this authority to involve such compensatory reciprocal advantages as the President may deem desirable in America's best interest; to the Committee on Ways and Means.

1182. Also, petition of Charles E. Westcott Post, No. 173, American Legion, Bath, N.Y., opposing the passage of Senate bill 583; to the Committee on World War Veterans' Legislation.

1183. Also, petition of Pacific Coast Borax Co., New York City, opposing the passage of House bill 3759 or any similar bill; to the Committee on the Judiciary.

1184. Also, petition of Rabbi Harris L. Levi, Calmud Corah Rechoboth, 478 New Lots Avenue, Brooklyn, N.Y., and the children of that school, all young citizens, protesting against the tragic experiences suffered by the Jews of Germany since March 5, and appealing to Congress to voice the protest of humanity against the return of any organized group to inhuman medieval practices; to the Committee on Foreign Affairs.

1185. By the SPEAKER: Petition from the Veterans' National Rank and File Convention; to the Committee on Ways and Means.

1186. By Mr. THOMASON of Texas: Petition of the El Paso (Tex.) Chamber of Commerce, urging that highway construction be given favorable consideration in the execution of the public-works program in Texas; to the Committee on Ways and Means.

SENATE

THURSDAY, MAY 25, 1933

(Legislative day of Monday, May 15, 1933)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Mr. McNARY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Johnson	Pope
Ashurst	Copeland	Kean	Reed
Austin	Costigan	Kendrick	Reynolds
Bachman	Couzens	Keyes	Robinson, Ind.
Bailey	Dale	King	Russell
Bankhead	Dickinson	La Follette	Schall
Barbour	Dieterich	Lewis	Sheppard
Barkley	Dill	Logan	Shipstead
Black	Duffy	Lonergan	Smith
Bone	Erickson	Long	Steiwer
Borah	Fletcher	McAdoo	Stephens
Bratton	Frazier	McCarran	Thomas, Okla.
Brown	George	McGill	Thomas, Utah
Bulkley	Glass	McKellar	Townsend
Bulow	Goldsborough	McNary	Trammell
Byrd	Gore	Metcalf	Tydings
Byrnes	Hale	Murphy	Vandenberg
Capper	Harrison	Neely	Van Nuys
Caraway	Hastings	Norris	Wagner
Carey	Hatfield	Nye	Walsh
Clark	Hayden	Overton	Wheeler
Connally	Hebert	Patterson	White

Mr. LEWIS. I wish to announce the absence of the Senator from Arkansas [Mr. ROBINSON] for the day on official business.

The VICE PRESIDENT. Eighty-eight Senators have answered to their names. A quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes; that the House had receded from its disagreement to the amendments of the Senate numbered 1 and 7 to the said bill and concurred therein, and that the House had receded from its disagreement to the amendments of the Senate numbered 2 and 14 to the said bill and concurred therein, each with an amendment, in which it requested the concurrence of the Senate.

RETURN OF COURT RECORDS USED IN IMPEACHMENT TRIAL

The VICE PRESIDENT. The Chair asks that the following order be entered returning papers used in the trial for the purpose of withdrawing them from the files of the Senate. The clerk will report the order.

The legislative clerk read as follows:

Ordered, That the Secretary of the Senate be, and he is hereby, directed to return to the clerk of the United States District Court for the Northern District of California the original papers filed in said court which were offered in evidence during the proceedings of the Senate sitting for the trial of the impeachment of Harold Louderback, judge of the court aforesaid.

The VICE PRESIDENT. Is there objection?

Mr. NORRIS. Mr. President, just a moment. I did not hear the reading, and before the order is entered I should like to inquire what it is and who offers it?

The VICE PRESIDENT. The Chair is informed by the Parliamentarian that the district court in California desires the return of the original papers, and, therefore, the order has been prepared.

Mr. NORRIS. I am only anxious to ascertain what is being returned. Does it include everything that was offered in evidence during the impeachment trial?

The VICE PRESIDENT. It includes everything that was filed in evidence from the records of the district court in California. The order authorizes the return of those records to the files of that court.

Mr. NORRIS. I have no objection to that, but there was other evidence that never was offered.

The VICE PRESIDENT. It has all been printed in the record the Chair is informed.

Mr. NORRIS. Certain returns made by Judge Louderback to the assessment never were filed. Are they in the clerk's possession?

The VICE PRESIDENT. They are not included in this order, the Chair is informed by the Parliamentarian.

Mr. NORRIS. Very well.

The VICE PRESIDENT. Without objection, the order will be entered.

RATIFICATION OF CHILD-LABOR AMENDMENT BY LEGISLATURE OF WASHINGTON

The VICE PRESIDENT laid before the Senate a letter from the Governor of Washington, transmitting certified copy of a joint resolution adopted by the Legislature of the State of Washington, ratifying the proposed so-called "child-labor amendment to the Constitution", which, with the accompanying resolution, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF WASHINGTON,
OFFICE OF GOVERNOR,
Olympia, May 19, 1933.

The PRESIDENT OF THE SENATE OF THE UNITED STATES,
Washington, D.C.

SIR: I have the honor to transmit herewith certified copy of Senate Joint Resolution No. 1 of the State of Washington, proposing an amendment to the Constitution of the United States, as follows:

"ARTICLE —

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress."

Respectfully yours,

CLARENCE D. MARTIN, *Governor.*

STATE OF WASHINGTON,
DEPARTMENT OF STATE.

To all to whom these presents shall come:

I, Ernest N. Hutchinson, secretary of state of the State of Washington and custodian of the seal of said State, do hereby certify that the annexed is a true and correct copy of Senate Joint Resolution No. 1 as received and filed in this office on the 6th day of February 1933.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the State of Washington. Done at the capitol, at Olympia, this 19th day of May A.D. 1933.

[SEAL] ERNEST N. HUTCHINSON,
Secretary of State.

Senate Joint Resolution 1

Whereas both Houses of the Sixty-eighth Congress of the United States of America, by a constitutional majority of two thirds thereof, did adopt a joint resolution proposing the following amendment to the Constitution of the United States, which is in words and figures as follows, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein)*, That the following article is proposed as amendment to the Constitution of the United States, which, when ratified by the legislatures of three fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"'ARTICLE —

"'SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"'SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress.'"

Therefore be it

Resolved by the Legislature of the State of Washington, That said proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of Washington.

SEC. 2. That certified copies of this preamble and joint resolution be forwarded by the Governor of the State to the Secretary of State of the United States, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

Adopted by the senate January 17, 1933.

VIC MEYER,
President of the Senate.

Adopted by the house February 3, 1933.

GEO. F. YANTIS,
Speaker of the House.

Filed February 6, 1933, 4:50 p.m.

ERNEST N. HUTCHINSON,
Secretary of State.

THIRD DEFICIENCY APPROPRIATIONS

The VICE PRESIDENT laid before the Senate the action of the House of Representatives on certain amendments of the Senate to House bill 5390, the third deficiency appropriation bill, which was read, as follows:

IN THE HOUSE OF REPRESENTATIVES, UNITED STATES,
May 24, 1933.

Resolved, That the House recede from its disagreement to the amendments of the Senate numbered 1 and 7 to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and concur therein;

That the House recede from its disagreement to the amendment of the Senate numbered 2 to said bill and concur therein with the following amendment:

In the last line of the matter inserted by said amendment, after "$8,500", insert "to be disbursed by the Sergeant at Arms of the House"; and

That the House recede from its disagreement to the amendment of the Senate numbered 14 to said bill and concur therein with the following amendment:

In line 8 of the matter inserted by said amendment, after "earthquake", insert "fire."

Mr. BRATTON. I move that the Senate concur in the amendments of the House of Representatives to the amendments of the Senate numbered 2 and 14 to the bill.

The motion was agreed to.

MUNICIPAL RELIEF—PETITION OF MAYORS

The VICE PRESIDENT. The Chair lays before the Senate a petition from the mayors of 50 of the largest cities of the United States, which will be printed in the RECORD at this point and referred to the Committee on Finance.

Mr. LA FOLLETTE. Mr. President, the petition referred to, which is signed by the mayors of 50 of the largest cities of the United States, has been presented to the Presiding Officer of the Senate and to the Chairman of the Senate Finance Committee. At the request of some of those who have signed the petition I ask unanimous consent that the body of the petition may be read at this point at the desk by the clerk and that the list of the signatures may be printed in the RECORD, and that the petition may then be referred to the Senate Committee on Finance.

The VICE PRESIDENT. Without objection, the petition will be read from the desk.

Mr. LONG. Mr. President, would there be any objection to the signatures to the petition being read? I should like to know the names of those 50 cities.

Mr. LA FOLLETTE. I have no objection. I should be glad to have them read.

The VICE PRESIDENT. In the absence of objection, the clerk will read, as requested.

The Chief Clerk read the petition and signatures, as follows:

PETITION OF THE UNITED STATES CONFERENCE OF MAYORS

To the PRESIDING OFFICER OF THE SENATE.
To the SPEAKER OF THE HOUSE.
To the CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE.
To the CHAIRMAN OF THE SENATE FINANCE COMMITTEE.

We, the undersigned, being mayors of 50 of the largest cities of the United States and representing as we do the consensus of opinion of the 93 cities with a population of 100,000 and over, and representing 45 percent of the population of the United States, in conference assembled at the Mayflower Hotel in Washington, D.C., on this 24th day of May 1933, respectfully call your attention to the following preamble and resolution unanimously adopted:

"We call to your attention a grave crisis that threatens the very foundation of all credit in the United States. Municipal credit due to inability of citizens to pay taxes, and because no market exists for tax certificates permits of no further borrowing. The banks, in fact, loan us less money to meet our needs than they did before the war. So far, over 1,000 local units have defaulted on their bonds. If municipal credit is allowed to collapse, we warn you that all faith and credit in banks and industry will be undermined and collapse with it.

"Practically every city has cut its budget to the bone. We have learned that overreduction of budgets simply increases expenditures for poor relief out of all proportions. We have in many cities already cut our police and fire service and crippled our schools. Within a relatively short time a large additional number of cities will be forced to default on their bonds for the first time in history.

"Municipal bonds are held by banks, insurance companies, and trust funds, not to speak of savings accounts of widows and orphans.

"In most instances local banks have completely failed in advancing even the minimum of loans necessary.

"The Federal Reserve banks claim their funds must be liquid so as to serve member banks, and are powerless in any event to meet more than a fraction of our needs.

"The Reconstruction Finance Corporation is designed to loan money to private corporations except only for partially or wholly self-liquidating projects that are so few as to be inconsequential.

"We assert that if Congress will do for municipal corporations what you have done and are now doing for private corporations we will need to ask no other consideration. The advancement of not to exceed $1,000,000,000 a year for not to exceed 2 years will meet all our needs.

"Our private banking institutions using persuasive methods come to Washington and secure financial aid—not to the extent of millions but to the tune of billions of dollars of our taxpayers' money. Railroads, insurance companies, and other fiduciary institutions are saved by you because it is deemed wise public policy to do so.

"If the Congress of the United States does not at this moment protect our cities and the 65,000,000 people who live under our care and whom we must serve, then the sole responsibility for a collapse of democratic municipal government will lie on the doorsteps of your body—the people's body to whom we look for assistance.

"We did not cause the economic depression. We are not responsible for the utter inability of thousands of our citizens to pay their taxes. We are not responsible for the 15,000,000 willing people who would work could they but find it. We are not responsible for the closing of the door of legitimate credit in our faces.

"This situation is nothing more than a national calamity requiring national action. Just 1 year ago many of you believed we were extravagant in our statements when we said people were destitute; today all of the $300,000,000 you provided in response to our demands is gone. Then we were right. We knew because we had to look into the faces of needy people out of work and in dire circumstances.

"Now for a few millions of dollars our cities can be saved, our employees can be paid, our health, welfare, educational, fire, and police services can be continued, our credit can be maintained, and we can be tided over the most serious emergency that has ever confronted the American cities.

"If this is not done, we warn you that the collapse of municipal credit will ultimately affect the entire credit structure of the country, including the credit of the United States Government.

"We therefore inform you, since you alone can afford a remedy to prevent the rapidly approaching collapse of city government, that we shall not be charged with neglect in failing to apprise you of the facts or that you shall fail to share your just portion of responsibility.

"We therefore recommend that the Reconstruction Finance Corporation Act be amended at this session to authorize the purchase of or loans upon tax anticipation or tax delinquency certificates or notes of municipalities and public bodies issuing the same in the ratio of 75 percent of the 1933 or current taxes and 50 percent of past due outstanding taxes or delinquencies and on such plans as State-debt limitations will not be exceeded. These securities have back of them the full faith and credit of our cities.

"If your reason for refusing us this remedy be, as alleged by some, that the credit of the Federal Government will be impaired, then we insist that you amend the National Industrial Recovery Act which you are soon to consider or any other pending measure, so that the Comptroller of the Currency be directed to accept our legal municipal bonds and our tax certificates as a basis of an issue of an equal amount of bank notes and their delivery to us. This is a privilege you now extend to national and Federal Reserve banks. What excuse may be offered for not extending this privilege to cities?

"We hereby also inform you that the present public-works bill now before Congress will not serve its purpose if you do not take the above action. Practically no city is in a position to issue bonds for these proposed construction projects when it is absolutely impossible to secure funds to finance current operations. If this Congress is looking to the cities to embark upon large works programs with the incentive of a 30-percent direct grant, then your body will be disappointed. Many are already bonded up to their constitutional debt limits now, and you expect us to issue additional bonds and thus plunge us into further financial difficulties.

"Our only opportunity for fulfilling our share in a great national movement to put people back to work, with which we are in hearty accord, is dependent upon adoption of the above proposals; and, second, to completely liberalize this bill now before you. Not only must the Federal Government increase the present 30-percent provision but repayments, payments of principal and interest on bonds issued by us should not begin until January 1, 1936. The act should specifically provide for the purchase of the bonds against the balance of the cost of municipal projects.

"Any failure on your part to act at this session will mean in our solemn opinion chaos in most cities.

"With this attending collapse of credit there comes all the attending evils of governmental breakdown. The failure of municipalities to provide proper police protection and adequate fire defense means disaster to every American home. The additional failure to safeguard our health and sanitation means to revert to the deprivations and hardships of our grandfathers.

"The sole question is, Will you assist our people in their hour of greatest need?"

Respectfully submitted by executive committee of United States Conference of Mayors.

James M. Curley, mayor of Boston, Mass.; Daniel W. Hoan, mayor of Milwaukee, Wis.; T. S. Walmsly, mayor of New Orleans, La.; Oscar F. Holcombe, mayor of Houston, Tex.; James E. Dunne, mayor of Providence, R.I.; John P. Mahoney, Jr., city solicitor of Lawrence, Mass., representing William P. White, mayor of Lawrence, Mass.; E. T. Buckingham, mayor of Bridgeport, Conn.; Thomas Williams, mayor of Elizabeth, N.J.; Joseph F. Loehr, mayor of Yonkers, N.Y.; Walter G. C. Otto, mayor of Somerville, Mass.; Angus F. Thorne, superintendent Department of Public Welfare, Bridgeport, Conn.; Louis Marcus, mayor of Salt Lake City, Utah; Lawrence J. Fenelon, senior assistant attorney, Sanitary District of Chicago, Ill.; Herbert Fallon, budget director, Baltimore, Md.; John D. Karel, mayor of Grand Rapids, Mich.; Watkins Overton, mayor, Memphis, Tenn.; Hilary House, mayor, Nashville, Tenn.; Percival D. Oviatt, mayor of Rochester, N.Y.; Ed. Hall, mayor of Chattanooga, Tenn.; John Milton, Jersey City, N.J.; Frank Hague, mayor of Jersey City, N.J.; John T. O'Connor, mayor of Knoxville, Tenn.; Neil Bass, city manager, Knoxville, Tenn.; Charles A. Walschmidt, city solicitor, Pittsburgh, Pa.; Edward G. Long, director Department of Public Works, Pittsburgh, Pa.; C. K. Quinn, mayor of San Antonio, Tex.; J. Fred Manning, mayor of Lynn, Mass.; Walter F. Fitzpatrick, city treasurer of Providence, R.I.; C. A. Reardon, secretary Board of Street Commissioners, Boston, Mass.; George W. Hardy, Jr., mayor of Shreveport, La.; Edward W. Lee, director of revenue and finance, representing Hon. George B. LaBarre, of Trenton, N.J.; Sewall Myer, city attorney, Houston, Tex.; Burnett R. Maybank, mayor of Charlestown, S.C.; Reginald H. Sullivan, mayor of Indianapolis, Ind.; R. O. Johnson, mayor of Gary, Ind.; J. Leo Sullivan, mayor of Peabody, Mass.; G. D. Fairtrace, city manager, Fort Worth, Tex., representing William Bryce, mayor; R. E. L. Chancey, mayor of Tampa, Fla.; C. Nelson Sparks, mayor of Akron, Ohio; Meyer C. Ellenstein, mayor of Newark, N.J.; James Seccombe, mayor of Canton, Ohio; William J. Hosey, mayor of Fort Wayne, Ind.; Walter J. Mackey, attorney, financial adviser to mayor of Canton, Ohio; Mark E. Moore, mayor of Youngstown, Ohio; Ray T. Miller, mayor of Cleveland, Ohio; Mr. Lamb, director of finance, Cleveland, Ohio; John C. Mahoney, mayor of Worcester, Mass.; A. Q. Thacher, mayor of Toledo, Ohio; Charles Slowey, mayor of Lowell, Mass.; G. T. Jones, mayor of Birmingham, Ala.; E. J. Kelly, mayor of Chicago (by telegram); S. F. Swively, mayor of Duluth (by telegram); Henry W. Worley, mayor of Columbus, Ohio (by telegram).

The VICE PRESIDENT. The petition will be referred to the Committee on Finance.

Mr. COPELAND. Mr. President, the petition just read calls attention to a very serious condition in our country. It was serious when we first considered the Reconstruction Finance Corporation Act. At that time I offered an amendment permitting loans to cities. This received a considerable number of votes in the Senate, but not enough to bring about its adoption.

I assure you, Mr. President, that conditions in municipalities and in counties are serious indeed. I was home last week, and while there drove over to the county seat of Rockland County, which is a small but well-to-do county.

I talked with the county treasurer. The authorities have just finished their tax collections. I was shocked to learn that 40 percent of the taxes assessed against property in that county are unpaid—40 percent—almost one half of the taxes unpaid!

A similar condition exists in the cities. In consequence the municipal operations, the ordinary functions of city and county government, are breaking down. As the petition points out, those things which we have come to regard as fundamental, such as fire protection, police protection, health protection, are being hampered. In consequence of the necessities of the various divisions of government it has been necessary to do away with many of the activities which we have come to regard as essential.

I am not sure just how far we can go in the Congress in the relief of the situation. But if we are actually conscientious and honest in our statement that we believe there is an economic upturn in the country—and I believe that is true—we ought to extend such aid as we can to the cities and counties during the period of reconstruction. I hope, Mr. President, we may find it possible to grant the request of these mayors and to do what they have proposed.

I have had the feeling, and expressed it 2 years ago when we had the bill up originally, and I repeat it now, that there has not been that hearty cooperation on the part of the banks with the authorities in the various communities that there should have been.

We have gone far out of our way to provide resources for our banks. We have placed at their disposal tremendous sums of money. But I have the feeling that in many instances they have failed to do their part; for example, in the relief of municipal distress and the official distress of those in charge of the various divisions of government. I think we may well afford to give serious thought to the petition which has been presented.

Mr. McKELLAR. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Tennessee?

Mr. COPELAND. Certainly.

Mr. McKELLAR. If the railroads, the banks, the insurance companies, the mortgage companies, and others that we selected for the purpose of borrowing from the Reconstruction Finance Corporation had been able to get the money from the banks, of course, there would have been no necessity for establishing the Reconstruction Finance Corporation. It was done because those institutions petitioned us and told us they could not get the money from the banks.

Now, it is true that the cities cannot get money from the banks. If we pity the railroads, and the banks, and the insurance companies, why should we be denying the same treatment to the cities and counties, and to other people, for that matter? It will be remembered that when the present Vice President was a Member of the House and Speaker of that body he was the author of a bill that allowed loans to be made generally—in other words, to furnish the people with credit facilities. He was very greatly taken to task. I am of the opinion that if we loan to one class of

our citizens, the Government ought, in fairness, to lend to all classes of our citizens.

Mr. COPELAND. I think the Senator is right. Yet I am in full accord with what we have done in the way of helping the banks and the railroads and the insurance companies. We had to do that. I have no criticism to offer of the relief we have extended in those directions. But I repeat that in my opinion the local banks have not been—I do not like to use the word "generous", but they have not been fair with the municipalities. They have imposed burdens upon municipalities in the way of high rates of interest and conditions imposed that have been almost impossible for the officials to carry out. But we cannot permit these local divisions of government to break down.

To my mind one of the most distressing things of the economic situation is what has happened to the schools of America. We have boasted in America that the pupil of the school is the cornerstone of our national idealism and of our national life, and yet we find schools everywhere under the necessity of shortening their terms. I think I read that Chicago has recently determined that it will shorten the term of school this year 2 or 3 weeks in order that that money may be saved. We cannot permit this to go on. I remember that the ordinance of 1787 stated that "religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged." I think I have correctly quoted that immortal document.

Yet we find in various municipalities and other political units schools are being closed because of the inability of those communities to cash in on the taxes assessed. I am not sure how far we can go to relieve the situation, but I am confident we should go as far as we possibly can. We must do this in order that municipal and county governments shall not break down and that the schools may be maintained. Because of this feeling I have listened with the greatest interest to the reading of the petition.

Mr. WALSH. Mr. President, I desire to supplement what the Senator from New York has said in connection with the petition of the mayors of the cities of this country, and to say that I express the hope that the Finance Committee may give prompt attention to this very serious problem. The Senator from New York has not exaggerated the situation in the least.

The mayor of the city of Boston has been one of the leaders in this movement for organizing the mayors to bring this important problem to the attention of the Federal Government; and I know that the mayors of all the cities of Massachusetts are very much interested in having something done to prevent the economic collapse with which many of our cities are faced by reason of their inability to collect taxes upon real estate and meet the tremendous increase in their welfare appropriations. A conference between the governors of the several States and the President would be helpful in suggesting what the Federal Government should and can do in cooperation with the States to help the credit of our cities.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Finance:

STATE OF WISCONSIN.

Joint resolution relating to the payment of the soldiers' bonus in cash

Whereas under the economy bill passed by Congress the payments to veterans have been reduced by not less than $432,000,000, in addition to which the Federal Government is now contemplating a reduction of $35,000,000 in the appropriation for veterans' administration; and

Whereas this last action, according to National Commander Louis A. Johnson, of the American Legion, will add to the many thousands of disabled veterans who have been cut off from all disability aid, 6,000 more veterans who are employed in the field offices of the Veterans' Administration, plus many more disabled veterans who have been getting lodging and a small wage for light work at hospitals and veterans' homes; and

Whereas in the Soldiers' Bonus Act of 1924, the United States Government promised the men who served this country during the World War at a wage of $1 per day, that the pecuniary losses which they sustained through this service would be partially compensated, but this debt, due and owing now for 9 years, still remains unpaid; and

Whereas under the leadership of President Roosevelt the country is now embarking on a policy of stimulating business recovery through the expansion of the currency; and

Whereas immediate payment of the soldiers' bonus in cash would not only save many veterans whose disability allowances have been taken from them from becoming public charges, but would fall in line with the President's policy of expanding the currency and would stimulate the revival of business activity: Therefore be it

Resolved by the senate (the assembly concurring), That the Legislature of Wisconsin hereby respectfully memorializes the Congress of the United States to enact legislation for the immediate payment in cash of the soldiers' bonus promised to veterans in 1924, such payment to be made in new currency, which through this method will come into general circulation; be it further

Resolved, That properly attested copies of this resolution be sent to both Houses of the Congress of the United States and to each Wisconsin Member thereof.

C. T. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.
THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.

The VICE PRESIDENT also laid before the Senate a letter from Hugh Lee Kirby, of New York City, N.Y., transmitting a draft of proposed legislation designed to relieve the depression, creating a new financial structure for the United States, guaranteeing all money issued, whether it be gold, silver, or paper, etc., which, with the accompanying paper, was referred to the Committee on Banking and Currency.

He also laid before the Senate telegrams in the nature of memorials from the Allendale Veneer Co., by C. P. Moore, and from sundry other citizens, all of Allendale, S.C., remonstrating against the imposition of an additional Federal tax on gasoline, which were referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the Lions Club of Galveston and members of the East Texas Division, Texas Good Roads Association, all in the State of Texas, endorsing the program of President Roosevelt and favoring inauguration of a public-works program providing unemployment relief through the construction of roads in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the executive committee of the Chamber of Commerce of the State of New York, favoring the imposition of special taxes to take care of interest and sinking-fund expenditures under the proposed industrial control bill, and opposing the application of normal income-tax rates to incomes from corporation dividends for such purpose, and recommending that the additional revenue necessary to meet the expenditures be raised by means of a sales tax, which were referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the board of directors of the Laundryowners National Association of the United States and Canada, at Joliet, Ill., favoring the passage of legislation to inaugurate a program of intra-industry cooperation through established national trade associations, which was referred to the Committee on Interstate Commerce.

He also laid before the Senate a letter in the nature of a memorial from R. E. Poole, of Alexandria, La., endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, and remonstrating against a senatorial investigation of his alleged acts and conduct, which was referred to the Committee on the Judiciary.

Mr. KEAN presented a telegram from F. S. Albright, city clerk of Camden, N.J., embodying a resolution adopted by the Board of Commissioners of the City of Camden, N.J., favoring amendment of the Reconstruction Finance Corporation Act so that that Corporation may be authorized to loan municipalities 75 percent upon estimated tax income for the year 1933, and 50 percent on 1932 tax delinquencies upon tax-anticipation bonds, etc., which was referred to the Committee on Banking and Currency.

He also presented telegrams in the nature of memorials from J. H. Bachelier, president of the Fidelity Union Trust Co., of Newark; Kelley Graham, president the First National Bank of Jersey City; and William J. Couse, president Asbury Park National Bank & Trust Co., all in the State of New Jersey, remonstrating against the passage of legislation providing guarantee of bank deposits, which were referred to the Committee on Banking and Currency.

Mr. TYDINGS presented a joint resolution adopted by the Legislature of the State of Maryland, memorializing Congress to enact House Joint Resolution 191, commemorating the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1783 of Brig. Gen. Thaddeus Kosciusko, a hero of the Revolutionary War, by issuing special series of postage stamps in his honor, which was referred to the Committee on Post Offices and Post Roads.

(See joint resolution printed in full when laid before the Senate by the Vice President on the 20th instant, p. 3797, CONGRESSIONAL RECORD.)

Mr. COPELAND presented a resolution adopted by Gun Hill Post, No. 271, Veterans of Foreign Wars of the United States, of the Bronx, New York City, N.Y., favoring reconsideration of the Executive orders and regulations relative to hospital and domiciliary care of veterans, which was referred to the Committee on Finance.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. COPELAND. Mr. President, I ask that there may be inserted in the RECORD resolutions adopted by the Cleveland Chamber of Commerce in opposition to the ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty. I do this because this body has taken pains to investigate very thoroughly all the arguments used in favor of the treaty. Likewise it has outlined its own opposition founded upon studies made by the chamber in opposition to the treaty.

I ask that the resolutions may be printed in the RECORD and lie on the table.

There being no objection, the resolutions were ordered to lie on the table and to be printed in the RECORD, as follows:

THE CLEVELAND CHAMBER OF COMMERCE,
May 20, 1933.

Hon. ROYAL S. COPELAND,
United States Senate, Washington, D.C.

DEAR SIR: As a matter of information I enclose herewith a copy of a resolution urging opposition to ratification of the Great Lakes-St. Lawrence Waterway Treaty, adopted by the board of directors of the Cleveland Chamber of Commerce May 17.

Yours very truly,

FRANK H. BAER,
Transportation Commissioner.

Whereas there is now pending in the Senate of the United States a treaty providing for the construction and operation by the United States and Canada of the Great Lakes-St. Lawrence waterway; and

Whereas the board of directors of the Cleveland Chamber of Commerce, desiring its study of this subject to be made from the broadest possible standpoint, assigned that study to several of its most important committees—the manufacturers committee, the river and harbor committee, the transportation committee, the foreign trade committee, and the committee on American merchant marine; and

Whereas these committees, viewing the subject not merely from the point of view of Cleveland but more broadly from the point of view of the industrial region of the Great Lakes, and from the point of view of its great shipping and transportation interests, have made careful reports on this subject to the board of directors; and

Whereas the great majority of the membership of these committees signed reports to the directors adverse to the ratification of the treaty, and a small minority only signed reports favorable to the ratification of the treaty:

Resolved, That the board of directors of the Cleveland Chamber of Commerce finds the arguments in favor of ratification to be stated as follows:

(1) It is urged that, though present conditions clearly do not show a sufficient volume of probable traffic to and from Cleveland to justify heavy expenditures on a deep waterway, our future foreign trade may justify its construction.

(2) Savings in freight charges, particularly on exported wheat, will be of substantial advantage to agriculture and some industries.

(3) It is suggested that opposition to ratification might adversely affect Cleveland's position with the Federal Government in connection with harbor-improvement appropriations.

(4) Failure on the part of the Senate of the United States to ratify a treaty now signed may possibly have an adverse effect on some of our foreign relations.

(5) Continued enforcement of Federal provisions against Chicago's diversion of water from the Great Lakes would be more adequately safeguarded; and

Resolved, That the board of directors finds the arguments opposed to ratification to be stated as follows:

(1) The cost of the project to the United States, arising from the navigation features alone, on a conservative estimate, will be not less than $300,000,000. As it is contemplated that the use of the waterway shall be free, it cannot be self-sustaining, and its capital and operating costs must be paid out of the Public Treasury. Not only is it obvious that no such expenditure should be undertaken under present conditions but no national program of economy can be made successful if future commitments of this sort are to be made. The expense involved would constitute a subsidy to whatever interests can make use of the waterway, with the expense being met by the general public.

It is pointed out that the expense to the United States not only will constitute a subsidy to certain interests but that those interests will be largely foreign. At least 60 percent of the grain making use of the waterway would be of Canadian origin and it appears certain that this percentage will increase. To the extent that ship operators may be benefited, the subsidy will go to foreign ships for reasons shown below. The foreign consumer of exported products, particularly grain, will receive some if not most of the possible transportation savings, and producers in foreign countries will be able to use transportation savings to increase their sales in the United States.

(2) The water-power features of the project, the cost of which is not included in the estimate made above, will be of limited benefit, for modern steam-power plants have so reduced costs that it is impossible that water power can be distributed from St. Lawrence River plants to areas of greatest power consumption. The production of water power on the proposed waterway will not be self-sustaining for years, probably until unforeseen industrial development near the proposed plants takes place. Such development would be, to some extent at least, competitive with Cleveland and every other industrial center. Its furtherance through governmental expenditures would be a most unjustifiable subsidy.

(3) A study of present traffic and future possibilities is conclusive that there is no vital need of the deep waterway and that its construction would not be followed by the entrance of fleets of great ocean liners into harbors of the Great Lakes. In fact, only a revolutionary change in manufacture and the processes of distribution could result in the establishment of any substantial and regular shipping schedules between the Great Lakes and foreign ports. Such support as the project has received in Cleveland is based almost entirely on future hopes and not at all on any definite showing of present or future needs.

(4) Savings in transportation charges urged by supporters of the waterway have been exaggerated in amount and misconceived in effect. It has been urged that the farmers will benefit to the extent of from 6 to 10 cents per bushel by reason of increased prices resulting from reduced transportation costs to world markets. In the first place, the amount of possible saving must come out of costs by existing agencies, and during the past season the cost of moving grain from the head of the Lakes to the seaboard has been less than 6 cents, so that, unless ocean ships are to be expected to make the inland journey for less than nothing, there could have been no saving of 6 cents, to say nothing of 10. Even under higher lake and canal charges it is impossible to arrive at sound figures which would indicate a saving of as much as 6 cents. Even when the amount of the saving is ascertained, the problem remains as to whether it would be reflected in prices on the farm or be absorbed by foreign consumers and ships. In a buyer's market such as that of the past few years it is entirely probable that the saving would be reflected in lower world prices and not in increases for the American farmer.

Savings to Cleveland shippers have been generally over-estimated, and, whatever they may be, they are subject to reduction by reason of losses through slower movement, lesser frequency of service, higher insurance rates, etc., than prevail in connection with present available routes. At any rate, no allegation of saving in transportation costs appears in support of the waterway in the committee reports.

(5) Construction of the waterway will increase foreign competition in certain important respects. Competition from foreign countries having low wage scales is already being met in our seaport cities in such commodities as iron ore, pig iron, wire and wire goods, copper, coal, lumber, pigments, and petroleum products. Cleveland is interested in all of these and the same competitive developments would follow the free movement of foreign-registry vessels through a deep waterway such as that proposed.

The case of coal is cited particularly, for the reason that it can be definitely shown, and its effects are so broad. About 6,000,000 tons of bituminous coal are annually moved via Lake Erie ports to Canada, a highly desirable business for the suffering coal indutry of this general area, worth-while traffic for our railroads, and excellent return tonnage for the lake fleet. The construction of the waterway would permit the through movement of Welsh and Nova Scotian coals to the joint injury of the mines, railroads, and lake carriers of the United States.

Similar adverse influences upon the interests of this country can be shown as probable in connection with other commodities.

(6) Present modes of service will be injured by the construction of the new route just to the extent that it may prove useful. If it moves little or no traffic it will not seriously injure the railroads nor the Lake carriers, but it should not be built unless it does carry a large tonnage. If it does divert a large amount of

business, the railroads and the present Lake fleet will be the losers. The Federal Government has attempted to prevent financial collapse of the railroads by extending its credit to them. To spend additional sums on a competing agency which will tend to make the security for railroad loans less valuable would be a paradoxical move. Moreover those communities which do not have access to the waterway would find their rail service weakened as the result of Government expenditures made to benefit other localities.

(7) It is apparently quite certain that serious injury would result to the lake carriers. They are today operating under the best labor conditions and the highest wage scale for maritime service in the world. Their costs are such that they cannot possibly compete with foreign registry vessels which could undertake service into and from the lakes. A part of their present traffic in grain would be diverted to through ocean vessels, not under the flag of the United States, and part of the coal tonnage now used to balance the downward movement of ore and grain would be taken away by the direct entry of Welsh and Nova Scotian coal into the western Canadian market.

(8) No consideration has yet been given to the cost of harbor and shore terminal construction which would be necessary before the proposed waterway would be of any particular benefit to the city of Cleveland. Whatever the public cost would be, it would certainly be more than either the city, county, State, or National Government could afford; and no private sources have been discovered from which the funds could be raised.

(9) The lack of present demand for through movement, mentioned above, is evidenced by the complete failure of three attempts to establish such service through existing facilities. One of these three attempts was supported by the fact that inbound cargoes of foreign rails actually did move to a port on Lake Erie, and only return tonnage was needed to assure success.

Therefore be it

Resolved by the board of directors of the Cleveland Chamber of Commerce, That its action be recorded in opposition to the ratification of the Great Lakes-St. Lawrence Waterway Treaty by the Senate of the United States.

Adopted May 17, 1933, Cleveland, Ohio.

FEDERAL AID IN MUNICIPAL FINANCING

Mr. BARBOUR. Mr. President, I ask unanimous consent for printing in full in the RECORD and the appropriate reference of the resolution adopted by the Board of Commissioners of the City of Camden, N.J., requesting legislation to assist municipal financing.

There being no objection, the telegram was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

CAMDEN, N.J., *May 24, 1933.*

Hon. W. WARREN BARBOUR,
Senate Office Building, Washington, D.C.:

The following resolution was adopted today by the Board of Commissioners of the City of Camden:

"*Be it resolved by the Board of Commissioners of the City of Camden, N.J.*, That the President of the United States, the Senate and House of Representatives in Congress assembled, be requested to amend the Reconstruction Finance Corporation law so that the Reconstruction Finance Corporation may be authorized to loan municipalities 75 percent upon estimated tax income for the year 1933 and 50 percent on 1932 tax delinquence upon tax-anticipation bonds; and be it further

"*Resolved*, That the President of the United States, the Senate and House of Representatives in Congress assembled, be requested to amend the public works bill to allow the Government to loan 70 percent of the total upon bonds to be redeemed over a period of years after the present depression is over; and be it further

"*Resolved*, That a telegraphic copy of this resolution be forwarded to the President of the United States, the Senate and House of Representatives in Congress assembled, to the two United States Senators from the State of New Jersey, and to the Congressman from the First Congressional District of the State of New Jersey."

F. S. ALBRIGHT, *City Clerk.*

REPORTS OF COMMITTEES

Mr. SMITH, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (S.J.Res. 54) limiting the operation of sections 109 and 113 of the Criminal Code, reported it without amendment.

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the resolution (S.Res. 79) authorizing an additional expenditure in connection with a general survey of Indian conditions in the United States, reported it without amendment, submitted a report (No. 94) thereon, and moved that the resolution be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, which was agreed to.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McNARY:

A bill (S. 1763) for the relief of Noah C. Dugan; to the Committee on Military Affairs.

By Mr. NEELY:

A bill (S. 1764) granting a pension to Ella A. Barker; to the Committee on Pensions.

By Mr. TYDINGS:

A bill (S. 1765) for the relief of Herbert J. Myers; to the Committee on Claims.

By Mr. BYRNES:

A bill (S. 1766) to provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes; to the Committee on Banking and Currency.

By Mr. JOHNSON:

A bill (S. 1767) for the relief of the Wells Fargo Bank & Union Trust Co., successors to the Union Trust Co., of San Francisco, Calif.; to the Committee on Claims.

A bill (S. 1768) to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States, and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 1769) to provide for the more efficient administration of the Indian Service, and for other purposes; to the Committee on Indian Affairs.

By Mr. ROBINSON of Indiana:

A bill (S. 1770) for the relief of James E. Emison; to the Committee on Military Affairs.

A bill (S. 1771) granting a pension to Effie Howard; to the Committee on Pensions.

By Mr. WHEELER:

A bill (S. 1772) for relief of the Western Montana Clinic, Missoula, Mont.; to the Committee on Indian Affairs.

By Mr. DIETERICH and Mr. LEWIS:

A bill (S. 1773) authorizing the State of Illinois to abandon the Illinois and Michigan Canal in Illinois, and to grant to the State of Illinois all right, title, and interest of the United States in and to the land comprising the right of way of the Illinois and Michigan Canal, as the same was routed and constructed through the public lands of the United States in the State of Illinois, pursuant to the act of Congress of the United States of March 2, 1827, and in and to the 90 feet of land on each side of said canal, vested in the State of Illinois, pursuant to the act of Congress of the United States of March 30, 1822; to the Committee on Commerce.

AMENDMENT TO THE BANKING BILL

Mr. LOGAN submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

EMERGENCY RELIEF OF RAILROADS—AMENDMENT

Mr. BLACK submitted an amendment intended to be proposed by him to Senate bill 1580, the railroad emergency relief bill, which was ordered to lie on the table and to be printed.

AMENDMENT OF FEDERAL RESERVE ACT

Mr. DIETERICH submitted an amendment intended to be proposed by him to the bill (S. 1539) to amend section 13 of the Federal Reserve Act, as amended, with respect to rediscount powers of Federal Reserve banks, which was referred to the Committee on Banking and Currency and ordered to be printed.

INVESTIGATION OF HOUSING CONDITIONS IN THE DISTRICT

Mr. CAPPER submitted the following resolution (S.Res. 86), which was referred to the Committee on the District of Columbia:

Resolved, That the Public Utilities Commission of the District of Columbia is hereby directed and empowered to investigate all facts relating to the cost and character of housing in rented premises in the District of Columbia; and be it further

Resolved, That for the purpose of executing this direction the said Commission may call witnesses and subpena records and accounts in the same manner as provided for the performance of the duties of the said Commission with respect to public utilities; and be it further

Resolved, That the said Public Utilities Commission shall prepare a full and comprehensive report of the matters investigated under the terms of this resolution and shall transmit the same to the President of the Senate of the United States on or before January 30, 1934.

PAYMENT FOR SERVICES RENDERED TO DISTRICT ATTORNEY FOR NEBRASKA

Mr. NYE submitted the following resolution (S.Res. 87), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the appropriation for expenses of inquiries and investigations, contingent fund of the Senate, fiscal year 1932, to the following-named persons the amounts hereinafter mentioned for professional and other services rendered during the fiscal year 1932 in assisting the United States district attorney for Nebraska in the matter of the United States against Victor Seymour, arising from an indictment for perjury before the special committee of the Senate investigating contributions and expenditures of senatorial candidates, under authority of resolution of April 10, 1930, to wit: John Andrews, $200; William M. Day, $160; Frank Healy, $750.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

RECOGNITION OF SENATORS

Mr. ROBINSON of Indiana and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. The Senator from Virginia.

Mr. ROBINSON of Indiana. Mr. President, I should like to direct an inquiry to the Chair. Is it the policy of the Chair to substitute the House rules for the Senate rules? I was on my feet and looked directly at the Chair and the Chair looked directly at me minutes before anybody else asked for recognition. I have been trying to secure recognition ever since and the Chair deliberately ignores me. Now, is it the policy of the Chair to do that? That is what I want to know.

The VICE PRESIDENT. It is the policy of the Chair to recognize the Senator who is in charge of the legislation pending before the Senate. The banking bill is the unfinished business; the Senator from Virginia asked recognition and the Chair recognized him.

Mr. ROBINSON of Indiana. That is contrary to the rule of the Senate and I insist that the rules of the Senate be adhered to.

The VICE PRESIDENT. The Senator can appeal from the ruling of the Chair in recognizing the Senator from Virginia if he so desires.

Mr. ROBINSON of Indiana. Mr. President, I shall not appeal from the ruling of the Chair, but the rules are there and the Chair should enforce the rules, and I hope the Senate will be fair enough to see that they are enforced.

The VICE PRESIDENT. The Chair desires to be perfectly fair with every Member of the Senate, but it does seem to the Chair that it is his duty to recognize the Senator in charge of legislation that is pending before the Senate as the unfinished business. Therefore, the Chair recognized the Senator from Virginia.

Mr. ROBINSON of Indiana. Just a final suggestion. It is the duty of the Chair, as I understand the Chair's duty, to abide by the rules and adhere to the rules of the Senate and not those of the House.

The VICE PRESIDENT. The Chair is not trying to enforce the rules of the House. However, he has the right of recognition, and he is going to exercise that right so long as he occupies this position.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe of more effective use of the assets of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Mr. President, I deem it unnecessary to go into any further explanation of the unfinished business, S. 1631, because on last week I made a rather exhaustive exposition of the bill. I find that there are 3 or 4 amendments proposed to the bill, the most important of which is the amendment submitted by the junior Senator from Michigan [Mr. VANDENBERG] to section 12 (c), on page 45, after line 3. I should like to say to the Senator from Michigan that upon consultation with the subcommittee in charge of the bill now belore the Senate, the subcommittee decided to accept the amendment and let it go to conference.

Mr. BYRNES. Mr. President, will the Senator from Virginia yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from South Carolina.

Mr. GLASS. I yield.

INVESTIGATION OF BANKING OPERATIONS

Mr. BYRNES. Mr. President, I dislike to interrupt the Senator from Virginia in the consideration of the unfinished business, but it is exceedingly important that I ask unanimous consent for the immediate consideration of a resolution reported yesterday, being Senate Resolution 70. There is no objection to it. The Senator from Oregon [Mr. McNARY] states that it is satisfactory to him to have immediate consideration, and I would appreciate it if the Senator from Virginia would yield to me for that purpose.

Mr. GLASS. If it will not displace the banking bill or take me from the floor, I shall have no objection.

The VICE PRESIDENT. If no one should make the point of order, the Senator would not lose the floor. Unless he asks unanimous consent for that purpose, he will lose the floor if anyone makes the point of order.

Mr. GLASS. I ask unanimous consent for that purpose.

The VICE PRESIDENT. The Senator from Virginia asks unanimous consent to yield to the Senator from South Carolina to consider a resolution without the Senator from Virginia losing the floor. Is there objection?

Mr. McNARY. Mr. President, is that the resolution to which I objected last evening?

Mr. BYRNES. It is.

The VICE PRESIDENT. Is there objection to the request of the Senator from South Carolina?

There being no objection, the Senate proceeded to consider the resolution, which had been reported from the Committee to Audit and Control the Contingent Expenses of the Senate, with an amendment, in line 10, to strike out "$25,000" and insert "$20,000", so as to read:

Resolved, That Senate Resolution 56, agreed to April 4, 1933, authorizing and directing the Committee on Banking and Currency to make investigations of the business of banking, financing, and extending credit and other practices therein mentioned in addition to the authority contained in ——— Resolution 84, agreed to March 4, 1932, hereby is continued in full force and effect until the beginning of the second session of the Seventy-third Congress, and the amount authorized to be expended from the contingent fund of the Senate for above-mentioned purposes hereby is increased $20,000 in addition to the amounts previously authorized to be expended in pursuance of the purposes of such resolutions.

The amendment was agreed to.

The resolution as amended was agreed to.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe and more effective use of the assets of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Mr. President, I understood that the Senator from Michigan desired in some respect to perfect his proposed amendment to the bill.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Michigan?

Mr. GLASS. I yield.

Mr. VANDENBERG. The only possible change that would be made in the text is incidental and was suggested by the able junior Senator from Ohio [Mr. BULKLEY]. He indicated to me this noon that he thought it would be perfectly proper for the amendment in its printed form to go to conference, and the incidental correction, if necessary, can be made in conference.

Mr. GLASS. I think that would expedite the matter.

Mr. VANDENBERG. May I thank the Senator for his expression on behalf of himself and his colleagues on the subcommittees, and say to him that inasmuch as the amendment is now pending and inasmuch as it appears to be satisfactory to the subcommittee, I am perfectly willing that it may be voted upon immediately without any further observations on my part or any debate.

Mr. LONG. Mr. President, who has the floor?

The VICE PRESIDENT. The Senator from Virginia has the floor.

Mr. LONG. Can no one else get the floor this morning at all?

The VICE PRESIDENT. Certainly.

Mr. LONG. I want to be recognized before the vote is taken. The Senator from Indiana [Mr. ROBINSON] cannot get recognition, but I want to be recognized before we vote. I want to say something.

Mr. ROBINSON of Indiana. Mr. President, will the Senator yield? What is the procedure now? Is there to be rank favoritism in the recognition of one Senator or another? I have the floor now apparently by grace of the yielding of the Senator from Louisiana, but I cannot get it on direct appeal to the Chair.

The VICE PRESIDENT. If the Senator from Virginia yields the floor, the Chair will recognize some other Senator who asks recognition. Until the Senator from Virginia yields the floor, the Chair cannot recognize any other Senator.

Mr. NORRIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. NORRIS. The Chair stated the question is on the amendment of the Senator from Michigan. Is not that debatable?

The VICE PRESIDENT. It is.

Mr. NORRIS. Has not any Senator the right to debate it?

The VICE PRESIDENT. He has.

Mr. NORRIS. Can he debate it as long as the Senator from Virginia holds the floor?

The VICE PRESIDENT. He cannot.

Mr. NORRIS. Does it not follow naturally that any Senator is entitled to debate the amendment?

The VICE PRESIDENT. Any Senator who can obtain the floor. When the Senator from Virginia yields the floor the Chair will recognize any other Senator asking for recognition.

Mr. GLASS. Mr. President, I have no disposition on earth to deprive any Senator of the floor, neither the Senator from Indiana [Mr. ROBINSON] nor the Senator from Louisiana [Mr. LONG]. That has not been my purpose. My only purpose has been to proceed as expeditiously as the Senate may permit with the consideration of the unfinished business. I had hoped that it would not involve a great deal of discussion and that therefore the Senator from Indiana might obtain the floor a little later and proceed to the discussion of any matter he desired to discuss. May I ask if the Senator from Indiana wants to discuss any provision of the pending bill?

Mr. ROBINSON of Indiana. I do not intend to discuss the pending measure at all. I have an entirely different matter I desire to present to the Senate, and, of course, I suspect the Chair knew that. Whether I desire to talk about the bill or some other matter, I should be recognized as soon as I rise on the floor and ask for recognition if the Chair sees me first. That is the rule of the Senate. That is not the House rule, but it is the rule here. We have never had a czar here with the power of an autocrat. I do not think the Senate desires one. Things have been going along that way lately, and it has become more and more difficult for one to be recognized, especially a Member on this side of the Chamber. That is why I objected. I propose to discuss an entirely different matter, unrelated to the measure in charge of the Senator from Virginia, as I have a perfect right to do.

Mr. GLASS. Mr. President, I may say to the Senator from Indiana that his quarrel seems to be with the Chair. He certainly did not indicate to me that he desired to proceed with any other discussion. I have no disposition to exclude him from the floor or prevent his discussion of matters. I simply hoped to go along with the bill of which I am in charge.

Mr. ROBINSON of Indiana. I appreciate the Senator's attitude. I never knew it was necessary for me to discuss the question of whether I wanted to speak or not with any other Senator on the floor or even with the Vice President. I always assumed that all a Senator needed to do, if he is properly commissioned here and has been seated, was to ask for recognition courteously and it would be accorded. It has always been done during the 8 years I have been here. Only in these latter days have I seen any departure at all from that rule.

Mr. GLASS. I shall be glad to yield to the Senator, provided it does not displace the unfinished business.

