRMAN. Senator, along that point you might ask the Governor, too, about our program of trade missions abroad.

Senator HARTKE. Go right ahead, Mr. Chairman, I don't want to take your question.

The CHAIRMAN. Go ahead.

Senator HARTKE. Governor Hodges?

Governor HODGES. I had briefing on two of those missions yesterday morning.

Senator HARTKE. I know you are familiar with this and I want to congratulate you with working with some of our leading industrialists in the United States for programs with relation particularly to South America; you were one of the spearheading individuals with those people, and I think this is commendable and recommend it very highly to the committee.

In another field, in the representation we have in foreign countries, it was formerly the policy of the U.S. Government to have, as members of the Commerce Department, attachés representing directly this Department.

This policy has been changed and the State Department now has as part of their obligation and as part of their group economic ministers.

I was wondering, if you are sufficiently familiar with this situation, as to whether you think the best interest of promoting our international business and commerce can be done with direct supervision from the Commerce Department, or with the intervening supervision from the State Department?

Governor HODGES. We are getting, of course, into the question of interagency policy, I make this statement: I am acquainted with the history of it, I would have wished that it had not been transferred out of the Commerce Department.

Senator HARTKE. I share your opinion, particularly when I had occasion to go into this field and particularly in the coal industry and in relation to the steel industry in Western Europe and their relationship to our own industry. I found that the economic ministers found themselves rather in a position of being thwarted in direct approaches upon this matter because of interference, more or less, of State Department policy.

Governor HODGES. Well, and protocol.

Senator HARTKE. And protocol; yes. I think that is right.

In regard to the highway program, Governor, your State stands out as one of the real blue ribbon States in utilizing Federal funds and building Federal interstate highways, and I think you have utilized your funds to the utmost to give you some of the finest driving that the country has had.

I would hope that you would be able to inspire the rest of the States to follow your example.

Do you think you will be able to do that?

Governor HODGES. I am now representing the Nation instead of North Carolina.

Senator HARTKE. Again let me congratulate you. I am glad you are here, and I think the rest of the committee is, also.

The CHAIRMAN. The Senator from Wyoming, unless the Senator from North Carolina wants to ask the Governor of North Carolina a question.

Senator JORDAN. I think he is being asked enough questions. I will skip.

The CHAIRMAN. The Senator from Wyoming?

Senator McGEE. Mr. Chairman, Governor: I was long since taught at my mother's knees that the first shall be last.

I came to this meeting this morning at 10 minutes to 10, I think I was the first of the majority to arrive, the distinguished minority member of this committee was here in advance and therefore it is appropriate that I come at the tag end of these very interesting deliberations and I am not going to burden the record with my own felicitations, you know of them. I have been in your corner since way back, but I am concerned about the overall attitude that the Department will take in regard to the question of trade.

It seems to me that our tendency has been to focus on the problem of textiles or to focus on the problem of wool or the import of cattle that is very vital in my area. Those of us that come from the West are as deeply moved as our colleagues from New England and the Southern States on this question of imports, but one of the blindspots in my judgment in the past has been our attempt to approach these as isolated and individual problems about which we would try to do something. It seems to me the exciting prospect ahead of us that our testimony here this morning has tended to point out is to arrive at a new formula or new guidelines that will recognize a basic fact that the pursuit of an economy here is in the national interest of this country, that it is up to the Nation rather than that particular in-

dustry or that particular State to absorb the consequences, whatever the policy may be, and that if we can arrive at an adjustment assistance program in all trade areas that are suffering from the impact of what we regard wise policies to be around the world, that we will be more realistic in trying to preserve what is basic to the national interest, trying to adjust what is fundamental to any industry that may be going through the pains of transferral to other regions or to other related economic pursuits. I would only urge that this attempt to find a new formula rather than just a protective tariff which is a pretty rigid way of regulating it, and unsatisfactory in itself, or of incentives of one sort or another, as we call them in our part of the world, and that we arrive at an overall pattern that would take into account both the interest as well as the economic hardship attendant to that, and while you cannot develop this at the present time I want to add my voice to those urging that pursuit in that direction be a very vigorous pursuit. I know that what you have already exhibited suggests that it will be an extremely youthful pursuit as well.

Governor HODGES. Thank you, Senator.

Senator McGEE. I am a little concerned likewise about the inactivity of some of our business community overseas.

I am wondering if serious thought had been given or at least perhaps may be given, to a greater development of small business interests in some of these foreign governments.

Governor HODGES. You mean this country selling over there?

Senator McGEE. Yes.

Governor HODGES. Yes; I think that that is very much needed.