Mr. ROBINSON of Indiana. I cannot displace the unfinished business. I merely want to make some observations about our mythical ambassador abroad who has never been confirmed by the United States Senate to my knowledge, and, therefore, has no particular authority to represent the Government. That is all.

Mr. President, who has the floor now?

The VICE PRESIDENT. The Senator from Virginia has the floor.

Mr. GLASS. I yield to the Senator from Indiana if he wants to make a speech.

Mr. ROBINSON of Indiana. I will very gladly assume that I can get recognition when the Senator from Virginia has concluded. I do not seek to displace the Senator. I just want to speak before there is a vote on the bill or any amendment, and I wanted to get the floor as early as I could. That is why I appealed to the Chair.

Mr. GLASS. I should think the Senator would speak right now because the question is a vote on the amendment of the Senator from Michigan [Mr. VANDENBERG].

Mr. ROBINSON of Indiana. The Senator yields to me for that purpose?

Mr. GLASS. Yes.

Mr. ROBINSON of Indiana. I thank the Senator.

The VICE PRESIDENT. Will the Senator from Indiana permit the Chair to make a statement?

Mr. ROBINSON of Indiana. Of course.

The VICE PRESIDENT. The Chair has no knowledge whatever of the subject about which the Senator from Indiana desires to speak. The Chair repeats that when two Senators rise on the floor of the Senate and ask for recognition, one being in charge of the legislation pending before the Senate, it is his duty to recognize the Senator in charge of that legislation, under the rule of the Senate, both Senators having desired recognition by the Chair. The Chair desires to treat every Senator absolutely fair. He has no desire to be a czar or autocrat of the Senate.

The Senator from Indiana will proceed.

Mr. GLASS. Mr. President, in fairness to the Chair I desire to state that I took the precaution to notify the Chair that I expected to proceed with the unfinished business immediately this morning and asked him to recognize me. I have been on my feet ever since the hour of 12 o'clock.

Mr. BYRNES. Mr. President, may I say that from the hour of 12 o'clock I, too, was on my feet seeking recognition when the Chair recognized the Senator from Virginia. I certainly had no complaint against the action of the Chair.

Mr. ROBINSON of Indiana. Mr. President, I did not suggest that the Senator from South Carolina had any complaint against the Chair. I do not believe he has. If I were in his position I would not have, either. [Laughter.]

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Wisconsin?

Mr. ROBINSON of Indiana. I yield.

Mr. LA FOLLETTE. In view of what seems to me to be an unfortunate controversy that has arisen, I ask unanimous consent to have paragraph 1 of rule XIX inserted in the RECORD at this point.

The VICE PRESIDENT. Without objection, it will be inserted in the RECORD at this point.

The paragraph is as follows:

RULE XIX

DEBATE

1. When a Senator desires to speak, he shall rise and address the Presiding Officer, and shall not proceed until he is recognized, and the Presiding Officer shall recognize the Senator who shall first address him. No Senator shall interrupt another Senator in debate without his consent, and to obtain such consent he shall first address the Presiding Officer; and no Senator shall speak more than twice upon any one question in debate on the same day without leave of the Senate, which shall be determined without debate.

Mr. NEELY. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from West Virginia?

Mr. ROBINSON of Indiana. I yield.

Mr. NEELY. Mr. President, it would be impossible for me to favor the repeal or defend a willful violation of the Senate rule which requires the Presiding Officer to recognize the Senator who first addresses the Chair. But it is very respectfully submitted that the Senator from Indiana [Mr. ROBINSON], the fairness of whose usual argumentation is exceeded only by the vigor of his debate, is not justified in charging the distinguished Vice President with impropriety in recognizing the Senator from Virginia instead of the Senator from Indiana. The Senator from Virginia arose and properly sought recognition before the result of the roll call had been announced. The Senator from Indiana, with similar promptitude and propriety, endeavored to obtain the floor. Manifestly two Senators could not be recognized at the same time. In the circumstances, the Presiding Officer was obliged to favor one of those seeking to be heard. He appropriately discharged his duty, and to criticize him for his failure to perform the impossible task of recognizing two Senators at the same time is neither equitable nor kind.

The Senator from Indiana charges, by implication, that the action of the Chair was the result of political favoritism. This implication is refuted by the fact that the number of Republican Senators who have been called by the Chair to preside over the Senate during the last 11 weeks exceeds the number of Democratic Senators who were invited by the Republican Vice President to preside during the preceding 2 years.

Those present will instantly recall that within the last 2 weeks the Vice President appointed Republican members to preside over the important impeachment proceeding against Judge Louderback for 3 entire days. Those Senators are Mr. HEBERT, of Rhode Island, Mr. HASTINGS, of Delaware, and Mr. ROBINSON of Indiana, who has so energetically complained of the decision of the Chair.

It is submitted that upon due reflection all of the Members of the Senate, including the Senator from Indiana, will be compelled to concede that a more courteous, just, and efficient Vice President than Mr. Garner has not presided over the Senate in the memory of living men.

Mr. ROBINSON of Indiana. Mr. President, I have no comment to make on the statement of the Senator from West Virginia, except to say that I addressed myself to one particular situation and one particular question. That was the duty of recognizing the first Member of the Senate on his feet and addressing the Chair. That is the rule. I ask that the rule be enforced.

Mr. GLASS. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Virginia?

Mr. ROBINSON of Indiana. Yes; I yield to the Senator.

Mr. GLASS. On that point, I insist that the Senator from Virginia was first on his feet. I came into the Senate Chamber 10 minutes before the Senate convened, and I got on my feet immediately at the hour of 12 o'clock, and received recognition.

Mr. ROBINSON of Indiana. Mr. President, this is not the first time this question has arisen, as the Chair very well knows; and the Chair, of course, perfectly well knows that I have had something to say on this question privately in the past. This is the first time I have ever discussed it before the Senate; but all I ask is that the rule be enforced—nothing more than that; that is all—and that it be fairly interpreted and fairly adhered to.

The VICE PRESIDENT. The Senator from Indiana may proceed.

PROPOSED CONSULTATIVE PACT

Mr. ROBINSON of Indiana. Mr. President, it is merely stating a fact to say that the American people have been shocked in the last 48 hours by the astounding news emanating from Geneva to the effect that Norman H. Davis has presumed to lay before the Disarmament Conference a plan that would unquestionably involve the United States in all the wars that are now brewing throughout the world and those that may come in the future.

It is, of course, to be assumed that Mr. Davis is speaking for President Roosevelt, and it would be interesting to know where either of these gentlemen get the idea that they can possibly be clothed with any such authority.

If we agree to enter into a consultative pact with the great powers of the earth, we unquestionably abandon our traditional policy of neutrality among warring nations. If we enter into a consultative pact, we must agree to sanctions; that means that we bind ourselves to ratify any sanctions that may come out of consultation, and sanctions inevitably mean war.

This is frankly admitted by both France and Britain.

We also undertake to assist in designating the "aggressor" power and to league with other nations against the so-called "aggressor."

When we take that step, we throw neutrality to the winds.

With control of so many great news sources, Britain and France could easily make it appear that any war in which they should engage would be a defensive war. Accordingly, the moment we take this step, Uncle Sam will be expected to throw men and treasure into the balance and back up with armed force the demands of those with whom we are to be leagued.

If our masters are bound to involve us in foreign entanglements, it would seem to be better to go in by the front door, rather than the rear, and enter into an open alliance, offensive and defensive, with those powers, for then at least the American people would not be kept in suspense. They would frankly know what to expect. The truth is that the American people would never give their consent to any foreign entangling alliance of any kind, actual or implied, because they know it would eventually lead to war.

If the statement of Mr. Davis is to be taken at its face value, we also ratify the infamous Versailles Treaty, which we definitely refused to do when the matter was before the Senate. Instead, we negotiated a separate peace with the Central Powers.

Does anyone for a moment think that the Versailles Treaty will stand? Of course it cannot.

To both England and France the world conflict was a war of conquest. Germany was divested of Alsace-Lorraine and her colonial empire. Furthermore, her European territories were dismembered, as were those of Austria and Hungary. Boundaries are in a hodge-podge. If we were to follow the lead of Mr. Roosevelt and his agent in this matter, we should be forced to guarantee the status quo, unfair, inequitable, and impossible as it is. That could only mean that we should become involved immediately in all the wars of the earth. To this, the American people will never consent.

France and Britain have so thoroughly mismanaged matters that they have ruined Europe, and the results of the World War have almost ruined America.

President Roosevelt has no authority to negotiate any such consultative, war-producing agreement. For attempting it, Woodrow Wilson was thoroughly rebuked by his own people, and the present Chief Executive should profit by his example. There is enough trouble in this country to engage all of his attention. With more than 13,000,000 out of employment, it is the hope and prayer of the Republic that he will give his best thought and best efforts to remedying conditions here. We have enough to do to attend to our own business. Let Europe and the rest of the world look after their own affairs.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Louisiana?

Mr. ROBINSON of Indiana. Just a second, and I will have completed this statement. Then I shall be glad to yield to the Senator.

It is utterly amazing that any one man would presume to arrogate to himself such vast power, such great authority, and such overwhelming responsibility.

Where does Mr. Roosevelt expect to get the men and money to back up this proposed agreement? Where will he get the soldiers, the cannon fodder, when veterans of our past wars are maligned and slandered and libeled from one end of this country to the other now, and disabled veterans are discharged from United States hospitals in their underwear, the clothing they wore in the hospital being taken from them before they are set out on the streets? Where does Mr. Roosevelt expect to get the men, the soldiers, the sailors, the marines to fight these foreign wars and to back up these treaties, this consultative pact that he proposes to enter into? Where does he expect to get the money, the finance?

We have enough to do to attend to our business here, Mr. President. We have difficult problems here. Where does Mr. Roosevelt expect to get the money and the men? Perhaps this question has not occurred to him.

I know not what may be in the Presidential mind, but I have complete confidence in the good sense of the American people, and I am certain that at the earliest opportunity they will definitely and completely repudiate any such plan as that announced from Geneva by Mr. Davis.

I yield now to my friend from Louisiana.

Mr. LONG. Mr. President, the Senator is speaking about Mr. Davis, and where he gets his appointment. I do not believe the Senator has been reading the newspapers. Is it not possible that Mr. Davis might be over there on a mission connected with the House of Morgan? In that event he would not only be representing the two parties and the American Government, but probably England as well. I do not think the Senator is fair.

Mr. ROBINSON of Indiana. I think there is a lot in what the Senator says. I am wondering whom Mr. Davis represents in Europe. Someone has called him our "mythical ambassador at large." Undoubtedly he is not an ambassador. I never heard of his nomination having been sent to the Senate. I never heard of the Senate's having confirmed him as an ambassador. For whom is he an ambassador? He has apparently no authority; he is a traveling free agent there, making wild statements about what the United States proposes to do, departing from our traditional policy of 150 years; suddenly, in the midst of these remarkable statements, it develops that he is on one of the two confidential lists of Mr. Morgan and has been for years; that he is today obligated to the House of Morgan in a considerable sum—today, at this moment. Well, if that be true, can he be representing the House of Morgan over there?

It would be interesting to know some of these things. Mr. Morgan has a house in London—Morgan, Grenfell & Co., I believe. Mr. Morgan stated on the witness stand that Mr. Grenfell is a member of Parliament, elected from London, according to the press. He also stated, if I remember correctly, that Mr. Grenfell is a director in the Bank of England. He is the head of the Morgan House in London; and it is generally understood, I think, undenied, that the House of Morgan is the fiscal agent for the British Government.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Louisiana?

Mr. ROBINSON of Indiana. I yield to the Senator.

Mr. LONG. Is not the House of Morgan the fiscal agent for the American Government?

Mr. ROBINSON of Indiana. Apparently so, Mr. President.

I notice this morning a headline in the press, as follows:

Woodin offered stocks for half of market price. Letter from partner in firm called him "one of our close friends."

I think I will read just a little of this:

How J. P. Morgan & Co. considered William H. Woodin, now Secretary of the Treasury, "one of our close friends" and wanted Woodin to know the partnership was "thinking of you" was revealed yesterday at the Senate inquiry.

Woodin was solicited on a list of "close friends" by Morgan & Co. to buy a 1,000-share block of stock at $20 a share. It was then selling on the market at from $35 to $37, making it possible for Woodin to realize an immediate $16,000 profit if he wished.

Mr. President, that is the way they fleece the lambs. A few, representing organized wealth in America, get in on the ground floor, and are given the stock at $20 a share. They have an artificial market for the stock at $35 to $40 per share. Then they solicit the lambs they expect to fleece, and there were 21,000,000 of them at the time of the blow-up in 1929. These 21,000,000 go in and buy those securities for the price of $35 to $50 a share, when the insiders, the little crowd represented in the National Economy League and in organized wealth generally—big business—have obtained this stock, they being on a confidential list, for $20 a share. They then sell at the market and increase their swollen fortunes. Thus the lambs are fleeced. That is why we are in the trouble we are in today. My friend from Mississippi [Mr. STEPHENS], the distinguished chairman of the subcommittee of the Committee on the Judiciary, investigating the Harriman National Bank in New York—I have the honor to be serving on the same committee with the junior Senator from Mississippi—knows of the skullduggery that goes on in big business; and he knows, and we all know, why today the people have so little confidence in the banks of the country and in the financial interests that have been directing the country to its ruin during the past 10 or 12 years.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. ROBINSON of Indiana. I will yield, if the Senator will permit me to finish the article I was reading.

Mr. WHEELER. I want to make a suggestion just in line with the article.

Mr. ROBINSON of Indiana. The article continues:

A letter from partner William Ewing, of Morgan & Co., under date of February 1, 1929, introduced in evidence by Senate Counsel Pecora, read in part:

"DEAR MR. WOODIN: You may have seen in the paper that we recently made a public offering of $35,000,000 of Allegheny Corporation 15-year 5-percent bonds, which went very well.

"In this connection the Guarantee Co. offered today $25,000,000 Allegheny Corporation 5½-percent preferred stock. There was a strong demand for this stock.

"The Guarantee Co. also sold privately some of the common at $24 a share.

"We have kept for our own investment some of the common stock"—

"We have kept for our own investment some of the common stock"—

"at a cost of $20 a share, and although we are making no public offering of this stock, as it is not the class of security we wish to offer publicly, we are asking some of our close friends if they would not like some of the stock at the same price it is costing us—$20 a share.

"I believe that the stock is selling in the market around $35 to $37 a share, which means very little except that people wish to speculate."

The "lambs" again, the "lambs." The article continues:

"We are reserving for you 1,000 shares at $20 a share, if you would like it.

"There are no strings tied to the stock, so you can sell it whenever you wish.

"For further information regarding this corporation I am enclosing a circular.

"We just want you to know that we were thinking of you in this connection and thought you might like to have a little of this stock at the same price we are paying for it. * * *"

The remainder of the letter expressed wishes that Woodin, then executive of the American Car & Foundry Co., would enjoy a pleasant trip through the Panama Canal. Accompanying was a photostat of a letter acknowledging receipt of a $20,033.33 check from Woodin, indicating acceptance of the Morgan offer.

The stock subsequently sold over $50 a share and then almost down to $1 a share. Woodin's eventual profits depended on what disposition he made of the purchase.

Mr. President, I think that answers the question of the Senator from Louisiana. He wondered whether the House of Morgan was the fiscal agent for both the British Government and the American Government. Apparently it is, because Mr. Davis, heavily obligated to the House of Morgan, is now abroad undertaking to overturn policies a century and a half old, traditional American policies, and to foist on this Nation extremely dangerous policies which are satisfactory to the House of Morgan. Everybody knows he wants the debts canceled; everybody knows he would have us in the League of Nations and its subsidiary, or back door, the World Court. Everybody knows he would have us bolster up Europe with our own men, our own blood, and our own treasure.

Now it develops that that is not only true but there is also a close friend in the Treasury—to quote the language of the House of Morgan, "our close friend"—who had a thousand shares reserved for him at $20 a share when the "lambs", 21,000,000 investors among the investing public of America, were charged $35 to $50 a share. Now the stock is selling at around a dollar a share.

Imagine that! Does that answer the Senator's question? I imagine, perhaps, that the House of Morgan is the fiscal agent for this Government. The House of Morgan seems to be the fiscal agent of both the British Government and the American Government. Of course Mr. Davis should be brought back from Europe immediately. The American people can have no further confidence in him. He should be recalled, and, of course, we should not ratify what he has said or done. Mr. Woodin, too, is occupying an unenviable position at the moment, with the vast powers of the Treasury, which in their administration call for the confidence of the people to be lodged squarely behind him. He cannot command the confidence of the American people now; therefore his usefulness as Secretary of the Treasury has ended.

I yield to the Senator from Montana.

Mr. WHEELER. Mr. President, I was going to call the Senator's attention to the fact that, notwithstanding the fact that the House of Morgan may be the fiscal agents of Great Britain, apparently the Parliament of the British Government is not so tender with them as the American Congress has been, with reference to their income taxes.

Mr. ROBINSON of Indiana. The Senator is quite right.

Mr. WHEELER. It will be noted that the House of Morgan pay income taxes in Great Britain, but they pay none in the United States; and my understanding is that one of the reasons for that, at least, it that the British Parliament has not seen fit to let these financiers deduct their capital losses, whereas the Government of the United States has permitted that to be done. If we here in the United States prevented those men from deducting their capital losses, as has the British Parliament, we would probably have money enough in the Treasury of the United States to meet the debts confronting us at the present time, rather than having to go out and try to impose a sales tax, or to impose a further tax upon the small taxpayers of this country. It would undoubtedly solve the needs of the unemployed of this country today. It seems to me that if the investigation now in process has not done anything else, it has shown the difference between the British system in dealing with these financiers and the way our own Congress and our own Government have dealt with them.

Mr. ROBINSON of Indiana. Mr. President, I may suggest in this connection, too, that the Internal Revenue Department is right in the Treasury. The Secretary of the Treasury directs all of the income-tax collection activities, the collection of the internal revenue of the country.

Mr. WHEELER. Mr. President, that was one of the reasons why practically all of the great newspapers of the country were saying that Mr. Mellon was the greatest Secretary of the Treasury of the United States since Alexander Hamilton, during his term of office.

Mr. ROBINSON of Indiana. Mr. President, insofar as I am concerned, I would not in the slightest degree attempt to shield any of them, regardless of their politics. The House of Morgan has no politics; it is neither Republican nor Democratic. It has its agents, and it has them all over the world, and I have every reason to believe, from many of the disclosures that have come about, that the agents obey orders, whether they be in this country or abroad.

Mr. President, that is all I have to say on this question, except that I think it has been a definite shock to the Nation to find that J. Pierpont Morgan was too poor to pay any income tax for the past 3 years, but that at the same time he could find money enough to pay an income tax in England.

It is high time we should take care. The American people have been patient and long suffering. Mr. President, feeble though my influence may be, insignificant though any efforts of mine seem, I nevertheless warn big business in this country to have a care while they continue to trifle with the millions and hundreds of millions of toiling Americans, who during the past 3 years have experienced hardship, suffering, and sacrifice, as no other people have, probably, in the history of the world.

I have in my hand an editorial comment from the New York Evening Sun dated May 23, 1933; an editorial reprint also from the New York Evening Post dated May 23, 1933, an editorial comment from the Washington Times, and an editorial from the New York American of this morning, which I ask to have incorporated in the RECORD at this point.

The VICE PRESIDENT. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

SPEECH BY DAVIS ENDS UNITED STATES ISOLATION, SAY NEW YORK PAPERS—SUN QUESTIONS HIS AUTHORITY TO SPEAK FOR AMERICA; POST STATES ADDRESS MAY LEAD TO TROUBLE WITH JAPAN

WHAT IS DAVIS' AUTHORITY?

[From New York Evening Sun, May 23, 1933]

Communication between the State Department at Washington and its special ambassador at Geneva seems astonishingly bad. Norman H. Davis' speech yesterday so far transcended the interpretation of American policy given out at the White House last week as to suggest that he may have taken the oratorical bit between his teeth and run away. The White House declared that there was no intention to depart from historic American policy with regard to consultation among nations in the event that any agreement reached at Geneva were hereafter broken. That policy would require the United States to judge each separate breach upon its own merits and take such action as circumstances might prescribe.

Who gives Mr. Davis authority to repudiate on behalf of the United States the American doctrine of neutrality which has been a cornerstone of American foreign policy for a hundred and fifty years? Who gives him authority to pledge the United States to wield a rubber stamp validating the decrees of any group of foreign nations? By what right does he presume to declare in advance the action this Nation shall take in regard to some putative violator of a putative treaty? Who are the "we" of whom he speaks with such glibness?

Plenipotentiaries abroad among whom the proposed agreements are to be reached ought to be informed that Mr. Davis is making promises which no American has authority to make on behalf of the United States, promises which in all probability the United States Senate would refuse to ratify.

[From New York Evening Post, May 23, 1933]

WHITHER?

To the Times the speech of Norman H. Davis, chief delegate of the United States to the Disarmament Conference at Geneva seems merely a following up of President Roosevelt's message to the world last week. To the Herald Tribune it appears to be only something wherewith to bridge over the summer's negotiations. To us it stands out as one of the most astoundingly important statements ever made affecting the world fate of the United States.

It puts us into the affairs of Europe. It may let other nations force us into trouble with Japan. It reverses our Senate's rejection of article X and the Covenant of the League of Nations. It practically makes us a part of the League. It ends our world isolation. It is a triumph for Woodrow Wilson.

The direct undertakings, and above all, the implied obligations in these proposals seem to us to alter the whole world position of the United States, as it has existed since the days that Washington warned us against the peril of entangling alliances. We no longer base our armament upon the needs of our national defense but upon faith in other nations.

We may have to give up neutrality and probably freedom of the seas.

How anyone can say that these proposals do not affect the very life of America itself we cannot see.

[From the Times, Washington, D.C., May 24, 1933]

SENATE, NOT MR. DAVIS, TO DECIDE FOREIGN POLICY

By James T. Williams, Jr.

According to a press dispatch from Geneva, "Norman H. Davis, American ambassador at large", has offered on behalf of the United States to "abandon its traditional policy of isolation."

There are several errors in this report. In the first place, Mr. Davis is not "an American ambassador at large." There is no such American envoy at large.

Moreover, Mr. Davis is not an ambassador at all. He has never been nominated to the Senate for that office, and unless so nominated by the President and confirmed by the Senate, he cannot be an American ambassador anywhere.

Mr. Davis is only an agent of the Executive branch of the Government. In that capacity he is representing that branch as our delegate at the League conference for the limitation and reduction of armaments. Therefore he speaks not for the Government of the United States but only as an agent of one of its branches.

MYTHICAL AMBASSADOR—NONEXISTENT POLICY

The second error in this report is the alleged abandonment by a mythical ambassador of a so-called "American policy" that never existed. The so-called policy of "isolation", which Mr. Davis is supposed to have renounced for us before the League conference, is not traditional either in American theory or in American practice.

Our traditional foreign policy is an inheritance from George Washington. He bequeathed it to us in the farewell address.

In that immortal legacy the Father of his Country thus advised his people:

"Observe good faith and justice toward all nations; cultivate peace and harmony with all. * * *

"The great rule of conduct for us in regard to foreign nations, is, in extending our commercial relations, to have with them as little political connection as possible."

Because Europe "must be engaged in frequent controversies, the causes of which are essentially foreign to our concern," Washington believed that it "must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities."

THE FRUITS OF WASHINGTON'S POLICY

And the promise of Washington was that if we would heed his warning, cherish his counsel, and act upon his advice, the time would soon come—

"* * * when we may defy material injury from external annoyance; when we may take such an attitude as will cause the neutrality we may at any time resolve upon to be scrupulously respected; when belligerent nations, under the impossibility of making acquisitions upon us, will not lightly hazard the giving of us provocation, when we may choose peace or war, as our interests, guided by justice, shall counsel."

And all American history proves him right.

The great objective of this policy was, as Washington wrote Patrick Henry, when he offered him the Secretaryship of State in 1796, to make us as a nation "respected abroad and happy at home."

This was not a policy of "isolation" for a hermit nation. It was a policy designed to insulate us against any entanglement of "our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice."

John Hay, who was the Secretary of State in the Cabinet of two Presidents—William McKinley and Theodore Roosevelt—once said that the two cardinal principles of American foreign policy were "the Golden Rule and the Monroe Doctrine."

By following Washington's policy and refusing to meddle in European quarrels and intrigues, we were only doing unto others as we would that they should do unto us.

NATIONAL BIRTHRIGHT OR MESS OF POTTAGE

This is Washington's policy. And its corollary is the Monroe Doctrine, by which we put Europe on notice that she meddles in the political life of this hemisphere at her peril.

Washington's policy was the policy of Adams and Jefferson, of Madison and Monroe, of Andrew Jackson and Abraham Lincoln, of Grover Cleveland and Theodore Roosevelt, and Calvin Coolidge.

After the Great War, the attempt was made at the Versailles Conference to swap our traditional foreign policy—our national birthright—for an European mess of pottage in the form of an entangling alliance called "the League of Nations."

By luring us into that alliance, Europe sought to obtain our aid in enforcing the terms of the Versailles Treaty and to use American blood and treasure to guarantee Europe's national boundaries.

But this proposed exchange of America's birthright for Europe's mess of pottage was stopped when our Senators in Congress refused to ratify the Treaty of Versailles, which included the covenant of the League of Nations.

By this refusal the United States reaffirmed the policy of Washington and the Monroe Doctrine as America's permanent foreign policy. By this reaffirmation we put the world on notice that we would not meddle in European politics and that it would be wise for Europe not to meddle in the politics of the Western World.

THE VERDICT RESTS WITH THE SENATE

This is the traditional foreign policy which has been renounced for the United States, not by its Government, but by an agent of that Government's executive branch. And the Europe which bestowed upon him the high-sounding title of American ambassador at large is the same Europe which slanders our traditional foreign policy of insulation against the quarrels and intrigues of European politics by falsely branding it as "a policy of isolation."

In justice to Mr. Davis it must be assumed that his renunciation of America's traditional foreign policy from the days of George Washington until now was made with the full authority and approval of his immediate superior and fellow Tennesseean, the Secretary of State, Mr. Hull.

The proposals of Mr. Davis, however, under the American system of government, must remain mere proposals of one branch of the Government pending final action upon them by that other branch of the Government to which the Federal Constitution entrusts the final control of our foreign policy—the United States Senate.

Whether the American people are now willing to swap the "Golden Rule and the Monroe Doctrine" for the rule of Europe's League and the Hull-Davis doctrine is the all-important question that must await the verdict of the representatives of the American people in the United States Senate.

[From New York American of May 25, 1933]

THE SUPINE SURRENDER OF AMERICAN PRINCIPLES AT GENEVA

A rather bad day for America, fellow citizens!

We refer, of course, to what took place on Monday at the Geneva Disarmament Conference.

We thought the Washington Disarmament Conference, when Secretary of State Hughes, without offset or recompense, sank the newest and finest ships in the American Navy, marked the limit of injury to the United States which could be self-inflicted.

It was nothing, however, compared to the amazing surrender at Geneva of our country's strength and security made in the name of the American people by a spokesman who no more speaks their wishes, convictions, or purposes than the man in the moon.

The first official act of George Washington, upon inauguration as the first President of the United States, was the declaration of America's neutrality in the wars then convulsing Europe.

In the century and a half of the Nation's life the policy of neutrality in conflicts to which we were not a party has protected us from the ravages of recurring wars, exempted us from the passions engendered by them, and assured our peaceful growth and development as a nation.

On Monday at Geneva this wise and beneficent principle of American policy was tossed to the winds.

And with it that most American of principles—the freedom of the seas.

To relinquish this natural and, to a maritime power such as the United States, essential right will be regarded by the American people as the most abject of surrenders. On more than one occasion in the past we have gone to war in defense of this right. And we will go again if need be. Its surrender will never be tolerated or condoned.

The oft-repeated refusal of the United States to bind itself in a consultative pact with Europe, and thus make itself a party and a judge in the innumerable, incessant, and clouded controversies of that feud-infested continent, was forgotten in a moment.

Without mandate from the people, without even their knowledge, without warning to Congress, and without an opportunity afforded either the Senate or House to speak, it is stated on behalf of the unsuspecting United States that "we are willing to consult the other states in case of a threat to peace."

Like children playing with firearms, the improvised statesmanship of the hour ignores the lessons of our history, rejects the warnings of experience, defies the restraints of the Constitution, and whirls us to the brink of untold disaster.

Should war break out—and sober opinion regards war, under the surcharged conditions now prevailing in the world, as an almost certain eventuality—we have involved ourselves in that most difficult and dangerous of undertakings—the designation of the aggressor.

What happens to us upon such designation is left in apparent obscurity, but it is only apparent. What we say is that we will "refrain" from any action tending to defeat the collective efforts of the nations who join with us in such designation.

But the consequences to us of taking part in so dangerous an operation are not limited by our declarations of intention. Such

a designation would be deeply resented by the nation so designated and would certainly be regarded as an act of war, particularly if our abstention from the assertion of neutral rights were interpreted as giving support to such designation by an overt act of hostility. This would be entirely reasonable, as the departure from the conduct of a neutral could not fail to be regarded as the conduct of a belligerent. We should be charged, and rightly, with having cast the weight of our attitude against a nation from whom we had received neither provocation nor injury.

In addition to these objections to the tenor and substance of the Geneva statement of America's altered policy there hangs over it a sickening insincerity of interpretation.

It is evidently the purpose of the administration to convince France and Germany of our intention to guarantee their mutual peace and security by concrete and definite collaboration and support.

Although we invite this interpretation in Europe, it is not at all the conclusion which we ask our own people to draw.

While the London Times refers to the Democratic administration as proposing to change the traditional attitude of the United States toward the whole question of neutrality and freedom of the seas, Secretary Hull, on the other hand, regards the Geneva statement as reserving to the United States Government full liberty of judgment and action.

It is open to question who are the more deceived—the people of Europe or the people of the United States.

We can say this, however—the people of the United States will not long be deceived.

They are a hard-headed people. They know how to effectuate their will and how on occasion to manifest their resentment if convinced that American principles have been betrayed or American interests compromised.

They are children of the day, not of the night nor of the darkness. They watch and are sober.

They do not propose that sudden destruction shall come upon them as a thief in the night.

Mr. ROBINSON of Indiana. The senior Senator from Nevada [Mr. PITTMAN] is not present, but I should like also at this time to have incorporated in the RECORD a letter written by Prof. Edwin M. Borchard, of Yale University, addressed to Hon. KEY PITTMAN, Chairman of the Committee on Foreign Relations, United States Senate, a copy of which I understand was sent to each member of the committee. In the absence of the Senator from Nevada, however, I shall not ask to have the letter incorporated without his permission. I should like to have it understood that if I can gain his permission to have the letter placed in the RECORD that may be done.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. TYDINGS. Mr. President, in the year 1914 we did not have ambassadors going about Europe trying to establish peace in the world. In 1914, nevertheless, a right fair war began, and although we remained at home for about 2½ years, before that war was over we had a national debt of $20,000,000,000, and had transported about 2,000,000 men across the seas to try to preserve the rights and the property of American citizens. Staying away from Europe in 1914 did not keep us out of the war, and going to Europe now, in 1933, is more calculated, in my humble judgment, to keep us out of war than to get us into war.

I can remember 3 or 4 weeks ago when the soberest minds in this Chamber were of the opinion that war in Europe was almost a certainty. The great leader who is in the White House addressed a message to the governments of the world, and pointed out the folly of another war, with the world in an economic situation such as now confronts it, and almost overnight the leader of the German Republic retreated from a speech of a few days before, and amity was reestablished, temporarily at least, and a better feeling existed between the governments of the world.

Suppose that message had not been forthcoming; suppose Europe had gone to war; how hollow would be the words of the Senator from Indiana now with all of the countries of the Continent of Europe, in view of the poison gas of the last war, and the imminence of disease germs in the next, if another conflict had unfolded through silence on the part of this Government.

I think Mr. Davis, whether he made a loan or did not make a loan, has shown a stature of statesmanship for which this world is hungry. Everyone knows that we cannot attain disarmament through one nation acting alone, that armaments are comparative, and each nation keeps an army and a navy because another nation, forsooth, keeps an army and a navy.

Is it too much to ask that the most powerful nation in the world—and that is what we claim for our country—should have no responsibility in establishing peace, in furthering international trade, in stabilizing currency, in adjusting the world's problems? Are we going to play the ostrich and stick our heads in the sand until the prairie fire scorches our tail feathers? Or shall we keep our heads toward the sky and view what is going on by the exercise of calm judgment and avert another world conflict, if possible?

It is regrettable, in my judgment, that the Congress does not support rather than decry the efforts of this administration to establish peace in the world and to settle international difficulties in a proper way, rather than by a resort to arms. I am not afraid of our going to Europe or to say that I believe in international cooperation. We did not go to Europe in 1914, but we went there before 1918, with money and men and treasure, and that is the precedent that shows that wars are not to be avoided by isolation, by the silly policy of remaining at home while fires break out all around us. If you lived in a house in a city block with fires commencing on either end, would you sit there and twiddle your thumbs or would you join with others in helping to put those fires out?

Further than that, let us not lose sight of the fact that for the last 12 years we have been selling to foreign peoples about $5,000,000,000 worth of American-made goods every year, one tenth of our whole production. Therefore, if we sold them one tenth of the production of the commodities of our farms and our mines and our factories, one tenth of all the people employed were working to make and produce the goods to be sold abroad; and if we had 50,000,000 workers, which we have in this country, then 5,000,000 of them earned their bread and butter by making the goods to sell to foreign nations. The reason we have unemployment today is because we are no longer selling those goods to foreign nations in the quantities with which we formerly supplied foreign markets.

We ought to be applauding the efforts of the President to reestablish world trade and to reconcile the differences of nations by means other than war. The man who attacks his ambassador abroad, when that ambassador is making signal successes in accomplishing better international feeling in the promise of some disarmament, is attacking humanity; he is attacking the sons and daughters of every man and woman in this country, because he is sowing the seed of international hate; he is sowing the seed of international ill will; and that is the food upon which wars thrive and grow. I think we have had enough of silly attacks upon our foreign neighbors, decrying them here in this Chamber; and yet we would be the first to rise here and repel any attack upon our own Government that sprang from the floor of any other parliament than our own. Foreign peoples are sensitive; they have pride; and these short-visioned attacks about a lot of scheming going on, in my judgment, are not calculated to help the situation.

Mr. Davis needs no defense from me. We sent him abroad to negotiate a disarmament treaty, and he has been the most efficient negotiator who has been sent to that conference from any government on the face of this earth. Four or five times there have been possibilities of a rank failure on the part of that conference, but Mr. Davis, with an energy which was unparalleled, with an intensity that might be imitated, has gone on and rebuilt the structure himself, and has kept the nations in conference through conciliatory and advantageous proposals.

This world wants disarmament; it wants an end to war, if it is possible to achieve it. That cannot be obtained by sitting down and doing nothing. Like any other worthwhile thing in life, you have got to work for it if you want to get it; and I, for one, do not intend to sit here day after day and see the efforts of a man who, apparently, is giving everything he has to accomplish some measure of disarmament, belittled, particularly by members of the Government that he purports to represent in the councils of the world.

THE "BAREFOOT" SOUTH

Mr. RUSSELL. Mr. President, on account of the arduous duties which have fallen to the lot of every Senator, I have been unable to keep intimately in touch with every one of the various plans that have been advanced to speed economic recovery and rehabilitate our labor and general economic conditions. This morning I did note the most ingenious plan I have yet seen advanced. It is brought forward by our very able and distinguished Secretary of Labor, Miss Perkins, who is reported in the press as having stated in an address which she delivered in New York City that if one would enter into the shoe-manufacturing business in the South and teach the people of the South to wear shoes they would find that business a veritable gold mine. The headlines of two outstanding papers published in a southern city heralded the account of this speech by saying that the "South is virtually shoeless, Labor Secretary declares", while the other one headlined it "South barefooted. Frances Perkins, Labor Secretary, sees social revolution in wearing of shoes."

Mr. President, I should dislike very much to remove any windmill on which the distinguished Secretary might splinter a lance, but I can assure her that the people of the South do wear shoes. As is pointed out in an editorial which also contained this news account printed in the State which it is my honor to represent, there are shoe factories in my State that produce as many as 30,000 pairs of shoes a week.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. OVERTON in the chair). Does the Senator from Georgia yield to the Senator from Tennessee?

Mr. RUSSELL. Certainly.

Mr. McKELLAR. Does not the Senator think he could go a little farther and state that the people of the South do wear shoes?

Mr. RUSSELL. I was coming to that point in a moment.

Mr. McKELLAR. I have been living in the South for many years and I want to say in all fairness to the people down there that I have not seen a barefooted person in my part of the country for many years.

Mr. RUSSELL. I should like to say in reply to the Senator from Tennessee that it is true at the present time that many of our shoes are much worn and have been often repaired. In fact, many of us, in common parlance, are "on our uppers" now, but still we do wear shoes.

The purpose of my brief remarks is merely to invite the distinguished and able Secretary of Labor down to the South in order that she might ascertain for herself the conditions that actually obtain there.

Mr. KING. Mr. President——

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. RUSSELL. I yield.

Mr. KING. May I call the attention of the able Senator from Georgia [Mr. RUSSELL] that many people are asserting that we are entering upon a new dispensation. Some insist that it is a new epoch which calls for a repudiation of the social, economic, and, indeed, the political policies of the past, and that the policies of government announced by Jefferson and other founders of the Republic, it is asserted by protagonists of this new school, are no longer of any use, that local government is no longer in fashion—indeed, it is not to be tolerated—and that the States are to be compounded into one great mass and their sovereign rights and prerogatives abolished.

This school of thought, as I am advised, contends that the Federal Government, with the enormous powers which are to be assumed by it and the agencies in existence or to be created, is to take over the functions of the State, and establish a new social order, a new political system, and exercise control over our entire social and economic system. This, it is contended, is to be a social revolution, the object of which is to place not only business, but the lives and activities of the people under the control of agencies and bureaus set up by the Federal Government.

Social reformers and those who have but little regard for individualism or the competency of the people to govern themselves, or the ability of individuals to steer their own course in life, it is urged, must now take charge of the lives and activities and conduct and business affairs of the people and, indeed, their habits, and direct their thoughts and control individual, family, and local life.

Some individuals who are advocates of this philosophy are seeking positions in the Federal Government and are earnestly working to obtain authority to put the same into practice. They seem to regard it as proper under this new social revolution, which they insist has come or is near at hand, that Federal agencies and an army of protagonists of this cult, shall enter into all the communities and, indeed, into the very homes of the people and direct how people shall live and act and think and conduct themselves and the character, training, and education which they shall enjoy or possess. Indeed, that they shall supervise the entire conduct of the people of the United States.

Our theory of government given to us by the fathers, has developed a strong, reliant, and patriotic people. Under that system, the foundations of democratic institutions were laid. There are those now who would destroy the fruits of the labors of our fathers and superimpose upon the American people an oppressive socialism and a despotic bureaucracy. Intitative and self-reliance and all those fine qualities essential to a progressive civilization are to be eliminated from our political system.

It is to be hoped that those who hold positions and have sworn to uphold and defend the Constitution of the United States, will not attempt to impose upon the American people, alien institutions and socialistic policies, the consequences of which will be destructive of constitutional government.

Mr. RUSSELL. Mr. President, let me say to the distinguished Senator from Utah that the very purpose of calling attention to this matter is to get the Secretary of Labor to pry and probe around in the South in order to inform herself of conditions there. I can assure her that the statement is not correct, as she is quoted by the Associated Press—I presume it is correctly quoted—that "a social revolution will take place if you put shoes on the people of the South." This editorial I hold in my hand and shall have inserted in the RECORD attributes this statement to a "quaint sense of humor."

I hope the Secretary of Labor will see fit to visit the South. I assure her that a crowd will not gather on the streets to view her leather-clad feet as anything out of the ordinary or as any rare phenomena. She will not find, in any of the rural sections, the citizens all shamelessly wiggling their bare toes in the soil; and she will further find that in the cities our people do not expose the soles of their bare feet to the hot pavements.

Mr. President, I ask unanimous consent that this editorial from the Atlanta Journal of May 24, 1933, entitled "The 'Barefoot' South," be inserted in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

[From the Atlanta Journal of May 24, 1933]

THE "BAREFOOT" SOUTH

Though we have long admired the formidable talents of Miss Frances Perkins, Secretary of Labor, we must confess that not till now were we aware of her quaint sense of humor. What delightful drollery there is in her remarks on the barefoot South! In a speech to the girls' work section of the Welfare Council of New York City she said, if the Associated Press reports her aright:

"Those of you who have lived all your lives in communities where the wearing of shoes is a commonplace have, perhaps, forgotten how important and significant a social contribution are shoes. When you realize that the whole South of this country is an untapped market for shoes, you realize we haven't yet reached the end of the social benefits and the social good that may come from the further development of the mass-production system on a basis of consuming power of the South, which will make possible the universal use of shoes in the South. * * * A social revolution will take place if you put shoes on the people of the South."

Some there are, including her New York audience, who may have taken seriously these broad satirical comments of the dis-

tinguished Secretary of Labor. If so, we invite them to come to Dixie and learn to laugh. At Buford, Ga., they will be welcomed by the Bona Allen Co., one of the largest leather-goods industries in America, which is turning out 30,000 pairs of shoes a week. In Atlanta they will find the J. K. Orr Co. producing upward of a thousand pairs a day; at Lynchburg, Va., the famous Craddock-Terry Co.; in Nashville, Tenn., two factories of major proportions; and in divers other parts of the South makers of all sorts of shoes, to say nothing of hundreds of importing jobbers and thousands of retail dealers.

It is not our intent to trespass upon the province of statistics, in which Secretary Perkins is, of course, a past master. But for the benefit of those who may not be as well informed as she, we say plainly that southerners do wear shoes. They commonly take them off when they go to bed and when they go swimming, but during the rest of the four-and-twenty hours they tread neat's leather. This they have done for longer than we can remember. A poet of ante-bellum days rhymed of the southern girl in this wise:

Her boots are slim and neat,
She is vain about her feet,
It is said.
She amputates her r's
But her eyes are like the stars
Overhead.

And, curiously enough, in the same issue of the Journal which published an account of Secretary Perkins' New York speech, a gifted Georgia author, in describing the colored people's observance of "'Mancipation" Day in a southern town, wrote thus: "Merchants and grocers expected a large trade, and were not disappointed, in crackers, sardines, cheese, tobacco, fruit—and bedroom slippers. The reason for that last item is that almost all the colored people wore new shoes; and when the hot May sunshine poured down on paved sidewalks, the proud possessor of the patent-leather footgear was forced to ease her pedal extremities by removing the offending glories, substituting rose, blue, or green felt boudoir slippers and walking unconcernedly down the street with the original offenders in her hands."

Such is life and such is humor in the unsophisticated South. We do hope that Secretary Perkins will do us the honor and herself the justice of an early visit.

Mr. BAILEY. Mr. President, first of all I wish to express my gratitude to the junior Senator from Georgia [Mr. RUSSELL] for calling attention to this matter.

When I first saw in the Associated Press a statement purporting to report verbatim an address by our Secretary of Labor in New York City to the girls' work section of the Welfare Council of New York, in which she made these statements about our people in the South, I had some sense of resentment; but I am not going to speak in that sense.

Somehow, Mr. President, we people from the South have had great difficulty in getting before the rest of the people of our country anything like a fair conception of the civilization there. Every now and then I read miserable and contemptible statements about our mountain people. They are spoken of as "the poor mountain whites"; and miserable grafters go around the country taking up collections to assist those people from the depths of degradation which they attribute to them.

As a matter of fact, civilization has reached no higher point in America than it has amongst the people of the Appalachian system, called our mountain country. It was Mr. Galsworthy, who lately died—a notable novelist and a most distinguished representative of this English civilization of which we are the heirs, and in a way representative—who, upon a visit to our mountain country just 2 years ago, prolonged his stay in those mountains in order that he might drink, as he himself said, "once again from the fresh springs of English life and civilization".

And now our Secretary of Labor makes this extraordinary statement, I am sure with no malice and with no intention to offend; and I am sure of myself that I am without intention to be offended and that I am speaking for a people who have a profound respect for themselves and too much respect to protest; a people who will not be offended, either, because in the security of their self-respect they are immune from misunderstanding and likewise from ignorance.

I am going to read in the Senate of the United States what our Secretary of Labor has said, in the hope that I may bring not merely to her attention but to the attention of all men and women who are here something of the truth, nothing by way of resentment, but only by way of facts.

Here is what she said:

As an example, Miss Perkins cited the South as a market for shoes. "Those of you who have lived all your lives in communities where the wearing of shoes is a commonplace," Miss Perkins said, "have perhaps forgotten how important and significant a social contribution are shoes. When you realize that the whole South of this country is an untapped market for shoes you realize we haven't yet reached the end of the social benefits and the social good that may come from the further development of the mass-production system on a basis of consuming power of the South which will make possible the universal use of shoes."

[Laughter.]

Why, Mr. President, even the mules in the South wear shoes. [Laughter.]

I have said in the last few weeks, as we have been discussing the bills in Washington which have been proposed for the revival of industry, and which, among other things, provide for the fixing of hours of work and for the fixing of minimum rates of pay, that if the minimum rates of pay and the hours of work could be fixed in the southern mills and in the southern employments generally, those who wanted to get rich quick ought to buy a shoe factory; for the opportunity of buying shoes by people who may have their wages, for the first time in a generation—

Mark the words—

For the first time in a generation, come to the level of living wages, is perfectly enormous; and a social revolution—

Think of it, Mr. President! We are on the edge of a "social revolution." God speed the day!

A social revolution will take place if you put shoes on the people of the South.

[Laughter.]

Mr. President, when I read that, I thought about my knowledge of the Southern country. I thought about my own barefooted boyhood. I thought about many things, Mr. President; and then it occurred to me that I would get the facts from the Census Bureau, and read them into the RECORD, as to shoes. Here they are.

Total sales of shoes and other footwear for the year 1929—that being the latest year; figures furnished by the distribution division of the Bureau of the Census:

Florida, $12,531,338 for shoes; population, 1,468,000. That is $9 for every man, woman, and child in Florida for shoes; and Florida is a hot country. I do not blame a Florida boy for going barefooted in the summer, and I would not care if he went barefooted in the winter.

Mr. GLASS. Mr. President——

Mr. BAILEY. I yield to the Senator from Virginia.

Mr. GLASS. Would it shock the piety of the Senator from North Carolina if I should interject a remark to the effect that when I grew up as a boy we did not care a tinker's damn for a boy who wore shoes? We regarded him as a sissy and would not associate with him.

Mr. BAILEY. I thank the Senator; and, since the Senator has made a personal remark, may I be forgiven for making a remark that my own little boy, 10 years of age, was the only boy in the city schools of Raleigh this year who wore no shoes, and it was no shame to any of us.

Mr. RUSSELL. Mr. President, I should like to observe that in the event an effort is made to force the people of the South to wear shoes by legislative fiat, I am gratified to know that the Senator from Virginia and the Senator from North Carolina will at least seek exemptions permitting those under 14 to go barefooted in the summertime.

Mr. FLETCHER. Mr. President, may I interrupt the Senator to make an observation?

Mr. BAILEY. Since I mentioned Florida and shoes, I will yield to the senior Senator from Florida.

Mr. FLETCHER. There is a very considerable colored population down there who would regard it as a distinct punishment to be required to wear shoes the year around.

Mr. BAILEY. Since we are getting into personal matters, I believe I will add that when I brought my boy here last year, and he had to wear shoes, it nearly broke my heart to see the suffering he had to endure because he was in Washington and had to wear shoes; and when he got home there would have been no power on earth that could bring him back up here, wholly because he had to wear shoes in Washington. [Laughter.]

Let me go on a little more seriously.

Georgia, $20,217,368 for shoes; population, 2,900,000; which is $6.50 for every man, woman, and child in Georgia for shoes.

North Carolina, $22,225,491 for shoes; and a population of 3,170,000; which is $7 for every man, woman, and child that year for shoes. If shoes will make a social revolution, then we already have had one in North Carolina and did not know it. [Laughter.]

South Carolina spent for shoes $9,215,797; population, 1,738,000; or $5 per capita.

Virginia, $15,840,148 for shoes; population, 2,421,000; which is $7 per capita for shoes in Virginia.

Alabama, $17,124,439 for shoes; population, 2,646,248; which is $7 per capita.

Mississippi, $14,312,411 for shoes; population, 2,000,000; $7 per capita for shoes for every man, woman, and child, white and colored, rich and poor.

Louisiana——

Mr. LONG. Now you are coming to something. [Laughter.]

Mr. BAILEY. For shoes, $14,912,640 against a population of 2,101,000, which is $7 per capita for shoes.

Texas, $52,300,949, against a population of 5,824,000—an average in Texas of $9 for shoes.

Mr. President, that is a sufficient showing. There is no reason for resentment. People are foolish who resent the manifestations of ignorance. It is a matter of sympathy, and not of resentment.

I can make a comparison here, if the Senator from New York will permit me, and I assure him in advance that I do not intend to violate rule XIX and reflect upon his State. The Secretary of Labor comes from New York State. The figures show that for shoes in New York $175,062,000 was spent in the same year, against a population of 12,588,000, which is $14 per capita, against the southern average of $8, and when we recall that we have the long summers, and that, as the distinguished senior Senator from Virginia has said, it is rather a shame in the South for a white boy or a Negro boy to wear shoes in the summer months, where they gather around their parents about the first of April and beg them to let them take off their shoes, and do not put them on again until about the first of October or of November or even December—when we consider our long season, when we consider our favored clime, I undertake to say that the South is today expending as much for shoes as are the people of New York per capita.

I remember the old song—and I will conclude this part of my remarks with it, a song I heard in one of the revival meetings:

> I got shoes, and you got shoes,
> All God's chillun got shoes;
> When I get to heaven I'm goin' to put on my shoes
> And walk all over God's heaven.

I hope to have the good lady with me. [Laughter.]

Mr. COPELAND rose.

Mr. BAILEY. I will yield, but I am not through. Does the Senator wish to interrupt me?

Mr. COPELAND. No.

Mr. BAILEY. I thought perhaps the Senator was going to make a speech on shoes in New York.

Mr. COPELAND. I intend to.

Mr. BAILEY. Then I will yield the floor, when the time comes, and let the Senator make his speech in defense of the shoe revolution in New York, or whatever he may call it. [Laughter.]

I have another word to say about this matter. There are statistics which tend to indicate that the people of the South are not as well off in this world's goods as are the people in other sections. I think there is some ground for the statistical position, but I think it is time that someone should say, and without prejudice and without offense, that there are reasonable grounds for that, and that the disparity in relative wealth is not due to the laziness of the southern people as some affect to think, not due to their worthlessness, as some would furtively insinuate, not due to labor conditions, either, as is intimated in this article here. I am here to say that there are reasons for the relative disparity.

Mr. President, before I go into those reasons, I want to point to one fact. The Southern States of the United States in the year 1930 had more of wealth, according to the census, than the entire United States had in the year 1890. Now, let that sink in. Here is a space of 40 years in which that land, which had been devastated by war, came forward with such rapidity that in 40 years 13 Southern States developed, created, and possessed more of wealth than the whole American Union possessed after 100 years of history ending with the year 1890.

Those people who think we are a backward people, and those people who think the southern people are incapable of great things, and those people who think that conditions are bad in the South, I ask, what will they say in the presence of the fact that the Southern States in the last 40 years created and now possess more wealth than the whole American Union did after 100 years ending in 1890?

Mark you, Mr. President, that immense progress was made under the most difficult of conditions, and I want you to hear that. We came out of the Civil War a ruined country. The property of our people had been taken, the values destroyed. The condition of Germany after the World War was not to compare with the condition of the South after the War between the States. The indemnity exacted of France by Germany after the Franco-Prussian War did not compare with the indemnity imposed upon the South by the American Union in the years that followed. France had no reconstruction; France had no carpetbaggers; France had no adverse taxes; France paid her indemnity and was free; but the fathers of my generation—my father—came out of that war and, in a desolated country and without advantage from the outside, rebuilt that civilization; and I could pledge to my country now in this hour that if she is in distress, that if she wishes to look from this present pit of despair to some star of hope in the sky, she can look to that history, to that people, and to that section with the assurance that the sons of the fathers who rebuilt that civilization after the Civil War will rebuild this one. We have down there enough of example and of inspiration to save the population of this continent.

Did we have adverse tariffs? Yes; the tariff laws were written against the agricultural South for 60 years; but we came up with that burden on our backs. Who paid the pensions of the Union soldiers?—and I do not begrudge them their pensions. In this very Congress Thad Stevens, of Pennsylvania, wrote the laws imposing the taxes upon the tobacco of the South, and he said on the floor of the House yonder that if that war terminated as he hoped it would, "these tax laws will pay the bill of the war"; and they did.

Virginia and North Carolina today turn in, by way of revenue on tobacco—which is collected throughout the country, and I do not intend to get around that fact at all—more taxes into the Federal Treasury than any other two States in the whole land, if we take out New York and Pennsylvania. North Carolina ranks second amongst the American States in the amount of taxes paid into the Federal Treasury, second only to New York. It is said the taxes on tobacco are collected around the whole country, and they are; but hear me, Senators, every dollar of the tax collected is an impost upon the tobacco in the fields of the farmer.

Mr. GLASS. Mr. President, I regard the statement that the tax is paid all over the country as an utter delusion. It is paid right on the warehouse floor by the man who goes there to buy the tobacco.

Mr. BAILEY. I thank the Senator. I was taking the most liberal view, because, taking the most liberal view, the effect of the tax is precisely the same. It rests upon the tobacco in the patches on the farm, and that tobacco is on the hills of Virginia and of North Carolina. We turn into the Treasury every year from $250,000,000 to $400,000,000, and that is a Treasury which is getting only 4 or 5 times that sum from the whole American Union.

With an adverse tariff which laid its toll day by day upon everything the farmer bought, and paid him nothing whatever on the things he had to sell, and created this disparity, which has finally broken him down; with this additional toll upon his tobacco, hear me, that southern shoeless land has, nevertheless and notwithstanding, created, within the

short space of 40 years, and now possesses, as much of wealth as the entire American Union had in the year 1890.

Mr. President, I hope that all men in the United States will learn the truth about the South, and that is all I ask that they do learn. I do not think the South should stand up and protest against this sort of thing. I think it becomes the southern people rather to go on with their business, and do their work, and create their great civilization. But I did hope that such an utterance as this would not come from the Cabinet of the President of the United States, and I could have devoutly prayed to be spared making such protest as I have made against an utterance like this from a member of a Democratic Cabinet.

Mr. LONG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Louisiana?

Mr. BAILEY. I will yield in a moment. I do not see how I could have discharged my duty, with this utterance from the high official source from which it has come, and more especially, Mr. President, in view of the insinuation that it is now proposed to take charge of the industries of the South in order to create a market for shoes to be manufactured in the North, had I done less.

I have not finished with that. The southern people have asked no assistance from the Government, except such as has been generally granted here in the last two extraordinary years. We have come thus far on our own. Thank God, we are capable of going the rest of the way. Can we not at least ask that the official sources of the United States—whether they give us sympathy or not is not the question—will at least inform themselves before they undertake to create a social revolution amongst us by way of putting shoes on our feet?

Now I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, is this lady who has informed us about the shoeless South the person who is to be given jurisdiction under the so-called "industrial legislation"?

Mr. BAILEY. I would not be able to say what is going to happen along that line.

Mr. LONG. It looks to me as if the lady had better be sent to school. Somebody should teach her about something except manicuring sets, or something. Somebody ought to show her how to get in out of the rain before we turn her loose on the whole country.

Mr. BAILEY. Mr. President, I said in the beginning that I was not going to speak by way of any sense of offense. I would rather open the arms of the southern people to the lady Secretary of Labor and ask her to come down and see us, and I have some faint suspicion that if she would come, she would not only learn about shoes but that she would get a new schooling in the elementary principles of American life and government, and I know of nothing that is more needed than that at the present time.

If it was good for Galsworthy to come and drink from the springs of English civilization in our mountains, I think it would be worth while at just this moment for someone to go down to the land of the founders of the Republic—for we are not strangers here; I am in the house that the fathers built—to go down to the land of Washington and Jefferson, of Madison and Monroe, and John Marshall, to go down there and drink again from the great principles from which this Republic has drawn its life, by means of which it has lived to this good hour, and without which, for my part, I hesitate to say what the consequences would be.

Mr. COPELAND obtained the floor.

Mr. GLASS. Mr. President, may we proceed now? We have spent 2 hours, and there has not been a word of comment on the banking measure. May I not plead with the Senator from New York to let us get along with the bill?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Virginia?

Mr. COPELAND. I yield.

Mr. GLASS. No; I will not ask the Senator to yield to me.

Mr. COPELAND. Mr. President, I shall not embarrass the Senator from Virginia, because what I say will be very brief.

Reference was made by my genial friend the able Senator from North Carolina [Mr. BAILEY] to my State of New York. I want to remind him that New York City in those awful days following the War between the States and the period of reconstruction was a firm friend and a very practical friend of the South. We have a large southern population in New York and have most congenial relationships, commercial and social, with the South.

I cannot respond in the same vein of humor and eloquence that was used by the Senator from Georgia and the Senator from North Carolina. But I do want to say that I think the Secretary of Labor has been misunderstood. Undoubtedly she was using but one example of the poverty which exists in all parts of our country, North and South.

Mr. McKELLAR. Mr. President——

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Tennessee?

Mr. COPELAND. I yield.

Mr. McKELLAR. I wish to say that I sincerely hope that the Senator is correct in stating that the Secretary of Labor has been misquoted and that she will give the facts to the country, for I am quite sure that if she knew the facts she would not have made any such statement as that which has been quoted.

Mr. COPELAND. I think the Senator from Tennessee is entirely right as regards the spirit of this good woman.

She need not have gone to the South for an example of poverty. I am sorry to say that in her city and my own city of New York there is greater poverty than can be found anywhere else on the continent. We have 1 square mile in New York City where live 500,000 persons, 12 living in 3 rooms, 4 sleeping in the kitchen every night. Nowhere else in our country is there greater poverty than exists in the city of New York. If we buy more shoes per capita, it is because they wear out faster on the sidewalks of New York, being worn by people walking to find jobs. I am sure that the Secretary of Labor had in her mind simply one example of many she might have used. I am confident that I know the heart of that good women. Her greatest joy is to relieve distress and human suffering.

Mr. BAILEY. Mr. President, may I interrupt the Senator from New York?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from North Carolina?

Mr. COPELAND. I yield.

Mr. BAILEY. Assuming that all the Senator from New York has said is true, there is no foundation for the example. That is my point.

Mr. COPELAND. That may well be, and perhaps if the Secretary of Labor had used more thought, she would not have cited that particular example and, unless she was misquoted, would have been more accurate in her statement of facts.

Mr. BAILEY. I am going to ask the Senator from New York a question and not in a controversial way. Does he not think the Secretary of Labor of the United States, before making a statement like that, might have gotten the facts?

Mr. COPELAND. The Senator from North Carolina, perhaps, and I, too, have made many speeches in which we have spoken somewhat beyond the card in what we have said from time to time. But I know this woman; I know her great heart. Nobody in the State of New York is more devoted to the cause of the poor, to the cause of social reconstruction, and the upbuilding of our country. She had no thought of reflecting upon the South, I am confident, because, as I have said, she could have said, with more truth, that there is such poverty in the city of New York that our State and our city should be ashamed of the conditions which exist there. It might well be that a factory should be established to make clothing and shoes and stockings exclusively for the underclad children of New York.

Mr. President, it is no reflection on the South that there is poverty; it is no reflection on the North or the East or the West; it is a reflection upon our Nation at large. If we can work out here some way of solving this great social and economic problem, I am sure that those of us who come

from the North and the East will join those from the South in helping to find a solution. Nothing can be more important.

I do, however, want to bear testimony to the fact that Miss Perkins has had too long a record of fine social service and is too anxious to aid our country at large, to make any misstatements or to give any wrong impression. I am sure when the time comes for her to speak she will make full explanation which will satisfy my friends from the South.

I just wanted to say that word about this particular member of the President's Cabinet. Mr. Roosevelt selected her because of what she had done in the past in solving such problems as we have been discussing here this morning. I am sure that when you come to know her you will realize that she would be the last one to seek to reflect upon any section of our country. So I say, Mr. President, let us together, from every part of our great Nation, try to solve the problem and to make poverty unknown in America.

RELIEF OF INSURANCE COMPANIES

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies.

Mr. FLETCHER. I move that the Senate disagree to the amendments of the House of Representatives, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer appointed Mr. FLETCHER, Mr. BARKLEY, Mr. REYNOLDS, Mr. COUZENS, and Mr. KEAN conferees on the part of the Senate.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe and more effective use of the assets of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Now, Mr. President, may we have a vote on the amendment proposed by the Senator from Michigan to the banking bill?

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Michigan.

Mr. ADAMS. Mr. President, I have a word or two which I wish to say about that amendment. I am not equipped to speak upon the shoe question, and perhaps not as to this amendment of the junior Senator from Michigan to the pending bank bill, but I think it is open to some criticism, at least to some inquiry.

At the last session of Congress a very admirable bill on the banking question was introduced and carried through this body by the distinguished and scholarly Senator from Virginia. Had I been here I should have voted for the bill as it passed. A number of amendments have been offered to that bill during the present session, and I think practically all the amendments tend to impair the original bill rather than to improve it.

The amendment that is now offered I think meets that same description, Mr. President. The bill as it is now framed with the deposit-guaranty provisions in it I think provides for a legal massacre of many hundreds if not thousands of State banks. I am speaking of sound State banks, not of the banks that are unsound. The bill in its present form means that the State banks must either go into the Federal Reserve System or perish. It lays down rules for admission to the Federal Reserve System with which it will be impossible for many sound State banks to comply. While it may not lay down a different rule for the admission of State banks, it does provide a different board of examiners. A State bank must pass the scrutiny of the Federal Reserve Board, while a national bank, in order to take advantage of the guaranty provision, is passed upon by the Comptroller of the Currency who has already passed upon it, for all the banks that are now open have passed the scrutiny of the Comptroller. The Federal Reserve Board before it can admit a State bank to the benefits of the guaranty provision must find that the assets of the bank are unquestionably adequate to meet all its obligations, a degree of proof which today cannot be met by many banks.

The pending amendment—and I want to comment on that briefly—I think rather provides, as many of the State banks must themselves walk the plank, a means of greasing the plank so that they will go off the end of the plank more easily. It provides that State banks may enter a limited bank guaranty fund. In this case it is a Government guaranty; it is not limited to the fund which is provided by the banks, but the bill provides that the Treasury of the United States shall make up the deficiency. It does levy upon the banks, State and National, that go into the fund assessments first of one half of 1 percent, with the possible addition of another one half of 1 percent. Then following for 9 additional years, if there is a shortage in the fund, one fourth of 1 percent each year may be levied upon that bank even though it is no longer a member of the fund. At the end of the year during which this temporary deposit-guaranty fund lasts, any balance remaining in the fund is turned over to the permanent guaranty fund.

A State bank may contribute its half of 1 percent or its 1 percent; the fund may be intact; and if that State bank does not see fit to go into the new and permanent guaranty fund it gets no rebate of the amount it has paid; but its contribution for insurance goes into the general fund for the benefit of those banks that either can go in or choose to go in. It seems to me to be a gross injustice to the bank which does not go in or cannot go in to take its contribution to the fund and assign it to the insurance of other banks. That is the primary objection, Mr. President, that I am making to this amendment.

I think all of the bank guaranty provisions are fundamentally unsound. I think they have been demonstrated to be so in a series of efforts in this country. The distinguished Senator from Virginia has been good-natured and has made concessions to the point of allowing guaranty provisions to be incorporated in what would otherwise have been a sound bill, just as he has conceded that the Secretary of the Treasury shall be a member of the Federal Reserve Board when he says he does not belong there. I think the distinguished Senator from Virginia has allowed his spirit of conciliation and concession to carry him beyond the welfare of the banking interests of this country. I think he should have stood by the bank bill that he worked out with such care and such skill and piloted through the last session of Congress. Therefore, Mr. President, I am going to vote against this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan.

The amendment was agreed to.

Mr. GLASS obtained the floor.

Mr. WHEELER. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Montana?

Mr. GLASS. Certainly.

Mr. WHEELER. I have a letter from the cashier of the Basin State Bank, located in Stanford, Mont., reading at follows:

BASIN STATE BANK,
Stanford, Mont., May 19, 1933.

Hon. B. K. WHEELER,
United States Senate, Washington, D.C.

DEAR SENATOR WHEELER: According to the press, the new Glass banking bill makes provisions for a guaranty of deposits or insurance of deposits to national banks and members of the Federal Reserve banks, but makes the minimum capital of national banks, as well as State banks that become members, $50,000 in cities of 6,000 or less.

If this bill should become a law with the above provisions, it would in a very short time put all of the small State banks out of business, for no bank could operate, as I see it, against such competition; no bank could make it in the smaller towns with $50,000 capital, for they would not have volume enough to warrant so much money tied up in capital. I feel that the guaranty of deposits or deposit insurance is a good thing, but feel that there should be provisions so that the small banks could get in on it by allowing them to become members of the Federal Reserve, or, better still, to allow them to get in on the deposit guaranty under proper examination, but without having to increase their capital to $50,000.

In this State there are 56 banks capitalized for $50,000 or over and 92 that are capitalized under $50,000, mostly $20,000 and $25,000.

I hope that you will use your efforts to save the small country banks that are worthy.

Yours very truly,

N. B. MATTHEWS, *Cashier.*

As I understand the Senator from Virginia, he feels that the bill would not shut out banks that are organized for less than $50,000 in towns of 6,000 or less population from becoming members of the Federal Reserve System at the present time, or, rather, after the passage of the bill.

Mr. GLASS. No; not after the passage of the bill.

Mr. WHEELER. Let me call the Senator's attention to a paragraph which I think should be amended if that is the way the Senator feels about it. I refer to paragraph (b), on page 59, reading as follows:

(b) The tenth paragraph of section 9 of the Federal Reserve Act, as amended, is amended to read as follows:

"No applying bank shall be admitted to membership in the Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended."

It seems to me quite clear that that language shuts out any bank that is now organized with a capital of $25,000 from becoming a member of the Federal Reserve bank.

Mr. GLASS. No; not of $25,000; but of $20,000, yes.

Mr. WHEELER. And of $25,000.

Mr. GLASS. No; I do not think so.

Mr. WHEELER. If the Senator will follow the reading of the language that is in the bill at the present time, I believe he will agree with me. The language is:

No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national-banking association in the place where it is situated under the provisions of the National Bank Act, as amended.

Mr. GLASS. "In the place where it is situated." That is to say, in a small town where, for example, a national bank has the minimum capital of $25,000, a State bank in that same place, in order to gain membership in the Federal Reserve System, would have to have a capital of only $25,000. If the Senator will refer to the Federal Reserve Act itself, governing the application of State banks for membership in the Federal Reserve System, he will see that they are required to have only that capitalization which is provided for national banks in towns of the same population.

Mr. WHEELER. I am simply asking the Senator for information, because I am not as familiar with it as he is, but it seems to me when we amend the prior section so as to read:

After this section, as amended, takes effect, no national banking association shall be organized with a less capital than $100,000, except that such associations with a capital of not less than $50,000 may be organized in any place the population of which does not exceed 6,000 inhabitants—

Then——

Mr. GLASS. That applies, if I may interrupt the Senator, to banks organized after the enactment of this bill into law and not to any existing banks.

Mr. WHEELER. But the point is that the next provision is that "no applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association"; in other words, it seems to me that this section, taken in connection with the other, will require the small bank, in the town of less than 6,000 population, to increase its capital stock from $25,000 to $50,000 before it may become a member of the Federal Reserve bank.

Mr. GLASS. The purpose of the committee in preparing the bill was to put an applying State bank on exactly the same basis as the national bank, which is compelled to become a member, and if there be any doubt about it we shall be very glad to clarify the matter so as to meet the point the Senator is making.

Mr. WHEELER. That is the thought I had in mind, that that language should be clarified.

Mr. GLASS. Mr. President, there is another proposed amendment offered by the Senator from Vermont [Mr. AUSTIN] which I ask may be stated at this time.

The PRESIDING OFFICER. The amendment will be read for the information of the Senate.

The LEGISLATIVE CLERK. On page 69, line 12, insert the following:

Provided, That in States with a population of less than one half million, and which have no cities located therein with a population exceeding 50,000, the capital shall not be less than $100,000.

Mr. GLASS. The committee accepts the amendment and hopes that it may be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont.

The amendment was agreed to.

Mr. BULKLEY. Mr. President, there has been considerable argument as to how long a time should be permitted commercial banks engaged in the investment business to get out of that business, and banks operating affiliates conducting an investment business to separate themselves from those affiliates. The committee reported the bill granting a period of 2 years for such separation. There is no evidence to indicate that 2 years will be necessary to accomplish the separation. I accordingly offer amendments which will take effect in several places in the bill, if adopted, to reduce the period of separation from 2 years to 1 year.

The VICE PRESIDENT. The Senator from Ohio proposes certain amendments, which the clerk will report.

The LEGISLATIVE CLERK. On page 58, line 7, strike out the words "two years" and insert "one year"; the same amendment on page 10, line 14; the same amendment on page 59, line 11; the same amendment on page 66, line 8; and the same amendment on page 67, line 8.

The VICE PRESIDENT. Without objection, the amendments are agreed to. Without objection, committee amendments will now be considered, and the clerk will report the first committee amendment.

The LEGISLATIVE CLERK. The committee proposes, on page 6, line 10, after the word "stock", to insert the following:

(and any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends),

So as to read:

(c) Section 9 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraphs:

"Any mutual savings bank having no capital stock (and any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that such savings bank shall subscribe for capital stock of the Federal Reserve bank in an amount equal to six tenths of 1 percent of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership."

The VICE PRESIDENT. Without objection, the amendment is agreed to. The next committee amendment will be stated.

The next amendment was, on page 10, line 17, after the word "bank", to insert "or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such State member bank", so as to read:

After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such State member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be

conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

The VICE PRESIDENT. Without objection, the amendment is agreed to. The next amendment will be stated.

The next amendment was, on page 46, after line 17, to insert the following subparagraph:

(b) The paragraph of section 13 of the Federal Reserve Act, as amended, beginning "That in addition to the powers now vested in national banking associations" is amended (effective 6 months hence) to read as follows:

"Any national banking association located and doing business in any place the population of which does not exceed 5,000 inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the broker or agent for others in making or procuring loans on real estate located within 100 miles of the place in which such association is located, receiving for such services a reasonable fee or commission; but no such association shall in any case guarantee either the principal or interest of any such loan."

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 59, line 14, after the word "bank", to insert "or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such association", so as to read:

SEC. 18. Section 5139 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any such association shall represent the stock of any other corporation, except a member bank or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such association, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank."

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 59, to strike out lines 24 and 25, and on page 60 to strike out in lines 1 and 2 as follows:

In all elections of directors and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him.

And to insert in lieu thereof the following:

In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him.

So as to read:

In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him; except (1) that shares of its own stock held by a national bank as sole trustee shall not be voted, and shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (2) shares controlled by any holding-company affiliate of a national bank shall not be voted unless such holding-company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 81, after line 14, to insert the following new section:

SEC. 33. Nothing in this act shall be construed to prohibit a national banking association from holding stock in a corporation organized by such association to liquidate a part of its assets pursuant to the direction of the Comptroller of the Currency.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 81, line 20, to strike out the numerals "33" and insert the numerals "34", renumbering the section.

The VICE PRESIDENT. Without objection, the amendment is agreed to. That concludes the committee amendments.

Mr. BULKLEY. Mr. President, I send to the desk a minor technical amendment.

The VICE PRESIDENT. The amendment will be reported.

The CHIEF CLERK. The Senator from Ohio proposes, on page 48, line 25, to strike out the word "unconditionally" so as to read:

No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable on demand.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. BULKLEY. I offer another amendment for the purpose of clarification.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 29, line 9, strike out the words "the amount by which", and in line 10 strike out the words "does not exceed" and insert in lieu thereof "not exceeding", so as to make the sentence read:

One hundred percent of such net amount not exceeding $10,000.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. McKELLAR. Mr. President, I offer an amendment at this point.

The VICE PRESIDENT. The Senator from Tennessee offers an amendment, which will be stated.

The CHIEF CLERK. On page 49, line 1, after the word "prohibiting", strike out all the remainder of the proviso and insert in lieu thereof the following:

money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

So as to read:

No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand: *Provided*, That nothing herein contained shall be construed as prohibiting money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

Mr. McKELLAR. Mr. President, this subsection and subsection (c) on the same page provide virtually for the destruction of the Postal Savings System. That System has been in effect many years and has been a wonderful work. I know there are cities in Tennessee and I think all over the country where the Postal Savings bank has been largely the one bank that has remained open. I know of at least two places in my State where for quite a while had it not been for the Postal Savings there would have been no money in those two cities.

The provision contained in the bill has been reported from the Banking and Currency Committee without any consultation with the Committee on Post Offices and Post Roads and without any consultation with the Post Office Department, without asking whether it was favored by that Department or not. The purpose of the amendment which I have just tendered, and one which I shall offer when this is disposed of, is to correct that situation.

In this connection, I want to read to the Senate, and I hope they will listen to it—it is not long—a letter from the Post Office Department which discusses this proposal.

It is a letter addressed to me by the Third Assistant Postmaster General:

POST OFFICE DEPARTMENT,
DIVISION OF POSTAL SAVINGS,
May 23, 1933.

Hon. KENNETH MCKELLAR,
United States Senate.

MY DEAR SENATOR MCKELLAR: The so-called "Glass bill" (S. 1631), has been read with a great deal of satisfaction. However, paragraphs (b) and (c) of section 11, affecting Postal Savings, give me so much concern that I feel constrained to call your attention to the far-reaching effects of the section referred to from the Postal Savings standpoint.

Postal Savings deposits are evidenced by Postal Savings certificates of deposit in denominations of $1, $2, $5, $10, $20, $50, $100, $200, and $500, samples attached hereto.

For the benefit of those who are interested in the RECORD, I desire to have printed in the RECORD at this point the samples which I send to the desk.

The VICE PRESIDENT. Without objection, it is so ordered.

The samples are as follows:

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen A 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

ONE DOLLAR

This certifies that the sum of one dollar has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

INDORSEMENT

The depositor must not indorse this certificate until it is presented at the post office for payment.

INFORMATION FOR DEPOSITOR

1. Before accepting this certificate the depositor must see that the amount for which it is issued is correct.
2. If this certificate is lost, the depositor should immediately notify the postmaster at the post office where issued.
3. Certificates begin to draw interest from the first day of the month following the month in which issued.
4. The postmaster will stamp in the spaces below the dates on which annual interest payments are made, deferred payments covering two or more years to be stamped separately in the spaces provided for the several years.

Number of years	Total accrued interest	Interest accruing annually	Dates of annual interest payments of two cents each
1	$0.02	$0.02	
2	0.04	0.02	
3	0.06	0.02	
4	0.08	0.02	
5	0.10	0.02	
6	0.12	0.02	
7	0.14	0.02	
8	0.16	0.02	
9	0.18	0.02	
10	0.20	0.02	

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen B 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

TWO DOLLARS

This certifies that the sum of two dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two per cent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen C 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

FIVE DOLLARS

This certifies that the sum of five dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen D 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

TEN DOLLARS

This certifies that the sum of ten dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen E 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

TWENTY DOLLARS

This certifies that the sum of twenty dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen F 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

FIFTY DOLLARS

This certifies that the sum of fifty dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen G 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

ONE HUNDRED DOLLARS

This certifies that the sum of one hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

POST OFFICE DEPARTMENT

POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT

(Act of June 25, 1910)

Specimen H 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

TWO HUNDRED DOLLARS

This certifies that the sum of two hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable Series of 1917

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Specimen I 00000

(Depository office) (Serial number)

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FIVE HUNDRED DOLLARS

This certifies that the sum of five hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

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Mr. McKELLAR. I continue reading from the letter:

These certificates are payable on demand and bear interest at the rate of 2 percent per annum from the first day of the month next succeeding the date of deposit. However, the regulations have been amended to permit quarterly payment of interest when a certificate is surrendered for the full amount of the principal.

Postal Savings funds received at depository post offices are, in accordance with the act, deposited in local qualified banks substantially in proportion to the capital and surplus of the banks willing to qualify under the terms of the act. Funds deposited in qualified banks bear interest at the rate of 2½ percent per annum, which is debited on the banks' reports as of January 1 and July 1 of each year. The deposits in banks, together with investments in Government bonds, yielded a gross profit to the Government for the fiscal year 1932 of $4,255,326.65, from which were paid the operating expenses of the System, leaving a net profit of $1,023,901.77.

Section 8 of the organic Postal Savings Act, approved June 25, 1910, specifically states: "That any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, upon demand * * *." The Glass bill provides that "No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited. Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days; and all funds deposited with any Postal Savings depository on the date this section, as amended, takes effect, shall be deemed to be deposited on such date for a period of 60 days. All withdrawals shall be made under such regulations, not inconsistent with this act, as the Postmaster General may prescribe."

Our present system of evidencing deposits by certificates, rather than by passbooks, is not adaptable to such restrictions. A deposit of $2,500, the maximum amount permitted to the credit of an individual depositor, might easily be evidenced by dozens of certificates, embracing denominations of $1, $2, $5, $10, $20, $50, $100, $200, and $500, all having different interest dates. In other words, not the entire deposit of a depositor would be subject to the 60-day limitation as a lump, but the minutiae of which it is composed. The restriction on withdrawals would be an endless embarrassment to 2,235,000 depositors; would greatly increase field expenditure and departmental overhead; and, consequently, run counter to the economic program of the administration.

The bill's annoying, artificial restrictions on withdrawals provide that on the day the bill becomes effective all deposits shall be deemed to have been deposited for a period of 60 days; that is, approximately $1,200,000,000 will be automatically tied up for 2 months—the small savings of 2,255,000 citizens placed beyond their reach for that period. These people hold evidence of their deposits in the form of Postal Savings certificates on each of which is engraved the assurance that the faith of the United States of America is solemnly pledged to repayment on demand. Many of these people, with ample justification, no longer had confidence in established banking institutions. They turned to the facilities their Government offered. In normal times the Postal Savings System offers little attraction other than safety and the assurance of prompt repayment. For more than 20 years the 2-percent interest rate has been admittedly noncompetitive. If Congress demands that the pledge of repayment on demand be ignored and hedges the System about with hindrances whose only apparent function is to lessen the System's usefulness, the inescapable result will be that when, 60 days after the bill becomes effective, deposits are again accessible to the owners there will be an immediate demand to withdraw. There is a question whether local banks will be able to pay over their Postal Savings holdings and meet these demands. There is also the question whether any part of the funds withdrawn will be deposited in banks or whether all will go into hiding.

Section 9 of the Postal Savings Act, as amended May 18, 1916, provides "that Postal Savings funds received under the provisions of this act shall be deposited in solvent banks, whether organized under National or State laws, and whether member banks or not of the Federal Reserve System established by the act approved December 23, 1913, being subject to National or State supervision and examination, and the sums deposited shall bear interest at the rate of not less than 2¼ percent per annum, which rate shall be uniform throughout the United States and Territories thereof; but 5 percent of such funds shall be withdrawn by the board of trustees and kept with the Treasurer of the United States, who shall be treasurer of the board of trustees, in lawful money as a reserve * * *. Such funds may be withdrawn from the treasurer of said board of trustees, and all other Postal Savings funds, or any part of such funds, may be at any time withdrawn from the banks and savings depository offices for the repayment of Postal Savings depositors when required for that purpose * * *. When, in the judgment of the President, the general welfare and interests of the United States so require, the board of trustees may invest all or part of the Postal Savings funds, except the reserve fund of 5 percent herein provided for, in bonds or other securities of the United States * * *."

The Glass bill provides that, "No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand * * *. Postal Savings deposits in banks, although considered by the Fed-

eral Reserve System as time deposits in computing reserves for member banks, are essentially demand deposits. To insure an operating revenue, the Postal Savings System being a self-supporting institution, it would be necessary to withdraw all Postal Savings deposits now in member banks and to deposit such funds in nonmember banks or invest them in Government bonds—a feature not in harmony with the apparent intent of the proposed legislation.

I call especial attention to the last three paragraphs, which set forth the position just exactly as it is:

The Postal Savings System acts as a magnet for secreted money putting the funds drawn from every known way of ingenious hiding to work for the benefit of 2,255,000 depositors, of 5,470 banks qualified to receive the funds of the System, and of national finance. The beneficiaries named all have their interests conserved by a system of checks and balances prescribed by existing Postal Savings law. To disturb this balance—give to any beneficiary special preferment—would be lamentably unfortunate. Every extreme proposal, when analyzed, whether that of making the Government enter the field of pure banking, or on the contrary, that of fettering the Postal Savings System, means a greatly increased governmental personnel and, hence, a financial outlay wholly inconsistent and inharmonious with the economy program of the administration.

To lay the ills of the banking world at the doors of the Postal Savings System is unwarranted. Had it not been for the Postal Savings System this country would have been honeycombed with hidden money. It is fundamental, absolutely so, that the Government must not compete with established banking institutions. It should be equally fundamental that banks should not insist on restrictions at variance with the true purpose of the Service. Extremes, in other words, must be avoided that the fullest cooperation may follow. It is believed that the proposed legislation is a revolutionary departure from the basic principle of postal savings in this country.

Legislation affecting the Postal Savings System should be formulated in a special bill giving spokesmen for the System, not merely spokesmen for organized opposition, opportunity to be heard prior to its passage.

Very truly yours,

CLINTON B. EILENBERGER,
Third Assistant Postmaster General.

Mr. President, I want to endorse that letter. Here is the Postal System, which has grown up through many years of experience. It has worked splendidly. The people have confidence in it. There is no one who does not have confidence in the Postal Savings banks. The small depositor knows that he can put his money there and that he can get it out.

To illustrate, a short time ago in one of the cities of my State all the banks failed and the Postal Savings accounts, of course, were tremendously increased. The System afforded practically the only money that they had. It ought not to be destroyed in this way. The Post Office Committee never has had the matter brought to its attention at all. There may be reasons for the destruction of the System; there may be reasons why we should do away with it; but they have not been presented. This bill absolutely destroys, or will destroy, the Postal Savings System, and I do not think it ought to be done, and I hope the Senate will adopt the amendment I have offered to prevent its destruction.

Mr. BULKLEY. Mr. President, the committee has had no purpose to destroy the Postal Savings System. The Postal Savings System gives depositors the benefit of the Government responsibility for their deposits. At the same time it permits them to have deposits withdrawn upon demand, and to receive interest upon those deposits.

It is true that the rate of interest paid has been low enough so that the System has been substantially noncompetitive. The bill which is now being considered prohibits commercial banks' paying any interest whatever on demand deposits. That being so, any interest paid on demand deposits by the Postal Savings System would be an unduly competitive rate. The committee has sought to remedy this by prohibiting the Postal Savings System from having any deposits withdrawable on demand.

The Senator from Tennessee has read a letter from the Third Assistant Postmaster General, which has come to him just this morning, suggesting some technical criticisms as to the method which the committee has proposed in the pending bill. I am impressed with the merit of some of the criticisms. There is not time here to consider and work out an amendment to the paragraph that is in the bill. I think I can safely assure the Senator from Tennessee that the matter can be given proper attention in conference, so that the technical difficulties can be adequately and satisfactorily met.

The amendment that is proposed by the Senator from Tennessee, however, not only perpetuates the injustice of Government competition with banks, but accentuates it. He would give the depositors in the Postal Savings System not only a Government guaranty of their deposits but the right to draw interest on demand deposits, which commercial banks are by this bill prohibited from paying.

I hope the amendment will be rejected.

Mr. McKELLAR. Mr. President, just one word before we vote on the matter. I want to show the Senate what the provision recommended by the committee does to the Postal Savings System. It does not do anything but take a rapier and plunge it into the System and draw it around and absolutely disembowel the whole System. That is all it does to it. It is just like cutting the throat of an animal. If you cut the throat of a cat with a knife, you do not hurt the cat, except to cut its throat is to destroy it. That is all you do.

Mr. JOHNSON. Mr. President, will the Senator yield?

Mr. McKELLAR. Yes; I yield.

Mr. JOHNSON. Will the Senator do me the kindness to call attention to the particular provision to which he adverts?

Mr. McKELLAR. Yes. Turn to the bottom of page 48, line 23. I shall be very happy to explain just exactly what it means.

No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand:

Of that I have no complaint; but here is a proviso about which I have very great complaint, and this is the crux of the situation:

Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations.

That means that many millions of obligations are out, such as those that I put in the RECORD a moment ago. The Government issues a certificate to a man who comes and deposits with the Post Office Department $50 or $100 or $500. That is the limit of the deposit; but the Government issues an agreement. All this provision means is that it would not apply to those agreements that are already out; but that when those are taken in, there shall be no more agreements like them.

Now I call the Senator's attention to line 22, on page 49, at the bottom of the page. That also refers to this matter:

(c) Section 8 of the act entitled "An act to establish Postal Savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes", approved June 25, 1910, as amended—

I stop here long enough to say that this bill is from the Banking and Currency Committee. The Postal Savings System had its beginning in the Post Office Committee, and it seems to me the Post Office Committee ought at least to have been advised with before assuming authority to repeal these laws. But I read on, to give what the proposed change is—

is amended by striking out the first sentence thereof and inserting in lieu thereof the following:

Now, get the language:

No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited. Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days; and all funds deposited with any Postal Savings depository on the date this section, as amended, takes effect, shall be deemed to be deposited on such date for a period of 60 days. All withdrawals shall be made under such regulations, not inconsistent with this act, as the Postmaster General may prescribe.

That means that the Postal Savings bank, as we understand it now, is no more. We cannot pay interest on postal deposits. As it is now, the Government makes money by the transactions. It pays 2 percent on postal deposits; it receives from the depository banks 2½ percent. The gross profit is about $4,500,000 annually, and the net profit is more than a million dollars, after paying all expenses. It is a source of profit to the Government—one of the few things in the Post Office Department where the Government is making a profit.

As we all know, the Post Office Department itself is away behind. This is one function of the Department that is making money. Why should we repeal the act at such a time as this, when it is absolutely necessary for poor people, people of small means, people who have not learned how to avoid income taxes—if I may use the illustration—and who can put their money with the Government in the Postal Savings bank, and draw it out when they desire, and receive a small interest rate on it, knowing that their money will always be there?

Mr. BRATTON. Mr. President——

The VICE PRESIDENT. Does the Senator from Tennessee yield to the Senator from New Mexico?

Mr. McKELLAR. I yield to the Senator.

Mr. BRATTON. Mr. President, I do not know whether I understand this provision correctly. I desire, therefore, to direct a question to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, I want to say to the Senator at the very outset that it is so marvelously drawn that I do not think anybody knows absolutely what it means. But it does mean this, it means a proposed destruction, the first great step in the destruction of the Postal Savings System. That is what it means.

Mr. BRATTON. Mr. President, the first sentence in the provision is:

> No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited.

The next sentence provides that—

> Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days.

Does the Senator understand that under that provision a deposit must be drawn on the sixtieth day, or else it is automatically redeposited for another period of 60 days, during which period it cannot be withdrawn, so that the only right the depositor has is to withdraw the funds on the sixtieth day?

Mr. McKELLAR. If language means anything, the Senator is exactly correct about it. That is what I understand from it.

Mr. BRATTON. If it is redeposited, it is for another period of 60 days, during which the depositor cannot withdraw it.

Mr. McKELLAR. And cannot get interest.

Mr. BRATTON. So that once every 60 days—that is to say, on the sixtieth day—the depositor has the right to withdraw that money, but not between times.

Mr. McKELLAR. As I understand the language, that is what it means.

Mr. BRATTON. And it operates automatically.

Mr. McKELLAR. And, of course, no person would deposit his funds under any such condition.

Mr. BRATTON. Do those in charge of the measure understand it to operate in that manner?

Mr. BULKLEY. That is correct, with the exception of the misinterpretation of the Senator from Tennessee with respect to the prohibition of the payment of interest. It does not prohibit the payment of interest or change it.

Mr. McKELLAR. The preceding provision rejects interest, of course.

Mr. BULKLEY. No; there is nothing about interest in it at all.

Mr. McKELLAR. I beg the Senator's pardon.

Mr. BRATTON. Is it the intention of those in charge of the bill to require a depositor to be at the post office exactly on the sixtieth day, else his deposit is automatically redeposited for another period of 60 days, during which it cannot be withdrawn?

Mr. BULKLEY. I will say frankly to the Senator that the purpose of the authors of the bill was to prevent the acceptance of demand deposits by the postal depositories. If the Senator feels that that has not been effectively accomplished, or if it could be accomplished in a way that would be more convenient to the depositor, the committee would have no objection to listening to the Senator's suggestion, but we cannot prohibit commercial banks from paying interest on demand deposits, and, at the same time, permit the Postal Savings bank to continue to pay such interest.

Mr. BRATTON. It seems to me that it is a cumbersome and onerous system to provide that the money shall be automatically redeposited on the sixtieth day for another period of 60 days. If the depositor is not there at the window on the sixtieth day, if he is ill, if he is out of town, if he is incapacitated and cannot withdraw his money on that day, his money is redeposited for another 60-day period. That is onerous.

Mr. BULKLEY. Mr. President, I think there is much force in what the Senator says, and I am sure the committee would not oppose an amendment making it easier for the depositors.

Mr. McKELLAR. Mr. President, the Senator said that nothing was said about a prohibition of interest. Listen to this language. I do not know what it means——

Mr. BULKLEY. I accept the Senator's statement that he does not know what it means.

Mr. McKELLAR. And I do not believe the author knew what it meant when the language was put in here, because he has already stated——

Mr. GLASS. The Senator should confine his criticism to himself, and not direct it to those who prepared the bill.

Mr. McKELLAR. I am not the author of the bill. I read from the bill:

> That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph.

Nothing there would prevent the payment of interest on contracts heretofore made; that is, deposits heretofore made in the Government post offices.

Mr. GLASS. Is not that simple enough?

Mr. McKELLAR. Just one minute.

Mr. GLASS. Is not that simple enough?

Mr. McKELLAR. That applies to those already made.

Mr. GLASS. Yes; it does.

Mr. McKELLAR. This is what it says about those to be made hereafter:

> But no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible, consistently with its contractual obligations.

What does that mean?

Mr. GLASS. If the Senator will just give us an opportunity to tell the Senate what it means, there will not be any trouble in the world in telling him what it means.

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. GLASS. Mr. President, the Committee on Banking and Currency of the Senate dealt with this question of the payment of interest on demand deposits, because it ascertained, upon inquiry, that it had gotten to be a dangerous vice in the banking system of this country, and we did not find it necessary to confer with the Senator from Tennessee or with the Post Office Department to enlighten us on that problem. In other words, the payment of interest on demand deposits, a system viciously and partially administered, particularly in the great money centers of the country, had

resulted in withdrawing from the interior country banks of the United States millions upon millions of dollars to the money centers, to be cast into the maelstrom of stock gambling, and we wanted to put a stop to that.

Mr. President, it was ascertained that over a period of 6 years last past the average interest paid on demand deposits by the banks of the Federal Reserve System alone aggregated $230,000,000, and in 1929 that interest amounted to $259,000,000. So that it was a magnet for all the surplus funds of every country bank in the United States, to draw these funds to the money centers for speculative purposes.

Moreover, it is a system that is subject to maladministration. As I have already stated to the Senate, the average banker, particularly the average country banker, meaning those bankers outside of the central reserve and reserve cities, has what he calls his standard rate of interest, and he utterly disregards the law of supply and demand. If he has an abundance of currency and credit on his books, which would enable him to be generous, certainly liberal and fair, to the tradesmen, the business men, the industries of his own community, he never departs from his standard rate of interest, he never lends them at a lower rediscount rate, but he would rather take his money, his surplus funds, and bundle them off to New York or Chicago, to be loaned on demand, even at a nominal rate, formerly 2 percent, now one and a half percent, than to grant a single, solitary concession to the business men of his own community, or to the industries of his own community, in order to stimulate and expand the business of that community, his very foolish contention being that, once departing from his standard rate of interest, which is always the limit of the law, he could not return to it. But, of course, he could return to it, under the very same logic that induced him to depart from it.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. I feel in sympathy with the proposition of preventing the banks from paying interest on demand deposits, but I am wondering whether, under the pending bill, they would not be able to evade the law by lending it on a very short time, making a time deposit of it, maybe of 2 days, renewing it from time to time.

Mr. GLASS. A 2-day deposit is not a time deposit. There is a well-defined meaning, in banking processes, of "time deposit", as distinguished from "demand deposit."

Mr. NORRIS. I understand that; but is there any well-defined meaning as to the exact limit?

Mr. GLASS. Only by practice.

Mr. NORRIS. Would it not be well to define that in the law?

Mr. GLASS. I do not think we well could. I will say to the Senator from Nebraska that if he will examine his bank certificates, judging Nebraska by Virginia, he will find printed on the face of them a statement that, "This deposit will bear 3-percent interest if left with the bank for a period of 4 months, or 4 percent interest if left a longer period." That is the practice.

Mr. NORRIS. I want to ask the Senator, if he will permit, in connection with the illustration he has just used, this question: Suppose that certificate which says on its face that one would be entitled to 3-percent interest if it were left 4 months, and 4-percent interest if left 6 months, is left 2 months. What would the construction be?

Mr. GLASS. Interest could not be demanded in 2 months.

Mr. NORRIS. The certificate says that it will draw 3 percent if left 4 months, but it does not follow that the depositor would have to leave it 4 months, does it?

Mr. GLASS. Under the laws of the various States, a time deposit is a time deposit, and the banker is entitled to a given number of months for notice.

Mr. NORRIS. But the certificate does not state any specific time.

Mr. GLASS. The law of the State does.

Mr. NORRIS. The depositor would not get interest, then?

Mr. GLASS. No.

Mr. NORRIS. It would be up to the depositor to say whether he would leave it for 2 months, or 3 months, or 6 months.

Mr. GLASS. If he should withdraw it in less than 3 months, he would not get interest at all. We undertook, for various reasons, some of which I have already enumerated, to put a stop to this vice of withdrawing the money of country banks for speculative purposes and uses in the money centers. If we were to permit interest on demand deposits in the Postal Savings System, that would be unfair to the commercial banks to which we are denying the right to pay interest on demand deposits. It would divert thousands of dollars of deposits from commercial banks to the Postal Savings banks.

Mr. NORRIS. Mr. President, I should like to ask the Senator a question about that. I have always felt that I was a friend of the Postal Savings Bank System; I feel that way yet; but I do not see any fair reason for objecting to the same kind of a time limit being applied to Postal Savings banks that is to be applied to the commercial banks.

Mr. GLASS. That is precisely what we propose to do in this bill; in other words, the Postal Savings bank is not permitted to receive a demand deposit. If money be deposited there it has to stay there for 60 days if it is going to draw any interest.

Mr. NORRIS. It could be deposited there and taken out the next day, could it not, except that it would not draw any interest?

Mr. GLASS. No; it could not be so deposited, because that would be a demand deposit.

Mr. NORRIS. As I see it, then, the Senator is proposing to apply a different rule to the Postal Savings bank to that which he proposes to apply to commercial banks?

Mr. GLASS. No.

Mr. NORRIS. Take the Senator's own illustration. A certificate of deposit provides that a certain sum of money, if it remains in the bank for 3 months, will draw 2 percent interest.

Mr. GLASS. Yes; but if it does not remain there that long, it will not draw any interest.

Mr. NORRIS. Exactly. Then it is really a demand deposit, is it not? The depositor can say whether it shall be a time deposit or a demand deposit.

Mr. GLASS. No; under the laws of the various States the depositors must give, in some instances, 60 days' notice and in others they must give 90 days' notice before they can withdraw a deposit at all.

Mr. NORRIS. If under the same kind of certificate—I would not quarrel with anyone as to what its form should be—in the case of the Postal Savings System it could be provided, as in the case of the commercial-bank certificate, that the deposit shall draw 2 percent interest if left for 60 days, and stop at that, as is done in the other case, I would have no objection. It seems to me that would be fair.

Mr. GLASS. We do not deal with certificates in the pending bill. It does not make any difference whether there is a certificate or not.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield to the Senator.

Mr. LONG. I just wish to say to the Senator from Nebraska that while the banks may voluntarily permit withdrawals of deposits before the prescribed time limit, under the laws of all the States, they are not susceptible of being withdrawn until the time limit expires.

Mr. NORRIS. Let us take this illustration. A certificate is issued which provides that if the money is left for 3 months it will draw 2 percent interest. Suppose the holder of that certificate goes in at the end of 2 months, is he not entitled to withdraw his deposit?

Mr. LONG. No, sir; he is not entitled to it.

Mr. NORRIS. Then the certificate on its face is a falsehood.

Mr. LONG. I want to explain that he is not entitled to his money until the time limit runs out. It is true that a number of banks have allowed depositors to withdraw money when they desire to do so by waiving all interest up to date. That, however, was a privilege that the bank might have allowed or not allowed.

Mr. NORRIS. Is it in the certificate?

Mr. LONG. No.

Mr. NORRIS. Take such a certificate as that to which the Senator from Virginia has referred. Take one with that wording——

Mr. GLASS. It is in the nature of a contract.

Mr. NORRIS. Exactly.

Mr. LONG. It is a contract.

Mr. NORRIS. It does not interfere with it being a contract if the depositor is left the right to get his money at any time.

Mr. LONG. Mr. President, will the Senator from Virginia yield to me further?

The VICE PRESIDENT. Does the Senator from Virginia yield further to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. The point is if we allow the Postal Savings banks to permit withdrawals at any time we will be giving those banks a distinct preference over the banks that are in commercial business, because they enter into a contract that if a man puts his money in the bank for 60 days or for 90 days he may draw 2-percent interest on it. If he goes to the bank and the bank wants to break that contract it can do so; it can absolve itself from that or any other contract, but, unless the two parties do agree to break the contract, the depositor cannot withdraw his money until the time runs out.

Mr. NORRIS. If the Senator will permit another interruption there, the Senator having stated the case that the Senator from Virginia stated, if one makes a contract and gets a certificate that says that the money deposited is to stay in the bank for 3 months and draw 2-percent interest, that is a contract; it cannot be drawn out before that time; but that is not the certificate I have been talking about and that is not the certificate the Senator from Virginia gave as an illustration. The certificate to which he referred says on its face, "If you leave this money here 3 months, you will get 2-percent interest on it." It follows, as a natural consequence, that the depositor does not have to leave it there 3 months.