Senator McGEE. I think it works on two sides of the coin, small American business in this country having access to some markets over there and small American enterprise overseas putting some roots down there at the same time.

I know that if one studies some of the business activities around the world he is struck with the number of highway construction corporations that are working or dam builders or oil explorations on very large scales and particularly in some of these emerging areas where cities are blossoming very rapidly as they are in parts of Africa and Asia from which I have just returned; it seems to me we have a wide opportunity and ready market for some small business American know-how in setting up services in those blossoming communities and I think that is an area that has been sadly neglected in our economic picture as far as our overseas activity is concerned.

I might leave this on a slightly more optimistic note than some that have been sounded here today, particularly in view of the exchange you had with my distinguished colleague from Oklahoma on the more aggressive sales of American automobiles overseas.

We noted with keen interest in the city of Lomay in Togo, a brand new country, that while our friends from the Soviet Union have a very large staff there, 56 people I think they told us, nearly every one of them is driving an American automobile.

The people in Togo are asking where are the Zin's and the Ziv's and the peoples' cars, why are you driving American products? So we are making a little headway.

Thank you very much, Governor.

The CHAIRMAN. Governor, the Senate last year passed a resolution and I read it:

It is the sense of the Senate that individuals appointed to administrative and policymaking posts should be willing to serve for a period long enough to permit them to contribute effectively to their assigned tasks, and that it is the sense of the Senate that nominees appearing before its committees shall indicate their willingness to serve so long as the President desires.

This resolution was approved and passed by the Senate; would you care to comment on it as far as your appointment is concerned?

Governor HODGES. I read the resolution, sir, and I associate myself with the spirit of that resolution.

I will serve as the President desires.

The CHAIRMAN. Now, Governor, do you have any conflict of interest in the post you are about to assume?

Governor HODGES. No, sir.

The CHAIRMAN. In your personal holdings?

Governor HODGES. No, sir; I have divested myself of all industrial stocks.

The CHAIRMAN. I did not hear you.

Governor HODGES. I say, I have divested myself of industrial stocks, listed stocks. I have primarily bonds and mutual funds. Strictly family situations which I have.

The CHAIRMAN. As far as you know, if you are nominated for Secretary of Commerce you have no personal holdings that would be in conflict with your duties or interfere with your duties as Secretary of Commerce?

Governor HODGES. Right, sir.

The CHAIRMAN. Now, would you be willing to file with the committee for the committee files a list of your personal holdings, what you have divested yourself, what you still hold?

Governor HODGES. Yes, sir.

The CHAIRMAN. All right.

Governor, we have had a study being made on foreign commerce. This committee was cognizant of the matter of balance of payment deficits as you will recall, almost 18 months ago, and we have a staff which have been working on this particular matter making suggestions which ends up, of course, affecting the balance of payment and the gold problem, the outflow of gold.

That staff has now made a report to the committee which we will consider; they have made some 35 definite recommendations, some of them have been covered here today in the hearing.

We will submit that to you because any implementation of what recommendations we may agree upon which necessarily must concern the Department of Commerce and cooperation between the Congress and the Department of Commerce will be essential to implement these recommendations.

So, the committee will submit to you these recommendations and I would suggest that within a short period you send us your recommendations, pro or con, or your suggestions, or advice on what has been suggested in these recommendations.

The committee will probably proceed very quickly on one of them.

One of the great differences in our balance-of-payment deficit is foreign travel. It amounts to, I think this year, a billion and a half on the minus side for the United States, and there are many things we can do about it.

You and I discussed those personally. The problem of encouraging foreign travel here, maybe the Department of Commerce setting up travel agencies in strategic points in the world, and many other things.

The Senate passed the bill last year unanimously, this committee recommended it unanimously and we are hopeful that your administration down there will give aid and support to this general proposal on foreign travel into the United States which will do a lot to alleviate this big balance of payment deficit.

There will also be before the committee recommendations that the commercial attachés are now in the State Department, either be transferred back to the Commerce Department or at least trained by the Commerce Department to be permanent people in a given embassy rather than have them move around, to stimulate a lot of the things that have been talked about here today and we hope you will send us your recommendations on that.

There are many other recommendations which I won't go into today that we hope you will take a good long look at.

Governor HODGES. Yes, sir, I will.

The CHAIRMAN. Because if we have any fiscal problem or gold problem it is caused by the basic problems that the Commerce Department and this committee and the House Committee, our counterpart, must meet, and I know that you are cognizant of those problems.

If there are no other questions, the Senator from California just came in.

Senator ENGLE. Mr. Chairman, I have been in and out. I have had to take care of 500 constituents here in town.