Mr. GLASS. The law of the State of Virginia provides distinctly that the depositor must give 90 days' notice before he may withdraw.

Mr. NORRIS. That is all right.

Mr. GLASS. That is all there is to it.

Mr. NORRIS. There can be a State law, I concede, that can provide that the depositor cannot draw money out by a check without giving notice; that would be legal; but here is the case of the construction of a contract, and the contract says, "If you leave this money here for 60 days, you will get so much interest, and if you do not leave it here that long, you do not get any"; but one can get the money any time he wants to under that kind of a contract.

Mr. GLASS. Mr. President, if I may proceed now, just for a few minutes more, I have undertaken to explain to the Senate, particularly for the information of the Senator from Tennessee, just why the Banking and Currency Committee felt that it had jurisdiction of the subject of the payment of interest on demand deposits of banks whether they were commercial banks or whether they were Postal Savings banks.

I think it is a conservative estimate to say that two thirds of the letters received by the Banking and Currency Committee about the provisions of this bank bill were in protest against paying any interest at all by Postal Savings banks.

The assertion has been made over and over again, and I think with full justification, that the Postal Savings Bank System, under the guise of being a Government system, and under the guise of receiving interest from the Government of the United States, has largely undermined the commercial and the savings-bank systems of this country. The Government does not pay a tithe of this interest; the statement that it does is a fraud and a pretense. It receives these deposits; it deposits them in commercial banks, I think exclusively in national banks, and the deposits thus made by the Government in the national banks are embraced in the funds sent forward for stock speculative purposes at the money centers.

Mr. BULKLEY. Mr. President, may I remind the Senator also that when the Post Office Department deposits these funds with the banks they require security, to the detriment of other depositors of those banks?

Mr. GLASS. Exactly; so that, in the view of most people who have criticized the bill, we ought to have prohibited altogether the payment of interest by Postal Savings banks. My distinguished colleague from Ohio, who was charged especially with drafting that feature of the bill, undertook to avoid that absolute prohibition by providing that there should be no demand deposits in the Postal Savings banks. To indicate that other members of the Senate have received the same sort of protests as the Banking and Currency Committee has received, I may state that, of the seven amendments proposed to this bill which are printed and on my desk, four of them are to prohibit the payment of any interest by Postal Savings banks.

Mr. NORRIS. Mr. President——

Mr. GLASS. I yield to the Senator from Nebraska.

Mr. NORRIS. The Senator is speaking of protests received. I should like to ask the Senator if it is not true that the protests which have come to the Senator—and they have come to me also—against the payment of any interest by the Postal Savings System do not come entirely from bankers who have a direct interest in the result of this proposed legislation?

Mr. GLASS. They do not.

Mr. NORRIS. Well, mine do.

Mr. GLASS. And of the 4 or 5 provisions offered here by Senators prohibiting the payment of interest on postal savings, I think I may actually say that not one of these Senators is a banker or was ever in the banking business.

Mr. DILL. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Washington?

Mr. GLASS. I yield.

Mr. DILL. Do I understand that the effect of this amendment will be that men and women can no longer put money in the Postal Savings banks as they now do and get certificates and draw the money out at any time under 60 days? Is that the effect of it?

Mr. GLASS. Yes.

Mr. DILL. Then it is proposed to put everybody in the position of not being able to draw out the money in less than that period?

Mr. GLASS. Just as if the Senator were to put his money in a savings bank in the State of Virginia, he could not draw it out without notice for 90 days.

Mr. DILL. I have here, for instance, a small certificate which entitles me to draw out money any time I want to draw it out. That puts me to the trouble of going to a Postal Savings bank to get any of the money. Now, it is proposed by this amendment to make it impossible to get the money out except on 60 days' notice. Is that correct?

Mr. GLASS. Yes.

Mr. DILL. I have an amendment to make it possible to check on these accounts, so that the depositor will not even have to go to the bank to get his money. That is how far apart I stand from the Senator from Virginia's position.

Mr. GLASS. That is pretty far apart.

Mr. DILL. It certainly is.

Mr. GLASS. It is a question for the Senate to determine if the Government is going into the checking business. That is a different proposition; but I do not think the Government ought to go into the bank checking business.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. I want to say to the Senator from Nebraska, more than to the Senator from Virginia, that there is not any difference in the laws of the States, I think, with regard to time limit on withdrawals of deposits; it is a universal law. I think the same law will be found to exist in Nebraska. Time deposits in any of the States, I do not care how the certificate may read, cannot be withdrawn, unless the bank consents to it, except upon notice of 60 days or 90 days, as the case may be. That is the universal law.

Mr. WHEELER. Mr. President, banks do not put that in operation.

Mr. LONG. Oh, yes; they do.

Mr. WHEELER. I beg to differ with the Senator, because I have deposited some money in that way myself, and I have been able to draw it out and the banks are willing to do it.

Mr. LONG. Unless they give you notice that they are not willing.

Mr. WHEELER. Yes; but in ordinary circumstances they let the depositor draw it out.

Mr. LONG. That may be true, but the facts are, none the less, that if the bank wishes to break the contract, all well and good; but if the bank does not wish to waive the contract which the depositor has entered into, he must wait until the time expires in order to withdraw his money, and if we should today allow them to put the money in the Postal Savings bank with the right to withdraw it at any time, the Government would be granting the depositor something that cannot be done under the laws of the States.

Mr. BONE. Mr. President——

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Washington?

Mr. GLASS. I yield.

Mr. BONE. I should like to ask the Senator from Louisiana if he thinks the Government should not provide a safe place in which the citizen may put his money? Out in my State the privately controlled banks have given no evidence of great stability and safety, and the one great safe banking institution in the State of Washington is the Postal Savings Bank System.

Mr. LONG. Mr. President, if the Senator from Virginia will let me answer the question, I wish to say to the Senator from Washington that the reason I am now favoring this bill so much as I am is because there has been written into it a section which will actually provide safe banks in Washington, such as heretofore it has not had.

Mr. BONE. I can see no reason why, in this type of legislation, we should proceed on the theory that we should destroy the Postal Savings banks, and by a process of attrition largely whittle away those features that have made them highly attractive to the great mass of people. I had hoped to support this bill, but if we are going to destroy the Postal Savings banks or render them of less service than they have been giving the people, I do not know that I can vote for this measure; and I think the Democratic Party will place itself in a very peculiar position if it sets about now to hamper or destroy the Postal Savings banks of this country. We have in our section of the country practically only one absolutely safe banking system. Bank after bank in the private banking system has crashed, carrying with it the savings of many people of a lifetime. For one, I want to see one banking institution left under the American flag which the people can look upon as sound and safe and which is in fact safe, and that is the Postal Savings banks. We are compelled to go out, as we have here in recent months, and borrow money from private bankers at 4¼ percent, when the Postal Savings banks pay 2 percent, to get for the Government the money it needs. With that picture confronting us, it presents rather a somber aspect to destroy the usefulness of these banks. I share very much the view of my colleague [Mr. DILL] in that respect.

Mr. GLASS. Mr. President, we, of course, do not propose to destroy the Postal Savings banks. If we had intended to undertake to do that, we would have put such a prohibition into the bill. The Postal Savings bank is involved in the bill only because we want to correct a frightful abuse in the commercial banking system of the country, which cannot be done if we do not put the Postal Savings Bank System upon the same terms of regulation as that upon which we put the commercial banks. That is why the Postal Banking System is involved at all.

There is just one more item of discussion here. The banks of the country almost universally are protesting against the assessment of one half of 1 percent upon their time and demand deposits as a contribution to the capital fund set up to insure bank deposits. The aggregate of the sum that will be exacted from the member banks under the one half of 1 percent assessment in order to insure the deposits in all the member banks is $175,000,000. If the banks are relieved of the competitive necessity of bidding for demand deposits on interest, they will not only have money to meet this assessment of one half of 1 percent to insure deposits, but they will have almost an equal amount left over. I have no doubt in the world that a vast majority of the commercial banks of the country will be glad to be prohibited by law from engaging in this competition of interest on demand deposits.

Mr. CONNALLY. Mr. President, the amendment now pending is the one offered by the Senator from Tennessee [Mr. MCKELLAR], I believe?

The VICE PRESIDENT. It is.

Mr. CONNALLY. I do not care to discuss that amendment, but I desire to suggest that I have an amendment pending which will probably be brought before the Senate when the pending amendment is disposed of, with reference to the matter of Postal Savings banks. As I understand the bill, it prohibits the payment of interest by commercial banks on demand deposits. If that provision becomes the law, and the present law with reference to Postal Savings banks is retained, the Government is offering a premium to withdraw money from commercial banks and carry it across the street and put it in Postal Savings banks, because depositors can get 2 percent interest in the Postal Savings bank and they can get nothing in the way of interest in the commercial bank.

If the Senator from Washington [Mr. BONE] is correct that the Government ought to go into the general banking business, all right, that is one thing; but for it to undertake to set up a commercial banking system and then immediately attempt to destroy that system by setting up a competitor across the street and arming it with an advantage which the commercial banks are prohibited from employing, it seems to me the Government is adopting a ridiculous policy.

The amendment which I propose is to prohibit the payment of interest in Postal Savings banks, but not to destroy those banks. If the people want safety, if depositors will not trust the commercial banks, they can deposit their money in the Postal Savings banks, but will get no interest on it under my amendment.

I want to show what these banks are doing. I live in a rural community in a small county-seat town. The Postal Savings bank will do more harm to the small bank than to the large bank. Here is a rural community. Its cash resources are in no event large. The bank does not have a great deal of cash on deposit. The Postal Savings bank is competing with it. The local bank cannot get deposits from the Government, even for its local savings deposits, unless it purchases Government bonds and places them with the Treasury. What does that mean? It means that the local banks suffer the withdrawal of that much money from circulation in the community either by staying in the Postal Savings bank or if a local bank gets the deposit it has to spend an equal amount of cash to purchase Government bonds to put up as collateral for borrowing back from the Government what it loses through the Postal Savings bank account.

I have no interest in this except that I believe if we are going to prohibit the payment of interest by commercial

banks, we ought to prohibit the payment of interest by the Postal Savings bank.

Mr. DILL. Mr. President, will the Senator yield?

Mr. CONNALLY. Certainly.

Mr. DILL. If we are going to prohibit the Postal Savings banks from paying interest and allow the commercial savings banks to accept deposits and pay out those deposits on demand, why should we require the Postal Savings banks to permit no withdrawal of deposits made therein except after 60 days?

Mr. CONNALLY. If the Government is paying no interest I do not object to the depositor withdrawing his money whenever he gets ready. If we prohibit the payment of interest by the Postal Savings bank and simply allow the Government to furnish a safe depository for the funds of its citizens, I see no objection to permitting the depositor to withdraw his funds at any time.

Mr. McKELLAR. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Tennessee?

Mr. CONNALLY. I yield.

Mr. McKELLAR. Of course the question of cost does not count for much in these matters, but I want to invite the Senator's attention to the fact that the cost of the Postal Savings bank, run in the interest of the poor man, the small depositor, is $4,255,000 a year. Under the system we have thus created the Government pays 2-percent interest on deposits and then puts those deposits into a Government depository at 2½-percent interest, and that means that it pays the entire expense and cost to the Postal Savings System. It seems to me that does away with every objection. In addition to that, it brings in $1,000,000 a year to the Government at the same time.

Why should not the small people, the people who do not know anything about banks but who do know about their Government, who know that it is safe, be able to deposit their money and get it when they want to, and get 2-percent interest on it? The Government loses nothing, because the banks are perfectly delighted to pay the 2½-percent interest and give a bond in order to get the funds.

Under these circumstances it seems to me that it is a peculiarly ideal system which has grown up since 1910, one of the most popular small banking systems that was ever carried into operation in this or any other country. It seems to me it is an admirable system to be continued.

Let me call the Senator's attention to the further fact that while our Federal Reserve System has not functioned as it should, while our State banks have not functioned as they should, as we all know—and I am not speaking in criticism of them—while the big concerns were failing, the ordinary, everyday people who use the Postal Savings banks have gone along just as usual and even as prosperous. It is a fine system. It is a system that I think we should not destroy, but if we agree to the proposal in the bill we will destroy it. I am in favor of the provision which prevents the commercial banks from paying interest on demand deposits. I do not object to that at all. But surely we ought not to destroy this splendid system of banking which has proven its worth and stability for nearly 25 years.

Mr. GLASS. Mr. President——

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Texas yield to the Senator from Virginia?

Mr. CONNALLY. I yield.

Mr. GLASS. May I intervene to say that the fancy of the Senator from Tennessee gets the better of his judgment and perverts the facts in the case. Nobody is attempting to destroy the Postal Savings bank.

Mr. CONNALLY. I was going to make that same observation.

Mr. GLASS. The committee is not attempting to destroy the Postal Savings bank.

Mr. McKELLAR. While a question of fact is being raised, let me ask the Senator from Ohio [Mr. BULKLEY], who is the author of the amendment, if it is not true that he is opposed to the Postal Savings Bank System?

Mr. BULKLEY. Mr. President, I do not think that has any reference to the question before the Senate.

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. CONNALLY. I shall yield to the Senator from Colorado in a moment.

Mr. ADAMS. I want to make just an observation which I think in part answers the Senator's question. I want to know how the bank which is forbidden to pay interest on its demand deposits is going to pay interest on the Postal Savings bank deposits which come to that bank, inasmuch as the Postal Savings bank deposits in banks are demand deposits.

Mr. CONNALLY. Let me say first in answer to the Senator from Tennessee [Mr. McKELLAR] that he makes the point that the Postal Savings banks cost the Government $4,000,000 a year to maintain. Under my amendment, if we cut off payment of interest by the Government we shall cut down the cost of maintaining them. Whatever interest the Government gets for the use of money will be velvet to the Government. Let me say to the Senator from Tennessee, furthermore, that I can readily understand how the payment of interest by commercial banks is becoming a racket, and I shall show the Senator why.

Mr. McKELLAR. I am not opposed to that.

Mr. CONNALLY. Oh, but the Senator said he was!

Mr. McKELLAR. No; only to the provision about the Postal Savings System.

Mr. CONNALLY. I understood the Senator to say that he was opposed to the provision in the bill which prevents the payment of interest on demand deposits.

Mr. McKELLAR. Oh, quite the contrary!

Mr. CONNALLY. I beg the Senator's pardon.

Mr. McKELLAR. The provision to which I object, and which my amendment is designed to correct, is——

Mr. CONNALLY. The 60-day provision?

Mr. McKELLAR. No; my amendment is simply to exclude Postal Savings banks from that rule, and leave them as they are, as the banks of the poor people of this country.

Mr. CONNALLY. Mr. President, the payment of interest on time deposits by banks has become a racket. If you have a thousand dollars or $2,000 or a small account in a commercial bank, you do not get any interest on it. Take the case of some industrial concern with a large deposit, however, and what happens? Every bank in town is bidding to get that deposit; and the payment of interest on it is a form of rebate, a form of preference by which the banks accumulate these large deposits, and the ordinary depositor of the bank is bearing the burden. They are operating on his money and are paying preferential interest to industrial concerns and business concerns whose business they want to obtain.

So I believe the committee is right when it prohibits the payment of interest on demand deposits by commercial banks. A lot of the big banks are against it. Why? Because they want to be in position to bid for the country banker's deposits, and in order to do that they want the power to pay interest. I am with the committee on that provision; but if that is sound, if we are going to cut off the payment of interest by commercial banks on their deposits, we ought also to cut off the payment of interest by Postal Savings banks.

I have here some statistics that I should like to call to the attention of the Senator from Tennessee.

Mr. McCARRAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Nevada?

Mr. CONALLY. I do.

Mr. McCARRAN. Before the Senator from Texas proceeds, will he kindly answer the query propounded by the Senator from Colorado [Mr. ADAMS]?

Mr. CONNALLY. I did not understand that it was a query. I understood that he was making a statement in answer to the Senator from Tennessee. I shall yield again to the Senator, if he desires.

Mr. McCARRAN. I understood that the Senator from Colorado asked a question.

Mr. ADAMS. Mr. President——

Mr. CONNALLY. I yield to the Senator from Colorado.

Mr. ADAMS. I do not know whether I was making an inquiry or a suggestion, but this may be the inquiry:

How can the Postal Savings bank collect interest from member banks? Mind you, the Postal Savings bank can deposit its funds only with member banks. By this bill member banks will be forbidden to pay interest on demand deposits. Postal Savings bank deposits—that is, those made by the Postal Savings banks in the member banks—have been demand deposits. Therefore, if no interest can be paid to the Postal Savings bank, how is the Postal Savings bank going to pay interest to its depositors?

Mr. CONNALLY. Under the law, are the Postal Savings banks prohibited from making time deposits in commercial banks?

Mr. ADAMS. They are not prohibited, no; but their deposits have been payable on demand. Therefore they have made their deposits subject to call when they needed them.

Mr. CONNALLY. Under the proposed law, though, we are making the Postal Savings time deposits. If the Postal Savings System had the power under the law also to make time deposits in commercial banks, it would try to adjust them in that way.

I want to call the attention of the Senate to some statistics with reference to the increase in Postal Savings bank deposits because of the pressure on the commercial banks within the last few months.

In the United States on June 30, 1931, there were on deposit in the Postal Savings banks $347,416,870.

On June 30, 1932, a year later, that sum had doubled. There were on deposit $784,820,623.

Six months later, on the 31st of December 1932, that sum had increased to $900,238,726.

On the 31st of March 1933, 3 months later, that sum had increased to $1,111,575,385.

So that in about 18 months the Postal Savings had almost quadrupled in amount.

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield to the Senator.

Mr. DILL. Of course the Senator does not mean to imply that the great increase in the last few months was due to the payment of interest.

Mr. CONNALLY. No; I do not.

Mr. DILL. It was due to the fact that it was one place where the little man knew his money was safe.

Mr. CONNALLY. That is right.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. CONNALLY. Just a moment; let me answer that. I thank the Senator from Washington for that interruption, because it shows that these depositors were more interested in safety than they were in interest.

It shows that if we take away all interest, and still preserve the system, the man who is concerned with safety and security will still utilize the Postal Savings System, and that he has not been actuated entirely by the consideration of interest. By this bill, however, we are introducing the other element, because under this bill we are prohibiting the commercial bank from paying interest, and we are permitting the Postal Savings bank to pay interest. In that way we give the depositor two inducements for putting his money into the Postal Savings System—one, safety; the other, interest, which he cannot get from a commercial bank.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. CONNALLY. In a moment. So, instead of 4 times as many withdrawals, we shall probably have a larger proportion of withdrawals, because we shall have two motives operating on the human intellect instead of one.

Mr. McKELLAR. Mr. President——

Mr. CONNALLY. I yield to the Senator from Tennessee.

Mr. McKELLAR. Do not those figures show that there is over a billion dollars in the Postal Savings banks of this country that flow into trade and business and commerce with perfect freedom? The depositors put them in the Postal Savings banks; they take them out at will. Is not that the only billion dollars in this country that is free to go into trade and commerce?

Mr. CONNALLY. I do not dispute the billion dollars, but I do dispute the freedom of movement. These Postal Savings accounts accumulate in the large cities. They operate to drain the rural communities, and I shall tell the Senator why.

Here is a small town with a small bank and a small amount of postal deposits. As I suggested awhile ago, in order to get those deposits back into the local bank it has to buy Government bonds; and the buying of those Government bonds takes just as much money as the bank will get back in Postal Savings. So the operation of the process is to drain that much cash out of that community. It is gone. The big banks in the great centers, on the other hand, always have plenty of bonds. They always have plenty of securities which, when they need cash, they can go over and deposit with the Government and get the Postal Savings accounts. Therefore the operation of the Postal Savings System with the payment of interest is to drain all of this money out of the little banks in the small communities and concentrate it in the great centers.

Mr. BONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield for a question.

Mr. BONE. Is it not a fact that most of the small banks of the country have kept their surpluses on deposit in New York? Regardless of the contention that the Senator makes with respect to Postal Savings accounts, is it not a fact that most of the small banks have retained their balances in New York?

Mr. CONNALLY. I cannot say as to most of them. A great many of them do, and I shall tell the Senator the reason why that is done. It is because the banks in New York give the small banks interest on their deposits, and we are cutting that off. We are trying to circumvent the process by which the big banks will bid for the deposits of the small ones, in order that they may not drain to the great centers the resources of the small banks; and the same process of reasoning is an argument why that result should not be accomplished in another way through the Postal Savings accounts. It operates in the same fashion. It tends to draw the money from the small rural communities and centralize it in the great cities.

Mr. President, I am not an enemy of the Postal Savings bank. Why was it established? It was not established in order that the Government might go into the banking business. It was not established for the purpose of offering high rates of interest to depositors. It was established purely in order to give a safe place of deposit for those people who preferred to use the Government as a depository rather than the private commercial banks.

I am not speaking for the banks. I am speaking for the people whom the banks serve. Why have all of this banking legislation? People talk about passing a bill for the aid of the banks. That is not our concern. Our concern is to pass legislation which will permit the establishment and operation of a banking system in order that it may serve the public, that it may serve the people, that it may furnish a reservoir of credit and money with which the people of this country can transact their normal business. The Government does not owe the Postal Savings depositors anything except security.

I dare say if the Senator from Tennessee would examine the records he would find that the Government does not make a dollar out of the Postal Savings. I dare say that the System is a liability. I dare say that the Government does not get back, through the 2½-percent interest which it gets from the member-bank depositories, as much money as it pays out in interest to the Postal Savings bank depositors.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield to the Senator from Tennessee.

Mr. McKELLAR. I have here a report from the official of the Post Office Department who has charge of this very matter; and, according to that report, the profit from the System last year was $1,023,901.77.

I want to say to the Senator that this change is being made over the protest of the Post Office Department——

Mr. CONNALLY. Oh, to be sure.

Mr. McKELLAR. And over the protest of those who are in favor of the Postal Savings System. I do not think it ought to be incorporated in this bill.

Mr. CONNALLY. Of course, it is over the protest of the Post Office Department. Whenever the Congress entrusts any function to any Government bureau anywhere, it never disturbs the function with the consent of that bureau; of course not. If the Congress gives them a little function to perform, they not only will not surrender that function but they are up here at the next session of Congress asking that the function be extended, and that they have more employees and another bureau to help carry it on.

Let me say to the Senator from Tennessee also, as to this $1,023,000 that the Government is said to have made, that I dare say there is not an item in the account that pays any of the expenses or the salaries of the postmasters that operate the system. I dare say there is no overhead charged up for the clerks here in the Department who are administering the system. That comes out of the Treasury. If we swallow the report of almost any Government agency, they will show us where they are making money for the Government. Why, yes; they can all show us where they are making money for the Government.

Mr. McKELLAR. I will give the Senator the figures again. The gross income from this bureau, if it may be called a bureau, is $4,255,326.65; and after paying all the operating expenses of the system the balance is $1,023,901.77.

Mr. CONNALLY. What are those expenses? Do those operating expenses include the payment of clerks?

Mr. McKELLAR. I am giving the Senator the report of the department. He can easily see that over 80 percent of the entire amount received is used in the expenses of the system. I take it that that includes all the expenses of the department.

Mr. CONNALLY. Those expenses include the payment of interest, too?

Mr. McKELLAR. Of course they do.

Mr. CONNALLY. Of course they do. We have to pay 2 percent, and we get only 2½ percent; and if four fifths of the expense is made up of the payment of interest, we would have just that much more profit if we did not pay interest. Furthermore, in the elements of cost I dare say there is not a nickel charged up for the overhead of the Government department that is running the system. Of course the man who is operating it wants to convince Congress that it is performing a great function, and that he is making money for the Government. He cannot make much money for the Treasury, however, because not all of these funds are loaned out all the time. Some of them are lying in the Treasury, idle at times.

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield.

Mr. DILL. I want to get clear on the status we will be in if we leave the provision in the bill as it is written and adopt the Senator's amendment.

As I understand, the Senator's amendment forbids the payment of interest upon demand deposits in the Postal Savings banks.

Mr. CONNALLY. Any kind of deposits.

Mr. DILL. Any kind of deposits. Then the Postal Savings System cannot pay any interest at all.

Mr. CONNALLY. That is right.

Mr. DILL. And yet we may have commercial savings banks that may pay interest.

Mr. CONNALLY. I understand so, under this bill, for time deposits.

Mr. McKELLAR. That is right.

Mr. DILL. Well, these are time deposits. Sixty-day deposits are time deposits.

Mr. CONNALLY. I call that a very short time deposit.

Mr. DILL. The Senator, then, proposes not to allow the Postal Savings System to pay any interest on time deposits?

Mr. CONNALLY. I do.

Mr. DILL. But he does allow the commercial savings banks to pay interest on time deposits.

Mr. CONNALLY. The Senator from Texas is not responsible for everything that is in the bill. I am attacking only this particular provision.

Mr. DILL. But there will be no demand deposits if this provision is adopted.

Mr. CONNALLY. My amendment does not disturb that provision.

Mr. DILL. Of course; but there will be no demand deposits.

Mr. CONNALLY. My amendment cuts off the interest.

Mr. ADAMS. Mr. President——

Mr. CONNALLY. Just a moment. Mr. President, I cannot see any reason why the Government should be in the banking business further than to give security to those who are afraid to put their money in the commercial banks. If this System is to be operated as a bank, then the money ought to go into the regular banks that we are establishing and providing for under this bill and under existing law.

I now yield to the Senator from Colorado.

Mr. ADAMS. Mr. President, I desire to advise the Senator that the requirement of the law is that deposits made in member banks by the Postal Savings banks must be withdrawable at any time. They cannot make time deposits.

Mr. CONNALLY. I thank the Senator. So what will be the result if the Senate does not adopt my amendment? The existing law provides that the Postal Savings banks can make only demand deposits in commercial banks.

Mr. DILL. Mr. President, section 11 amends that. The purpose of section 11 is to stop that.

Mr. ADAMS. I think the Senator misunderstood my remark. One deposit is the deposit which the individual makes in the Postal Savings, the second is the one made by the Postal Savings bank with the local bank, and that must be a demand deposit.

Mr. CONNALLY. Mr. President, when the Government gets this money in the Postal Savings bank, it then undertakes to reloan it to commercial banks, and it requires the deposit of Government bonds to secure that. The Senator from Colorado points out that when that is done, those deposits are demand deposits. Under the law, they cannot be time deposits. Therefore the banks cannot pay the Government any interest on Postal Savings deposits. Yet the Government, in turn, would be paying 2 percent to the Postal Savings depositors, without being able to recoup its losses by reloaning the money to the commercial banks. That is the situation the Senator intended to point out, is it not?

Mr. ADAMS. That is correct.

Mr. CONNALLY. That simply accentuates the contention I am undertaking to make, to the effect that the Government ought to maintain Postal Savings, if it is desirable, for the purpose of giving security to depositors, but it should not set up the Postal Savings as competitors with commercial banks and allow the Postal Savings to pay interest on deposits while denying that right to commercial or national banks.

My amendment is not offered now, but when the amendment of the Senator from Tennessee is voted upon, I hope Senators will bear in mind the fact that my amendment will then be offered, and I hope to get a favorable vote.

Mr. President, in connection with the discussion of the Postal Savings System, I ask that there may be printed in the RECORD in connection with my remarks an address delivered by J. E. Woods, president of the Teague National

Bank, of Teague, Tex., before the Texas Bankers' Association on February 13, 1933.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

THE POSTAL SAVINGS MENACE

(An address delivered by J. E. Woods, President Teague National Bank, Teague, Tex., before the fifth district meeting, Texas Bankers Association, Dallas, Tex., February 13, 1933)

Mr. Chairman, ladies and gentlemen of the convention: I shall not indulge in that favorite American pastime, "cussing the Government." But I shall try to present logically some observations supported by facts and authentic data to substantiate my conclusion that the present Postal Savings System is not only unfair competition to the banks of this country, but also in principle, it is inimical to the fundamentals upon which this Government was founded. I consider it an outrage—not only upon the banks, but upon the countless thousands of business men and institutions whose well-being depends upon a healthy banking structure. To me the serious encroachment which this iniquitous system is making upon the banking business of this country, the rapid rate of its increase, and the complacency with which bankers generally are accepting this imposition, are astounding.

BEGAN OPERATION IN 1911

The Postal Savings System was created by an act of Congress in 1910 and began its operation on January 2, 1911. On December 31, 1932, patrons of the System had on deposit in the post offices of this country more than $900,000,000. On these demand deposits your Government is paying annually, at the rate of 2 percent per annum, interest amounting to more than $18,000,000.

It was claimed that the possibility of large deposits being attracted to postal savings from the banks was guarded against by limiting the amount one person might have in the postal savings at any one post office to $2,500. Actual practice has made a joke of this provision of the law. It is a common evasion for a depositor to have the maximum amount on deposit in the name of his wife, his children, and other members of the family. Not only may he do that, but he can go to the post office in his neighboring town and do the same thing. In view of these evasions, we can reasonably believe that actually the average amount on deposit in the post offices to the credit of each patron is more than $1,000, rather than about $600 as shown by the reports of the operation of the System. The effect of the $2,500 maximum is also nullified by the provision for the issuance and sale of Postal Savings bonds bearing 2½ percent interest, into which patrons may, twice a year, convert their deposits, with no limit as to the amount of Postal Savings bonds one person may own. While these bonds are due 20 years from date, the Postal Savings System guarantees to purchase them at any time after date of issuance at par and accrued interest.

POSTMASTER GENERAL'S REPORT

I have a copy of the report made to Congress by the Postmaster General concerning Postal Savings System operations for the fiscal year ending June 30, 1932, and a supplemental report bringing the figures up to December 31, 1932. The statements and data which I quote are gotten from these reports. The amount on deposit at every post office in the United States as of the date of the report is shown. The report indicates that banks in our smaller cities and towns having populations from 2,000 to 15,000 or 20,000 are the greatest sufferers from this inexcusable governmental competition. The report also reveals that banks in towns having a considerable industrial pay roll are the greatest sufferers. Friend banker of such towns as I have described, if you will take the time to go into this matter carefully and ascertain what has become of some of your good deposits on which you have in previous years been able to make a little profit, you will find that a surprising amount of them have gone to the post office, and that you are losing them at an increasingly rapid rate.

TWO PERCENT INTEREST SPOILS CUSTOMER

Let a depositor, who has been in the habit of carrying a nice reserve in the bank without interest, by suggestive advertising put out by the Post Office Department, or by reason of the solicitation of some Postal Savings convert, once make a deposit in the post office and get a taste of the 2 percent interest which the Postal Savings pays on a demand deposit—a rate which the banks cannot afford to pay on such a deposit—and this added to his knowledge of supersafety for his funds—that account is forever lost to the bank. In many cases that frugal-minded depositor becomes so thoroughly sold on this proposition that he becomes a self-appointed solicitor for the Postal Savings System, suggesting to his relatives, his friends, and coworkers, at every opportunity how nice it is to keep the money, that he has for years kept in the bank without interest, in Uncle Sam's bank and receive every 90 days 2 percent interest on it.

Recently a widow who was a customer of our bank, but a better patron of the Postal Savings, called to see me. She had just received a check for several thousand dollars in payment of an insurance policy on the life of her late husband and consulted me as to what she should do with her money. She explained that she wanted, in addition to absolute safety, a little income to aid her without using the principal. She was frank enough to tell me she had the limit in Postal Savings; that she had been advised by the Post Office employees that a bill was now pending in Congress to increase the maximum that one patron might have on deposit from $2,500 to $5,000. She seemed a little chagrined at the delay of Congress in passing such a bill. She stated further that the postmaster had tried to sell her some Postal Savings bonds yielding 2½ percent interest, but that she didn't want to tie her money up for that long a period. The post office employees evidently did not explain to her that the System would buy her bonds at par and interest any time she wanted to dispose of them, and, of course, I did not volunteer that information. I questioned her as to what kind of an investment she wanted and asked her how some Fourth Liberty Loan bonds would suit. "Well", she said, "I have some Liberty bonds, and it had never occurred to me until recently that United States bonds were not perfectly safe. But Mr. So-and-so told me that the Government was getting shaky and money invested in Liberty bonds might not be safe. He said he had sold his Liberty bonds and invested his money in postal savings, where it would be safe, and advised me to do the same thing." I have a friend who has a very unique way of expressing himself. He does not use the modern term of "sold" on a proposition, but instead he would say that is "peddled" on it. Believe me! The Postal Savings booster just mentioned was certainly "peddled" on the Postal Savings idea.

DEPOSITS ONCE GONE—GONE FOREVER

As would naturally be expected, Postal Savings deposits are greatest in towns where, in the past, there has been bank trouble. It is observed, however, and that is the most serious phase of the question, that once the depositor moves his reserve from the bank to the post office, it is gone from the bank for good. In cities where, in the past, there has been some bank trouble, although such bank trouble occurred a number of years ago, and since that time the town has been blessed with excellent banking facilities, there has been no noticeable return of these deposits from the post office to the banks. In one good city of this State where there was some bank trouble, although the trouble occurred more than 10 years ago, and since that time the city has had two excellent banks, both well managed, conservatively operated, and kept in a most liquid condition, there is on deposit in the post office more than $700,000, an amount far in excess of the total individual deposits of each of the banks. Many towns in Texas, as well as in other States, have more money in the post office than in the banks.

FOUR ADVERTISING POINTS STRESSED

Literally tons of high-powered advertising literature prepared by experts at the expense of the taxpayers of this country are sent out from Washington at frequent intervals to the post offices, where it is distributed among the patrons of the post office. I have a number of these leaflets and pamphlets in my office. These stress four attractive features: First, Government guaranty of deposits. Second, the attractive rate of interest. Third, the privilege of withdrawing the deposit on demand without loss of interest. Fourth, the absolute secrecy surrounding transactions with the Postal Savings System. On the cover of one of these pamphlets that I have is printed in bold-faced type, "The faith of the United States Government is solemnly pledged to the payment of the deposits made in Postal Savings depository offices." What more could they do to attract money from the banks to the post office? With conditions like they have been for the past 2 or 3 years and as they now exist, I am firm in my belief that the suggestion which this high-powered literature carries to the bank depositor has been the cause of starting bank runs that have resulted in the closing of a great number of banks that otherwise would have remained open and continued their most worthy service to the community.

A great deal of time has been taken up the past year debating proposed laws to reform the banks. We have become alarmed over the proposal to extend branch banking, but we seem to have lost sight of the fact that we have already a giant Government-owned bank with nearly 7,000 branches. Nothing has been proposed to remedy this situation. We frown upon the proposal to extend Federal guaranty of bank deposits, while in the Postal Savings System we already have it in a most vicious form. The reformers demand that the commercial banks divorce their investment affiliates while this giant institution has an investment affiliate at each of its 7,000 branches supplying its customers with an unlimited amount of Postal Savings bonds, bearing 2½ percent interest, which the System agrees to repurchase at par and accrued interest any time after date of issuance, these securities yielding a rate of interest entirely out of line with the current rates on other Government paper. In all of these debates the weakness of the country banks and the necessity for providing adequate laws for strengthening the country bank's structure has been stressed. As in every line of business, banking business has been hard hit, and there has, of course, been a lot of bank trouble. Let us bear in mind and let us have the public understand, nevertheless, that there are still plenty of good, sound, conservatively operated banks in this country. By eliminating this useless and unfair competition the banks would be more able to take care of themselves and there would be less need for help. The situation as it now exists presents the paradoxical picture of our great Uncle Sam with his strong right hand choking the breath of life out of us while with his left hand he administers a stimulant.

Conditions might exist, and conditions might arise in the future, that would justify the Federal Government mantaining facilities for the safe-keeping of scared funds that would otherwise be temporarily kept out of circulation. But in the name of justice, what reason can be advanced to require taxpayers of this country to maintain at an enormous expense a system that unfairly competes and is tearing down our banking structure by offering a rate of interest on demand deposits that the commercial banks

cannot pay, in addition to providing supersafety for the depositor's funds? Why should we be taxed to enable the Postal Savings System to pay 2½ percent on deposits that are being taken away from our banks, when the Government pays us only one fifth of 1 percent on our funds on a time deposit of 90 days.

POSTAL DEPOSITS UNATTRACTIVE TO BANKS

Proponents of the System in Congress advanced the puerile argument that postal savings is not a detriment to the business community because, as money is deposited in the post office, it may be brought to the local bank and deposited, and thus kept in the community to do its bit in taking care of the credit requirements of the community. Yes! The laws do provide that 85 percent of the money deposited in postal savings may be deposited in the local bank, but only after the local bank has purchased and deposited with the Treasurer at Washington, United States and other eligible bonds to secure the deposit. Under normal times and normal interest rates, if the depository bank is fortunate in handling its bonds purchased to secure the Postal Savings depository, a very meager profit may be made on the funds. But, so far as the good that the deposit does the bank in supplying the credit needs of the community is concerned, that money might as well be locked up in the vaults of the Treasury at Washington, or invested in some distant land. Every dollar, therefore, put in postal savings means 100 cents sent out of the community, which, multiplied by 10, the usual formula for measuring the purchasing power of local deposits, means a decrease of $10 in credit and buying power of the community.

This suggests another phase of the question that I think is an outrage. With the extremely low yield on high-class investments available for use as collateral to secure Postal Savings deposits, banks have found that they cannot break even on Postal Savings deposits at 2½ percent interest, and they are returning these deposits at the rate of millions per day. More depository banks would return the deposits if they could liquidate the bonds that they have pledged to secure the deposit without taking a loss. I have been unable to ascertain the exact amount of Postal Savings deposits redeposited with depository banks, but at this time the amount probably does not exceed 65 percent of the total deposits—the balance, or 35 percent, is in Federal Reserve banks or in the Treasury with interest to the System. That means that the Government is paying out in interest to the depositors at the present $19,000,000 per year. This loss, added to the enormous administrative costs of operating the System, has to be paid by the taxpayers. Two percent per annum, the rate paid Postal Savings depositors, is far above the current yield on short-term Government paper. On December 28, 1932, the highest rate accepted by the Treasury on an offering of Treasury bills was 0.09 percent. Why this favoritism to the Postal Savings depositors? I submit that it is not right to tax the whole people to favor a few. It is wrong to build up one class by destroying another.

NEITHER ATTACHMENT NOR GARNISHMENT

Another outrage, and what seems to me to be the most shameful of the many outrageous features of the whole question a depositor may use the Postal Savings System as an instrumentality for beating his honest debts! A debtor may, and this is not an uncommon practice, convert his property into cash, deposit it in postal savings, and tell his creditors to go to the devil, because money on deposit in the post office cannot be reached by attachment and garnishment.

Let us not get the idea that the friends of Postal Savings in Congress are not active. At this time a bill is pending providing for raising the maximum amount that one depositor may have in one post office from $2,500 to $5,000, and a proposal has been made to provide facilities for checking accounts at every post office in the land! Then where will the banks be?

WRITE YOUR CONGRESSMAN

We must all admit that a lot of ill-advised laws are made at Washington because we don't let our Representatives know just how we feel about the matter. My observation and experience with Senators and Congressmen is that they are just people like the rest of us. They like to know how we feel about questions coming up in Congress, and are amenable to suggestions. We are promised a "new deal" at Washington beginning March 4. I believe that by a concerted effort of the bankers of the country, through appeals to our Representatives in the Senate and in the House, pleading our cause, that the most oppressive provisions of the Postal Savings law could be eliminated at the special session of Congress. If we take no action, passing it with the usual statement that we are not in politics, leaving the matter to others to handle, we will get no relief and perhaps in that case we would not deserve it. One of the reasons that nothing has been done about this important matter is because the country bankers have formed the habit of depending too much upon our influential bankers of the city to look after matters of this kind. The city bankers have such a volume of business that their loss direct to postal savings is negligible. The city bankers are our friends. When our institutions become acutely ill, they run to our assistance. But I fear that they do not understand the seriousness of the Postal Savings menace. These fellows have the ears of those in position to remedy this situation, and we should appeal to them for their help and cooperation in this matter. The operation of the Postal Savings System has never been justified. It has been detrimental to the business structure of the country and the law ought to be repealed outright. There is no reason in the world, however, for the payment of interest on these deposits. In view of the extremely low interest rates prevailing, I believe the time is ripe for action. By a determined effort the payment of interest on these deposits could be eliminated and the sale of Postal Savings bonds discontinued, and the interest which the local bank is required to pay reduced to a nominal figure on the basis of cost to the Government in operating the System without profit.

Get in touch with your Senators and Congressmen. Don't merely ask them to vote for such a measure. Give them the facts; convince them that the System is ruining the small-town banks, and ask them to become active in getting some relief. I don't believe that is an exaggerated statement when I say—if something is not done to relieve this situation, it will in time absolutely eliminate the so-called "country and small-city bank." Why not a united effort to check the evil before it goes too far? It is useless to lock the stable after the horse has been stolen.

Mr. DILL. Mr. President, we ought to understand what this provision, section 11, means. It means that the Postal Savings banks are hereafter to be of no use to the little man who wants to put money in a place where he thinks it will be safe, and take out ten or fifteen dollars whenever he wants to. That is what it means. It has never been in any such condition.

At the present time—in fact, since the beginning of the Postal Savings System—anybody who put money in a Postal Savings bank could always go and secure any part of that money, and that has been of especial value to the small depositor. I do not believe there is any sentiment among the American people today to have that privilege taken away.

Mr. McKELLAR. Mr. President, I call the Senator's attention to the fact that that is absolutely true today. When one puts money in other banks, there may be some doubt about it, but when a man goes and puts his money into the Postal Savings he knows he can get it whenever he wants it.

Mr. TYDINGS. Mr. President, as I understand the position of the Senator from Washington, it is not that he objects to the provision about interest so much as that he wants to grant the right to deposit in Postal Savings banks funds which do not draw interest.

Mr. DILL. I am in full sympathy with the amendment of the Senator from Texas. If the commercial banks are not to be allowed to pay interest, then certainly we should not give the Postal Savings bank a preference right. The thing I am opposing is saying to the man who goes and puts $40 or $50 into the Postal Savings bank, the man who wants to put it there, that he must wait 60 days to draw it. It may be said he ought to have faith in the private bank, but you cannot change the fact that he does not have faith in it. If he has forty or fifty dollars in the Postal Savings bank, it ought not to be only on condition that he would have to wait 60 days before being able to get it out.

Mr. TYDINGS. It struck me that the point at issue might possibly be satisfactorily taken care of, in view of the position taken by the Senator from Virginia, with whose general philosophy I am in accord in this matter, by inserting on page 50, line 4, after the word "deposit", the words "upon which interest shall accrue."

Mr. DILL. I have no objection.

Mr. TYDINGS. Then it would read:

No deposit upon which interest shall accrue shall be made with any Postal Savings depository for a period of less than 60 days.

Mr. DILL. Of course, if that amendment is in the bill, I would have no objection.

Mr. TYDINGS. It struck me that that would, in effect, prevent the Postal Savings people from paying interest on general deposits unless they were deposited for a period of more than 60 days, and both sides of this controversy would, in effect, get what they seem to want.

Mr. DILL. The part of this section to which I am objecting——

Mr. TYDINGS. Would the Senator accept that amendment?

Mr. DILL. I have no objection

Mr. McKELLAR. Mr. President, if that were done, it would cause the Government to pay interest on the funds, but it would give the Government no opportunity of recouping itself.

Mr. TYDINGS. I think the Senator misunderstood my suggestion—if he will wait just a moment. I will take but a second.

Mr. DILL. I yield.

Mr. TYDINGS. What I was trying to do was to provide that where sums are deposited for more than 60 days—that is, when they become time deposits—then interest shall be paid, but where a man has the right to draw the money out the following day, or 10 days hence, no interest shall be charged upon it.

Mr. McKELLAR. The Senator overlooks the fact that on pages 48 and 49 there is this provision—I read from the bottom of page 48:

Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph.

"This paragraph" is, "No member bank shall, directly or indirectly", and so forth.

Mr. TYDINGS. I suggest to the Senator that that would not affect it.

Mr. McKELLAR. I think it would, absolutely.

Mr. DILL. Mr. President, I think the amendment of the Senator from Maryland would not interfere with the demand deposits. There is no justification, as I see it, for the competition which we would create if we allowed the Postal Savings banks to pay interest on time deposits, when we do not allow the commercial banks to do it.

The thing I am objecting to about this section as it stands here is that the man with a little bit of money would not be able to get any of it out for 60 days. The amendment of the Senator from Maryland would permit that to be done.

Mr. McADOO. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. McADOO. I think perhaps this amendment proposed by the Senator from Maryland clarifies the situation very much. It makes it clear that if a Postal Savings depositor draws his money on demand, so to speak, he gets no interest, and it is, of course, important to preserve that right, and the intention of the committee was, I think, to preserve that right, but to put the Postal Savings banks on a parity with the commercial banks, which are permitted to pay interest on time deposits.

The point has been made here, and I think very properly made, that under the law as it now stands the Postal Savings banks are required to deposit their moneys with member banks of the Federal Reserve System on demand, taking from the member banks security therefor. I have never liked that method, because it does give the Government a priority over all the other depositors in a bank, and in case of the failure of a bank the other depositors are relegated, for the recoupment of their deposits, to the poorest securities in the bank.

I think that difficulty could be met by doing this: It will be necessary, under this plan, that the Postal Savings banks may make deposits with the member banks on time, at interest, because, as I said before, the law as it stands now requires that they shall make deposits on demand, and if we prevent the member banks from paying interest on demand deposits, they will be put at a disadvantage.

Mr. DILL. Mr. President, I hope I still have the floor. I was yielding to the Senator.

Mr. McADOO. I was just trying to bring out that point, for the Senator's information, and to make a suggestion. I think that we should add a proviso—I have not had a chance to consult with my colleagues on the subject—to this effect: "*Provided*, That Postal Savings depositories may deposit funds in banks on time, under regulations to be prescribed by the Postmaster General." I think that would cover the situation.

Mr. LA FOLLETTE. Mr. President——

Mr. DILL. Mr. President, the amendment of the Senator from Maryland appeals to me as meeting the situation I want to have taken care of, and I am very glad to know the committee is not intending to make it impossible for a man with a small deposit to withdraw his funds from time to time.

Mr. BULKLEY. Mr. President, I see no objection to the amendment offered by the Senator from Maryland.

Mr. DILL. There is an amendment pending.

Mr. McKELLAR. There is an amendment pending. I want to say this about it, that it is better than the present provision in the bill, but it does not meet this fundamental situation. This is the first step—and we might as well recognize it—in destroying the Postal Savings System, in the interest of the commercial banks. We might as well understand that. It would necessarily destroy it.

Mr. DILL. The Senator is no better friend of the Postal Savings System than I am, and I should like to ask him this question: How can we justify taking away from the commercial bank the right to pay interest on demand deposits, and grant that right to the Postal Savings bank?

Mr. McKELLAR. Simply because it is a governmental function. That is the only way in the world it can be done. We have made the exception in favor of the Government from time immemorial, and there is no reason why we should not do it in this case, in my judgment.

If the Senator will allow me to interrupt him just a moment, when you take away the right of a depositor in the Postal Savings bank to take his money out whenever he or she desires, you are destroying the System.

Mr. DILL. That is what I objected to, but the Senator from Maryland has offered an amendment which the subcommittee is willing to accept, which restores that right.

Mr. McKELLAR. It does not restore that right. It restores the right only to the extent of time deposits.

Mr. DILL. No.

Mr. McKELLAR. Then I do not understand the amendment.

Mr. GLASS. No; the Senator does not. The Senator had a nightmare, that is all.

Mr. McKELLAR. No, I did not. I know it is undertaking to destroy this system.

Mr. DILL. Mr. President, I do not know what the undertaking is, but I know the thing about which I am concerned, that is, that we shall not prohibit the man with a small deposit from going in and withdrawing a small amount from time to time. I think that is the purpose of the Senator from Maryland, and the subcommittee, and if that is the effect, then I have no objection to this amendment.

I want to say this, that I have drawn an amendment with considerable care to provide for checking accounts in these demand deposits, and my reason for that was that I believed that the small depositor was entitled to a place where he could have safety and a checking account. Now the committee has accepted the amendment of the Senator from Michigan, which removes much of the reason which I had for offering that amendment. I still believe that until the system is working, it might be desirable to have in the law the checking provision as to Postal Savings accounts, but I am not so anxious about it as I was.

I do want to see that the people who have been putting their money in the Postal Savings, and still want to do that for a little while, until this thing proves to be safe, shall not be cut out by any such language as is before us.

Mr. GLASS. Mr. President, I will say to the Senator that the committee will accept the amendment suggested by the Senator from Maryland, and, further, the amendment suggested by the Senator from California, which clarifies the whole situation, as I see it.

Mr. LA FOLLETTE. Mr. President, I merely rose for the purpose of interrupting the Senator from Washington to suggest the importance of preserving this opportunity to small depositors to find a place where their deposits are welcome during this stressful period.

As Senators well know, many banks discourage small deposits because they find that as a matter of commercial operation the necessary bookkeeping and accounting makes them unprofitable. Yet for persons who have only small deposits to make, the opportunity to make them is perhaps of even greater importance than to people who have larger

deposits to make. I certainly hope that some suggestion will be worked out whereby the right of the small depositor to find a welcome and a safe depositary for his small account will be preserved.

Mr. LOGAN. Mr. President, I submit an amendment and ask permission that it may be printed and lie on the table.

The PRESIDING OFFICER. Does the Senator offer the amendment to this bill?

Mr. LOGAN. Yes.

Mr. GLASS. I will say to the Senator that we expect to finish the consideration of the bill this afternoon.

Mr. LOGAN. Very well; I will call it up later.

The PRESIDING OFFICER. The amendment will lie on the table and will be in order later.

Mr. LOGAN. That will be satisfactory.

Mr. BONE. Mr. President, the amendment suggested by the Senator from Maryland [Mr. TYDINGS], which provides, I believe, that the words "upon which interest shall accrue" shall be interpolated after the word "deposit", in line 4, would not change the effect of the remainder of the proposed act. However, my colleague [Mr. DILL] referred to the case of the depositor in a Postal Savings bank who expected to receive interest and would be compelled to wait for the 60-day period to expire. That is one of the things I myself was objecting to. I feel that there should be a wider latitude given the little depositor in the Postal Savings banks. I think we all realize and appreciate that the little fellow on his deposit there wants to earn a little interest, a few dollars. That means a great deal to him.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. BONE. Yes.

Mr. TYDINGS. What the Senator has stated is true. As I understand, the point made by the Senator's colleague was that he was willing for the savings feature to be on the same plane with the general banking business features, and what he desired was the right of the little depositor to have a place where he could keep, without interest, his funds for a day or a month or any length of time he wished.

Mr. BONE. That is very true. Personally, I should like to see the checking system devised such as my colleague has suggested, without interest, where it is purely a checking operation with, perhaps, a nominal charge of 1 cent or 2 cents per check. That, however, is not a part of this argument, to be sure; but I think in voting on this question we should all understand that the person who desires to withdraw his or her money from a Postal Savings bank within the 60-day period is losing all interest; and I do not believe the American people will like that.

Mr. LONG. Mr. President, if I had not said a word or two about the Postal Savings question, I would not delay a vote on this matter, and I do not now want to delay a vote. The Senator from Tennessee [Mr. MCKELLAR] has spoken about the little man getting benefits out of the Postal Savings Bank System. Had the Senator thought a little further—because he has had the experience in his State which we have had in ours—he would realize that the Postal Savings Bank System has not done the depositors of the United States any good at all. What the Postal Savings Bank System has done with these little communities like Huntington, Tenn., and Bell, Tenn., and other little places—where I was many years ago—is this: They take the money that the people have in those little towns and draw it into Memphis, and the little man in the little town of Huntington or the little town of Bell has never been able to borrow a dollar of that money at the Postal Savings bank. It has gone to Memphis and Nashville and other money centers.

That is not all it has done. Talking about the protection that it has given to the man who has deposited money, here is what it has done to him: When the Post Office Department deposited in the banks in Nashville—some of which closed their doors—the Postal Savings money they made the bank put up the cream of its assets; Government bonds had to be put up to protect the Postal Savings funds. Then, when a bank got shaky, the only one who could get its money back was the Post Office, and the other millions of depositors in those banks had nothing out of which they could get their money because the banks had given the Government the cream to secure the Post Office funds. One of the greatest disasters that has ever happened to the banking institutions of this country is the Postal Savings Bank System, because, after the Postal Savings Bank System takes the farmer's money away from him and sends it to the cities, the farmer cannot borrow a cent or a dime of it, and the Government deposits are then preferred, leaving the poor ordinary man without anything whatever to get a dime on when the bank fails.

SEVERAL SENATORS. Vote!

Mr. MCKELLAR. Mr. President, before we vote, I want to call the attention of the Senate to the amendment. I will read first from the bill, at the bottom of page 48, and then will read the amendment which I have offered:

> No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand: *Provided*, That nothing herein contained shall be construed as prohibiting—

At that point I propose to insert these words:

> money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

If this language shall be voted into the bill the Postal Savings System will constitute an exception to the general provision that I have just read, that is that no interest shall be allowed on demand deposits.

I want to call the attention of the Senate to the fact that not in a small place but in one of the larger cities in my State the banks unfortunately all failed and the increase in Postal Savings bank deposits, if I recall the figures aright—I may be wrong about it—was somewhere in the neighborhood of about fiftyfold. In other words, the only place where those who had money to deposit could go and put their money and be assured that they could draw it out was in the Postal Savings banks. Today that is so all over this entire Republic. The only safe place for the small depositor to put his money is in Postal Savings Bank System. It pays for itself; it is an exception to the general rule that has been put in, with which I have no complaint and no quarrel at all of any kind.

I simply ask that the Postal Savings System be allowed to stand just as it is and that we shall not take the first step to destroy it. If it ought to be destroyed, let somebody introduce a bill to repeal it, and then it would come up upon its own merits; but certainly in this way the Postal Savings Bank System ought not to be destroyed.

I am pleading for the small depositor, for the little fellow, who has just a little money and wants to save it, and to be certain that he can use it when he wants it. Surely, in enacting this bill, we ought not to make it harder for the little fellow who has only a few funds to put them in a safe place and to take them out whenever he wants to do so.

Mr. LONG. Mr. President——

The PRESIDING OFFICER. Does the Senator from Tennessee yield to the Senator from Louisiana?

Mr. MCKELLAR. Yes; I yield.

Mr. LONG. How would the Senator feel about the little man who has no money and who cannot borrow a dime from the Postal Savings bank?

Mr. MCKELLAR. From personal experience I feel very sorry for such a man. [Laughter.]

Mr. LONG. Very well. Then the Senator admits that he wants to see hampered the institution that can lend the man money, when we have already written into this bill a guaranty of bank deposits under $2,500?

Mr. MCKELLAR. We do not know whether that is going to remain in the bill or not.

Mr. President, I hope I may have the yeas and nays on the amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Tennessee [Mr. MCKELLAR],

on which he demands the yeas and nays. Is the demand seconded?

The yeas and nays were not ordered.

The amendment was rejected.

Mr. McKELLAR. Mr. President, in order that the record may be complete I offer the following amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 49, in line 22, it is proposed to strike out all of subsection (c) down to and including line 17 on page 50.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee.

Mr. BONE. Mr. President, merely for the RECORD, I desire to say that I have offered an amendment similar to the one offered by the Senator from Tennessee to strike out all of subsection (c), and my amendment covers the same ground as the amendment offered by the Senator from Tennessee.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was rejected.

Mr. CONNALLY. Mr. President, I offer an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 50, line 7, beginning with the first comma, it is proposed to strike through the comma following to the word "thereon", as follows:

Or the accrued interest thereon.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas.

Mr. CONNALLY. Mr. President, I will consume only a moment. This is the amendment to which I referred a little while ago. Its whole effect is simply to prohibit the payment of interest on Postal Savings deposits. It does not destroy the System; it provides safety and security for the depositor; but it denies payment of interest in order that the Government may not compete with commercial banks and enjoy an unfair advantage. I ask for a vote on the amendment.

Mr. TYDINGS. Mr. President, I do not understand the amendment exactly. May I ask the Senator from Texas to explain again what would be the effect of the amendment?

Mr. CONNALLY. The effect would be to deny the payment of interest on Postal Savings deposits, whether demand or time deposits.

Mr. TYDINGS. There would not be any interest paid on any of them?

Mr. CONNALLY. No.

Mr. TYDINGS. That is what I understood.

Mr. WHEELER. Mr. President, I think this is such an important matter, and I am so opposed to it, that I am going to ask for the yeas and nays, but before doing so I wish to make a brief statement.

I have been somewhat surprised to hear Senators stand on the floor of the Senate today and talk about the protection of the commercial banks and intimate that the trouble with the banking system of this country today is possibly the competition of the Postal Savings bank, so-called. It should be borne in mind, it seems to me, that the only safe place of deposit in the United States of America during the last 6 months, or possibly a year, has been the Postal Savings banks.

Mr. McKELLAR. Mr. President, may I interrupt the Senator?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Tennessee?

Mr. WHEELER. I yield.

Mr. McKELLAR. And since the year 1900 I believe the statistics show that there have been about 11,000 failures of privately controlled banks in this country.

Mr. WHEELER. I thank the Senator for his contribution. With 11,000 bank failures, the Senator from Texas calls attention to how the deposits have increased in the Postal Savings banks. Is there any wonder in the world, when other banks have been looted by crooked bankers, in some instances, and in other instances have been looted by the big bankers forcing the small bankers to take a lot of worthless bonds?

A banker from my State was in my office this morning, one of the most honorable, reputable bankers in the State. He has run his bank in a very high-class way, in a decent, orderly fashion. There has been no speculation, no gambling, but the bank did purchase bonds that were unloaded upon them by some of the big banks. When the House of Morgan sent them bonds and said to them, "These are high-class no. 1 bonds", they bought them thinking they could rely upon the reputation of that house and similar houses. But they had to take a loss on their bonds to the extent of $128,000. They took a loss to such an extent that as a matter of fact the bank was closed. It was not in that instance because of anything the bank did, but solely because of the fact that they relied upon the confidence they had in the New York bankers whom we have let run this Government of ours during the last 10 or 15 years, particularly the financial end of the Government.

Mr. President, we are seeking to destroy the Postal Savings bank, the only place the workingman with a few hundred dollars has to put his money with safety.

Mr. McADOO. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from California?

Mr. WHEELER. I yield.

Mr. McADOO. I believe, if the Senator will allow me to say so, that he is wholly in error in saying that there is any attempt to destroy the Postal Savings bank. We want to conserve it. The amendment now practically agreed upon preserves the institution in full force, except that we do not permit the Postal Savings banks to pay interest on demand deposits, just as we are not going to permit commercial banks to pay interest on demand deposits.

Mr. WHEELER. That is quite a different thing. The little man comes in and deposits two or three hundred dollars in the Postal Savings bank. We have been saying to the working men of the country, "Save your money and buy a home and you will be a better American citizen." He has taken his little savings to a commercial bank and the bank has failed and he has lost his money there through no fault of his own. So we establish the Postal Savings System and we say to the man with his savings, "We are going to give you 2 percent upon your money", and now it is proposed to take away that 2 percent. There is no excuse for that. The commercial banks are not paying any interest at the present time on small deposits of $100 or $200 or $300. The fight over deposits has been, as I understand it, and the complaint has been that the banks have been fighting for the larger deposits. They are not fighting for the little deposits. They are not paying high rates of interest or any rates of interest for the little deposits.

Under the bill we are proposing to give the little fellow 2 percent upon his money and we are going to give him a safe place to deposit it. If we had not had the Postal Savings System what would have happened? Instead of this money being deposited in the Postal Savings bank it would have been hidden in an old sock or an old shoe or buried in the ground some place. It would have been hoarded. The people would not have spent it. Instead of that, however, it has been put in the Postal Savings bank because they knew it was safe and that they were going to get a meager 2-percent interest upon it.

But some people are so much interested in protecting the bankers who have to a large extent wrecked the country that they want to take away the right of the little man to have 2-percent interest upon his money, because it is said the Postal Savings bank is going to compete with the commercial banks of the Nation.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Tennessee?

Mr. WHEELER. Certainly.

Mr. McKELLAR. The Senator said something about the money being hoarded. A lot of it would have been put in

the 11,000 banks that have failed and it would have gone out of circulation in that way.

Mr. WHEELER. Why, of course.

Mr. GLASS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Virginia?

Mr. WHEELER. I yield.

Mr. GLASS. If the Senator from Montana is addressing himself to the proposition presented by the Senator from Texas I have no quarrel with him.

Mr. WHEELER. That is what I am doing.

Mr. GLASS. But the bill itself, with the amendment suggested by the Senator from Maryland [Mr. TYDINGS] and the other amendments suggested by the Senator from California [Mr. MCADOO]——

Mr. WHEELER. Let me interrupt the Senator from Virginia to say that I am addressing myself to the amendment of the Senator from Texas [Mr. CONNALLY] which proposes to prohibit the paying of 2-percent interest. I think we ought to pay it. I am not in favor of paying interest to a man who deposits his money for a few days only, but if he deposits for a period of 90 days or 6 months he ought to be able to get 2-percent interest on his money. It is not right and fair for the Government not to pay that interest.

I hope the Senate of the United States will protect the little depositors. We have not sought to protect the depositors. We have left them at the mercy of the bank looters. The Government of the United States is responsible to some extent for the conditions in which we find the banks today. The Government of the United States has been derelict in its duty in its examination of some of these banks.

My attention was called the other night by a responsible party in the city of Washington to the recent failure of a prominent bank in this city—the Park Savings Bank. I was told that every time the bank was about to be examined somebody in that bank was notified that it was to be examined, and then some official in the Treasury Department who was borrowing money from the bank paid off his loan temporarily and the money was placed back in the bank just before the examination, and then more money was loaned to this official just after the examination.

Mr. BULKLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Ohio?

Mr. WHEELER. I yield.

Mr. BULKLEY. Is it clear to the Senator from Montana that the effort of the committee has been to make deposits in small banks safe for all depositors? In the meantime we have not suggested any change in the Postal Savings System or in the policy underlying it further than was necessitated by the provision in our bill prohibiting the payment of interest upon demand deposits. The committee is opposed to the Connally amendment.

Mr. WHEELER. I was not criticizing the committee. I was talking about the Connally amendment.

Mr. BULKLEY. I was hopeful that we could get a vote.

Mr. WHEELER. All right. With the assurance that the committee is going to vote with me on the Connally amendment I yield the floor.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Texas [Mr. CONNALLY].

Mr. CONNALLY. Mr. President, since the Senator from Montana [Mr. WHEELER] has so violently attacked the amendment I desire to submit a few remarks in reply. The Senator from Montana denounces the banking policies of many bankers of the country.

The Senator from Montana said that a Montana banker recently called at his office, that he was an honest high-minded banker, but he had been induced by New York bankers to invest the bank's money in bonds, which later proved to be practically worthless, and that as a result the bank failed. His bank failed, not because he stole the bank's money, but because he did not have judgment enough to prevent somebody in New York from selling him a lot of fake bonds.

The situation so far as that community is concerned is just as bad as if the banker had stolen the money and gone to Canada, which is not far from Montana. [Laughter.] But, Mr. President, the fact is that the bank was wrecked. The bank is insolvent. The depositors have lost their money. We are trying to legislate here to protect the public, not the banks. No one is concerned with the banks. I did own stock in 2 or 3 but they have busted. [Laughter.]

The PRESIDING OFFICER. The Chair must admonish the occupants of the gallery that they are present by courtesy of the Senate, and that demonstrations of approval or disapproval are not permitted.

Mr. CONNALLY. I am not concerned with aiding the banks, but I am concerned with making it possible for banks to do business. I am anxious that banks may function, not for their own sake, but for the people who have to have banks to help run their business and for the purpose of getting credit.

I deny the inference of the Senator from Montana that anyone is trying to destroy the Postal Savings System. My amendment does not destroy it. It preserves it. But it does provide that the Postal Savings bank shall not have an undue advantage, under the sanction of the Government, over the commercial banks.

Let us see what has happened. We provided that the Postal Savings banks could pay only 2 percent interest. That meant that the interest rate was less than commercial banks were paying. At that time commercial banks were paying 3 or 4 percent on deposits, so we provided by law that the Postal Savings banks could pay only 2 percent. We did not intend that they should be on a parity with private banks. We intended they should have some disadvantage because they were safe, because the Government was guaranteeing the deposits in the Postal Savings banks, and so we provided that their interest rate should be lower than that which depositors might receive from commercial banks. That is the fact.

Now it is proposed to reverse that policy. Now the bill proposes to provide that commercial banks shall pay no interest on demand deposits, but that we shall give the Postal Savings banks an advantage by permitting them to pay interest on deposits. The process has been reversed. We started out by giving the commercial banks an advantage over the Postal Savings banks. In consideration of the safety which goes with Postal Savings banks we were willing to let them get less interest. Now it is proposed, not only to give safety to the Postal Savings banks, but to pay them a premium, to drain the money out of the small communities and send it into the great money centers where the Postal Savings will ultimately find their way.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Texas [Mr. CONNALLY].

On a division, the amendment was rejected.

Mr. TYDINGS. Mr. President, since offering awhile ago the amendment, on page 50, line 4, inserting after the word "deposit" the words "upon which interest shall accrue", I have conferred with the legislative counsel; and, without having a chance to digest fully what he has prepared, I offer the amendment which I send to the desk, which purports to carry out the intention I formerly expressed when I had the floor.

The PRESIDING OFFICER. The Senator from Maryland offers an amendment, which will be stated.

The legislative clerk read as follows:

Any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, only on notice given 60 days in advance, and under such regulations as the Postmaster General may prescribe; but withdrawals of any part of such funds may be made upon demand, but no interest shall be paid on any funds so withdrawn.

Mr. LA FOLLETTE. Mr. President, may I ask the Senator where this amendment would come in?

Mr. TYDINGS. It would be in lieu of the language on page 50, line 3, after the word "following"—in lieu of the remainder of that paragraph.

Mr. President, from a reading of this amendment it seems to be all right, so I suggest that those who like its philosophy vote for it; and in case, upon reflection, it appears that any loophole has been left in it, the matter can be corrected in conference.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Maryland.

The amendment was agreed to.

Mr. McADOO. Mr. President, I suggest the following amendment, to be added at the end of the amendment just adopted, proposed by the Senator from Maryland:

Provided, That Postal Savings depositories may deposit funds in member banks on time, under regulations to be prescribed by the Postmaster General.

The PRESIDING OFFICER. Will the Senator reduce his amendment to writing and send it to the desk, so that it may be stated?

Mr. McADOO. I will do so, Mr. President.

Mr. TYDINGS. Mr. President, while we are waiting for that to be done, if the Senator will permit me, I have an amendment already drawn which I should like to have read.

The PRESIDING OFFICER. The Senator from Maryland offers a further amendment, which will be stated.

The legislative clerk read as follows:

SEC. 21. (a) Within 2 years after the enactment of this section every person, firm, association, business, trust, or other similar organization (which now operates on the basis of unlimited liability of its owners or members for all its obligations) engaged principally in the business of issuing, underwriting, selling, or distributing at wholesale, retail, or through syndicate participation stocks, bonds, debentures, notes, or other securities who is also engaged at the same time to any extent whatever in the business of receiving deposits subject to check, or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, shall elect as to whether or not the liability of such owners or members shall be limited as in the case of national banks to twice the capital invested in such business, or shall continue to operate with unlimited liability.

If the owners or members elect to limit their liability as aforesaid, they shall notify the Federal Reserve bank of the district in which such person, firm, association, business, trust, or other similar organization is located of such intention.

And in such event such notification shall be accompanied with a statement of the condition of said business, exhibiting in detail the reserves and liabilities, and such person, firm, association, business, trust, or other similar organization shall thereafter submit to periodical examination by the Comptroller of the Currency, or by the Federal Reserve bank of the district, and shall make and publish periodical reports of its condition, exhibiting in detail its reserves and liabilities; such examinations and reports to be made and published at the same time and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality; or

(b) If any person, firm, association, business, trust, or other similar organization, shall determine to continue the unlimited liability of such individuals, partners, and associates with relation to deposits and other obligations of the organization, it shall be allowed to continue business as heretofore; provided, however, such person, firm, association, business, trust, or other similar organization shall submit semiannually to the Federal Reserve bank of its district, a certificate from a certified public accountant (satisfactory to such Federal Reserve bank) that said accountant has examined the affairs of said organization during the preceding semiannual period, and that in the opinion of said certified public accountant (based on examinations, values, and tests similar to those conducted by the Comptroller of the Currency) the business is in a sound financial condition.

And it shall be unlawful for any person, firm, association, business, trust, or other similar organization which has not complied with the above provision to engage in any extent whatever in the business of receiving deposits subject to check, or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor.

Whoever shall willfully violate any of the provisions of this section shall, upon conviction, be fined not more than $5,000 or imprisoned not more than 5 years, or both, and any officer, director, employee, or agent of any person, firm, association, business, trust or other similar organization who knowingly participates in any such violation shall be punished by a like fine or imprisonment, or both.

Mr. TYDINGS. Mr. President, this is rather a long amendment, but the section with which it deals is likewise a long section; and those who are in favor of the bill will realize that, for the most part, it is in the exact verbiage of the present bill.

Here is the situation with which the Senate must deal:

At present, private banking houses can receive deposits. After this bill is enacted into law they cannot receive deposits unless they conform to certain requirements set forth in the bill.

In my own State I have in mind one particular banking house. It is a private concern; a partnership. The depositors in that bank not only have the worth of the firm's assets behind every deposit, but they have everything that every partner is worth back of the assets of the partnership, and the deposits as well, with which to make good.

To the extent that we curtail that liability, we make these deposits unsafe. These men, under this new act, can still receive deposits. There is no question about that. We will not stop them from receiving deposits, but we will limit still further their liability to those depositors, as the bill is now drawn, over that which they would have to stand for in a partnership.

What I have attempted to do here is, using the same period of time set forth in the bill—namely, 2 years—that they shall decide whether they want to form a banking association which will limit their liability, and then be subjected to the examination of the Comptroller, or whether they may still give to these depositors the security not only of the assets of their firm but of every bit of property which each one of them is worth as well. My amendment simply makes that kind of a concern give a greater degree of security for deposits than the same concern will give under the terms of the bill.

Mr. COUZENS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Michigan?

Mr. TYDINGS. I yield to the Senator.

Mr. COUZENS. I have been absent from the Chamber most of the day before the Banking and Currency Committee; and I was wondering whether this amendment requires any publicity with respect to the net worth of the partners.

Mr. TYDINGS. Yes, Mr. President; it requires inspection by the Government. It requires that they shall periodically submit to the Government a statement of their assets and liabilities in great detail, just as national banks do. What I am trying to point out—and I think in the confusion of this late hour I probably shall not be able to make it plain, but I should like to do so—is that under the bill as drawn a partnership will incorporate, but under the bill as I have proposed to amend it the partnership need not incorporate. If it does incorporate, it will be liable only to the extent of its incorporation. If it does not incorporate, it will be liable for all the firm's assets and all of the assets of every partner as well. It does not change at all the basic proposition of examination of these private banks.

Mr. BULKLEY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Ohio?

Mr. TYDINGS. Yes.

Mr. BULKLEY. I should like to have it made clear whether what the Senator is proposing is by way of substitution for section 21 of the bill.

Mr. TYDINGS. It is. I am only giving to the depositor in a private bank additional security for his deposit. Under the bill all the security he would have would be the corporate assets. Under this amendment he would have not only the corporate or firm assets but the property of every partner in the concern. Otherwise the bill is just the same. The supervision by the Government is there. The penalties for violation of the law are there as well. All that this amendment does is to make the partners of a private bank liable.

Mr. COUZENS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Maryland further yield to the Senator from Michigan?

Mr. TYDINGS. Yes; I yield.

Mr. COUZENS. In other words, the Senator wants to perpetuate the private-banking system.

Mr. TYDINGS. No; let me say that under this amendment the private bankers can still operate.

Mr. COUZENS. I mean the Senator wants to perpetuate the private bankers under regulation.

Mr. TYDINGS. No; I am not interested in that. If they are to be perpetuated, however, then I want all the liability they have thrown in to protect the depositor instead of just a part of it.

Under this measure as now presented to the Senate the private banker is liable only to the extent of the corporate assets.

Mr. COUZENS. But after he incorporates, he is not a private banker any longer, is he?

Mr. TYDINGS. Why, of course he is. The stock could be held by 3 or 4 or 5 or 6 or 8 or 10 men who make up the firm.

Mr. COUZENS. He would not be a private banker any more after he became incorporated.

Mr. TYDINGS. Certainly he would be. He could still incorporate under his own firm name.

Take the case of Morgan & Co. Morgan & Co. can come in under this bill and incorporate as J. P. Morgan. They can go ahead and divide up their stock among the 20 partners; and what will we have done? We will have limited the liability of that banking house to their corporate assets only, whereas we have the opportunity to extend the liability of those men not only to their corporate assets but to all the property which they own.

Mr. COUZENS. I appreciate the Senator's point of view; but I am still insisting that after J. P. Morgan & Co. incorporated, they would not be private bankers any more.

Mr. TYDINGS. That is a distinction which perhaps I did not understand when the Senator first made it. I am not interested in whether J. P. Morgan & Co. are private bankers or incorporated bankers. What I am attempting to bring to the attention of the Senate is that by the adoption of the provision as drawn, Morgan & Co., if it does incorporate, will escape a degree of responsibility to its people that it has no right to escape. What I want to do is to make every partner in Morgan & Co. responsible to the last dollar for any deposits the firm receives. Under this provision they will incorporate as J. P. Morgan & Co., and divide the stock between their 20 partners, and the stock they own will be the extent of their liability.

On the other hand, we can say that they can still operate as J. P. Morgan & Co., and in that case they will be liable to the assets of the last partners; but if they accept deposits then they must be under the supervision of the National Government.

That is all I am attempting to do. I hope I have made it clear.

I might say in passing that I doubt very much whether we have the authority, certainly within a State, to prohibit a private bank from accepting deposits. If I want to take $15 of my money and give it to some person for safekeeping, he becomes a private banker, and I do not know what authority we have to prevent that; but I am not discussing that question here. What I am discussing is that if we are going to permit firms like Morgan & Co. to accept deposits, and the law is held good, we should not cut down their liability by allowing them to incorporate, but should keep all of the liability of that partnership, and then they will still be under the same supervision as they would be if they incorporated.

Mr. BULKLEY. Mr. President, the substitution of this amendment for section 21 as drawn would materially change one of the most important principles in the bill. We have proposed to separate investment from commercial banking. Other sections of the bill bring to an end investment banking by commercial banks within a period of 2 years, as the bill was reported, and within a period of 1 year, pursuant to amendments which have been adopted on the floor today.

This amendment of the Senator from Maryland would strike out of the bill section 21, which prohibits—

> Any person, firm, corporation, association, business, trust, or other similar organization, engaged principally in the business of issuing, underwriting, selling, or distributing • • • stocks, bonds, debentures, notes—

And so forth, from engaging—

> At the same time to any extent whatever in the business of receiving deposits subject to check.

In other words, the bill as reported is an absolute prohibition against any organization, whether it be a corporation or an unlimited partnership, having as its principal business dealing in securities, from accepting any deposits whatever. It is vital to the principles of this bill that the amendment suggested should be defeated.

Mr. TYDINGS. Mr. President, I am not going over the same ground I have already covered, but perhaps I look at this matter a little differently from the way some other Senators look at it, in this respect. We had better be careful, if national banks are to be prevented—and I am thoroughly in accord with that—from financing private businesses, as is required at times, on long-time paper, and if the same is to apply to all of the private investment houses of the better class, not the bucket shops, but those of integrity, those with clean methods, those with 100 years' tradition back of them, like Alexander Brown & Sons, over in my section of the country, which have financed many of the major projects of this Government, helped to finance the Government when it needed money, financed some of our largest railroads when they were being constructed, men of the highest caliber; if we are to cut all of that business away from the national banks—and I am in favor of it, as I have said—we had better watch out how far we go in destroying the usefulness of bona fide, finely run and conducted private institutions. We may want that credit some day, and we may fix it so that credit will not be available.

In passing, I want to leave this thought with the Senate, although I dislike to drag the constitutional provision in, because that argument is always made, but under what stretch of imagination, under what phase of constitutional law, under what concept of Supreme Court decision can the Congress of the United States say to a private banker in Baltimore or Nebraska that he may not accept the deposit of a citizen of his own State?

I want to admonish the Senate that in my humble judgment, for whatever it may be worth, this provision will soon be challenged in the Supreme Court of the United States if it is enacted into law, and instead of doing what we could do now, namely, cover these banks in under the supervision and examination of the Federal Government, we are going to have no control over them, in my humble judgment, because section 21 is going to be held unconstitutional. There is not the slightest color of authority to prevent a private bank over in Maryland from accepting deposits from a citizen in that State.

Mr. GLASS. Mr. President, I am not a lawyer, and especially am I not a constitutional lawyer, but there is not only a substantial shadow of authority for this provision of the bill in law, and in constitutional law, but I will say to the Senator from Maryland that I have been supplied with a document, I would say without exaggeration at least an inch thick, which gave our committee opinion after opinion, of inferior, superior, supreme, Federal courts, in justification of the authority which we here try to assert. So much for the legal aspect of it.

As to the other suggestion, if we confine to their proper business activities these large private concerns whose principal business is that of dealing in investment securities, and so forth, and many of which unloaded millions of dollars of worthless investment securities upon the banks of this country, and deny them the right to conduct the deposit bank business at the same time, there will be no difficulty on the face of the globe in financing any business enterprise that needs to be financed at a profit in this country. Only the other day, in opening my remarks on this bank bill, I referred to the fact that, notwithstanding the protests which came to our Banking and Currency Committee, voicing the very thing now stated by the Senator from Maryland, the largest commercial bank in the world, I believe, the Chase National Bank, without waiting for the enactment of this

bill, but very likely prompted by the knowledge that it would be enacted, separated itself from its affiliate, and the very next day the New York papers recorded the fact that those who were chiefly active in the conduct of the affairs of that affiliate were proposing to immediately set up and investment banking house to do the very things that affiliate had been unlawfully doing ever since its establishment.

If there is money in the business, there need be no fear but that large investment houses will be set up in this country, just as they have been in all of the countries of continental Europe, and in England, to be conducted by experienced bankers rather than by blacksmiths and speculators. There will be no difficulty on earth in meeting that issue, and I concur most heartily with my colleague the Senator from Ohio in saying that this is a vital provision of the bill, and that it should not be amended as suggested by the Senator from Maryland.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Maryland [Mr. TYDINGS].

The amendment was rejected.

The PRESIDING OFFICER. The Senator from California [Mr. MCADOO] has proposed an amendment, which the clerk will report.

The LEGISLATIVE CLERK. The Senator from California proposes the following amendment, to be inserted after the amendment adopted on page 50, line 3:

Provided, That Postal Savings depositories may deposit funds in member banks on time under regulations to be prescribed by the Postmaster General.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from California [Mr. MCADOO].

The amendment was agreed to.

Mr. GLASS. Mr. President, responsive to the inquiry of the Senator from Montana [Mr. WHEELER], to make sure that no existing State bank with a capitalization of as much as $25,000 may be precluded from becoming a member of the Federal Reserve banking system, and coming under the insurance of deposits provision of the bill, I propose, on page 59, at the end of line 7, to insert this proviso, which was prepared by the drafting bureau of the Senate:

Provided, That this paragraph shall not apply to State banks and trust companies organized prior to the date this paragraph as amended takes effect and having a capital of not less than $25,000.

I hope the amendment will be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia.

The amendment was agreed to.

Mr. BULKLEY. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER. The Senator from Ohio offers an amendment, which the clerk will report.

The CHIEF CLERK. On page 67, lines 11 and 12, to strike out the word "principally", so as to read:

(1) For any person, firm, corporation, association, business, trust, or other similar organization engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or.

Mr. BULKLEY. Mr. President, this amendment relates to the same section we have been discussing. It has become apparent that at least some of the great investment houses are engaged in so many forms of business that there is some doubt as to whether the investment business is the principal one. Therefore this word must be eliminated in order to make sure that we will accomplish a separation of the investment and deposit banking.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Ohio [Mr. BULKLEY].

The amendment was agreed to.

Mr. NYE. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. Beginning with line 18, on page 46, the Senator from North Dakota moves to strike out all down to and including line 7 on page 47.

Mr. NYE. Mr. President, the Senate committee amendment, which would be stricken from the bill, is one relating to section 13 of the Federal Reserve Act, which grants certain powers and rights to certain banks affiliated with the Federal Reserve System.

Mr. NORRIS. Mr. President, as I understand it, the Senator's amendment simply undertakes to strike out an amendment proposed by the committee.

Mr. NYE. That is correct.

Mr. NORRIS. I submit that the only way for the Senator to accomplish that would be to persuade the Senate to vote against the adoption of the committee amendment.

Mr. NYE. Mr. President, I understand that all the committee amendments have been adopted.

The PRESIDING OFFICER. The Chair is informed by the clerk that the committee amendment to which the Senator has reference has already been agreed to.

Mr. NORRIS. Mr. President, it would be out of order, of course, to move to strike out an amendment already agreed to.

The PRESIDING OFFICER. If the Senator will make a point of order, the Chair will sustain it.

Mr. NYE. Then I move, Mr. President, to reconsider the vote by which the committee amendment was agreed to.

Mr. GLASS. Mr. President——

Mr. NYE. I will say to the Senator that the purpose of my amendment is merely to restore to the banks affiliated with the Federal Reserve System the right they now have, which they would lose under the committee amendment, to write fire insurance and other insurance.

Mr. GLASS. I may say to the Senator that the committee had a tremendous amount of correspondence on the subject of prohibiting national banks from engaging in the insurance business, and this section of the bill prohibits them from engaging in the insurance business.

Mr. NYE. Mr. President, has consent been given to reconsider the action adopting the committee amendment?

The PRESIDING OFFICER. There is pending a motion to reconsider, but it has not been put. Does the Senator desire the motion put?

Mr. NYE. I desire it put.

The PRESIDING OFFICER. The Senator from North Dakota moves to reconsider the vote by which the committee amendment was adopted.

The motion was rejected.

Mr. BULKLEY. I offer an amendment to correct a typographical error in the bill that has been called to my attention.

The PRESIDING OFFICER. The amendment proposed by the Senator from Ohio will be stated.

The CHIEF CLERK. On page 31, line 23, it is proposed to strike out the figures "5158" and to insert "5138."

The PRESIDING OFFICER. The question is on the amendment of the Senator from Ohio.

The amendment was agreed to.

Mr. BARBOUR. Mr. President, I should like to address a brief question, if I may, to the Senator from Virginia [Mr. GLASS]. I refer to page 80, section 31. There seems to be a difference of opinion between certain attorneys in relation to the punctuation of that section, and they suggest that on line 15 the semicolon should be changed to a comma, and on line 19 the comma should be changed to a semicolon, for the reason that the clause in lines 19 and 20, without that change, apparently would only refer to the part of the section beginning in line 15 and not to the first part of the section. It is a small matter, and I think it has been explained to the Senator from Virginia.

Mr. GLASS. I may say to the Senator that I have no objection to the alteration suggested, except, in my judg-

ment, it is a bad alteration. People differ as to punctuation, and I think the punctuation as now revealed in the bill is the correct punctuation. I never heard of a comma being before a conjunction in a well-ordered writing, but I have heard of a semicolon being there.

Mr. BARBOUR. Would the Senator say, then, that the clause I mentioned which reads "unless in any such case there is a permit therefor issued by the Federal Reserve Board;" refers not only up to line 15 but on up to the beginning of the section? If the Senator does, I am perfectly willing to let the matter drop.

Mr. GLASS. I am perfectly willing to alter the punctuation as suggested by the Senator. I do not think it is material, one way or the other.

Mr. BULKLEY. Mr. President, it seems to me it makes quite a difference in the meaning of the section.

Mr. GLASS. In what respect?

Mr. BULKLEY. In line 19 there is a provision for a permit, and if the semicolon remains in line 15 it will probably be interpreted that the provision with respect to the permit should only go back so far as the clause beginning in line 15. With the change suggested by the Senator from New Jersey, the permit might be issued to cover the matter which is prohibited in the provision from lines 8 to 15 of the section.

Mr. BARBOUR. That is exactly the point I want to bring out. I thought that it was intended it should be applied to the whole section.

Mr. BULKLEY. I do not so understand it; and I did not want the Senator from Virginia to be under the misapprehension that it does not change the meaning.

Mr. BARBOUR. Neither do I.

Mr. GLASS. I do not think it does with the assurances given.

Mr. BULKLEY. The Senator from New Jersey suggests a modification so that the meaning shall be changed.

Mr. GLASS. I do not want to change the meaning, do you?

Mr. BULKLEY. I have thought that the paragraph was correctly punctuated as it is.

Mr. GLASS. I think it is now correctly punctuated, and I hope the Senator will not insist upon his amendment. When we get into conference if anybody wants to change the punctuation point there will be no trouble about doing it.

Mr. BULKLEY. Unless the House language in this respect is not changed.

Mr. GLASS. The House bill does not contain that provision.

The PRESIDING OFFICER. Are there further amendments?

Mr. KEYES. I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 79, line 17, after the words "or other member of", it is proposed to strike out "such governing body" and insert "the governing body of a national banking association, State bank, or trust company, which has a paid-in and unimpaired capital in excess of $50,000."

Mr. KEYES. Mr. President, I am prompted to offer that amendment——

Mr. GLASS. I have no objection, at all, to the amendment.

Mr. KEYES. Very well.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from New Hampshire.

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment, the question is on the engrossment and third reading of the bill.

Mr. GLASS. Mr. President, I suppose this is the point at which I should ask the Chair to lay before the Senate House bill 5661, in order that I may move that the Senate proceed to its consideration and then substitute the Senate bill for it.

The PRESIDING OFFICER laid before the Senate the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which was read twice by its title.

Mr. GLASS. I move that the Senate proceed to the consideration of the House bill.

The motion was agreed to; and the Senate proceeded to consider House bill 5661.

Mr. GLASS. I move to strike out all after the enacting clause of the House bill and to insert the Senate bill as agreed to today.

The PRESIDING OFFICER. The question is on the motion of the Senator from Virginia.

Mr. HEBERT. Mr. President, I wish to be heard for a few moments before the bill is finally passed, if it is going to be, and I assume that it will be.

Mr. President, with certain features of this measure I am in accord; I believe that for the most part it has a great deal of merit and will commend itself to the consideration of the Members of the Senate; but I cannot see my way clear to support that provision of the bill which would guarantee bank deposits. My investigation of that subject leads me to the conclusion that wherever that has been tried it has been a failure.

I find there have been guaranty deposit laws in eight States. The first of those was enacted in the State of Oklahoma in 1908. It continued to operate until 1922, and when it was repealed there was a deficit; in other words, there were bank deposits lost to the depositors in the sum of $3,350,000 which were never repaid.

The next State to enact such a law was the State of Nebraska. That law was enacted in 1911 and repealed in 1930. At the time of its repeal there were unpaid deposits in failed banks aggregating somewhere in the neighborhood of $20,000,000.

Next came the State of Mississippi, which enacted a guaranty deposit law in 1915. That law was repealed in 1930, with a deficit at that time of $1,941,000.

Then in 1916 the State of South Dakota enacted a guaranty deposit law, which was repealed in 1930. At that time there was a deficit of $36,769,000, which was never paid to the depositors.

Next came North Dakota, which enacted a deposit guaranty law in 1917 and repealed it in 1929, with a deficit of $12,000,000.

Then Kansas in 1909 enacted such a law which continued in force for some 20 years, although that law was voluntary in its operation. It was repealed in 1929, leaving a deficit of $15,000,000.

Texas enacted such a law in 1910, which was repealed in 1927, leaving a deficit of $1,400,000.

Mr. CONNALLY. Mr. President, will the Senator from Rhode Island yield right there?

The PRESIDING OFFICER. Does the Senator from Rhode Island yield to the Senator from Texas?

Mr. HEBERT. Certainly, I yield.

Mr. CONNALLY. The Senator makes reference to the operation of the guaranty deposit law in Texas. It is true that my State abandoned the system, but it was not a failure in the sense that there were losses. Only recently I read that quite a large sum of money, running into more than a million dollars in that fund, was redistributed and paid back to the banks which had originally contributed to the fund. It was not a failure, in that the banks suffered any great losses. It is true that the banks paid in from time to time assessments, and a fund was accumulated, and, of course, there were losses out of that fund because of the payment of guaranteed deposits in banks which had failed; but I do not think the Senator can justly say that there was any substantial loss so far as the total operations of the system were concerned.

Of course, there will be losses whenever any bank fails; there will be losses under this bill if we consider the moneys which will be paid out in guaranteeing deposits; but in my State I do not think it can be said that the system was a failure. The State simply changed its policy and abandoned the system because there was so much pressure from the banks that had been contributing money and had never failed and had gotten no compensatory benefit from the law.

Mr. HEBERT. Mr. President, let me read, for the information of the Senate, from the report of a careful investigation of the operation of the law in Texas. Under the head of Bank Failures Under the Guaranty, this report goes on to say this:

However, in the 6-year period, 1920–25, about 150 guaranty-fund banks failed. Of these, 52 were reorganized without loss to the fund. Under the Texas plan no certificates were issued to the depositors, but when a bank was taken over by the banking department and liquidation begun, depositors were paid until its available cash was exhausted, then the guaranty fund was drawn upon, and as it became depleted assessments were collected from the banks up to 2 percent in a year of their average daily deposits. By this process about $19,000,000 was pumped out of member banks in 1920–25; final liquidation of the closed banks returned about $4,000,000 to them, leaving their net losses at $15,000,000.

Mr. CONNALLY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Rhode Island yield further to the Senator from Texas?

Mr. HEBERT. I yield.

Mr. CONNALLY. What the Senator from Rhode Island has read may be true, but the point I wish to make is that every depositor in a closed bank was paid; he got his deposit back. Of course, the money had to come from the other banks, and there were losses in that way.

Mr. HEBERT. Mr. President, so much for the record in those States where a guaranty deposit law has been in force.

I wish now to quote from the same report to which I have already referred, the Lessons of Experience, as follows:

These lessons of experience appear to demonstrate conclusively that in practice the guaranty-of-deposits plan generally tended to induce an unsound expansion in the number of banks and the volume of bank deposits under its supposed protection. This was clearly connected with the indiscriminate popular confidence created toward the banks under the guaranty. Unneeded, undersized, and unsound banks, as well as unqualified bank operators, were enabled to command public patronage because of the belief that the banks in the State system were guaranteed by the State and therefore the depositor could not lose.

The rate of bank failures was greater among guaranteed banks than among nonguaranteed banks doing business side by side with them. This produced a higher rate of loss than the guaranty funds, set up by assessments against member banks, were calculated to meet and resulted in the insolvency of the funds, their financial break-downs and larger deficits in unpayable claims in the hands of disappointed depositors.

The report goes on further to say:

The causes of insecurity of bank deposits are found for the most part in economic conditions and banking practices that can be identified. The logical procedure is to aim at prevention of these causes so far as possible and at fortifying the banks by good banking against adverse circumstances so as to avoid failures.

Mr. President, I am justly proud of the fact that in the State which I have the honor in part to represent there has not been a single bank failure during the entire depression. That may be due to many causes, but I venture the assertion that the basic cause is good management and good banking. I cannot believe that it is due altogether to careful supervision. I have known something about State supervision of financial institutions, the supervision of various classes of institutions by the State government, and I know from my experience that the well-being of those institutions has been due more especially to the character of the management behind them than to the supervision to which they have been subjected.

I can see no merit in the proposal to provide this guaranty for bank deposits. On the other hand, to my mind it is going to penalize the well-managed banks to take care of those where there is careless management, and surely that cannot be justified by any argument.

I repeat, in the main I am not opposed to the bank bill. I would vote for the remaining provisions of it were it not for the inclusion within it of the provision for a guaranty of bank deposits. I felt I should make this statement in explanation of my attitude toward the measure.

The PRESIDING OFFICER. The question is on the motion of the Senator from Virginia to substitute the text of the Senate bill for the text of the House bill.

The motion was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. GLASS. Mr. President, I move that the Senate insist upon its amendment, ask for a conference with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GLASS, Mr. BULKLEY, Mr. MCADOO, Mr. WALCOTT, and Mr. TOWNSEND conferees on the part of the Senate.

Mr. GLASS. I move that Senate bill 1631 be indefinitely postponed.

The motion was agreed to.

LEGISLATIVE INVESTIGATIONS—ADDRESS BY SENATOR NYE

Mr. NORRIS. Mr. President, on the 23d day of May there was delivered a short radio address by the Senator from North Dakota [Mr. NYE] upon the subject of "Legislative Investigations." I ask unanimous consent to have the address printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The sponsors of this program are undertaking to carry to the radio audience of America knowledge concerning the relationship between you and your Government on the subject of "Legislative Investigations." I am sure that Professor Rogers, with whom I share place on this program tonight, rather easily enters upon this task with a contribution that is truly educational. He has been permitted to stand back and view broadly the merits of investigations. As for myself, I at moments doubt my ability to discuss the subject from an educational standpoint. I fear I have been too close to many of these investigations to permit an unprejudiced view. During my 8 years in the Senate I have participated in more investigations than one can possibly desire, if it can be said that one could desire a hand in any one investigation. My experience has given me two prejudices. One is that occasioned by the responsibility which accompanies the conduct of an investigation. The other prejudice is caused by my deep conviction that legislative investigations are essential, important, and highly productive of results beneficial to the people of the United States and to the perpetuity of whatever may now remain of a government of, by, and for the people. I shall strive, however, to prevent these prejudices standing in the way of my making some little contribution to the splendid purpose of the Council on Radio in Education.

There is wide belief that members of legislative bodies seek and welcome assignment to investigating committees and that they move for investigations only because they afford opportunity for personal publicity. But I have yet to meet the Member of Congress who has enjoyed the tremendous responsibility accompanying appointment to such a committee. The public can have only a faint notion of the labor, grief, and personal sacrifice assumed by those who draw these investigation responsibilities. The conduct of an investigation involves the necessity of most serious decisions, decisions which might easily be so unfair as to gravely injure innocent parties.

I might, were the time available, picture some of the trials which fall upon a committee and show how difficult it is to choose paths that are fair without inviting bitter criticism from those who by the thousands offer suggestions, tips, and demands concerning the manner in which the investigation should be conducted. There is little balm or glory for those who find themselves charged with the duty of conducting a legislative investigation. If there is any satisfaction for legislators thus charged it lies only in the final accomplishment of facts in the face of a world of obstacles. Men accept service upon these committees quite alone because they see a worthy purpose to be served by the investigations and because someone must serve upon them if the whole duty of a legislative body is to be done. So I say that it is most unfair to charge that legislative investigations are for the purpose of affording glory or publicity for legislators. There are many easier ways of winning that publicity.

Are legislative investigations costly, wasteful, and productive of no worthy return or results, as is so often charged? I insist that on the whole they are anything but that. I expect there is some waste of the moneys made available for the conduct of investigations, just as there is waste in courts and in industry generally, but the waste is not wanton. No matter how much waste may be involved I am sure it can be easily demonstrated

that the actual dollar-and-cents gains resulting from investigations easily outweigh the costs.

Investigations have become a most important duty of legislative bodies under our form of government. Through no other method would it have been possible to accomplish ends so worth while as were won in the Daugherty, the Teapot Dome, the Continental Trading Co. investigations, in the campaigns investigations, in the securities and banking investigations, and in other investigations with which listeners are acquainted. Will the cost of these investigations, which did not amount to as much as a million dollars, be a thing to stand out in importance above the information gained through them, the penalties inflicted upon wrongdoers, and the prevention of the purchase of places in legislative halls? I am sure none, knowing the facts, would permit such a choice and view to long exist in their own minds.

The argument in support of investigations should not be placed upon a mercenary ground. Investigations are essentially a function of the legislative arm of the Government and its cost is part and parcel of the cost of legislative action. One might as well argue that it is a waste of money to retain a democratic form of government and that great savings could be made by the dismissal of Congress from any part in our Government. But if there be desire to weigh the cost in the consideration of the merit of investigations, let us briefly consider the subject from that wholly mercenary standpoint.

It was not long ago that a leading figure in American political life protested strongly against the wastefulness of investigations. He pointed out that in the past 16 or 20 years the Senate had spent $1,383,000 for investigations. He was a man of honest convictions and his demand for economies of this kind thoroughly sincere. His failing in this case was his blindness to the actual dollars recovered and paid into the United States Treasury by men who and corporations which the investigations revealed were cheating the Government. One investigation which I shall recite brought into the Federal Treasury many times the amount that was expended in the conduct of it. I refer to the Continental Trading Co. investigation, an aftermath of the Teapot Dome study. It was my lot to be chairman of the committee in question and to work with the late Senator Thomas Walsh, of Montana, in prosecuting that investigation, which involved the transactions and shady profits of the oil men—Sinclair, Stewart, O'Niel, and Blackmer. As a result of that one investigation the United States Treasury has successfully prosecuted actions to cause the payment of taxes evaded by these men and others in the amount of $7,027,689.09. Further actions within the last year may have materially increased that total. The cost of the investigation was approximately $30,000. It seems to me that the sums spent in prosecution of that investigation represent a reasonably fair investment from the standpoint of the Government. Consider with this the millions of dollars that were recovered by the Government as well as the vast and valuable resources worth hundreds of millions returned to the Government as a result of the naval oil lease investigations, and there must be agreement that these two investigations have been sufficiently profitable to pay for all the investigations conducted by the Houses of Congress during our lifetime as a nation.

So much for the cost end of any argument concerning the value of legislative investigations. What are the more material returns, if any? I answer they are many.

Who would have Harry M. Daugherty, formerly Attorney General of the United States, still enjoying the confidence of the people, as he would be doing but for a legislative investigation fearlessly prosecuted?

Who is there who wishes that Albert B. Fall, former Secretary of the Interior, was still in a commanding and influential position and exercising a voice in our democracy, as he would be doing but for the searching rays of an investigation played upon him and his betrayal of his trust?

Who is there desiring that Samuel Insull might continue to wield that influence which enabled him to lose the fortunes and savings of thousands of trusting investors; and who of all Americans would have the facts concerning Halsey Stewart & Co., as revealed by investigation, covered up so that the public might never have reason to know that this great firm participated in practices intended to defraud those who looked to it as an adviser?

Who would put back in important and responsible posts where they would enjoy continued public confidence bankers like Harriman and Mitchell, who betrayed public confidence and contributed, they and their kind, to the terrible economic downfall which has brought such suffering to America as exists today?