The CHAIRMAN. I understand you are running an employment agency in your office.

Senator MONRONEY. If you have any extra tickets for the ball. [Laughter.]

Senator ENGLE. If I had any left I would be glad to make a distribution of them. But I have been running a reservation bureau, too.

I have no question to ask the Governor but I would like the record to show that I think the appointment of Governor Hodges is a great appointment, I think he will be a great Secretary of Commerce. I am delighted to support his nomination and his confirmation and I wish him the utmost of good luck in the high office he is about to take over.

Governor HODGES. Thank you, Senator Engle.

Senator BARTLETT. Mr. Chairman?

The CHAIRMAN. The Senator from Alaska.

Senator BARTLETT. Just for a minute.

The Governor noted that he will be the oldest member of the Cabinet, and since several of us on the committee are in the same general age grouping I should want to say that in addition to all your other attainments, Governor, this action of President-elect Kennedy in naming you will bring greater stability and wisdom to his administration. It is another demonstration of his good judgment.

However, or but, there is always a however or but—I see one note here that may be a bit jarring to some. The biographical sketch submitted to the committee notes that you were graduated from the University of North Carolina, it also notes that you have a son.

Would you tell us where he is going to school now?

Governor HODGES. I hesitate to do it but he is at Harvard. [Laughter.]

The CHAIRMAN. The Senator from Kansas has a few questions.

Senator SCHOEPPPEL. Governor, I note with much interest and satisfaction your interest in continuing these international trade fairs. Some of us on this committee, as was pointed out by Senator McGee, come from the areas of great agricultural production and we had often stressed the pushing and the displaying in these fairs and the active encouragement of the utilization of many of our agricultural products in foreign countries, stressing the new packaging and the processing and all those things. That is a very important matter for many of us who live in the areas where we are not blessed with the great textile industries and the manufacturing concerns such as other sections of the country.

I take it, obviously, that you are very much interested in that. You have a great coordinated activity down in your State as well as agricultural products.

Governor HODGES. Very much, sir.

Senator SCHOEPPPEL. You are aware of the problem, I am sure, and you would press for a solution to the utmost consistent with your overall program, would you not?

Governor HODGES. I would, indeed, sir, and to make it very brief, a specific illustration: I know of one State that by proper packaging and preparing was able to send to one big city in a country of Europe five or six million dollars worth of frozen poultry. That is only an illustration of the unlimited possibilities in the countries of the world who have not yet gotten into our so-called chainstore and the big supermarkets and the way we package things. We have great opportunity and I think your agricultural products, your dairy products, cattle, et cetera, have immense possibilities all over the world.

Senator SCHOEPPPEL. One final question: I note in the Democratic platform that there have been pledges made to expand the airport programs, to improve the rivers and harbors by new starts and adequate maintenance, and to support the highway program embodied in the acts of 1956 and 1958, without stretchouts or slowdowns, and to assist the railroads to meet their capital needs, particularly for urban mass transportation.

But singularly it has been pointed out to me that there has been no pledge of help to another great segment of transportation—the truckers. Do you have any idea now as to granting any priorities or would you consider them along with the other modes and means of transportation?

Governor HODGES. I think, Senator, we have to look at all of them. I think that as these various segments of our transportation industry grow just as any other industry, they get old and they sometimes get inefficient or the competition gets tough and I think you have to stay up-to-date and take a look at them regularly.

Senator SCHOEPPPEL. Finally, Governor, I am delighted, of course, that you are going to be a part of this administration. It will be the policy, of course, of the members of this committee, and I assure you for one that I will cooperate with you to the fullest possible extent, in the expanding of foreign trade while eliminating some of the discordant notes we hear in that some little people are being pressed or pushed out of business by foreign imports.

I wish for you, sir, a most successful tenure and I shall vote as I know practically all the members of this committee will, for your confirmation.

Governor HODGES. Thank you.

The CHAIRMAN. Any further questions?

Senator MONRONEY. No questions.

The CHAIRMAN. Governor, we usually go into executive session but as long as everybody has expressed his opinion, the Chair will ask the clerk to call the roll on the forthcoming nomination of Gov. Luther Hodges for Secretary of Commerce.

(The clerk called the roll and all Senators voted "aye.")

The CHAIRMAN. Governor, you are approved and we wish you good luck. You will have a lot of dealings with this committee. We hope to be cooperative. We have many, many problems in the field of transportation, foreign commerce, and many of the other things in this country and the committee wishes you well.

Governor HODGES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you for coming.

The committee is adjourned.

(Thereupon, at 12 p.m., the committee was adjourned.)

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