Who would have legislative bodies, presumed to be representative, close their eyes to corrupt practices resorted to in winning election to those legislative bodies rather than insist, as those legislative bodies have, upon careful watching of the conduct of these election campaigns?

Who is there with such wishes and desires? Answer that and you name the men or the interests which would, if they could, turn every wheel of the peoples' Government into a piece of machinery to function for their own selfish interests and to the continued looting of the American people.

Out of practically every investigation there comes legislation improving the security of the Government and the people against selfishness and greed. It is often said that the same results could be obtained through regular prosecution in the courts of the land. Such a conclusion is not mindful of the fact that there can be no prosecution without facts. It ought also be said that a legislative investigation has access to facts which courts cannot hope to gain under the rules of evidence which prevail. A legislative investigation can ask and require answers to questions which the rules of courts would not countenance. Without prejudice, but with that power, the legislator can gain knowledge upon which to base legislation and conclusions which contribute to the safeguarding of government and people.

Investigations serve a most healthy purpose in that they prevent many practices and serve as a caution against practices which might be considered proper and customary but for the development of a conscience by the existence of an investigating committee. In these days of overgrown corporations when the rule is "get all you can while the getting is good", occasional strokes by an investigating committee serve a splendid purpose.

In 1872 Judge Poland, of Vermont, chairman of a special committee of Congress appointed to investigate charges of corruption, said in his report:

"This country is fast becoming filled with gigantic corporations wielding and controlling immense aggregations of money and thereby commanding great influence and power."

Forty years later Woodrow Wilson said:

"We have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world—no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of small groups of dominant men. The Government of the United States at present is a foster child of the special interests. Our Government has been for the last few years under the control of the heads of great allied corporations with special interests. It is not allowed to have a will of its own. The trusts are our masters now."

With economic and political influence coming into such concentrated control it is of greatest importance that legislative bodies be on closest guard against encroachment which further threatens a free government. Honest investigations, prosecuted by legislators determined to reach and develop the facts, and by legislators who in their work can and will abandon partisanship, are of greatest value to the Government and its people. They afford necessary knowledge basic to helpful legislation. They educate people to practices unfriendly to their best interests. They throw fear into men and interests who would by any means at their command move governments to selfish purposes. They command respect for government and for law. They tend to make government cleaner and more responsive to public needs and interests. We should have not less, but more legislative investigations.

EMERGENCY RELIEF OF RAILROADS

Mr. DILL. Mr. President, I move that the Senate proceed to the consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Interstate Commerce with amendments.

Mr. BLACK. Mr. President, I send to the desk an amendment which I intend to offer to the railroad bill and ask that it may be printed and lie on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

ABOLITION OF BOARD OF INDIAN COMMISSIONERS (H.DOC. NO. 57)

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read, and, with the accompanying Executive order, referred to the Committee on Indian Affairs, as follows:

To the Congress:

Pursuant to the provisions of section 1, title III, of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, I am transmitting herewith an Executive order abolishing the Board of Indian Commissioners.

There is no necessity for the continuance of this Board, and its abolition will be in the interests of economy.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *May 25, 1933.*

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the enrolled bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and it was signed by the Vice President.

EXECUTIVE SESSION

Mr. KENDRICK. I move that the Senate proceed to the consideration of executive business.

Mr. McNARY. Mr. President, there is a contest over a nominee on the calendar; and on account of the lateness of the hour I suggest to the eminent Senator from Wyoming that we recess until 12 o'clock noon tomorrow.

Mr. HARRISON. Mr. President, does the Senator from Oregon object to an executive session?

Mr. McNARY. We were engaged a few days ago in a contest which will carry us now until a later hour. Inasmuch as it is nearly half past 5 now——

Mr. HARRISON. The Senator would have no objection to having the Chair lay down a message from the President which relates to certain nominations? That is the only object of the executive session, as I understand.

Mr. DILL. Mr. President, there is also a question of notification of the President of the confirmation of Mr. Ewin Lamar Davis as Federal Trade Commissioner. The nomination was confirmed the other day, and we are anxious that the President may be notified.

Mr. McNARY. I have no objection to an executive session if we can get through with it promptly; but I do not want to stay beyond this late hour with the contest still brewing that we had here last week.

Mr. KENDRICK. I renew my motion that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. KING, from the Committee on Finance, reported favorably the nomination of John Walter Doyle, of Honolulu, Hawaii, to be collector of customs for customs collection district no. 32, with headquarters at Honolulu, Hawaii.

Mr. SMITH, from the Committee on Agriculture and Forestry, reported favorably the nomination of Arthur E. Morgan, of Ohio, to be a member of the Board of Directors of the Tennessee Valley Authority.

The PRESIDING OFFICER. The nominations will be placed on the calendar.

FEDERAL TRADE COMMISSIONER—NOTIFICATION TO THE PRESIDENT

Mr. DILL. Mr. President, at one of the recent executive sessions Mr. Ewin Lamar Davis was confirmed for Federal Trade Commissioner.

Mr. McKELLAR. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination.

Mr. McNARY. Mr. President, do I understand that he was confirmed at an executive session several days ago?

Mr. McKELLAR. Yes; and the request now is to notify the President.

Mr. McNARY. How many executive sessions have intervened?

Mr. McKELLAR. One only.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and the President will be notified.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

The PRESIDING OFFICER. The Calendar is in order.

The legislative clerk announced Executive C. (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, as first in order on the Calendar.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The treaty will be passed over.

THE ADJUTANT GENERAL

The legislative clerk read the nomination of James Fuller McKinley to be The Adjutant General in the Army.

Mr. TYDINGS. Mr. President, I am compelled to be away tomorrow afternoon, and also Saturday. While I shall not vote for the confirmation of General McKinley, and I do not want to pursue any tactics which are purely dilatory or blocking, yet unless the nomination can be disposed of this afternoon I should like very much not to have it considered while I am away.

Mr. McNARY. Mr. President, inasmuch as we were only in the midst of the consideration of this nomination last week, on account of the lateness of the hour now I should not want it to be considered at this time unless we can act upon it immediately.

Mr. TYDINGS. I ask that it go over until Monday.

Mr. BULKLEY. Mr. President, is it understood that notification of the President of the confirmation of the nomination of General Conley is to be withheld until the McKinley nomination is disposed of?

Mr. McKELLAR. I ask unanimous consent that the Senate vote on the McKinley nomination on Monday.

The PRESIDING OFFICER. The Senator from Tennessee asks unanimous consent that the Senate vote on the McKinley nomination on Monday next. Is there objection?

Mr. LONG. Mr. President, I do not want to interfere with my friend from Tennessee, but I hope he will withdraw the request.

Mr. McKELLAR. We have had the nomination up several times.

Mr. LONG. The matter is going to require considerable discussion. I myself expect to speak at length on the nomination, and I know that others intend to do likewise. I shall have to object.

The PRESIDING OFFICER. The Senator from Louisiana objects.

Mr. BULKLEY. Mr. President, there was some confusion in the Chamber. I did not understand whether the Chair said the nomination of General Conley is to be held here until the McKinley nomination is disposed of.

The PRESIDING OFFICER. The Chair is informed that a unanimous-consent agreement to that effect was entered into at a previous executive session.

Mr. TYDINGS. Mr. President, the Chair stated that a unanimous-consent agreement had been entered into with reference to the Conley nomination. I think that was slightly in error. My recollection is that the Senator from Ohio [Mr. BULKLEY] moved that the nomination of General Conley be held up until the McKinley nomination could be disposed of, and I did not object to it.

Mr. BULKLEY. My recollection is it was a unanimous-consent request.

The PRESIDING OFFICER. The Chair is informed that an order was entered to that effect. In any event, it has the same effect.

Mr. McNARY. The Chair has been properly advised on that subject. That is correct.

ASSISTANT SECRETARY OF THE TREASURY

The legislative clerk read the nomination of Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury.

Mr. HARRISON. Mr. President, let that go over until the next executive session.

The PRESIDING OFFICER. The nomination will be passed over.

That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. KENDRICK. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 30 minutes p.m.) the Senate took a recess until tomorrow, Friday, May 26, 1933, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 25 (legislative day of May 15), 1933

ASSISTANT SECRETARY OF THE TREASURY

Thomas Hewes, of Connecticut, to be Assistant Secretary of the Treasury, in place of James H. Douglas, Jr., resigned.

GENERAL COUNSEL FOR THE BUREAU OF INTERNAL REVENUE

E. Barrett Prettyman, of Maryland, to be General Counsel for the Bureau of Internal Revenue, in place of Clarence M. Charest, resigned.

COMMISSIONER OF EDUCATION

George F. Zook, of Ohio, to be Commissioner of Education, vice William John Cooper.

COLLECTORS OF CUSTOMS

James J. Connors, of Juneau, Alaska, to be collector of customs for customs collection district no. 31, with headquarters at Juneau, Alaska, in place of John C. McBride.

John Bright Hill, of North Carolina, to be collector of customs for customs collection district no. 15, with headquarters at Wilmington, N.C., in place of Mrs. Fannie Sutton Faison.

HOUSE OF REPRESENTATIVES

THURSDAY, MAY 25, 1933

The House met at 11 o'clock a.m.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Thou, who art the Creator and the Master of all life, we pause this moment at the altar of prayer and breathe the holy word—not unto us, not unto us, O Lord, but unto Thy excellent name be honor and glory, dominion and power, both now and ever. Here we wait in thanksgiving for the renewal of our strength. Gratefully mindful that we are Thine, do Thou put sacredness of duty upon all hearts, that we may ever frown upon all neglect as unworthy of our high calling. O free us from every fear save that of doing wrong. Be Thou that wise presence diffused in all our actions. By faith, love, and energy may we make our way toward the stature of the perfect man. Calm us when vexations distract and rebuke us, when scanty thoughts turn us from Thy matchless grace. We praise Thee that Thou art our God forever and ever and will be our guide even unto death. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate, having tried Harold Louderback, judge of the District Court of the United States for the Northern District of California, upon five several articles of impeachment exhibited against him by the House of Representatives, and two thirds of the Senators present not having found him guilty of the charges contained therein: It is therefore

Ordered and adjudged, That the said Harold Louderback be, and he is, acquitted of all the charges in said articles made and set forth.

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate nos. 2 and 14 to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

Mr. KVALE. Mr. Speaker, I make the point of order that there is not a quorum present.

The SPEAKER. The Chair will count.

Mr. KVALE. Mr. Speaker, I withdraw the point of order.

ACCEPTANCE AND TRANSFER OF CERTAIN LANDS IN SAN DIEGO, CALIF.

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 1767) to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States, and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That the Secretary of the Navy be, and he is hereby, authorized on behalf of the United States to accept from the city of San Diego, Calif., when said city has been duly authorized to make such transfer by the State of California, free from all encumbrances and without cost to the United States, all right, title, and interest in and to the lands contained within the following-described area: Beginning at the intersection of the prolongation of the northwesterly line of Bean Street with the United States bulkhead line as established in February 1912; thence southwesterly along the prolongation of the northwesterly line of Bean Street to the pierhead line as the same has been or may hereafter be established by the United States; thence, northwesterly and southwesterly along the said pierhead line to its intersection with the prolongation of the northeasterly line of Lowell Street; thence northwesterly along the prolongation of the northeasterly line of Lowell Street to the United States bulkhead line as established in February 1912; thence northeasterly, easterly, and southeasterly along the United States bulkhead line as established in February 1912, to the point of beginning containing approximately 242 acres; and also, all of block 16, municipal tide lands subdivision, tract no. 1; said lands being desired by the Navy Department for national defense and for use in connection with existing naval activities at San Diego, Calif.

The said Secretary of the Navy is also authorized hereby to transfer to the city of San Diego, Calif., free from all encumbrances and without cost to said city of San Diego, all right, title, and interest of the United States in and to the lands contained within that part of the Marine Corps base, San Diego, Calif., described as follows: Beginning at a point on the United States bulkhead line as established in February 1912, distant 300 feet northwesterly from station no. 104 on said bulkhead line; thence north 7° east a distance of 2,160 feet; thence north 60°34'59" west to an intersection with the prolongation of the northwesterly line of Bean Street; thence southwesterly along the prolongation of the northwesterly line of Bean Street to an intersection with the United States bulkhead line, as established in February 1912; thence south 83° east along said bulkhead line to the point of beginning, containing approximately 67 acres.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

AMERICAN-GROWN APPLES AND PEARS IN FOREIGN MARKETS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 4812) to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. BYRNS]?

Mr. BLANTON. Mr. Speaker, reserving the right to object, I objected the other day, but since then I have ascertained that the majority leader is strongly in favor of this measure and seems to think that it is an emergency matter, and ought to be passed. I want to be assured of one fact, however, and that is that there is no junket of any kind in this bill anywhere in the United States or in any foreign country. I intend to try to stop all junkets of every kind.

Mr. ROBERTSON. I can absolutely assure the gentleman of that.

The purpose of the bill is to promote the export of American apples and pears. During recent years the average export of pears was 1,650,584 bushels, and of apples 2,593,466 barrels and 8,937,149 boxes. During the past 2 years some 26 nations have imposed restrictions of one kind or another on American apples and pears by specifying the qualities

which may be imported during certain periods, increasing the rigidity of sanitary requirements and inspection, and through increased import duties. Those interested in this large export business desire to have these restrictions discussed at the Economic Conference to be held in London next month, and to place our Department of State in position to assure foreign nations that nothing except standard grades of fruit will hereafter be shipped. This bill was prepared by the International Apple Association, composed of the leading shippers, shippers' organizations, outstanding growers and exporters from coast to coast, and by the Eastern Apple Growers Council, a federation of 19 State horticultural societies east of the Missouri River.

It provides for an inspection of export apples and pears by the Department of Agriculture and requires that every shipment shall be accompanied by a certificate issued under authority of the Secretary of Agriculture showing that such apples and pears meet the requirements of the established United States grades or the requirements of the country to which shipped. The bill will not require an appropriation. Under section 5 of the bill, the Secretary of Agriculture shall cause to be collected a reasonable fee for inspecting and certifying the grade, quality, condition, and so forth, of the fruit shipped provided additional personnel should be required of the Department in carrying out the provisions of the bill. This fee, however, shall not in any event exceed the cost of the service rendered.

The Secretary of Agriculture in reporting on the bill—which has his hearty approval—stated:

It is believed that the bill as drawn presents no serious administrative difficulties, and that its enactment will have a wholesome influence on our export trade in apples and pears.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That it shall be unlawful for any person to ship or offer for shipment or for any common carrier to transport or receive for transportation to any foreign destination, except as provided in this act, any apples and/or pears in closed packages which are not accompanied by a certificate issued under authority of the Secretary of Agriculture showing that such apples or pears meet the requirements of that one of such United States grades as have been or may be established by the Secretary or State grades which may be designated by the Secretary as specifying the minimum quality of such fruits which may be shipped in export. The Secretary is authorized to prescribe, by regulations, the requirements, other than those of grade, which the fruit must meet before certificates are issued. No clearance shall be given to any vessel having on board any apples or pears which are not covered by a certificate complying with the provisions of this act.

SEC. 2. The Secretary shall give reasonable notice through one or more trade papers of the effective date of standards of export established or designated by him under this act: *Provided*, That any apples or pears may be certified and shipped for export in fulfillment of any contract made within 6 months prior to the date of such shipment if the terms of such contract were in accordance with the grades and regulations of the Secretary in effect at the time the contract was made.

SEC. 3. Where the government of the country to which the shipment is to be made has standards or requirements as to condition of apples or pears the Secretary may in addition to inspection and certification for compliance with the standards established or designated hereunder inspect and certify for determination as to compliance with the standards or requirements of such foreign government and may provide for special certificates in such cases.

SEC. 4. Apples or pears shipped in less than carload lots, as defined by the Secretary, may be shipped to countries in the Western Hemisphere without complying with the provisions of this act.

SEC. 5. For inspecting and certifying the grade, quality, and/or condition of apples and/or pears the Secretary shall cause to be collected a reasonable fee which shall as nearly as may be cover the cost of the service rendered: *Provided*, That when cooperative arrangements satisfactory to the Secretary, or his designated representative, for carrying out the purposes of this act cannot be made the fees collected hereunder in such cases shall be available until expended to defray the cost of the service rendered, and in such cases the limitations on the amounts expended for the purchase and maintenance of motor-propelled passenger-carrying vehicles shall not be applicable: *Provided further*, That certificates issued by the authorized agents of the United States Department of Agriculture shall be received in all courts of the United States as prima facie evidence of the truth of the statements therein contained.

SEC. 6. After opportunity for hearing the Secretary is authorized to refuse the issuance of certificates under this act for periods not exceeding 90 days to any person who ships or offers for shipment any apples and/or pears in foreign commerce in violation of any of the provisions of this act. Any person or any common carrier or any transportation agency violating any of the provisions of this act shall be fined not less than $100 nor more than $10,000 by a court of competent jurisdiction.

SEC. 7. The Secretary may make such rules, regulations, and orders as may be necessary to carry out the provisions of this act, and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person, whether operating in one or more jurisdictions; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law, and make such expenditures for rent outside the District of Columbia, printing, binding, telegrams, telephones, law books, books of reference, publications, furniture, stationery, office equipment, travel, and other supplies and expenses including reporting services, as shall be necessary to the administration of this act in the District of Columbia and elsewhere, and as may be appropriated for by Congress; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for such purpose. This act shall not abrogate nor nullify any other statute, whether State or Federal, dealing with the same subjects as this act; but it is intended that all such statutes shall remain in full force and effect except insofar as they are inconsistent herewith or repugnant hereto.

SEC. 8. If any provision of this act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the act and of the application of such provision to other persons and circumstances shall not be affected thereby.

SEC. 9. That when used in this act—

(1) The term "person" includes individuals, partnerships, corporations, and associations.

(2) The term "Secretary of Agriculture" means the Secretary of Agriculture of the United States.

(3) Except as provided herein, the term "foreign commerce" means commerce between any State, or the District of Columbia, and any place outside of the United States or its possessions.

With the following committee amendments:

Page 1, line 6, strike out the word "closed" before the word "packages."

Page 2, line 3, after the first three words "apples or pears", strike out the balance of line 3, all of lines 4, 5, 6, and through the word "export" in line 7 and substitute the following: "are of a Federal or State grade which meets the minimum of quality established by the Secretary for shipment in export."

Page 2, line 12, after the word "issued", insert the following new sentence: "The Secretary shall provide opportunity, by public hearing or otherwise, for interested persons to examine and make recommendation with respect to any standard of export proposed to be established or designated, or regulation prescribed, by the Secretary for the purpose of this act."

Page 3, lines 13 to 16, strike out section 4 and substitute the following:

"Apples or pears in less than carload lots as defined by the Secretary may, in his discretion, be shipped to any foreign country without complying with the provisions of this act."

Page 4, line 17, after the word "agency", insert the word "knowingly."

Page 5, line 12, after the word "Congress", strike out the balance of line 12, all of lines 13 and 14, and the word "purpose" in line 15.

Page 6, line 10, insert a new paragraph, as follows:

"(4) The term 'apples and/or pears' means fresh whole apples or pears whether or not they have been in storage."

The committee amendments were agreed to.

The bill, as amended, was ordered to be engrossed and read a third time, was read the third time, and passed. A motion to reconsider was laid on the table.

THE PRICE OF CEMENT

Mr. WALTER. Mr. Speaker, I ask permission to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WALTER. Mr. Speaker, within recent weeks there has occurred a renewed discussion of cement prices, which appears to have had its inception in a request made by the Secretary of the Interior that the Federal Trade Commission investigate cement bids for Illinois highway work.

In some quarters these discussions have led to the criticism that present cement prices are unduly high. It is to this criticism that I wish to address myself; first, on the ground that I believe such criticism unjust and uncalled for, and second, because I have the honor to represent a district in eastern Pennsylvania in which cement is one of the chief articles of production.

In eastern Pennsylvania alone the cement industry represents a capital investment of more than $120,000,000. In normal times it produced more than 40,000,000 barrels of cement, employed about 10,000 wage earners, purchased annually more than $40,000,000 in materials, and paid out approximately $16,000,000 in salaries and wages.

There is no necessity for me to recite the situation of cement workers and manufacturers in eastern Pennsylvania at present, except to say that they have felt the depression as severely as any class in the country.

I am cognizant of the difficulties against which these companies have been struggling for several years, not only against the depression but because of a disastrous 2-year price war which brought selling prices to the lowest point in more than 16 years.

To make the conditions worse, the cement companies in eastern Pennsylvania, and, in fact, all companies on both coasts which ship into seaboard areas, have been harassed by foreign competition which has at times demoralized coastal markets, especially where the importer had the advantage of depreciated currencies.

The best answer to the criticism that the price of cement is unreasonable or even high enough to pay more than production costs lies in the fact that every cement company in the country which publishes figures showed heavy losses for the year 1932, the loss ranging up to $2,000,000 for a single company.

It is precisely because of a comparison of present prices with those quoted at the height of the price war that the cement industry is under criticism today. In Illinois, for example, the price bid this year, including freight, averages $1.62. This may seem high in comparison with the $0.94 paid last year, when the price war was at its height, but it is lower than the State paid for cement prior to the price war and lower in fact than the State paid for cement in any of the 14 years it has bought cement except for the years 1931 and 1932, which were price-war years.

Governor Horner, of Illinois, has published the following figures, which bear out this contention:

	Per bbl.
1919	$2.04
1920	2.03
1921	2.04
1922	1.86
1923	2.06
1924	2.15
1925	2.15
1926	2.15
1927	2.20
1928	2.00
1929	1.98
1930	1.78
1931	1.29
1932	.94
1933 (bid price)	1.62
* * * * * * *	
Average, 1919–32, including price-war years of 1931 and 1932	$1.90
Average, 1919–30, excluding price-war years	2.04
Price bid 1933	1.62

As to the reasonableness of present prices, I am reliably informed by cement manufacturers that present prices will not cover costs and that they will lose money at present levels.

The meaning of these losses is clear to us all. They mean continued dearth of taxes to the Government, continued loss of dividends and interest, continued unemployment, continued reductions in salaries and wages, and a continued postponement of prosperity.

Another point upon which the cement industry has sometimes come in for criticism is the fact that at certain times and places its prices are uniform. Certain of my friends in the cement industry have consulted with me on this subject of uniform prices and they believe, and I believe, that the time has arrived to place on the public records an explanation of price uniformity in the cement industry, which that industry insists is not only justified but necessary in the conduct of its business.

The cement industry does not refer me to uniform price arguments in tobacco, in bread, in milk, in gasoline, or in many other basic industries, as a reason for its own selling methods, even though these are entirely pertinent. The cement industry, on the other hand, is ready, even insistent, on standing on its own feet and in proving that uniformity of prices promotes competition rather than stifles it.

When this very question was before the courts an eminent authority, Dr. Thomas S. Adams, professor of political economy at Yale University, stated:

> There is for all practical purposes a unanimity of opinion among economists that with a standardized commodity and conditions of effective competition there is the strongest tendency to uniform prices.

Later in this same case, in which uniformity and collusion in the making of prices were charged against the cement industry, the Supreme Court, in its decision upholding the industry, decreed in part:

> It is conceded that there is substantial uniformity of the price of cement. Variations of price of one manufacturer are usually followed by variations throughout the trade * * *. The fact is that any changes in the quotations of dealers promptly become well known in the trade through reports of salesmen, agents, and dealers of various manufacturers. It appears to be undisputed that there were frequent changes in price, and uniformity has resulted not from maintaining the price at fixed levels but in the prompt meeting of changes in price by competing sellers.
>
> The defendants (the cement industry) offered much evidence tending to show independence of judgment and action by large expenditures in competitive sales efforts and by variations in the volume of their production, shipments, earnings, and profits.
>
> A great volume of testimony was also given by distinguished economists in support of the thesis that in the case of a standardized product sold wholesale to fully informed professional buyers uniformity of price will inevitably result from active free and unrestrained competition and the Government in its brief (against the industry) concedes that "undoubtedly the price of cement would approach uniformity in a normal market in the absence of all combinations between manufacturers."

Since that decision of the Supreme Court was rendered there has developed within the cement industry a distinct tendency to lean backward in its dealings with the public. For years it has adopted the precept "let the seller beware" lest it again lay itself open to the charges of which it was held guiltless by the courts. In other words, its policy has been to avoid, at all costs, conflict with the Federal, State, and local Governments and the public; yet it is still faced with the necessity of adhering to uniform prices because of inflexible economic laws.

Cement is a highly standardized commodity, both as to quality and process of manufacture. Price is the determining factor. Most cement is sold to dealers and contractors who are necessarily professional buyers. Manufacturers' prices come into comparison with each other on almost every construction job of importance. This makes for keen and fully informed competition, and the delivered prices are necessarily uniform on any particular job or offering.

Such uniformity, however, is in the price quoted to the consumer at the time and not in the net return received by the manufacturers. Neither prices to consumers or net mill returns have been uniform at any one place over a period of years or in several places at the same time.

Cement is a cheap, heavy commodity; and because of the high freight rate the delivered price is usually the mill price of the plant nearest the job, plus the cost of transportation from mill to job. A simple illustration of how prices are arrived at is as follows:

A, B, and C are cement makers seeking business in Washington. A has a 30-cent freight rate, B a 35-cent rate, and C a 40-cent rate. This gives A a 5-cent advantage over B and a 10-cent advantage over C. A figures he can sell at $1.50 a barrel at his mill, so adds the 30 cents freight and quotes cement at $1.80 a barrel Washington. Then if B and C wish to do business in Washington B must absorb a 5 cents additional freight rate and C a 10-cent rate; that is, at his mill B will receive 5 cents less than A and C will receive 10 cents less. If their costs are the same as A's, their profits will necessarily be lower. Unless B and C can make the mill price sacrifices required by the market at Washington they must permit A to monopolize that market.

The cement industry asks only a chance to right itself in a rightful way. For years it has been buffeted; in 1926 the

Harding Department of Justice haled the industry before the courts, which culminated in a victory for its methods. Almost before it could readjust itself came the tariff bill, and again for 18 months the industry was uncertain as to whether Congress would decrease the steady flow of imports which were demoralizing its principal centers.

On the day the Hawley-Smoot bill was signed, giving cement a duty, the Senate passed a resolution citing the cement industry before the Tariff Commission to justify the duty which had only that day been granted it. In this case the Commission, after months of study, decided that the duty fixed by Congress was a just one.

In the meantime the Federal Trade Commission of its own volition had started an investigation on base prices in the cement industry—which comprised hundreds of pages with charts and graphs—and also went into uniform prices and kindred matters, and finally was printed.

But before the report was off the press, another Senate resolution was adopted by the Senate calling upon the Federal Trade Commission to investigate all phases of the cement industry, and this investigation is now being conducted. All these proceedings are a disturbance of the normal functions with which an industry naturally concerns itself; and the cement industry for one is ready to cry "enough" to Federal persecution and to ask for a measure of governmental assistance, or at least to be permitted to conduct its business without further badgering.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries.

NATIONAL INDUSTRIAL RECOVERY

Mr. POU. Mr. Speaker, I call up House Resolution 160 and ask its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 5755, a bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 6 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. POU. Mr. Speaker, I yield to the gentleman from Pennsylvania [Mr. RANSLEY] one half hour, to be used as he may see fit.

Mr. Speaker, I yield myself 10 minutes.

Mr. CARPENTER of Nebraska. Mr. Speaker, I make the point of order there is not a quorum present.

The SPEAKER. The Chair will count.

Mr. CARPENTER of Nebraska. Mr. Speaker, I withdraw the point of order.

Mr. POU. Mr. Speaker, this rule provides for 6 hours of general debate. It cuts off all amendments to the bill except amendments offered by the Committee on Ways and Means. Likewise it provides for waiving of all points of order against this bill.

It is a drastic rule. It is a closed rule. It is what I understand the President of the United States desires.

The bill which is brought before the House by the rule now being considered is the very capstone of the column which constitutes the program of recovery set up by the President of the United States. This session of Congress is a special session called by him for the purpose of presenting to the Congress a program of recovery, and this is the most important measure in that program of recovery.

Mr. Speaker, if this bill is opened to amendment, the Lord only knows what will happen; I do not. But I do know the bill represents a program of economic recovery and reemployment carefully worked out. If left open to amendment, the purpose of the President might be thwarted. Friends of the administration in charge of this measure do not wish the bill imperiled.

Mr. GLOVER. Mr. Speaker, will the gentleman yield?

Mr. POU. I wish the gentleman would let me complete my statement.

Mr. GLOVER. I merely wish to ask if the gentleman will tell us the nature of the amendments which will be proposed by the committee.

Mr. POU. The committee will do that.

So, Mr. Speaker, it amounts to this: Those gentlemen who sincerely desire to follow the President of the United States in his effort to bring this Nation out of the bottomless pit of hell in which we found ourselves will support this rule. It is up to you, whether you take it or leave it. That is all there is to it. I make no apology for it. [Applause.]

It is very true that under this bill—and I shall not attempt to discuss its merits—the President of the United States is made a dictator over industry for the time being, but it is a benign dictatorship; it is a dictatorship dedicated to the welfare of all the American people.

The President of the United States will light up no fires of hate. He would make no schisms; he would inspire no conflicts. Under the providence of God, this man is pursuing the humble pathway of service to all the American people. [Applause.] And if you are afraid to trust him in the administration of this bill, you will probably vote against the bill and against the rule; but for my part, I am proud to trust him and proud to follow him. [Applause.]

When I remember the condition of the country less than 3 months back, and when I observe the conditions which already exist, I am actually afraid not to go down the line to the end of the row and help this man in the White House carry out his complete program of recovery. [Applause.] At this moment he is not only the leader in the effort to bring about recovery in this Nation but he is the leader of the world. [Applause.] He is bringing back prosperity at home, and already he is the leader in a world-wide movement for world peace.

As I stand here I thank Almighty God that in the change and political revolution through which we have passed such a man has been placed in the chair of the Presidency of the United States.

I follow him gladly in his efforts by voting to put through this great measure which will put millions of people to work, which will do away with the obstacles in the way of economic recovery, and will complete the program of this man, every drop of whose blood is dedicated to the great, noble, unselfish task of serving all the American people. [Applause.]

Mr. Speaker, I reserve the balance of my time.

Mr. RANSLEY. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER. The gentleman is recognized for 5 minutes.

Mr. RANSLEY. Mr. Speaker, this is another closed rule. No amendment can be offered unless it is offered by the committee having the bill in charge.

To my mind the bill should have been divided into three separate bills under the headings of industrial, building, and tax. Title I of the bill, under the industrial recovery clause, has nothing whatever to do with the balance of the bill. It Russianizes the business of America. It makes orders from Washington final as to your business. There is no appeal, not even to the courts. It imposes penalties for disobedience of orders that will emanate from Washington. And still we call this the land of the free!

The building portion of the bill calls for the expenditure of $3,300,000,000, which will place an additional tax on the taxpayers of your country. It is unjust, and when one thinks in terms of economy it is to laugh in derision at such a term. The bill increases the normal income-tax rate to

6 percent on the first $4,000 and 10 percent on higher incomes. It increases the tax on gasoline and places a double tax on stock dividends. The numerous excise taxes are to be continued to July 1, 1935.

I believe the bill to be unconstitutional, but will leave that argument to one versed in the law.

I sincerely hope the Membership of this House will vote against the passage of the rule. [Applause.]

Mr. Speaker, I reserve the balance of my time.

Mr. POU. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. GREENWOOD].

Mr. GREENWOOD. Mr. Speaker, this is one of the series of rules that has been proposed for legislation that originates with the administration in these particularly critical times. As a member of the Rules Committee I am perfectly willing to acknowledge that the procedure that is used in passing these emergency measures in these critical times is not the ordinary procedure of this House or the procedure that would be desired by most of the men on my side of the aisle; but I cannot believe that the United States as a nation was ever confronted with as critical a situation, calling for action, and immediate action, with reference to our economic relief in taking care of unemployment and in taking care of the many problems that have confronted the Congress such as the one we have today. So these unusual rules are offered for the purpose of taking care of unusual situations.

The people of America on the 4th day of March looked to the new leadership for action, and for immediate action, and for one, I am trying to follow this leadership and to get action in these days of emergency as soon as possible.

We are not living under any dictatorship. There never was a President of the United States who was more willing to cooperate and confer with the Congress than the man who now sits in the White House. He does not assume to himself any powers of dictatorship that he is not willing to surrender at the earliest moment, and the Congress at any time can take back any unusual powers given to the President to take care of the emergency that now exists.

Mr. BROWN of Kentucky. Will the gentleman yield?

Mr. GREENWOOD. I would rather finish my statement at this time. The gentleman can get time later.

The Rules Committee is endeavoring to support their major legislative committees in these times. We are supporting the Banking and Currency Committee, the Ways and Means Committee, and any of the other committees bringing out these emergency measures in order to give them an opportunity to pass these measures and pass them speedily and get action as soon as possible; and the House has supported these unusual rules each time one of them has been submitted on these unusual measures, and as long as a majority of this House sustain the Rules Committee with such majorities as they have on these unusual rules, we will take it to be the policy of the House to continue such rules with respect to this class of legislation.

This is probably the most important bill that has come before this session of Congress or will come before it. Unemployment is the gravest problem and the greatest menace confronting our Nation today. I can conceive of no situation that is more critical than to have as large a proportion of our people unemployed as we have now in America. Nothing but war could be more critical, and there are even phases of our unemployment that destroy the morale of our people and bring us to a lower level even than warfare. So it is to solve this situation that a public-works measure, a bill to take care of the unemployed, is brought out under this particular kind of rule.

My colleague the gentleman from Pennsylvania [Mr. RANSLEY] spoke of this measure as one that has three distinct proposals. I cannot reach the conclusion that the gentleman does that these proposals are not coordinated in this one measure.

The second title provides for public works. Nothing is needed more in America than an opportunity to be employed, and the Government must lead the States and municipalities and the private corporations and lend every assistance to put every man and woman in employment in the next few months in order to save the industrial and economic situation of America. So title II provides for various projects.

Title III takes care of the taxation feature. We cannot expend a sum of $3,300,000,000, in the present situation of our Treasury, without making provision for additional taxes, and we could sit here for 3 weeks and discuss the most painless and the best methods of taxation and no two of us would probably reach the same conclusion.

The bill contains a specific allocation of $400,000,000 for highway construction. It has been the effort of both the States and the Federal Government that at least a portion of the money spent for highways shall be raised by gasoline taxes. This would be sufficient reason for putting this item in the bill.

Cash dividends of domestic corporations are also to be taxed. I have always been one who believed that this class of earnings should be taxed the same as other income is taxed.

Mr. ARNOLD. Will the gentleman yield?

Mr. GREENWOOD. I would rather finish my statement at this time.

So I believe it is just to tax the cash dividends of domestic corporations because it makes a new basis of earning power for those who receive them, and these same corporations that many times have cut large melons have not laid aside any reserve whatever to take care of unemployment and labor when times of distress arrive. The inventions with respect to machinery have been capitalized and have displaced man power and increased the earning power of corporations, and yet labor has not shared in any of the advantages of the increased earning power as a result of inventions of machinery; and when a depression like this comes, the first to suffer are the wage earners with no reserves set up to hold them on the pay rolls. I believe in creating such reserves and in imposing taxation on earnings of whatever character, whether paid in cash or paid as cash dividends.

Mr. MAY. Will the gentleman yield?

Mr. GREENWOOD. I should like to finish my statement, if the gentleman please. The gentleman can get his own time to answer these arguments.

As to title I, which is to take care of the industrial situation with codes of ethics for various industries, is one that is fair. I know of several industries where there has been a uniform agreement as to wages and working conditions, but one or two rebellious companies have destroyed just compensation in that field because they would not conform to a fair code of ethics.

I know the coal industry and the limestone industry in my district. Three or four companies persist in unfair practices and in not paying the prevailing wage. We are living in a new day. I know you can go back, and from the standpoint of constitutionality and individualism, say that this is revolutionary, but I say to you that the new day is going to be different from the old day. We may as well make up our minds that we are going through a transition period that will give the laboring man a fair opportunity to be sure of his security if unemployment arises in times of distress; that earnings will be distributed upon a basis of fairness between capital and labor.

I am willing that the Supreme Court should say whether the regulations of industry and individuals in these particulars of trade practices are constitutional.

[Here the gavel fell.]

Mr. POU. Mr. Speaker, I ask unanimous consent that the time on the rule be extended 20 minutes, one half to be controlled by myself and one half by the gentleman from Pennsylvania. This is satisfactory to the gentleman from Pennsylvania.

The SPEAKER pro tempore (Mr. CULLEN). Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. RANSLEY. Mr. Speaker, I yield 7 minutes to the gentleman from Massachusetts [Mr. MARTIN].

Mr. MARTIN of Massachusetts. Mr. Speaker, no one can be more sympathetic with the purpose of this legislation than I. My sole regret is that the leadership of the House should bring this legislation to us in such a form we cannot eliminate some of the evils, because I think every Member of the House is anxious to contribute his full share toward business recovery.

Coming as I do from one of the greatest and most varied industrial districts of the country, I am in complete sympathy with the movement for uniformity of labor laws; with conditions which mean higher wages and better living conditions. I want to eliminate cutthroat competition and see legitimate business have an opportunity to thrive in this country; because if it does thrive, it will be able to improve conditions and solve this depression. I regret this bill is not more specific, that it does not give us more details as to operation.

There is nothing definite as to what will be done. We are expected to take it all in good faith. In other words, we are asked to sail an unknown sea, without chart or compass, and without knowledge of the navigator who is to steer us.

The Chairman of the Rules Committee said we must accept the legislation in good faith. I have faith in the President of the United States, and I have demonstrated that in the past. My faith, however, is not so great today as it was several weeks ago, when I look at the way the economy bill is being administered. No Member of Congress ever dreamed regulations would be drafted which would cut a disabled veteran who suffered in the World War. No one that I know of wanted to cut a soldier injured in battle, or who suffered disability because of service for his country. No one expected a Spanish War veteran, 35 years after the war, to try to prove war-service disability. I hope for an early revision of these unfair regulations.

I question whether the best interests of the country warrant this huge expenditure for public works. We can never spend the country into prosperity. If we are excessive in this type of expenditure, we are likely to find the heavy burden placed on those forced to pay the bills will retard business fully as much as it stimulates it.

The veteran has had his pension cut. The never-overpaid Government employee has been forced to lower his standard of living. With this as the background, should we now spend hundreds of millions of dollars for questionable projects, some of which will demand constant maintenance charges and will add to the regular expenditures of the Government? I grant the need of some program, but I question the wisdom of one of this magnitude.

I doubt very much, because of the fact that cities and towns will be forced to contribute, whether they can obtain the relief necessary because of their heavy welfare demands.

I am impressed with one outstanding thought when I observe who is to contribute the revenue to pay for this public-works program. Neither courage nor statesmanship are revealed here. If this is part of the new deal, it certainly is not a square deal. There is no extension of the tax burden. You just take the same group of small industries, manufacturers who are too few in number and too small in wealth to maintain a lobby; industries now groggy and on the verge of bankruptcy. You say to them, "We cannot place a sales tax on the big fellow; he will not stand for it. But we are going to put a tax of 5 and 10 percent on you and call it an excise tax." We impose increased taxes on the income-tax payer of the smaller brackets, many of whom are struggling desperately to retain homes bought when more favorable conditions existed in the country. Then there is another tax on gasoline, although that commodity bends heavily in carrying the burdens of State and Nation. I ask you seriously whether it would not be wise to stop and deliberate whether we should take up this legislation under a closed rule. Every one of you realizes the bill needs amendments, and the only way you can get them is to vote down this gag rule and give the Membership of the House an opportunity to adopt perfecting amendments. If you consider the bill under the amendment rule, I am sure we will give the country a much better bill than the one before us.

At least, we will give them a bill which represents the views of 435 congressional districts and not the ideas of a select few. As one who wants to see business recovery, as one who is in hearty sympathy with the administration in its efforts to bring the country back where it belongs, I ask you to vote down this rule and proceed in an orderly way to amend the bill. [Applause.]

Mr. POU. Mr. Speaker, I yield 5 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER of Tennessee. Mr. Speaker, it had not been my purpose to make any statement during the consideration of the rule which makes in order the consideration of this measure. Yet I feel it is fair that some member of the Committee on Ways and Means should give the Membership of the House the benefit of some information touching upon certain amendments which have been considered by the committee and upon which favorable action has been taken since the bill was reported by the committee. It is for the purpose of conveying that information that I rise at this time and ask your indulgence. As we all know, the Committee on Ways and Means was pressed for time in the consideration of this important measure. There are some 20 pages of the bill and it has many complicated sections and provisions. When the bill was originally introduced the tax section was not included. After the committee had considered the bill and acted upon various sections and provisions of it, then the tax section was incorporated and is a part of the new bill which is introduced, and will now be before the House for consideration. It was about 10 o'clock at night when we finished consideration of the tax section of the bill. It was thought then that certain other amendments would have to be worked and agreed upon. The bill provides for certain definite and specific taxes to finance this particular measure and the work that is contemplated under the public-works section, or title II of the bill. In addition the excise taxes now in existence are continued for a period of 1 year. That is for the very obvious purpose of making the tax base upon which this structure may rest not only safe and secure but as certain as possible, because we have to issue and sell $3,300,000,000 worth of bonds to finance the public-works section of the bill.

I want now to briefly touch upon the amendments agreed upon in the Ways and Means Committee.

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. COOPER of Tennessee. Briefly.

Mr. BROWN of Kentucky. I want to know why the committee raised the income taxes up to incomes of $10,000 and did not raise them on incomes above that.

Mr. COOPER of Tennessee. I think, if the gentleman will carefully consider the report accompanying the bill, he will get ample information on that point. He will observe that the increase in normal rates affects all incomes.

Mr. BROWN of Kentucky. I get information but no reason.

Mr. COOPER of Tennessee. I hope the gentleman will permit me now to touch on these amendments that were agreed on this morning. First, the committee has agreed and will offer an amendment providing that losses in income-tax returns cannot be extended over a year, as is now the case, and over a period of 2 years, as was the case before the last revenue measure. In other words, the credit for losses to be taken on a return must be taken for the year covering the return in which the loss was sustained. A subcommittee is now at work on appropriate language to accomplish that purpose, and that amendment will be offered by the committee.

In addition to that, the committee has agreed upon an amendment which will be offered, carrying out the express will of the House a short time ago with reference to the tax on electrical energy. The same provision will be incorporated in this bill by this committee amendment which was

adopted by the House when the revenue measure was under consideration a short time ago, which means that the tax will be levied on the producer instead of the consumer.

Mr. WHITTINGTON. In other words, the committee amendment will require that the tax on electrical energy for domestic and commercial consumption shall be paid by the producer and not the consumer?

Mr. COOPER of Tennessee. It is substantially the amendment that was offered by the gentleman and adopted by the House.

The SPEAKER. The time of the gentleman from Tennessee has expired.

Mr. POU. I yield the gentleman 1 additional minute.

Mr. COOPER of Tennessee. In addition to that, I want to call attention to the fact that another change was made by committee amendment adopted this morning, which will be offered, restoring the provisions of the original bill on the question of the allocation of funds for road construction purposes. That is, instead of following the present provisions of the law with reference to an equal one third apportionment on the basis of population, area, and mileage, the provision contained in the original bill will be restored, to apportion among the several States, three fourths in accordance with the provisions of section 21 of the Federal Highway Act, approved November 9, 1921, as amended and supplemented, and one fourth in the ratio which the population of each State bears to the total population of the United States, according to the latest decennial census. [Applause.]

The SPEAKER. The time of the gentleman from Tennessee [Mr. COOPER] has again expired.

Mr. RANSLEY. Mr. Speaker, I yield 15 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Speaker, I had hoped the day for closed rules was over as far as this Congress is concerned. We have considered this week under open rules the banking and currency bill and the insurance bill which was passed yesterday. Those bills were read under the 5-minute rule; everybody was given an opportunity to offer amendments at the end of each section and to express himself on his amendment as he saw fit. It seemed to me we got along all right under these rules. We proceeded as a legislative body should; but here today again we are confronted with a closed rule on perhaps the most important piece of legislation that ever came before the American Congress. It contains three unrelated, separate, and distinct legislative propositions of far-reaching importance, and this House, under the rule which we are now considering, if it is adopted, will not have an opportunity to express itself separately upon any one of the great questions of policy involved.

The distinguished gentleman from North Carolina [Mr. POU], the honored Chairman of the Rules Committee, quite frankly said he made no apology for the rule. I could not help but notice that he attempted no defense of it either, except to say it was an administration measure and the administration wanted it passed. The gentleman from North Carolina also said, and I use his exact language—

> that this legislation makes the President of the United States a dictator over industry for the time being.

That is a very accurate and fair statement. This legislation, to repeat the language of the gentleman from North Carolina, makes the President of the United States a dictator over industry for the time being, provides for a construction program that involves the expenditure of $3,300,000,000, and adds an annual tax burden of $220,000,000 to the carrying charges of the public debt. The House is asked to pass all those three propositions under a rule which permits of no amendment and which requires the House to vote upon all three of them together. If this rule is passed, we must vote them up or down together, without any opportunity to express our judgment on any one of them separately. I say that no legislation of this importance can be decently whipped into shape in the short time which has elapsed between the time when this bill was sent here by the President, together with his message, and today, and certainly there has been no sufficient time to enable the House to get the reaction of the country in regard to it. I have looked in vain for some Member of the majority to resent that part of the President's message which said to this House in substance: "You must bring in a tax measure here by the first of this week or within 3 or 4 days from the time the message was delivered, or I will send up a tax measure of my own."

Has it come to pass that the House of Representatives and the Congress of the United States must jump at the crack of the whip by the President? Must the House of Representatives not only pass the legislation recommended by the President without the crossing of a "t" or the dotting of an "i", but must it do so on the exact minute he suggests as well? The House owes it to itself to take time to consider and digest legislation of this importance and to know what is proposed to be accomplished by it better than any Member of the House knows what is to be accomplished by this legislation before passing upon it.

As one who voted against the so-called "economy legislation", which was passed early in the session, I have been amused during the last few days to see Members rise on this floor and apologize for their vote on that legislation. They say now that they did not know what was in the legislation, that they did not know that those responsible for it intended to go so far as they have gone. They did not know that those who were to administer it were going to be as ruthless in the administration of it as they have been. That is the objection to clothing people with blanket authority. The law should determine the right and duties of people. I say to you now you do not know how this legislation is going to be carried out any more than you knew how that legislation was going to be carried out. It is quite probable that those who will be affected by this legislation will in a few months be just as bitter toward it as those are now who have been affected by the passage of the economy legislation.

Mr. BYRNS. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. BYRNS. I was just thinking it would have been very interesting if the gentleman had made the same kind of speech he is now making against a rule of this kind when the Hawley-Smoot tariff bill was pending before the House and considered by his party under exactly the same rule that is proposed here. The gentleman gave that rule his hearty support.

Mr. MAPES. We have gone over that question so many times during this session of Congress that I do not want to take up time this morning in discussing it. [Laughter.] I supposed it had been admitted on all sides that as a practical matter, tariff legislation, which contains so many items, must be passed under some such rule, but in no case that I now remember did any Republican Administration ever propose to consider legislative proposals of this importance under a closed rule.

What does this bill do? Title I makes the President, as the distinguished gentleman from North Carolina has said, a dictator over industry. Title II authorizes a construction program amounting in the aggregate to $3,300,000,000, and adds $220,000,000 per year to the tax burden of the people of the United States at a time when they are already overburdened with taxes.

Insofar as it goes the bill breaks down, and is another blow at the Civil Service.

It seems to me there is a studied purpose in this Congress to tear down the Civil Service laws and regulations. This legislation, among other things, authorizes the President to appoint any officers and employees he sees fit to appoint, to fix their compensation as he sees fit, and to prescribe their powers and duties and length of office as he sees fit without regard to the Civil Service. The Members of the House received a letter this morning from the president and the secretary of the National Federation of Federal Employees protesting against and pointing out the hardship of this feature of the bill at a time when so many regular Civil Service employees are losing their jobs.

Do you gentlemen who yesterday attempted to limit the salary of executive officers of insurance companies to $17,500 per year know that this bill authorizes the Administrator of Public Works, once he has been appointed by the President, to spend $3,300,000,000 in any way he sees fit, to employ any employees he sees fit, and to pay them any salary he sees fit?

Mr. O'MALLEY. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'MALLEY. The bill that was passed yesterday was passed by the gentleman's side of the House.

Mr. MAPES. Not by my vote. I voted against it, and the Republicans, with scarcely one third of the Membership of the House, can hardly be charged with the responsibility for its passage. But that is a matter that is past. I am calling attention now to what is sought to be done today by this rule. If this rule is passed no opportunity will be afforded to offer any amendment to fix or limit the compensation at all of any officer or employee appointed by the Administrator of Public Works. The sky will be the limit. He will have $3,300,000,000 to use as he sees fit, limited only by the construction program outlined in general terms in the bill.

Mr. BROWN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield to my colleague and friend from Michigan.

Mr. BROWN of Michigan. The gentleman is a member of the Rules Committee, I understand.

Mr. MAPES. I am, but I voted against this resolution.

Mr. BROWN of Michigan. As I understand, the President's message asked the adoption of a public-works program, but stated that he desired to leave to the House of Representatives the matter of the form of taxation. Could not a rule be adopted by which the first two titles of the bill could be brought to the House under a closed, or gag, rule, and the third portion of the bill, relating to taxation, be left to the House of Representatives?

Mr. MAPES. Certainly it could. I hope the gentleman will join in voting down the previous question on this rule, and then some such amendment to the rule as he suggests can be adopted or, better still, an amendment could be adopted to consider the legislation under the general rules of the House, which would permit the reading of the entire bill section by section and the offering of amendments at the end of each section.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'CONNOR. In the gentleman's long experience in this House, did he ever see the Republican side of the House bring in such a rule as he now suggests?

Mr. MAPES. No; because Republican rules have been open rules, which provided for the consideration of legislation under the general rules of the House and for reading of the entire bill under the 5-minute rule, which gives Members a right to offer amendments at the end of every section.

Mr. Speaker, I asked the legislative reference department to get me a copy of the legislation making Hitler the dictator in Germany. That legislation has some similarity to this.

I have a photostatic copy of what I think is the act. It is as follows:

[From Financial Chronicle, Mar. 25, 1933]

From the Berlin advices to the same paper we take as follows the text of the dictatorship act:

TEXT OF DICTATORSHIP ACT

"The text of the enabling act by which the Hitler Cabinet becomes a dictatorship follows:

"ARTICLE I. Federal laws may be enacted by the Government [the Cabinet] outside of the procedure provided in the Constitution, including article LXXXV, paragraph 2, providing that the budget must be adopted by legislative act, and article LXXXVII of the Constitution, providing for legislative action to authorize the Government to make loans and credits.

"ART. II. The laws decreed by the Government may deviate from the Constitution so far as they do not deal with the institutions of the Reichstag and the Federal Council as such. The prerogatives of the President remain untouched.

"ART. III. The laws decreed by the Government are to be drafted by the Chancellor and announced in the Reichsgesetzblatt [the organ in which laws are published]. If not otherwise ordered, they shall become effective the day following the announcement. Articles LXVIII to LXXVII of the Constitution, regulating the procedure of the announcement and publication of the laws, do not apply to laws decreed by the Government.

"ART. IV. For treaties of the Reich with foreign nations regarding matters of the Reich's legislative authority the consent of legislative bodies is not needed so long as this act is in force. The Government shall issue decrees necessary for the enforcing of these treaties.

"ART. V. This law shall become effective on the day it is announced. It shall remain in effect until April 1, 1937. It shall expire when the present Government is replaced by another one.

"The German Cabinet of 11 members contains 3 Nazis: Chancellor Hitler, Dr. Wilhelm F. Frick, and Hermann Wilhelm Goering. The others are Nationalists and personal appointees of President von Hindenburg. The leaders of the majority element are Vice Chancellor von Papen and Dr. Alfred Hugenberg. The Cabinet includes Franz Seldte, leader of the Stahlhelm, the organization of war veterans, and Gen. Werner von Blomberg, the Minister of Defense, who has charge of the Reichswehr, the standing army.

"The powers of the President include the right to appoint and dismiss the Chancellor."

That is the language of the act by which the German Parliament abdicated and made Hitler dictator over Germany. In doing so it reserved to itself the right to pass the laws authorizing "the Government to make loans and credits." But this bill authorizes the Administrator of Public Works to spend $3,300,000,000 on public works as he sees fit. He is not confined in his expenditure of the money to public works entirely. The bill expressly provides that he may aid "in the financing of such railroad maintenance and equipment as may be approved by the Interstate Commerce Commission as desirable for improvement of transportation facilities."

Mr. MAY. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. MAY. Does the gentleman mean to say that under the provisions of this bill the President may adopt rules and regulations by which the administrator of the bill may expend this $3,300,000,000 on just such projects as he wishes and in just such manner as he wishes to expend it?

Mr. MAPES. There is some limitation in the act, of course, on the projects; but it is almost unlimited. He can expend the money as he sees fit on the projects defined in the act. The President can even determine the national-defense policy of the United States. The bill provides "if in the opinion of the President it seems desirable" for "the construction of naval vessels within the terms and/or limits established by the London Naval Treaty of 1930, and of aircraft required therefor and construction of such Army housing projects as the President may approve, and provision of original equipment for the mechanization or motorization of such Army tactical units as he may designate." Who ever heard of conferring such power on any one man? These are national policies which should be determined by Congress.

Mr. MAY. Mr. Speaker, will the gentleman yield for a further question?

Mr. MAPES. I yield.

Mr. MAY. Under the rules and regulations that may be adopted by the President, and the operation of the act under this administrator, will it be possible for the administration to discontinue the building of post offices and other public buildings throughout the country as authorized in previous legislation, if they desire to?

Mr. MAPES. Absolutely. Let me say to the gentleman from Kentucky that the public sentiment of the country last year condemned very severely the legislation which was proposed then that attempted to set up in detail the places where public buildings would be constructed and the amount involved was much less than it is here. I venture the assertion that if this bill attempted to say where this $3,300,000,000 was to be expended that the country would rise up in revolt against its passage. The extravagance and waste of the proposition would then be apparent.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'CONNOR. If I recall correctly, the gentleman was a Member of the House and voted that Congress surrender to Mr. Mellon, the Secretary of the Treasury, all power over the building program of the United States. Congress for

years has delegated to the Treasury Department all that power as to what particular buildings shall be built in the United States.

Mr. MAPES. No; I think the gentleman is mistaken, or his statement at least is subject to qualifications. There is a departmental board on which are representatives of three departments of the Government, which pass upon the projects under existing law, as I understand it, and there is a great difference between the paltry $50,000,000 or $60,000,000 with which this board has to deal and the $3,300,000,000 provided for in this bill.

I realize that this is an inopportune time to consider legislation of this importance. No one can be quite sure that he is thinking straight on it. During the consideration of the securities legislation a few days ago, the gentleman from New York [Mr. PARKER] said that it was an unfortunate time to be considering such legislation because so many people had been stung during the last few years in the purchase of securities. It is especially unfortunate to be considering legislation of this importance at this time, when industry is whipped and labor is out of employment. Neither one can think clearly on it. I read in my local paper yesterday that the manufacturers' committee of the Association of Commerce of Grand Rapids endorsed the industrial-control feature of this legislation. I wonder if the members of that committee understand that this legislation authorizes the President, if he sees fit to exercise the power which it confers upon him, to require them to secure a license from the organization which he may set up under this legislation in order to continue in business, and if he finds that they have violated any code of fair competition, so called, or other regulations promulgated by him for the conduct of their business, that he may suspend or revoke their license to do business, and that his order "suspending or revoking" any such license shall be final if in accordance with law. In other words, the President may determine whether anyone can start a business, the products of which go into interstate commerce, and once started whether he can continue to do business.

The bill also expressly provides that "the President may differentiate according to experience and skill of the employees affected and according to the locality of employment."

No one before was ever given such absolute control over industry in America. The power which the administrator of this legislation will have to reward his friends and punish his enemies, will be unlimited and, if sustained by the courts, it will not only take away from management the right to run its own business to an extent undreamed of before, but it will also take away from the States whatever power they now have to regulate working conditions in all industry which affects interstate commerce. This legislation spells Government interference with business with a vengeance.

The bill in its present shape is neither satisfactory to industry nor to labor. I shall vote against the rule and if the rule is adopted, so that the House is required to vote the legislation up or down as it stands, I shall vote against the bill.

I think if we could have an opportunity to consider this legislation under the 5-minute rule and read it section by section for amendment, we could perfect and improve it very materially.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. MAPES. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. As I understand, the gentleman does not approve of the delegation of power by the President to the Administrator in connection with the public-building program. Does not the gentleman well know—and I am sure he does, because he is a very, very capable and distinguished Member of this House—that under the present law the power over the building program is delegated to the Secretary of the Treasury and the Postmaster General, and they in turn delegate the power to select sites and to make an allocation of the money to a joint committee of subordinates known as "a joint committee of the Post Office and Treasury Departments."

Mr. MAPES. That is left to an interdepartmental board, and the board has to come before the Appropriations Committee of Congress and set out in detail where it expects to spend the money. Here we are passing on all of this appropriation without any knowledge as to where or upon what projects the money is to be spent.

Mr. VINSON of Kentucky. And their recommendations, I may say, are accepted or no public buildings are constructed.

[Here the gavel fell.]

Mr. POU. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, I hope that no Democrat will be misled by the insincere attacks upon this rule. Yesterday we brought in an open rule and gave the gentlemen on the other side a chance to support some of the amendments. What did they do? In every instance they voted against us, and all they are trying to do today is to mislead you, so as to make it difficult for us to pass this proposed legislation, which I consider the most important of any that we have had before us at this or at any other session of Congress.

If there be any objectionable features in this bill, they will only be temporary, whereas all the provisions for construction work and for aiding the States and municipalities which are beneficial are of a permanent nature. Therefore, I feel it is our duty, if we desire to relieve conditions and create reemployment and to improve business and get the wheels of commerce turning again, to overlook at this time some of the minor, objectionable features and vote for the bill, because it is a real, constructive, helpful, and much-needed piece of legislation.

Though I should like to see a tax on all transfers of stocks and on the short sales of stocks and commodities, an increased tax on incomes over $100,000, and an excess profit tax on corporations, this bill contains provisions that will actually provide for the immediate reemployment of hundreds of thousands of people.

This bill also contains the fair competition provision, as well as the agreement and license provision, which I feel will be fairly administered, to the advantage of the laboring people and the business of the Nation.

It takes over many of the functions of the Reconstruction Finance Corporation, decreasing its bonds by $1,200,000,000, actually reducing by that amount heretofore-authorized bonds issued, and I have the assurance of the members of the committee that they will offer the following amendment, which I am satisfied will be of great aid to finance deserving projects by States and municipalities, in compliance with the appeals to the mayors of the large cities of the United States, as expressed in their conference held in the city yesterday:

On page 13, line 25, after the figures "202", strike out the semicolon and insert a comma and add the following: "such financing to be made by loans to or the purchase of the bonds, tax-anticipation warrants, or securities of the State or political subdivision thereof which is to construct such project or projects."

Mr. BROWN of Kentucky. Will the gentleman yield?

Mr. SABATH. I wish I could yield to the gentleman, but I do not have the time.

I voted for the rule yesterday and voted with you gentlemen and helped you make your fight, but we were not supported by the Republicans, and again today they apparently would like to make it appear that some of us are waging a fight against the rule, meanwhile laughing up their sleeves because they have again misled a lot of well-intentioned, good, sincere Democrats.

I appeal to you to vote for this rule and let us get this needed measure through as speedily as possible. [Applause.]

Mr. POU. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Speaker, we are not only facing a new deal but we ought to comprehend thoroughly that we are facing a new day. We ought to understand perfectly well

just what we are doing. I regret more than I can say that I am not going to be able to vote for this rule.

We ought to understand that what we have always held as individualism in America has come to an end. I, for one, welcome the end of the abuses that have come about under this doctrine.

The constant intrusion in, and control of, government by big business has finally compelled government to take control of business, and we are not only going to do that but we are going to do it with a vengeance.

I am going to be for this bill. But I regret exceedingly that I cannot support the rule under which the bill is to be brought up. It is a gag rule pure, plain, and simple and entirely prevents any effective discussion of the principles involved or the right of Members to offer amendments.

This is the most important bill that has come before the American Congress in the entire history of this Government, because it marks clearly the end of the old system and the coming of the new. We ought to appreciate this, and we ought to discuss it with the utmost freedom in an attempt to understand the meaning of such a tremendous step.

I repeat that I shall vote for the bill; I repeat, also, that in all good conscience I must vote against the rule. Because I believe that we ought to take all the time necessary, a whole week if necessary—and this would not be too much—in which to discuss this measure, where we are changing the entire system of government in this great Republic of ours. I regret that, after 35 years of study of this question during all of which time I saw clearly its approach, my attempt to get before this body some of the ideas I have formed during this time appears likely to be limited to the 3 minutes that have been kindly given to me by my friend the Chairman of the Rules Committee at the present moment.

I regret, Mr. Speaker, that we may not be able to lay out to the fullest possible extent every idea that any of us may have, because only through this means can we come to the kind of agreement and understanding that the American Congress has always heretofore believed they ought to come to, after free, fair, and open discussion.

I do not believe that any man in this body is willing to follow the President of the United States more ardently than I am. From the very moment he came into office I have only voted once against what was held out to me as one of his policies, and that was on the so-called "economy bill", and I certainly do not regret that vote. [Applause.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Speaker, I think we can all agree that, with the possible exception of the resolution declaring war in 1917, this is the most important bill that has come before Congress in this century.

Now, Mr. Speaker, if any Member of this body, who took an oath to perform his duty as a lawmaker, votes for this rule and thereby voluntarily binds and shackles himself—yes, and meekly applies the gag to his own face—let him forever be estopped from finding fault with any particular provision of the measure, and let him receive the well-merited criticism and contempt of every thinking constituent.

I deplore this arbitrary resignation and abdication of the power and responsibility that should be the proper burden and justifiable pride of every member of a law-making body. [Applause.]

Let us vote down the previous question, and let us amend the rule, making it more liberal. Failing there, let us vote down this vicious rule. If we do, have no fear, another rule will be brought in, and we will be given our constitutional privilege as legislators of discussing the measure and, in addition, of offering and considering amendments that many of us believe to be of greatest importance.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. KVALE. Yes.

Mr. COCHRAN of Missouri. Did not the House recently vote by a tremendous majority not to place the tax of electrical energy on the consumer? Here we find that tax again saddled on the consumer and not on the producer.

Mr. KVALE. Yes; and the bringing in of a provision to tax the consumer in the present bill is nothing short of impudence on the part of the committee.

Mr. RAGON. I want to say to the gentleman that the committee has voted to put the Whittington amendment in the bill.

Mr. COCHRAN of Missouri. I am pleased to get that information. It is exactly what should be done.

Mr. KVALE. Let me say to the gentleman from Arkansas that I do want to be fair, and that if the committee has just taken such action I willingly withdraw the remark I made.

But, Mr. Speaker, what I have said about the rule still stands. We must act now to make it possible to consider this bill in keeping with the dignity that should clothe this body and to live up to our solemn responsibilities. [Applause.]

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. CONNERY].

Mr. CONNERY. Mr. Speaker, I intend, as the gentleman from Illinois [Mr. KELLER] said in his remarks he intended to do, to cast my vote for the bill, but I am against this rule, and I hope the House will vote down the rule. [Applause.]

The gentleman from Missouri [Mr. CANNON] came before the steering committee the other day and suggested that the Ways and Means Committee put the excess-profit tax into this bill. The committee had already reported the bill, so it was too late at that time to offer that to the Committee. The excess-profit tax would be real legislation in the interest of the little fellow. I should like to see this bill opened up for amendment so that we might offer an excess-profits-tax amendment. I should like to see income-tax legislation passed that would make J. P. Morgan pay an income tax just as the little fellow has to pay his.

The Committee on Labor, of which I am chairman, has labored day after day and week after week during this session at hearings and sessions on the 5-day week, 6-hour day bill, and the good labor features in title I of this bill are the direct result of the work of the Committee on Labor because these features were borrowed from our bill and inserted in this bill. The reason that organized labor has favored this bill before us is because there is a three and a half billion dollar public-works program in it and they felt they must support the entire bill before the Ways and Means Committee or lose this appropriation for labor. As far as title I of this bill is concerned, labor has declared again and again that labor wants the bill reported out by the Committee on Labor and that it is infinitely better for labor than the industrial-recovery section of this bill. President Green, of the American Federation of Labor, stated before the Ways and Means Committee that he favored the so-called "Connery bill." Labor leaders throughout the Nation have declared that the bill reported out by the Committee on Labor is the best legislation for labor that has ever been reported to the Congress in its history. [Applause.]

I should like to see this rule voted down so that I might offer the bill reported by the Committee on Labor as a substitute for title I.

Mr. WEIDEMAN. I should like to ask the gentleman if this man Johnson is not an employee of Barney Baruch?

Mr. CONNERY. I understand he is his man.

Mr. WEIDEMAN. You mean he is his boy. [Laughter.]

Mr. CONNERY. I hope that the House will vote down this rule so that we can offer amendments that will strengthen this bill, thereby doing justice and giving fair play to labor, industry, and the farmer. [Applause.]

Mr. O'CONNOR. Mr. Speaker, I cannot understand what is meant by some Members saying that they "will vote for this bill", which they hold in their hand, "but will not vote for the rule." If they mean another bill, all right; but I do not know how they can say at this moment that they will vote for this bill in front of them but will not vote for the rule. I appeal again to my Democratic side of the House not to be misled by the unified front of the Republican side, because no matter what rule we might have brought in,

whether like the one suggested by the gentleman from Michigan [Mr. MAPES] or not, the Republican side of the House would vote against the rule.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. We have had that sabotage right along.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I cannot.

Mr. SNELL. But the gentleman makes a misstatement.

Mr. O'CONNOR. Very well; I yield.

Mr. SNELL. Bring in an open rule and we will support it.

Mr. O'CONNOR. Oh, yes. Of course no one would vote against an open rule. The only way the bill could come in is under a rule, and there could be no reason in voting against an open rule.

Mr. SNELL. We are willing to consider the bill on its merits.

Mr. O'CONNOR. Oh, I understand the politics being played on the Republican side.

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. BROWN of Kentucky. I should like the gentleman to give me some way by which, when I go home, I can explain to my people why I voted to raise income taxes up to $10,000, and did not carry the raise the rest of the way through?

Mr. O'CONNOR. I feel sure the committee will explain the economics of that to the satisfaction of anybody who does not want to mislead the people of America by saying that when you come to taxes by raising the taxes only in the lower brackets you do an injustice to the average citizen. High surtaxes raise no taxes. The normal tax is imposed on the rich as well as those who are taxed on small incomes after the high exemptions.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. COX. In fixing the 6 hours of general debate upon the bill, what was the understanding of the Committee on Rules as to the division of that time, as to whether the opposition should have any part of the time?

Mr. O'CONNOR. It is the understanding of the Rules Committee at all times that the time allotted is to be equally divided between those in favor of the bill and those opposed to it.

Mr. COX. Of course.

Mr. O'CONNOR. Mr. Speaker, the Members on the Democratic side of the House were elected under the leadership of Franklin D. Roosevelt.

Mr. HOEPPEL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. No. It was thought that in this session of Congress the big test of following the Democratic leadership of our President was the vote on the economy bill.

I believe now that this, the greatest bill backed by the administration, the most far-reaching piece of legislation ever put before any parliamentary body in all the world, in all time, is the progressive test of our democracy. I feel confident the real Democrats will support the President on this bill, and the only way by which real Democrats can support the President is to carry out his program by voting for the adoption of this rule.

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana [Mr. GRISWOLD].

Mr. GRISWOLD. Mr. Speaker, I was convinced at the beginning of this debate that if there was one scriptural passage to which the Ways and Means Committee had studiously given its approbation, it was that passage that says that "in the days of Claudius Caesar a decree was issued that all the world should be taxed." They have changed that a little bit. They have had an afterthought and have eliminated from this bill one evil, which is the consumer's tax on electric energy. That has been eliminated, and if you will vote down this rule we will eliminate a lot of other evils in this bill. [Applause.] I am not opposed to the bill. I am opposed to the evils in it. I believe the President is opposed to the evils, too.

There has been a lot of talk about title I of the bill. Under title I of this bill you are absolutely destroying organized labor. You are putting a ban upon thousands of railroad yards in this country, thousands of shops that are closed shops today. They talked to us before the Committee on Labor about the mavericks who were cutting wages, the 10 percent; but, Mr Speaker, it is not the 10 percent that are cutting wages in this country, it is the 80 percent, it is men like Swope and Sloan who testified before that committee that a bare existence was a proper minimum wage in this country. Mr. Swope's definition was "sufficient to keep body and soul together."

Mr. HOEPPEL. Mr. Speaker, will the gentleman yield?

Mr. GRISWOLD. Not now. Mr. Swope is the head of the General Electric and controls not only the manufacture of electrical appliances in this country, with his associates in that line, but controls also the distribution. He will make the trade agreements that you will find approved by this administrator. Trade agreements that will eliminate every small business man in the Nation.

The SPEAKER. The time of the gentleman from Indiana has expired.

Mr. RANSLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. BRITTEN].

Mr. BRITTEN. Mr. Speaker, the best speech made on the floor of the House today in favor of the defeat of this gag rule was made by the distinguished gentleman from Tennessee [Mr. COOPER] when he reminded the House that his Ways and Means Committee had so little time to prepare the tax measures that are carried in this bill. That is his excuse for a bill that will go further to destroy public confidence in the Government than anything that has transpired, at least in the last 3 months, notwithstanding what is transpiring on the Senate side of the Capitol today.

Let us see what the bill does for revenue. It increases the taxes of the man or woman who gets from $3,000 to $6,000 a year, and they are legion in this country; it increases their taxes 50 percent. The butcher, the baker, the doctor, the professional man, the lawyer, who makes from $3,000 to $6,000 a year. The storekeeper in my district, who, with his wife and a couple of children working for him, may make $10 or $12 or $15 a day if he is thrifty. You are raising his taxes 50 percent. What about the taxes for a millionaire like Morgan, who is just now testifying before a senatorial committee? Although he made millions in the past 3 years, he has not paid a penny into the Federal Treasury as income taxes. This bill carries a very unimportant increase in his taxes, only 2½ percent as against 50 percent increase in the lower brackets. The tax of the man who makes $500,000 is increased but 3½ percent. The man who makes $200,000, 4½ percent; $100,000, 6 percent; $70,000, 9 percent; $50,000, 11 percent; but the little business man, your friend and mine, who is striving to put a few dollars away for a rainy day, is increased 50 percent. A major portion of the $46,000,000 expected from the increase to these taxes will come from the so-called "little man."

This rule ought to be voted down. When I suggested a moment ago that this obnoxious rule and bill would destroy confidence in our Government, I merely suggest this as in addition to what has been transpiring on Capitol Hill in the last 2 days, when a man worth several hundred million dollars admits that in the last 4 years he has not paid a single dollar in income taxes. Do you realize that that is going to shatter confidence in our Government?

I have every confidence in the honesty and purpose and the integrity of Government officials generally, yet I cannot help but believe that the millions of American citizens who are reading the J. Pierpont Morgan testimony before the Senate committee, in their local newspaper, would feel a greater confidence in their Government if the men whose names are mentioned in that preferred list of the House of Morgan would resign from their positions. I say that without desire to reflect upon such high-type men as Secretary of the Treasury Woodin and Assistant Secretary of the Treasury Acheson, whose law firm has represented the House of Morgan for a long time. Mr. Norman H. Davis, special

ambassador of President Roosevelt, now in Europe, should come home and not allow himself to become embarrassing to the President. He has long been known as a Morgan butterfly and while in Europe undoubtedly is of considerable value to the Bank of Morgan. [Applause.] This rule ought to be voted down, so that we can offer amendments to the bill.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. RANSLEY. Mr. Speaker, I yield the balance of my time, whatever it may be, to the gentleman from Pennsylvania [Mr. BECK].

The SPEAKER. The gentleman from Pennsylvania [Mr. BECK] is recognized for 4 minutes.

PRELIMINARY REMARKS ON THE ADOPTION OF THE RULE

Mr. BECK. Mr. Speaker, I did not intend to take part in the discussion of this rule, as I hoped to have the privilege later, if this rule be passed, to take some part in the discussion of the very grave and important constitutional questions that underlie this proposed legislation. After the gentleman from North Carolina [Mr. POU] spoke, I did seek a few minutes in the discussion of the rule to express my acknowledgment to him as the distinguished Chairman of the Committee on Rules and the honored dean of the House for having cleared the discussion by frank admissions as to the essential nature of this legislation. His speech had, as always, the intellectual integrity that characterizes his utterances when he addresses this House.

In opening the discussion on the rule, and I quote from the manuscript of the Official Reporter, the chairman said:

> This rule is a drastic rule. It is a closed rule. It is what the President wants.

This is strange language in this body. It has the merit of being brutally frank. He advises us as to the President's wishes, not as to the merits of the bill itself, but even as to the method of our procedure. I can understand the President's telling us to take a bill which the "brain trust" has spun in its spiderlike web, as an entirety or rejecting it, but I cannot understand the declaration of the Chairman of the Committee on Rules, namely, that in our manner of procedure, in the scant time given to a measure that barters away the constitutional functions of this House and the industrial liberties of the American people, even the method of discussion and the power of amendment shall be determined by the fiat of the President of the United States. The President could do no more, if he came into the House and ordered the Mace, which represents the authority of the House, to be taken away in the manner of Cromwell. He does the same in essence when, through the mouth of the Chairman of the Committee on Rules, he orders us, because he wants a bill adopted in its entirety and without opportunity of amendment, to accept from him even the conditions of the debate. [Applause.]

But, more than that, the Chairman of the Committee on Rules said this, and it is for this clarification of the issues I make my special acknowledgement:

> This bill makes the President of the United States a dictator for the time being.

But he adds, to comfort us:

> It is a benign dictatorship.

I hope, in the first place, that in the discussion that may follow some of the constitutional lawyers on the Democratic side of the House will tell us under what grant of power in the Constitution we can make even the President a dictator of the industrial activities of the American people. So far as the statement that this will be a benign dictatorship is concerned, that is a contradiction in terms. There is no such thing as a benign dictator [applause], and I say this with a due recognition of the charming personality and high motives of the President of the United States. You might as well talk of chaste seduction or lawful robbery or of peaceable murder as to talk of a benign dictator. It does not exist. [Applause.]

With this admission of the Chairman of the Committee on Rules that we are to be given 6 hours' discussion, with the promise that it will be a great futility, that we are to be given only one opportunity for amendment, that we are thus to give away the functions of this Congress as they have been exercised for nearly 150 years, we have reached a climax, for this rule is the most monstrous denial of representative government ever proposed to an American Congress. [Applause.]

The SPEAKER. The time of the gentleman from Pennsylvania [Mr. BECK] has expired.

Mr. POU. Mr. Speaker, I yield the balance of my time to the gentleman from Tennessee [Mr. BYRNS].

Mr. BYRNS. Mr. Speaker, I want to ask the very kind attention of the House during the few minutes I am privileged to occupy, and I am sure my friends upon the Republican side will understand when I say that my remarks are going to be particularly addressed to my Democratic colleagues [applause], because it is evident that we can expect little support for any Democratic effort to hasten the passage of any measure proposed by the President of the United States in the effort to relieve the distress in this country from the remarks that have been made.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. No; I cannot yield. I have not time.

Now, gentlemen, let us look at this for a few moments in a sane, sober manner.

This is the administration's bill. Do not make any mistake about that. Every line of it has been written and proposed by those representing the administration, except that feature which carries the question of taxes.

There has been no more important bill proposed by the administration at this session of Congress than this bill which is now pending before us.

For my part, as a Democrat, if you please, and as an American citizen interested in the progress of our country and its recovery from the conditions which have existed during the past 3 or 4 years, I intend to give my loyal support to the President of the United States and this bill which he has proposed in his effort to relieve the country. [Applause.]

Gentlemen upon the Republican side of the aisle, as they have every time a rule is proposed, rise to denounce it and beg Democrats to join with them in their efforts to throw this bill open to amendment and possibly destroy those features of this bill which the President has proposed in the interest of the recovery of our Nation.

I say to you, as was said by the gentleman from North Carolina, I sometimes think there was a Providence which brought to the front and placed in the White House the present President of the United States at this critical period of our history. [Applause.]

Gentlemen, the people are behind the President. Do not make any mistake about that. The people expect Congress to hold up his hands and do nothing which will interfere with him in those efforts which he is making and which have already brought about a measure of success, because the condition of the country is improved now.

Why, gentlemen, what is this bill that you talk about wanting to amend? It has been approved by Mr. Green, the president of the American Federation of Labor.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. No; I have not the time.

It has been approved by Mr. Harriman, the president of the United States Chamber of Commerce. It has been approved by almost every farm leader and every farm organization in the country.

I want to submit to you under these circumstances if it is not your duty and mine, standing as you and I are particularly in support of the President, to stand by him in this crisis and to pass this bill which he has proposed in his message.

I appeal to you not to permit the specious arguments of the gentlemen upon that side to sway you, for I have sat here and stood here and seen them vote for rules closing amendments. The gentleman from Michigan [Mr. MAPES] who inveighs against all rules of this kind, is one of the men who upon his side advocated and supported the rule which denied the Membership of this House the right to

propose amendments to the Smoot-Hawley tariff bill except those presented by the committee. That is what this does.

Why, they have sought to create opposition by speaking of the fact that Mr. Morgan has escaped taxation. Under what law, and by whom was it passed, and under what administration was the law passed which enabled him to evade taxes? It was passed in 1921 under the administration of President Harding. [Applause.] And I say to you upon the authority of Democratic members of the Ways and Means Committee that a subcommittee is now engaged preparing an amendment to this bill when it is under consideration, which will prevent a recurrence of that sort of a situation. [Applause.]

Democrats, I ask you to give your support to the President of the United States. [Applause.]

Mr. POU. Mr. Speaker, I move the previous question on the resolution.

Mr. SNELL. Mr. Speaker, on the previous question I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 213, nays 194, not voting 24, as follows:

[Roll No. 46]

YEAS—213

Abernethy	DeRouen	Kelly, Ill.	Ragon
Adair	Dickinson	Kennedy, Md.	Ramspeck
Adams	Dickstein	Kennedy, N.Y.	Rayburn
Allgood	Dies	Kleberg	Reilly
Arnold	Disney	Kloeb	Richardson
Auf der Heide	Dockweiler	Kniffin	Robertson
Ayres, Kans.	Doughton	Kocialkowski	Robinson
Bailey	Douglass	Kopplemann	Rogers, N.H.
Bankhead	Doxey	Kramer	Romjue
Beam	Drewry	Lambeth	Rudd
Beiter	Driver	Lamneck	Ruffin
Berlin	Duffey	Lanzetta	Sabath
Black	Duncan, Mo.	Larrabee	Sanders
Bland	Durgan, Ind.	Lea, Calif.	Sandlin
Blanton	Eicher	Lewis, Colo.	Schaefer
Bloom	Faddis	Lindsay	Schuetz
Boehne	Farley	Lozier	Schulte
Boland	Fernandez	McCarthy	Scrugham
Boylan	Fiesinger	McClintic	Shallenberger
Brennan	Fitzgibbons	McCormack	Sirovich
Brooks	Fitzpatrick	McDuffie	Sisson
Browning	Flannagan	McGrath	Smith, Va.
Brunner	Fletcher	McKeown	Smith, W.Va.
Buchanan	Foulkes	McReynolds	Somers, N.Y.
Buck	Fuller	McSwain	Spence
Bulwinkle	Fulmer	Major	Steagall
Burch	Gambrill	Maloney, Conn.	Studley
Burke, Nebr.	Gavagan	Maloney, La.	Sullivan
Byrns	Glover	Mansfield	Sumners, Tex.
Cady	Goldsborough	Marland	Sutphin
Carden	Granfield	Martin, Colo.	Swank
Carley	Green	Martin, Oreg.	Taylor, Colo.
Cary	Greenwood	Mead	Thom
Celler	Gregory	Meeks	Thompson, Ill.
Chapman	Griffin	Milligan	Turner
Chavez	Haines	Mitchell	Umstead
Church	Hancock, N.C.	Moran	Underwood
Clark, N.C.	Harlan	Musselwhite	Utterback
Cochran, Mo.	Hart	Nesbit	Vinson, Ga.
Coffin	Harter	O'Brien	Vinson, Ky.
Colden	Hastings	O'Connell	Walter
Cole	Healey	O'Connor	Warren
Cooper, Tenn.	Henney	Oliver, Ala.	Weaver
Corning	Hill, Ala.	Oliver, N.Y.	West, Ohio
Cravens	Hill, Samuel B.	Owen	West, Tex.
Crosby	Hoidale	Palmisano	Whittington
Cross	Huddleston	Parks	Williford
Crowe	Hughes	Parsons	Williams
Crump	Jacobsen	Pettengill	Wilson
Cullen	Jenckes	Peyser	Woodrum
Cummings	Johnson, Tex.	Pierce	The Speaker
Darden	Johnson, W.Va.	Polk	
Dear	Jones	Pou	
Delaney	Kee	Prall	

NAYS—194

Allen	Brown, Mich.	Clarke, N.Y.	Dirksen
Andrew, Mass.	Brumm	Cochran, Pa.	Ditter
Andrews, N.Y.	Burnham	Collins, Calif.	Dobbins
Arens	Busby	Collins, Miss.	Dondero
Ayers, Mont.	Caldwell	Colmer	Doutrich
Bacharach	Cannon, Mo.	Condon	Dunn
Bacon	Carpenter, Kans.	Connery	Eagle
Bakewell	Carpenter, Nebr.	Connolly	Eaton
Beck	Carter, Calif.	Cooper, Ohio	Edmonds
Beedy	Carter, Wyo.	Cox	Elzey, Miss.
Biermann	Cartwright	Crosser	Eltse, Calif.
Blanchard	Castellow	Crowther	Englebright
Boileau	Cavicchia	Culkin	Evans
Bolton	Chase	Darrow	Focht
Britten	Christianson	Deen	Ford
Brown, Ky.	Claiborne	Dingell	Foss
Frear	Kurtz	Parker, Ga.	Tarver
Gasque	Kvale	Parker, N.Y.	Taylor, S.C.
Gibson	Lambertson	Patman	Taylor, Tenn.
Gilchrist	Lanham	Peavey	Terrell
Gillette	Lee, Mo.	Peterson	Thomason, Tex.
Goodwin	Lehlbach	Powers	Thurston
Goss	Lehr	Ramsay	Tinkham
Gray	Lemke	Randolph	Tobey
Griswold	Lesinski	Rankin	Traeger
Guyer	Lloyd	Ransley	Treadway
Hancock, N.Y.	Luce	Reece	Truax
Hartley	Ludlow	Reid, Ill.	Turpin
Hess	Lundeen	Rich	Wadsworth
Higgins	McFadden	Richards	Wallgren
Hildebrandt	McFarlane	Rogers, Mass.	Watson
Hill, Knute	McGugin	Rogers, Okla.	Wearin
Hoeppel	McLean	Sadowski	Weideman
Hollister	McLeod	Sears	Welch
Holmes	McMillan	Secrest	Werner
Hooper	Mapes	Seger	White
Hope	Marshall	Shannon	Whitley
Howard	Martin, Mass.	Shoemaker	Wigglesworth
Imhoff	May	Sinclair	Wilcox
James	Merritt	Smith, Wash.	Withrow
Jeffers	Millard	Snell	Wolcott
Jenkins	Miller	Stalker	Wolfenden
Johnson, Minn.	Monaghan	Stokes	Wolverton
Kahn	Montet	Strong, Pa.	Wood, Ga.
Keller	Morehead	Strong, Tex.	Woodruff
Kelly, Pa.	Mott	Stubbs	Young
Kenney	Muldowney	Sweeney	Zioncheck
Kinzer	Murdock	Swick	
Knutson	O'Malley	Taber	

NOT VOTING—24

Almon	Fish	Kemp	Perkins
Buckbee	Gifford	Kerr	Reed, N.Y.
Burke, Calif.	Gillespie	Lewis, Md.	Simpson
Cannon, Wis.	Hamilton	Montague	Snyder
De Priest	Hornor	Moynihan	Waldron
Dowell	Johnson, Okla.	Norton	Wood, Mo.

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. RAINEY, and he answered "yea", as above recorded.

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Almon (for) with Mr. Perkins (against).
Mr. Kerr (for) with Mr. Fish (against).
Mrs. Norton (for) with Mr. Simpson (against).
Mr. Kemp (for) with Mr. Buckbee (against).
Mr. Lewis of Maryland (for) with Mr. Waldron (against).
Mr. Burke of California (for) with Mr. Reed of New York (against).

Until further notice:

Mr. Johnson of Oklahoma with Mr. Gifford.
Mr. Montague with Mr. Dowell.
Mr. Hornor with Mr. Cannon of Wisconsin.
Mr. Wood of Missouri with Mr. Gillespie.
Mr. Snyder with Mr. Hamilton.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the adoption of the resolution.

Mr. CONNERY. Mr. Speaker, I ask for the yeas and nays on the adoption of the rule.

The yeas and nays were refused.

Mr. KVALE. Mr. Speaker, I demand a division.

The question was taken; and on a division (demanded by Mr. KVALE) there were—ayes 151, noes 143.

Mr. KELLER. Mr. Speaker, I ask for the yeas and nays.

The SPEAKER. The gentleman from Illinois asks for the yeas and nays. As many as are in favor of taking this vote by the yeas and nays will rise and stand until counted.

Mr. BLANTON (interrupting the count). Mr. Speaker, I make the point of order that the yeas and nays have been demanded and refused, and it is too late to ask for them again.

The SPEAKER. The gentleman's point of order comes too late. [After counting.] One hundred and seven Members have risen, a sufficient number, and the yeas and nays are ordered.

The question was taken; and there were—yeas 209, nays 187, answered "present" 1, not voting 34, as follows:

[Roll No. 47]

YEAS—209

Abernethy	Ayres, Kans.	Black	Boylan
Adair	Bailey	Bland	Brennan
Adams	Bankhead	Blanton	Brooks
Allgood	Beam	Bloom	Browning
Arnold	Beiter	Boehne	Brunner
Auf der Heide	Berlin	Boland	Buchanan

Buck	Fernandez	Lewis, Colo.	Rudd
Bulwinkle	Fiesinger	Lindsay	Ruffin
Burch	Fitzgibbons	Lozier	Sabath
Burke, Nebr.	Fitzpatrick	McCarthy	Sanders
Byrns	Flannagan	McClintic	Sandlin
Cady	Fletcher	McCormack	Schaefer
Caldwell	Foulkes	McDuffie	Schuetz
Carden	Fuller	McGrath	Schulte
Carley	Gambrill	McKeown	Scrugham
Cary	Gavagan	McReynolds	Sears
Celler	Glover	Major	Shallenberger
Chapman	Goldsborough	Maloney, Conn.	Sirovich
Church	Granfield	Maloney, La.	Sisson
Clark, N.C.	Green	Mansfield	Smith, Va.
Cochran, Mo.	Greenwood	Marland	Smith, W.Va.
Coffin	Gregory	Martin, Colo.	Somers, N.Y.
Colden	Haines	Mead	Spence
Cole	Hancock, N.C.	Meeks	Steagall
Cooper, Tenn.	Harlan	Milligan	Studley
Corning	Hart	Mitchell	Sullivan
Cravens	Harter	Moran	Sumners, Tex.
Crosby	Hastings	Musselwhite	Sutphin
Cross	Healey	Nesbit	Swank
Crowe	Henney	O'Brien	Taylor, Colo.
Crump	Hill, Ala.	O'Connell	Thom
Cullen	Hill, Samuel B.	O'Connor	Thompson, Ill.
Cummings	Hoidale	Oliver, Ala.	Turner
Darden	Huddleston	Oliver, N.Y.	Umstead
Dear	Hughes	Owen	Underwood
Delaney	Jacobsen	Palmisano	Utterback
DeRouen	Johnson, Okla.	Parks	Vinson, Ga.
Dickinson	Johnson, Tex.	Parsons	Vinson, Ky.
Dickstein	Jones	Pettengill	Walter
Dies	Kee	Peyser	Warren
Disney	Kennedy, Md.	Pierce	Weaver
Dockweiler	Kennedy, N.Y.	Polk	West, Ohio
Doughton	Kleberg	Pou	West, Tex.
Douglass	Kloeb	Prall	Whittington
Doxey	Kniffin	Ragon	Wilcox
Drewry	Kocialkowski	Ramspeck	Williford
Driver	Kopplemann	Rayburn	Williams
Duffey	Kramer	Reilly	Wilson
Duncan, Mo.	Lambeth	Richardson	Woodrum
Durgan, Ind.	Lamneck	Robertson	The Speaker
Eicher	Lanzetta	Robinson	
Faddis	Larrabee	Rogers, N.H.	
Farley	Lea, Calif.	Romjue	

NAYS—187

Allen	Dondero	Knutson	Secrest
Andrew, Mass.	Doutrich	Kurtz	Seger
Andrews, N.Y.	Dunn	Kvale	Shannon
Arens	Eagle	Lambertson	Shoemaker
Ayers, Mont.	Eaton	Lanham	Sinclair
Bacharach	Edmonds	Lee, Mo.	Smith, Wash.
Bacon	Elizey, Miss.	Lehlbach	Snell
Bakewell	Eltse, Calif.	Lehr	Stalker
Beck	Englebright	Lemke	Stokes
Beedy	Evans	Lesinski	Strong, Pa.
Biermann	Focht	Luce	Strong, Tex.
Blanchard	Ford	Ludlow	Stubbs
Boileau	Foss	Lundeen	Sweeney
Bolton	Fulmer	McFadden	Swick
Brown, Ky.	Gasque	McFarlane	Taber
Brown, Mich.	Gibson	McGugin	Tarver
Brumm	Gilchrist	McLean	Taylor, S.C.
Burnham	Gillette	McLeod	Taylor, Tenn.
Busby	Goodwin	Mapes	Terrell
Carpenter, Kans.	Goss	Marshall	Thomason, Tex.
Carpenter, Nebr.	Gray	Martin, Mass.	Thurston
Carter, Calif.	Griffin	Merritt	Tinkham
Carter, Wyo.	Griswold	Millard	Tobey
Cartwright	Guyer	Miller	Traeger
Castellow	Hancock, N.Y.	Monaghan	Treadway
Cavicchia	Hartley	Montet	Truax
Chase	Hess	Morehead	Turpin
Christianson	Higgins	Mott	Wadsworth
Clarke, N.Y.	Hildebrandt	Muldowney	Waldron
Cochran, Pa.	Hill, Knute	Murdock	Wallgren
Collins, Calif.	Hoeppel	O'Malley	Watson
Collins, Miss.	Hollister	Parker, Ga.	Wearin
Colmer	Holmes	Parker, N.Y.	Weideman
Condon	Hooper	Patman	Welch
Connery	Hope	Peterson	Werner
Connolly	Howard	Powers	White
Cooper, Ohio	Imhoff	Ramsay	Whitley
Cox	James	Randolph	Wigglesworth
Crosser	Jeffers	Rankin	Withrow
Crowther	Jenkins	Ransley	Wolcott
Culkin	Johnson, Minn.	Reece	Wolfenden
Darrow	Kahn	Reid, Ill.	Wolverton
Deen	Keller	Rich	Wood, Ga.
Dingell	Kelly, Ill.	Richards	Woodruff
Dirksen	Kelly, Pa.	Rogers, Mass.	Young
Ditter	Kenney	Rogers, Okla.	Zioncheck
Dobbins	Kinzer	Sadowski	

ANSWERED "PRESENT"—1

May

NOT VOTING—34

Almon	Cannon, Wis.	Fish	Hornor
Britten	Chavez	Frear	Jenckes
Buckbee	Claiborne	Gifford	Johnson, W.Va.
Burke, Calif.	De Priest	Gillespie	Kemp
Cannon, Mo.	Dowell	Hamilton	Kerr
Lewis, Md.	Martin, Oreg.	Peavey	Snyder
Lloyd	Montague	Perkins	Wood, Mo.
McMillan	Moynihan	Reed, N.Y.	
McSwain	Norton	Simpson	

So the resolution was agreed to.

The SPEAKER. The Clerk will call my name.

The Clerk called Mr. RAINEY's name, and he voted "aye", as above recorded.

The following pairs were announced:

On this vote:

Mr. Almon (for) with Mr. Perkins (against).
Mr. Kerr (for) with Mr. Fish (against).
Mrs. Norton (for) with Mr. Simpson (against).
Mr. Kemp (for) with Mr. Buckbee (against).
Mr. Lewis of Maryland (for) with Mr. Britten (against).
Mr. Burke of California (for) with Mr. Reed of New York (against).

Until further notice:

Mr. Chavez with Mr. Gifford.
Mr. Montague with Mr. Dowell.
Mr. Cannon of Missouri with Mr. Moynihan.
Mr. McMillan with Mr. Frear.
Mr. McSwain with Mr. Stalker.
Mr. Peavey with Mr. De Priest.
Mr. Hornor with Mr. Cannon of Wisconsin.
Mr. Wood of Missouri with Mr. Gillespie.
Mr. Snyder with Mr. Hamilton.
Mr. Martin of Oregon with Mr. Claiborne.
Mr. May with Mrs. Jenckes.
Mr. Johnson of West Virginia with Mr. Lloyd.

Mr. MAY. Mr. Speaker, I was not present when my name was called, but I desire to be recorded as "present."

The result of the vote was announced as above recorded.

Mr. POU. Mr. Speaker, I ask unanimous consent that all gentlemen who have spoken on the rule be given 10 legislative days in which to extend their remarks.

Mr. BUSBY. Reserving the right to object, I should like to ask the gentleman if he wishes to secure consent for gentlemen who spoke to extend their remarks in order to explain the culpability of the committee against the country in proposing this rule and legislation?

Mr. POU. I do not think that question deserves an answer.

Mr. BUSBY. I object.

EMERGENCY FARM LOAN ACT

Mr. OLIVER of Alabama. Mr. Speaker, I ask unanimous consent to insert in the RECORD a concise analysis or explanation made by Mr. Morgenthau and his assistants of the Emergency Farm Loan Act on last Tuesday morning. There were a large number of Members from the Senate and House present, who indicated a desire that the statement be inserted in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. OLIVER of Alabama. Mr. Speaker, at a meeting last Tuesday, May 23, 1933, of a large number of Congressmen with Henry Morgenthau, Jr., governor-designate of the new Farm Credit Administration, W. I. Myers, his assistant, and Paul Bestor, Farm Loan Commissioner, the various provisions of the Emergency Farm Mortgage Act of 1933 were discussed in detail; and at the request of those attending the neeting, I now ask unanimous consent to publish in the CONGRESSIONAL RECORD the details of that meeting in the form of extended remarks.

Following is a brief summary of the act, together with a detailed analysis:

The interest rate on mortgages held by the Federal land banks, made through national farm-loan associations, is reduced to a maximum of 4½ percent for 5 years, and provision is made for postponing payments on principal for that time.

Farmers whose mortgages are held by others than the land banks may obtain relief through obtaining new loans from the land banks to pay off existing mortgages, or, where the holders of these mortgages consent, they may be traded to the land banks for bonds on which the interest is guaranteed by the United States. Borrowers then obtain the benefit of the lower land-bank interest rate and any reduction in principal accomplished in the exchange.

Relief for those facing loss of their farms through debt and those who have lost them through foreclosure since July 1, 1931, is afforded in a new class of loans to be made by the Farm Loan Commissioner. These are to be in amounts up to $5,000 with interest at 5 percent and repayment in 13 years, with no payments on principal for 3 years. First and second mortgages on farms and farm property may be given as security, and the loan, plus any prior liens, may be up to 75 percent of the value of all the property pledged.

Applicants for these loans should write to the agent of the Farm Loan Commissioner in care of the Federal land bank of the district in which the property is situated. Applications for first-mortgage loans should be made to the Federal land bank in the district. A list of these banks and the States which they serve is given below.

Analysis of the act follows:

FIRST MORTGAGES THROUGH FEDERAL LAND BANKS

1. For 2 years Federal land banks are authorized to issue bonds at interest rate not to exceed 4 percent, the interest of which is guaranteed by the United States. Maximum amount to be $2,000,000,000. Proceeds to be used to make new mortgages or refinance existing mortgages.

2. In order to reduce and refinance existing farm mortgages, Federal land banks are authorized to exchange bonds for or to buy outstanding farm mortgages on best terms possible, passing savings in principal and interest on to farmer borrowers.

3. Maximum interest rate to borrowers on old and new Federal land-bank mortgages not to exceed 4½ percent for 5-year period. Appropriation of $15,000,000 to be used to compensate the Federal land banks for loss in interest during first year.

4. Neither old nor new borrowers from Federal land banks required to pay installments on principal of mortgages for 5-year period.

5. For 5 years Federal land banks are authorized to grant necessary extensions of payments of interest to deserving old and new borrowers. Such extensions to be financed by loans from the United States. An appropriation of $50,000,000 authorized for this purpose for ensuing fiscal year.

6. Maximum limit of Federal land-bank mortgage loans is raised from $25,000 to $50,000 on approval of Farm Loan Commissioner.

7. Federal land banks are authorized to make direct loans to farmer borrowers where no local farm-loan associations are available. Interest rate on direct loans to be one half of 1 percent higher than on loans through local associations, but rate to be reduced when borrower joins local.

8. Receivers for joint-stock land banks are authorized to borrow from Reconstruction Finance Corporation on security of receivers' certificates in order to pay taxes on real estate.

9. Applications may be made by farmer borrowers or lenders to the Federal land bank of the district.

JOINT-STOCK LAND BANKS

1. Joint-stock land banks are prohibited from issuing tax-exempt bonds or making new farm loans except in connection with refinancing of existing loans.

2. Farm Loan Commissioner is authorized to lend up to $100,000,000 to joint-stock land banks at 4 percent on security of first mortgages: provided

(a) Joint-stock land bank reduces interest rate on mortgages to 5 percent per annum,

(b) Agrees not to foreclose on mortgage for 2-year period except in unavoidable circumstances.

These provisions will make it possible for joint-stock land banks to liquidate their affairs in an orderly manner giving consideration to farmer borrowers and to security holders.

FARM LOAN COMMISSIONER LOANS

1. Allocates $200,000,000 of Reconstruction Finance Corporation funds for loans through the Farm Loan Commissioner for the following purposes:

(a) To enable farmer to redeem and/or repurchase farm property lost through foreclosure.

(b) To reduce and refinance junior obligations.

(c) To provide working capital.

2. These loans to be under supervision of Farm Loan Commissioner using machinery of the Federal land banks. Loans to be made direct to farmers. No loan in excess of $5,000. Total of first and second mortgage, if any, not to exceed 75 percent of normal value of farm and farm property. Repayment in 10 equal annual installments plus interest at 5 percent but no payment on principal required for first 3 years.

3. Principal purpose of these loans to enable farmers to buy back foreclosed farms and to make small, reasonably safe, second mortgages to refinance junior liens and unsecured debts on a scale-down sufficiently drastic to permit good farmers to pay out.

4. Applications may be made by farmer borrowers to the agent of the Farm Loan Commissioner at the Federal land bank of the district.

LOANS TO DRAINAGE, LEVEE, AND IRRIGATION DISTRICTS

Reconstruction Finance Corporation is authorized to make loans not to exceed $50,000,000 to drainage, levee, irrigation, and similar districts to reduce and refinance indebtedness. Loans for period not exceeding 40 years to be secured by bonds issued by borrower which are lien on real property or on the assessment of benefits. Such loans to be made only on condition that the borrower shall reduce the indebtedness of the users of such project in amounts corresponding to reduction of its debt. No loan to be made until after appraisal has been made of the property, taking into consideration average market price of bonds over 6 months' period ending March 1, 1933, and the economic soundness of the project.

Mr. Bestor gave the following explanation of the manner in which the act is being administered:

Just 5 days after the President signed the Emergency Farm Mortgage Act, May 12, the first loan had been made from this fund. There had been appointed an agent of the Farm Loan Commissioner for each Federal land-bank district to make second-mortgage loans from this fund in his district. Any individual farmer wishing a second-mortgage loan should apply to the agent of the Farm Loan Commissioner, mailing his letter to the city in which the Federal land bank of his district is located. The cities in which the agents are located and the States in which they make loans are as follows:

Springfield, Mass.: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

Baltimore, Md.: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia.

Columbia, S. C.: Florida, Georgia, North Carolina, and South Carolina.

Louisville, Ky.: Indiana, Kentucky, Ohio, and Tennessee.

New Orleans, La.: Alabama, Louisiana, and Mississippi.

St. Louis, Mo.: Arkansas, Illinois, and Missouri.

St. Paul, Minn.: Michigan, Minnesota, North Dakota, and Wisconsin.

Omaha, Nebr.: Iowa, Nebraska, South Dakota, and Wyoming.

Wichita, Kans.: Colorado, Kansas, New Mexico, and Oklahoma.

Houston, Tex.: Texas.

Berkeley, Calif.: Arizona, California, Nevada, and Utah.

Spokane, Wash.: Idaho, Montana, Oregon, and Washington.

After the application is received by an agent of the Commissioner in proper form and if, from a preliminary consideration of the information, it is evident that the applicant and the security offered are eligible, the application will be assigned to an appraiser who will make an appraisal of the property.

When his report is received, if it is favorable, the agent considers the application and the report and advises the applicant of the approval or rejection of the application. If it is approved, the agent closes the loan.

The law states that loans may be made not in excess of 75 percent of the appraised normal value of the property. In determining such a value, of course, the agricultural earning power of the property is a principal factor. Normal value, of course, does not mean peak value nor does it mean depressed values. The appraiser must ascertain what crops a particular farm offered as security is capable of producing as well as the average yields and prices over a series of years. Average farm commodity prices from 1905 to 1914, inclusive, generally will be used as a basis for determining normal values. Of course, allowance will have to be made for reasonable adjustments in the case of products whose relative economic position has changed since that time.

Questions were then invited, to which answers were made by Mr. Bestor as follows:

Q. What is the loan limit on this second mortgage?—A. The act places a limit of $5,000 on the amount that may be loaned to any one farmer by the Farm Loan Commissioner. The Commissioner's loan, that is, the one made by his agent, together with all prior mortgages or other prior evidences of indebtedness secured by the farm property, may not exceed 75 percent of the appraised value thereof, nor can it exceed $5,000 to any one individual.

Q. Can the Commissioner take into consideration other collateral than the farm land and the buildings?—Yes. The farmer can offer not only a second mortgage on the farm real estate but also mortgages on any personal property, including livestock, tools, and crops. The interest rate, as you know, on such loans is 5 percent.

Q. How quickly does the farmer have to pay off these second-mortgage loans?—A. The act says that they must be wholly repaid within a period no greater than that for loans made under the Federal Farm Loan Act, or a maximum of 40 years, where a first or second mortgage is secured wholly upon the property and is made for the purpose of reducing and refinancing an existing mortgage. All other loans must be wholly repaid within a period of not to exceed 10 years from the date the first payment on the principal is due.

Q. When do borrowers have to start paying on the principal?—A. The act permits borrowers to pay only interest for the first 3 years. At the end of the 3-year period the borrower would start systematically to pay off the principal.

Q. When the Commissioner takes a second mortgage on the property, what agreements do you have with the holder of the first mortgage?—A. That depends upon the aggregate amount of the first and second mortgages. Where the aggregate of an existing first mortgage plus the second offered to the Commissioner does not exceed $5,000, we require the first mortgage holder to agree that during the period of 3 years he will not proceed against the mortgagor or the property for default in payment of principal unless he gets the consent of the Commissioner. Where the

aggregate exceeds $5,000 the mortgagee must agree not to foreclose for any cause without consent of the Commissioner for a period of 5 years.

Q. How can a farmer use the funds that he obtains from the Commissioner?—A. They may be used in several ways: (1) To provide funds for refinancing indebtedness, either secured or unsecured, of the farmer; (2) to provide working capital for farm operations; (3) to enable the farmer to redeem or repurchase farm property owned by him prior to foreclosure which was foreclosed subsequent to July 1, 1931.

Q. Do you expect those who now hold first or second mortgages or the farmers' unsecured notes to do much scaling down?—A. Perhaps I can best illustrate that by one of the loans made during the first week after the Emergency Farm Mortgage Act was passed. This may not be typical but it illustrates the point.

We will call the farmer Jones, for that is not his name. He had a first mortgage on his property of $3,300. The agent sent an appraiser to the property after having received the application and the appraiser reported that the land and the buildings were worth $3,200. From this, of course, it is quite evident that the first-mortgage holder virtually owned the farm. Jones was able to get the mortgagor to agree to scale down the mortgage 10 percent, or $330, by offering to get him cash from the Farm Loan Commissioner's agent stationed in the bank. However, the agent could not make a loan of $3,000 on property appraised at only $3,200. Fortunately, the farmer had some personal property which the appraiser valued at $873. When this was added to the $3,200, the farmer was able to offer the agent collateral, personal and real, amounting to $4,073. Thus the agent was able to make a total loan of $3,000, or 75 percent of all the collateral put up. Since the farm was only valued at $3,200 the agent took a chattel mortgage of $411 and a lien on 42 acres of crops amounting to $189. Of course, as the chattel mortgage and crop lien is paid off it will be applied on the Commissioner's loan.

Thus the farmer secured a curtailment of his debt of $300, the rate of interest on his loan was reduced 1 percent, and he had a 13-year period in which to repay. During the first 3 years he will pay only interest. Both the farmer and the holder of the mortgage have improved their positions.

Q. Do you expect many first-mortgage loans will be made by the Commissioner's agents?—A. Undoubtedly some will be made, but where a man and his collateral qualify for a Federal land-bank loan the first-mortgage loan may be obtained from it or the farmer may be able to get a first mortgage elsewhere. I feel we are going to have plenty of applications for second-mortgage loans secured by the kind of collateral which I have already discussed.

The effort we are making is if an application comes in to the land bank and the land bank can't handle it, they refer it to the Farm Loan Commissioner's agent. And we have made arrangements that when the appraiser makes his appraisal of any loan on which there is any question as to which may make the loan, the land bank or the Commissioner's agent, that he will make two reports, one for the agent of the Farm Loan Commissioner and one for the land bank, so that whichever agency it qualifies for may act upon that application, so that in some cases it might not qualify for the land bank but would qualify for the Loan Commissioner's loans.

Q. What do you mean by farmers? Does a farmer have to be a so-called "dirt farmer"?—A. The definition of farmer in case of Farm Loan Commissioner loans is very broad. Any individual who is actually engaged in farming operations, either personally or through his agent or tenant, will qualify as a farmer; also any person the principal part of whose income is derived from farming operations qualifies. However, I would emphasize the fact that a corporation is not eligible for a loan.

FEDERAL LAND-BANK LOANS

Q. The Federal land banks have been authorized by Congress to issue during the next 2 years $2,000,000,000 of their tax-exempt bonds bearing not to exceed 4 percent interest, and the Government will guarantee the interest on these securities. Further, Congress made these bonds eligible for 15-day loans from Federal Reserve banks to member banks with the expectation that this would assure the bonds greater liquidity and a wider market. Will you tell us just how these bonds are to be used and just how quickly this new type of bond will be available to the public?—A. May I answer your last question first? The plates are being made for the new consolidated bonds, but the work is not completed. However, banks are accepting applications for loans now, and it probably will not be more than 2 or 3 weeks before the new type of bonds are available. The banks are making loans now. These bonds may be sold to the investing public to secure funds to lend on first mortgages which have acceptable security for such bond issues. The bonds may be exchanged for first mortgages in existence on May 12, 1933. Further, after a period of 1 year has elapsed, the bonds may be sold to refund outstanding issues of Federal land-bank bonds, provided the funds from such new funds are not needed to make new loans.

Q. The thought is expressed that the Federal land banks may use these new-type bonds to replace outstanding bonds, thus depriving the banks of funds with which to make loans.—A. As I have already pointed out, the land banks cannot use the new type of bonds to secure funds to purchase their own bonds for the period of 1 year from May 12, 1933. After that time, if the banks have ample funds to loan, the proceeds from the sale of this new type of farm-loan bond may be utilized to purchase their outstanding bonds.

Q. Many of the farmers of our district wish to get first-mortgage loans from the Federal land bank. In some localities national farm-loan associations are not accepting loans. Cannot farmers in those areas make applications for loans directly to the Federal land bank?—A. Yes. The amendment to the law permits a farmer in territories where national farm-loan associations are not now making new loans to apply directly to the bank, but such borrowers will have to subscribe to stock in the Federal land bank for the same amount that they would have subscribed to stock in the national farm-loan association if they had made their application to it. This amount is 5 percent of their loan.

Q. Do borrowers obtaining loans directly from the Federal land bank have to pay a higher rate of interest?—A. Yes; at least temporarily. The interest rate will be one half of 1 percent higher than that charged where loans are made through associations, but farmers who borrow directly from the bank may agree that when 10 or more borrowers have obtained direct loans from the bank aggregating not less than $20,000, residing in a locality which may be conveniently served by an association, they will unite to form an association. After such an association is formed the stock held by its members whose loans are in good standing will be canceled at par and the borrower will receive an equal amount of stock in the association. When, and if such borrowers become members of associations, the interest rate on their loans, if in good standing, will be reduced one half of 1 percent.

Q. What about fees?—A. Farmers who make application directly to the bank will pay the same initial fee to it that they would pay if their application came through a national farm-loan association.

Q. Will the size of the loan made by the banks be the same as that made by associations?—A. There will be no difference. Each is limited to 50 percent of the appraised normal value of the land for agricultural purposes plus 20 percent of the insured improvements.

Q. Will borrowers from the Federal land banks have to make application to the banks for a reduction in the interest rate?—A. No, sir. Interest maturing during the 5 years commencing July 11, this year, in connection with loans made through national farm-loan associations between May 12, 1933, and May 12, 1935, will be charged at the rate of only 4½ percent per annum. Loans made directly by the banks to borrowers will pay 5 percent per annum during the same period.

A rate of 4½ percent will be charged during the same 5-year period on loans now outstanding.

Q. What about payments on the principal?—A. No payment on the principal portion of any installment will be required during this same 5-year period if the borrower is not in default with respect to any other condition or covenant of his mortgage. By this I mean he must have paid his interest, taxes, drainage and irrigation charges if he is to secure the privilege of not paying the principal of his loan during this 5-year period.

Q. Will you illustrate just what the lower rate of interest and the privilege of not paying on the principal will mean to a farmer who has a loan of $3,000, bearing 5 percent interest.—A. He normally would pay an installment of $90 each 6 months to the bank. This installment, of course, includes both interest and principal. If he secured his loan the first year the banks opened, in 1917, of the last installment paid $57.75 went to pay interest on the unpaid principal and $32.25 was applied to the reduction of his debt. Thus, should he pay the interest only, his payment to the bank would be only $57.75, instead of the usual $90. When he resumes payment on the principal he continues to amortize, or pay off, his loan at the same rate as when he ceased such payments. For the 5-year period concerning which we are speaking the interest on his unpaid balance of the loan would be figured at the rate of 4½ percent instead of 5 percent. The average interest rate on the loans outstanding is around 5½ percent, so that there is an average of a full 1-percent curtailment in the interest rate.

Q. How does the exchange of bonds for mortgages work in the case of an insurance company, for instance?—A. If a man has a loan with an insurance company for $10,000, and the company indicates it would like to sell the mortgage, the farm is appraised by the land-bank appraiser. We will say he sets a value which would permit the bank to purchase the loan for $8,500. The farm loan association says it is good for $8,500. The company says, "We are willing to take bonds for the mortgage." The company gets the bonds; the borrower gets his mortgage loan from the Federal land bank for $8,500 at a low rate of interest. That is the procedure that would be followed in case the mortgagee takes the initiative, whether it be an insurance company, banker, or individual having the mortgage to exchange.

Q. Would the mortgagee receive bonds only or could he cash them?—A. He cannot cash bonds through the land banks. The law offers him good bonds in exchange for his mortgage. It's possible for banks if they have ample funds in cash to buy the mortgage in cash. But the provision is they may either be exchanged or purchased, and purchase has to depend upon the amount of cash available in the bank.

Q. Does the farmer who gets a loan from the bank as a result of such exchange have to subscribe for stock?—A. Yes; either in an association or the bank, to the extent of 5 percent of his loan.

Q. How are the farms appraised?—A. Just the same as if the farmer had applied for a loan and no exchange of a first mortgage for a bond were involved.

Q. If the farmer borrows directly from the bank can be later join an association and get a lower rate of interest?—A. Yes, on

the same terms as if there had been no exchange of mortgage and bond involved.

Q. Does such a farmer get the benefit of the new low rate of interest and permission to pay only interest until July 11, 1938?—A. Yes, sir.

Q. Does the farmer get any other benefit?—A. It depends upon whether the owner of the first mortgage to be exchanged for a Federal farm-loan bond will scale down the amount due on it. The amount of the bonds to be exchanged may not be greater than the unpaid principal of the mortgage on the date of the exchange, or 50 percent of the normal value of the land mortgaged and 20 percent of the value of the permanent insured improvements thereon, as determined by a land-bank appraiser, whichever is the smaller. If the unpaid principal is too large, it will have to be scaled down if an exchange is made. However, that is up to the holder of the mortgage. The bank will tell him how much it will loan on the property.

Q. What is to be done about scaling down of taxes and assessments on public-improvement districts, such as irrigation, drainage, and levee districts?—A. That is handled by the Reconstruction Finance Corporation. A fund of $50,000,000 was made available to be loaned to such districts to refinance their projects by purchasing their depreciated securities outstanding. Any reduction in indebtedness of such districts so obtained must be passed on pro rata to the farm owners in such areas. Loans may be made only when the Reconstruction Finance Corporation is convinced of the economic soundness of the projects.

Q. Does this apply to private projects?—A. No; only to public-improvement districts.

Mr. MAPES. Mr. Speaker, I ask unanimous consent to extend my remarks that I made this morning by including the full text for the authority to Hitler as a dictator, a part of which I read.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

NATIONAL INDUSTRIAL RECOVERY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. LOZIER in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, as I understand it, the time is to be divided equally, 3 hours to be controlled by myself and 3 hours to be controlled by the ranking minority Member on the Republican side, the gentleman from Massachusetts [Mr. TREADWAY]. I yield 2 minutes to the gentleman from Texas [Mr. SUMNERS].

Mr. SUMNERS of Texas. Mr. Chairman, the chairman of the committee having this bill in charge has yielded this time to me in order that I may make a statement. Title I of this bill proposes what amounts, in the view of the Committee on the Judiciary, to a suspension of the antitrust law. It is recognized by gentlemen familiar with legislative history in this House that the subject of the antitrust law and kindred laws has fallen as a matter of jurisdiction to the Committee on the Judiciary. To be candid with the Chair and the other Members of the House, it was contemplated that we would test the jurisdiction of this committee with reference, at least, to title I of the bill; but we have reached the understanding that, in this instance, we will not test the jurisdiction with regard to title I, provided it is understood, and I understand from the chairman of the committee having the bill in charge that it is so understood, that our yielding to the committee in charge of this bill, jurisdiction with reference to the antitrust law and kindred legislative propositions shall not be regarded as a precedent, and shall not, insofar as this action is concerned, affect the question of jurisdiction as between the Judiciary Committee and other committees with reference to the general subject of legislation dealing with antitrust legislation.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. COX. Mr. Chairman, will the gentleman from North Carolina yield?

Mr. DOUGHTON. Yes.

Mr. COX. The time for debate upon the bill is fixed by the rule at 6 hours, to be divided equally between the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Massachusetts [Mr. TREADWAY]. May I inquire at this time as to how that time is to be divided as between gentlemen who are for the pending measure and those who are against it?

Mr. DOUGHTON. Mr. Chairman, replying to the inquiry of the gentleman from Georgia, so far as is known to me as chairman of the committee, there was no understanding. I have quite a number of requests for time from members of the committee. I feel that I should give consideration to those requests. My purpose is to allot the time as fairly as I can among the Members of the House who desire to speak on the bill. I have requests for much more time than it is possible for me to accommodate. If I begin to show a preference in the matter, I fear that I should subject myself to very severe criticism from other Members of the House, as much as I should like to accommodate the gentleman from Georgia.

Mr. COX. Does the gentleman mean by that that he does not intend to recognize the right of the opposition to the bill and to divide the time equally with it?

Mr. DOUGHTON. I do not know that I am familiar enough with parliamentary usage in the House and the custom in connection with it to understand what I should do.

Mr. COX. What does the gentleman think is fair? He is a fair man.

Mr. DOUGHTON. I must do as far as I can what in the judgment of the House would be fair. That matter should have been determined in the Rules Committee.

Mr. COX. Oh, the Rules Committee did not want to cast such a reflection upon the gentleman who is the chairman of this great committee.

Mr. DOUGHTON. It would be no reflection to say how the time should be divided.

Mr. COX. Let me come to the point that I have in mind. The gentleman understands the agreement had with me yesterday as to the time that I would have.

Mr. DOUGHTON. I understand and recall distinctly that I myself agreed to yield the gentleman 20 minutes, and he would not state that I went any further?

Mr. COX. No; and the gentleman in control of the time on the Republican side yielded me 20 minutes.

Mr. DOUGHTON. I think he agreed to or there was some such understanding, but that is a matter that is between the gentleman from Massachusetts and the gentleman from Georgia.

Mr. COX. Will the gentleman indulge me to the point of making an inquiry of the gentleman from Massachusetts, to see if it is expected that I am to use 20 minutes?

Mr. DOUGHTON. Is this coming out of my time?

The CHAIRMAN. It is all out of the time of the gentleman from North Carolina. He has been recognized.

Mr. DOUGHTON. Will the gentleman from Massachusetts give attention to the gentleman from Georgia?

Mr. TREADWAY. I should be very glad to answer the gentleman in the time of the chairman of the committee. Perhaps it is well to say just a word in respect to the reference the gentleman from Georgia is making. Yesterday afternoon I was called in conference by him and the chairman of the committee, and the gentleman from Georgia made the request for 40 minutes' time. The chairman of the committee asked me if in view of the fact that the gentleman from Georgia is a member of the Committee on Rules I would be willing to concede part of the Republican time to him.

Mr. COX. Yes; and also in view of the fact that I was instrumental in having the time increased from 4 hours to 6 hours, and the gentleman was so informed.

Mr. TREADWAY. I do not know how the extra time came about. Of course, if the gentleman says that he was instrumental in having it increased 2 hours, we accept that statement from him.

Later on I found there was such a strong demand for time on the Republican side, exhausting certainly more than the hour in addition to my 2 hours of time, that I consulted with the gentleman from North Carolina, my chairman, and we reached an understanding that I was to yield to Republicans, for and against the bill, as the case might be, and the gentleman from North Carolina was to yield to Democrats, for or against, as the case might be; and we laid that matter before the gentleman from Georgia. I told the gentleman frankly, as I am willing to tell the House, that as far as this talk of yesterday was concerned, I had agreed to yield 20 minutes, but in view of the circumstances that have since arisen among my Republican colleagues, I wanted to make an even swap, which is a good Yankee way of doing, and I would take care of another gentleman on this side of the House wanting more time than most Members did, in order to make a very learned constitutional discussion. Therefore I expect to yield more time to the gentleman I have in mind, a Republican Member, than to any other Republican.

I think that is a fair explanation of where I expect to use my time. I have declined in several instances to yield time to Democrats who are against the bill. Why should I favor one Democrat over another? I prefer to favor Republicans.

Mr. COX. Is the gentleman prepared to live up to his agreement with me and the chairman of the committee?

Mr. TREADWAY. I think the gentleman realizes the situation I am in and that I went to him early this morning and explained the situation, that he must go to the gentleman from North Carolina to secure his time.

Mr. COX. In view of the statement made by the gentleman from Massachusetts, will the gentleman from North Carolina [Mr. DOUGHTON] be liberal and agree that I may have 40 minutes, in view of the fact, as the gentleman knows, that I was responsible for increasing the time from 4 to 6 hours in order that I might have time to debate the matter?

Mr. DOUGHTON. As far as the gentleman from North Carolina is concerned, he made no such request that the time be extended, and I have to deal with this under the circumstances as they exist today and not what transpired 2 or 3 days ago, but if I can find time, in justice to the other Members of the House, I will be glad to yield that much time to the gentleman.

Mr. COX. Does the gentleman not feel that he owes something to the opposition to this bill?

Regular order was demanded.

Mr. DOUGHTON. Mr. Chairman, this bill now under consideration is one of the major pieces of legislation recommended by the administration. In my opinion, it is one of the most, if not the most important piece of legislation that will come before this Congress, or that has come before the Congress.

We held quite extended hearings on the bill. A number of witnesses, representing practically every business, industry, and occupation in the entire country, appeared before our committee. As near as I recall, not a single witness testified in opposition to this measure.

This bill, as I understand, is favored or supported by industry, by agriculture, and by labor. Those three powerful organizations in this country are all behind this legislation.

Mr. Chairman, on yesterday morning I arranged to have placed in the mail box of each Member of the House copies of this bill and the report, in order that each Member might have an opportunity before the bill was taken up for consideration today to read the bill and read the report and familiarize himself or herself with the provisions of the bill. That report is full and complete, a complete analysis and explanation of the provisions of this bill. Therefore I feel it is unnecessary for me to take the brief time I shall occupy to explain the bill, and I would suggest to any Member of the House who is not fully satisfied as to the provisions of the bill and just what it provides for that he read that report between now and the time the vote is taken.

Therefore, Mr. Chairman, I shall request that I may complete my statement without interruption. After I am through, if there are any questions I can answer, I shall be glad to do so. It is my desire to make a consecutive and connected statement in connection with the bill, and in order to do so I again request that I be not interrupted.

There exists a most pressing need for the legislation now under consideration. This need is so acute and distressing that it constitutes our major problem. All legislation so far enacted by this extraordinary session of the Congress is but preliminary to this measure and without it may be of little immediate benefit. The wholesome effects of other emergency measures already enacted are quite apparent and are reflected in the rise in prices and the return of confidence everywhere, but the prime need of millions of our citizens today is a job, and this bill undertakes to make that a certainty.

This measure is an essential part of the plan looking toward economic and industrial rehabilitation and recovery. It is the keystone in the arch of that structure. It provides means for putting our unemployed to work for a living wage and under wholesome conditions and at the same time guarantees equal opportunity to those supplying the jobs, in that the Government will cooperate with industry in maintaining standards of competition in keeping with equity and justice. It charts a middle course between the ruinous or complete monopoly in vogue prior to the enactment of the Sherman antitrust law and the era of unfair competition that now has a strangle hold upon business. It sets up flexible machinery which the President may use to prevent monopoly on the one hand and ruinous competition on the other. Flexible remedies are always necessary in emergencies, and no one will dispute that conditions are now critical and dangerous. In fact, conditions are such that the very existence of government itself is threatened. The central feature of the bill is to maintain fair competition without granting monopoly and to provide fair standards of labor and working conditions. It seeks to apply the principle of the Golden Rule to business and industry and also to provide a stimulant that will promote courage, confidence, and hope.

It is designed to promote and accelerate industrial recovery throughout the manifold branches of our business structure and to provide gainful employment once more to the millions of our people now tragically idle. In the words of the President, it is a great " cooperative movement " throughout all industry, and intended to remove the fetters and restrictions from legitimate business.

Another important feature of the measure is that the Government pledges itself to go forward with its own vast program of public works along with the States and municipalities. This simultaneous activity on the part of private industry and public enterprises should bring a business revival to every industry, enterprise, and occupation. The monumental program of public works contemplated should and will restore confidence to the faltering business public by demonstrating that the Government itself has confidence in its program and will take the lead in the effort to put it into effect. Then as private industry falls in line our people will emerge happily from the years of economic blight, pestilence, and stagnation and will go forth with a new hope and a new confidence that our Government has not lost its power to render aid in a great crisis. The patriotic and social standards of former days will again be hoisted in the American home and the agitators and destructionists who have come to us in the wake of the greatest economic scourge in our history will pass from the scene. Such ideal conditions cannot come, however, until there is work for the unemployed, a home for every family, and a fair profit for every legitimate business enterprise, and that is what is expected from this bill and its companion measures. All these are united in one great plan to repair and rebuild our tottering economic structure, the very foundations of which have been shaken and almost shattered.

It was the predominant view of the 40 or more witnesses who appeared before our committee during its consideration of this bill that conditions are such as to demand a drastic remedy, and that this bill will have the salutary effect desired. It is significant that both capital and labor share this view, as was evidenced by the testimony given by President Harriman, of the United States Chamber of Commerce, and by President Green, of the American Federation of Labor. Mr. Harriman gives assurance that already, in advance of the enactment of this legislation, some of the branches of industry, such as steel, automotive, textile, oil, and lumber industries have agreed upon tentative codes of fair competition, and that as a concomitant of such agreements the wages of some 10,000,000 workers will be increased, furthering a movement already started to restore the buying power of the masses.

Mr. Harriman also said that this was the most important piece of legislation that had been before this Congress. He said that it was not only important but absolutely necessary in connection with the farm-relief measure, of which this is a companion measure, to carry out the purposes for which it was intended.

I want to read from the testimony of Mr. Harriman, because he knows as much about American business and American industry and is as well informed and as well qualified to speak for industry as any living man in America today.

Mr. BUSBY. Will the gentleman yield?

Mr. DOUGHTON. Yes; I yield.

Mr. BUSBY. May I ask who Mr. Harriman is?

Mr. DOUGHTON. Did the gentleman never hear of him before?

Mr. BUSBY. Well, I know one Harriman, president of the United States Chamber of Commerce.

Mr. DOUGHTON. That is the gentleman.

Mr. BUSBY. And this is their bill, is it not?

Mr. DOUGHTON. No, sir. This is not their bill that I know of. I understand that business generally throughout the United States endorses the bill, so does labor, and so does agriculture. If it is Mr. Harriman's bill, it is Mr. Green's bill and the farmers' bill. In fact, I consider it the people's bill.

Mr. BUSBY. I would like to know where the people's bill is in this thing.

Mr. DOUGHTON. It is right in the very heart of this bill from first to last.

Those who do not believe in this bill, those who cannot conscientiously support it, have the constitutional right to oppose and to vote against it. If they think it is a good bill, they will have the opportunity to support it.

I shall now read from the testimony offered by Mr. Harriman.

Mr. Harriman, after discussing the several other bills that have been passed or are under way as a part of the program for rehabilitation, mentions the farm bill as a companion bill to the measure under consideration and says:

> Now, there are two bills that are distinctly inflationary of labor, and they are companion bills. I refer to the so-called "farm bill", which, I believe, is equally an industrial bill, and which, I believe, is going to result in higher prices for farm products—and that means greater purchasing power for the farmer to spend for the purchase of goods that are made in the factories in the cities—and this bill that is now before you. But let me say frankly that I do not believe the farm bill will be successful unless you pass this bill as an accompaniment to it; for, obviously, if wages are not raised, if dividends are not resumed, and if purchasing power in the city remains at the present level, the city man cannot pay the higher prices that the farmer rightfully demands for his products.

Mr. Harriman also stated that the purchasing power of the American people had dropped from $84,000,000,000 to $40,000,000,000, and that, if the present rate of descent continued, next year it would not be over $30,000,000,000. So you can see what an alarming situation we are in.

It is the loss of this buying power that has produced and is prolonging the world's worst depression.

It should be borne in mind also that, regardless of what may be done toward expansion of the currency, as a Treasury operation, the pending program, involving billions of dollars, will be inflationary in its effect. This is important because industry and those connected with it are the first to experience the benefits of any inflationary movement. This being true, then the Government, through the operation of this measure, will make it possible for those engaged in and connected with industry to pay the increased taxes carried by the bill much more easily than they are now paying the present taxes, which are lower than those being paid in Great Britain and other countries.

Now, Mr. Chairman, we know that to make possible the proper functioning of the act it is necessary that the Government incur an obligation of gigantic proportions, aggregating $3,300,000,000, and to liquidate which will require an additional annual revenue of $220,000,000. To meet this demand it is necessary that we find sources of additional revenue at a time when it is highly desirable to reduce rather than to increase our taxes. However, this vast sum is not to be thrown away but is to be invested by the United States as earnest money, evidencing the faith of our Government in its own remedies and its readiness to back them with its resources. I shall now discuss briefly these tax provisions.

Mr. BLANCHARD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. BLANCHARD. The gentleman just made the statement that Mr. Green had expressed the opinion that 6,000,000 men would be put to work directly.

Mr. DOUGHTON. I think that is correct.

Mr. BLANCHARD. Six million men put to work directly at an average wage of $1,000 a year would mean $6,000,000,000. How long is it expected these men will be employed under the plan set up in this bill?

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. VINSON of Kentucky. I think the gentleman from North Carolina inadvertently stated the number of men directly employed as 6,000,000. As I recall the testimony it was that 6,000,000 men, directly and indirectly, would be given employment.

Mr. DOUGHTON. That may be correct but I think it was testified before our committee that the practical effect of this legislation would be to put 10,000,000 or 12,000,000 men to work.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. Mr. William Green, the president of the American Federation of Labor, made the direct and specific statement that 6,000,000 will be put back into employment through the operation of this measure within a short time.

Mr. DOUGHTON. I thought I was correct in my statement. I refreshed my recollection on this point this morning.

Three additional taxes are proposed in section 208 to provide the annual revenue necessary to the operation of the act. These have been selected with two ends in view: First, to distribute the added burden as broadly as possible, but only upon those able to pay; second, to select only those sources that are certain in productivity, in order that the credit of the Government may be maintained.

Now, increase of taxes is always a painful operation. There is not much trouble about an operation until the pain and blood starts, and then, of course, the trouble begins.

These additional taxes are:

First. An increase in the rate of normal income taxes on the first $4,000 of net income from the present 4 percent rate to 6 percent. The normal rate on the excess over $4,000 is raised from 8 percent to 10 percent. These increases will bring in about $46,000,000 annually.

Second. Cash dividends received from the stock of domestic corporations have been made subject to the normal tax. At present, such income is exempt from the normal

tax and is only reached by the surtax. This additional tax should yield about $83,000,000 annually.

Third. The tax on gasoline is increased three fourths of a cent per gallon, bringing the total tax on this commodity up to 1¾ of a cent on the gallon. This should result in added revenue of about $92,000,000 annually.

Several taxes were suggested and your committee gave careful consideration to these suggestions. It was necessary in this emergency legislation, this temporary legislation, to provide additional taxes, but these taxes will be temporary. It is the purpose of the administration and it will be the purpose of your committee, and I know it will be the purpose of Congress to repeal these taxes just as soon as business recovers and industry revives, and the ordinary sources of taxation are sufficient to support the recurring expenses of the Government.

I will discuss briefly the effects of these taxes, with the reasons for their selection by your committee. Before doing this, however, I desire to say that it is a very difficult and troublesome task to select new taxes to be imposed upon an already overtaxed public. I feel, however, that in this instance the ends will amply justify the means and that the benefits that will flow from the operation of this law will be many times greater than the burden temporarily imposed.

First. The increase in normal income-tax rates: The effect of raising these rates from 4 percent and 8 percent, respectively, to 6 percent and 10 percent can best be seen by a comparison of the present tax with the proposed tax on certain incomes. For convenience we will take the case of a married man with no dependents. Under the present law if he has a net income of $3,000 he pays a tax of $20 annually, while under the proposed bill he would pay $30. If his income is $5,000 net, he now pays $100, while under the pending bill he would pay $150. In like manner the tax on an income of $10,000 will be increased from $480 to $630 and on one of $50,000 from $8,600 to $9,550, and so on, affecting all taxpayers in proper proportion, whether their incomes are large or small. These increases are considerable, but it is believed that they can well be borne, especially so in view of the fact that many benefits will flow to such taxpayers from the general provisions of the measure.

Second. Subjecting dividends to the normal tax rate: This plan has been proposed heretofore, but did not receive the sanction of both branches of the Congress. Last year the House approved a similar plan, but it was eliminated in the Senate.

Under the existing laws a man with a net income of $6,000 pays no Federal tax if his income is all from dividends. Under the pending bill he will pay a tax of $240, which is exactly the amount that will be paid by a man with a salary of $6,000.

In spite of the many theoretical arguments about double taxation, when we consider the matter from a practical standpoint, why has not a man with a capital of $100,000, which yields him $6,000 a year in dividends, just as much ability to pay a tax thereon as a man with a salary of $6,000 a year and no capital? Then under this bill the man with the capital will have an opportunity to earn still more on his investment.

At present a man with an income of $50,000 annually from dividends pays a tax of only $4,950, as compared with a tax of $8,600 paid by a man with the same income from salary. Under the pending bill, after taking into consideration the increases in normal rates, each person will pay the same—$9,550. I believe this is fair. Certainly there should be no objection to it during the present emergency.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MARSHALL. The Ways and Means Committee have been laboring on the proposition of how to raise $220,000,000, which I understand is to be set up as an interest and sinking fund.

Mr. DOUGHTON. That is correct.

Mr. MARSHALL. Are we to infer from that that this would take care of interest and the redemption of this borrowed money? What I should like to know, but have not been able to find out from any member of the Ways and Means Committee that I have asked, is how much of this $3,300,000,000 is going to be loaned and how much of it is going to be given away. If it is going to be given away, we do not need the $220,000,000.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield for me to reply to the gentleman from Ohio?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. Mr. Chairman, the gentleman doubtless has observed the provision of the bill which authorizes a grant, which was interpreted as a gift, of 30 percent of any project that may be submitted for consideration. Of course, it is impossible to know just how this 30-percent limitation will be applied to the entire amount involved, and it cannot be definitely figured.

Mr. MARSHALL. If 30 percent is to be granted, $220,000,000 would not be needed to take care of the interest and sinking fund, would it?

Mr. COOPER of Tennessee. No; but the 30 percent is only the amount of the grant by the Government. Then the municipality or the agency to which the grant or gift is made has the right to borrow the other 70 percent.

The entire amount has to be funded, of course, and sinking-fund and interest charges apply to it all.

Mr. MARSHALL. Do I understand, then, that the 30 percent is all that is to be given away?

Mr. COOPER of Tennessee. That is the grant; yes.

Mr. VINSON of Kentucky. In that connection, of course, while you will have loans made, these loans are to be repaid over a certain period of time; but, for instance, the yields from the loans are not so definite and certain that you could create your amortization fund from the repayments.

Mr. MARSHALL. In other words, then, neither the committee nor anyone else knows how much of this you will ever get back, and that is the reason for the interest and sinking fund.

Mr. VINSON of Kentucky. It is the purpose that every dollar that is loaned, of course, is expected to be repaid. I am certain the gentleman would not think any other policy would be adopted.

Mr. McCLINTIC and Mr. BLANCHARD rose.

Mr. DOUGHTON. I yield to the gentleman from Oklahoma.

Mr. McCLINTIC. I want to clear up, if I can, the term "grant." It is my understanding, as a member of the committee, that when the word "grant" was used with respect to the money that was to be allocated for the construction of roads, the entire amount would be furnished by the Government and no part of it would be reimbursed.

Mr. VINSON of Kentucky. There is no loan feature in connection with the road appropriation.

Mr. McCLINTIC. I was just wondering whether the RECORD should show that it is the intention of this legislation to give 30 percent to any project, or whether there is a loan on the part of the Government so that the municipality or other subdivision of government could get 70 percent, and have this in addition, with the thought that it should be repaid.

Mr. COOPER of Tennessee. If the gentleman will turn to page 21 of the hearings he will see that I asked that specific question of Mr. Douglas, Director of the Budget, who was appearing in support of this bill and was explaining it. I asked Mr. Douglas this question:

> Mr. COOPER of Tennessee. I should like to have your interpretation of the term "grant."
>
> Mr. DOUGLAS. A grant is an outright grant, requiring no repayment.
>
> Mr. COOPER of Tennessee. Is it an outright grant or gift?
>
> Mr. DOUGLAS. Yes; an outright grant or gift.

Mr. COX. Will the gentleman yield to me?

Mr. DOUGHTON. Yes; I yield to the gentleman from Georgia.

Mr. COX. Since the gentleman has the record before him, would he mind informing the House how the committee arrived at the figure of $3,300,000,000 to be appropriated? Did the gentleman's committee have before it the projects intended to be included and the estimated cost of them,

from a consideration of which they arrived at a determination of the figure of $3,300,000,000?

Mr. COOPER of Tennessee. If the chairman will yield to me a moment, I may say that I propounded exactly the same question to Mr. Douglas, and his reply was that a careful survey had been made throughout the country, and the result of it showed that there were useful and needful public-work activities throughout the country on the part of States, municipalities, and so forth, which aggregated about $2,000,000,000, and then the survey further showed that Federal public works could profitably be undertaken to the extent of about $1,300,000,000, and the aggregate of these two estimates makes up the $3,300,000,000.

Mr. COX. I presume the gentleman's committee had before it these surveys to which the gentleman refers; and if this is true, would the gentleman mind inserting them in the RECORD for the information and benefit of the House?

Mr. DOUGHTON. In this connection, if the gentleman has read the message of the President, which was read from the desk here, he knows that the President himself stated that a careful survey had been made. The President knows what he is talking about when he refers to a survey, and I am sure had it made by someone who is competent. He said that a thorough and careful survey had been made, and it was his opinion and judgment that $3,300,000,000 is necessary for this program of rehabilitation. The gentleman will find that in the message of the President of the United States.

Mr. TREADWAY. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. TREADWAY. I think, Mr. Chairman, this can be cleared up very easily by reading two lines from the President's message to Congress.

Mr. DOUGHTON. That is what I was referring to.

Mr. TREADWAY. The President said, and I am quoting from the President's message on the first page of the committee report:

> A careful survey convinces me that approximately $3,300,000,000 can be invested in useful and necessary public construction, and at the same time put the largest possible number of people to work.

Mr. DOUGHTON. When interrupted, I had reached the gasoline tax, against which there seems to be more widespread and universal objection or complaint, if propaganda is evidence of the feeling of the country, than any other tax that we have proposed in this bill.

As I understand, the gentlemen of the minority will offer a motion to recommit proposing to substitute a general manufacturers' sales tax in lieu of the taxes or part of the taxes we have proposed, and I violate no confidence in saying that in our committee it appeared that probably the alternative to a tax on gasoline would be a manufacturers' sales tax.

I agreed to this tax very reluctantly. I voted against the present revenue bill which was enacted at the last session of the Congress, and one of the reasons was that it contained a gasoline tax. I have never thought it was a tax which should be used except in an emergency such as now exists; but if we take into consideration that the alternative would be a sales tax which would apply to gasoline, to automobiles, to accessories and parts, tires and tubes, to trucks, to tractors, and to everything that gasoline is used in connection with, and in addition would apply to every article in the home and on the farm and is a tax that would be paid by the gasoline users, I am sure we will realize that if a sales tax were adopted in lieu of the tax of three quarters of a cent on gasoline, it would be more than 10 times as burdensome, more than 10 times as great, and more than 10 times as harsh as a three fourths of a cent tax on gasoline.

Oh, they say, you are pyramiding this gasoline tax and it is a sales tax. Well, it is not a sales tax that covers every article used in the home and on the farm. Those who are complaining of the gasoline tax must keep in mind that a sales tax is the alternative, and as between the two this gasoline tax would be so negligible as not to admit of comparison in its burdens with a general sales tax.

Mr. GIBSON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GIBSON. The gentleman is speaking of the gasoline tax. When that matter was before the House we adopted a rider or amendment that transferred the electrical-energy tax from the consumer to the producer. What is the purpose of the committee with reference to that?

Mr. DOUGHTON. Has the gentleman read the report on the bill?

Mr. GIBSON. I have; yes.

Mr. DOUGHTON. Does the gentleman not understand it?

Mr. GIBSON. Not exactly.

Mr. COOPER of Tennessee. Let me say to the gentleman from Vermont that I made a statement this morning in the discussion on the rule that the committee would offer an amendment accomplishing that same thing. In other words, they would offer an amendment similar to the Whittington amendment.

Mr. GIBSON. I thank the gentleman. I am sorry I was not present when he made the statement this morning.

Mr. TREADWAY. Will the gentleman yield to me?

Mr. DOUGHTON. I yield.

Mr. TREADWAY. I want to say, in reference to this matter, that for 2 weeks there has been a deadlock between the two bodies on that item and the members of the Ways and Means Committee have been extremely busy with this legislation. But an amendment was agreed upon this morning covering the electrical-energy tax just as the House passed it originally.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. WHITTINGTON. In connection with the gasoline tax, the House passed the amendment, and it is now in conference, reducing the postage on local letters from 3 cents to 2 cents. May I ask if the committee has made provision for that?

Mr. DOUGHTON. There was no such understanding reached by the committee. We have full faith that an agreement will be reached on the bill now in conference between the Senate and the House.

Mr. TREADWAY. Does not the gentleman think it would save time to tell the gentleman from Mississippi that the committee instructed its experts to draft and put in proper form an amendment for that purpose? It is a pretty complicated thing to take an item out of a conference report and reword it, and that is what we have asked the experts to do between now and tomorrow morning.

Mr. DOUGHTON. That statement was made by the gentleman from Tennessee [Mr. COOPER] this morning.

Mr. VINSON of Kentucky. May I ask the gentleman if there is any disagreement between the House and the Senate in respect to the postal reduction?

Mr. DOUGHTON. None at all.

Mr. VINSON of Kentucky. The gentleman from Massachusetts does not mean to say that the committee contemplates any amendment with reference to the postal rates? The amendment to which the gentleman refers is the one dealing with electrical energy. Then there will be another amendment in regard to net losses that will wipe out and eliminate the carry-over of 1 year in individual, partnership, and corporate income; but there has been no agreement yet in respect to an amendment that will affect postal rates.

Mr. WHITTINGTON. My question was, Is it not contemplated that before this bill shall finally pass that the provisions of this act will be so modified that the reduced stamp taxes will be embodied in the current legislation, inasmuch as it has not been brought forward either in the bill or in the suggestions made?

Mr. TREADWAY. Mr. Chairman, I think it is unfair to interrupt the chairman's regular address in relation to matters not actually in the bill. The gentleman from Mississippi [Mr. WHITTINGTON] has been assured by all of us that the electrical-energy matter is being taken care of

and that is all that ought to be brought up at the present time. Let us do one thing at a time and listen to the chairman's address.

Mr. CELLER. Mr. Chairman, will the gentleman yield? There are some things, I think, which should be clarified about title I.

Mr. DOUGHTON. Has the gentleman read the report?

Mr. CELLER. Yes; but there are some matters that ought to be cleared up. For example, can there be different codes of practice for one given industry in different parts of the country? For instance, take the textile industry.

Mr. DOUGHTON. I yield to the gentleman from Kentucky [Mr. VINSON] to reply to that question as he is a lawyer.

Mr. VINSON of Kentucky. Mr. Chairman, that question was submitted to Mr. Douglas, to Senator Wagner, to Mr. Richberg, and in each instance they said positively that they could have different codes as affecting the same industry in different sections of the country.

Mr. CELLER. What is meant by the language?—

The President may differentiate according to the experience and skill of the employees affected in accordance with the locality of employment.

What is meant by "locality of employment"?

Mr. VINSON of Kentucky. The very thing, as I understand it, to which the gentleman directed his former inquiry. That is, the geography of the country, where different business conditions exist.

Mr. CELLER. Is there any question but that these agreements that may be entered into by trade groups may provide for the fixing of prices?

Mr. VINSON of Kentucky. I do not understand the question.

Mr. CELLER. Can the textile industry get together or the tanners get together or the manufacturers of shoes get together and under this agreement that is spoken of in title I fix the prices of their commodities?

Mr. VINSON of Kentucky. I do not find anything in here in which that is specifically authorized. As a matter of fact, it affects the hours of labor, minimum pay, and the working conditions in the particular industry. They are required to be in the voluntary and unlimited code as well as in the limited code.

Mr. CELLER. There is nothing in the bill which says that you cannot by these agreements fix prices, and, therefore, is the inference to be drawn that prices may be fixed?

Mr. DOUGHTON. Mr. Chairman, I regret that I cannot yield further.

Mr. COX. Mr. Chairman, will the gentleman yield to me to ask a question?

Mr. DOUGHTON. Yes.

Mr. COX. Is the gentleman in a position to deny that this is a price-fixing scheme? Under the provisions of the bill, cannot these industries that enter into these agreements fix the prices of their commodities?

Mr. VINSON of Kentucky. As I read this bill, under the code of fair competition, whether it be voluntary or involuntary, the agreements made among the labor industries or among the industrial concerns, deal with the maximum hours of labor, the minimum pay, and the working conditions. These factors enter into the completed cost of the article, but, so far as the bill being a price-fixing bill, I do not regard it as such.

Mr. COOPER of Tennessee. It has all to be approved by the President of the United States.

Mr. CELLER. Personally, I believe that the dissatisfaction of the antitrust decisions of the Supreme Court has always been to the effect that there was inability to arrange something akin to price fixing, and unless you have some price fixing, you will have the same objection to this bill that the manufacturers throughout the country are leveling against the interpretation by the Supreme Court of the Sherman Act. You must have price fixing, otherwise you destroy the purpose of the bill.

Mr. SHALLENBERGER. In reply to the question of the gentleman from New York [Mr. CELLER], I recall in the hearings that we had Mr. Harriman, the president of the United States Chamber of Commerce, before us, and I brought up that particular question. It was stated by him and agreed to, I think, and understood by the committee that whatever price fixing or rules or regulations are brought into this matter are entirely under the direct control of the President of the United States, and we give him authority through this administrator to regulate this matter so that it will not affect adversely the interest of the people but will also help industry.

Mr. COX. Is not that price fixed temporarily?

Mr. SHALLENBERGER. To whatever extent it is granted.

Mr. CELLER. Will the gentleman yield for one further question?

Mr. DOUGHTON. I yield.

Mr. CELLER. I hope the members of the committee will be candid about this matter. I think they ought to admit that there is a possibility and a probability that these agreements might fix prices, but they must be approved at first hand by the President of the United States. That is the way I read this bill. There is nothing short of that.

Mr. VINSON of Kentucky. You may have an increase in the commodity price that a fair price for the product might be secured. If you are going to increase labor costs on a fair competitive basis, you may have some increase in the price in a given product. It may eliminate cutthroat competition. You may be able to put men back to work who cannot work now because of cutthroat competition, but I maintain there is nothing in this bill to say that it is a price-fixing bill, as such.

Mr. CELLER. If we can cut out the cutthroat competition by fixing the price, let us do it. I am heartily in favor of it.

Mr. DOUGHTON. Mr. Chairman, I decline to yield further. It is unjust to other members of the committee who desire time to speak on this bill.

The CHAIRMAN. If the gentleman yields to his colleagues, the Chair cannot interfere. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Third, the increased tax on gasoline. This tax was reluctantly imposed. However, the fact that it has been imposed should not be held as indicating that the Federal Government intends to continue in this field. It is expected that eventually this source can be left exclusively to the States. Only the exigencies of the present justify this further temporary levy on gasoline. Moreover, it should be remembered that all the taxing provisions of the bill are only temporary and will be removed as soon as the increased revenues of the Government will permit, and there is no doubt in my mind that as a result of the operation of the act business will be so revived that no real burden from the tax provisions will ever be felt by the people and that increased revenues to the Government as a direct result of the operations provided for in the bill will many times offset the taxes it carries.

If, as some have suggested, there is serious objection to the further pyramiding of taxes on gasoline, it should be remembered that no industry has more to gain from the operation of this measure, with its codes of fair practice, than has the now demoralized and helpless oil industry.

There has been suggested as an alternative tax program a manufacturers' sales tax, the chief merit of which is said to be that it would have a wider spread and therefore would inflict a minimum of pain and resentment. It is true that a general sales tax would be somewhat concealed, as it would be incorporated in an insidious system and therefore difficult of abandonment in the future. But such a tax falls with equal force upon people with part-time employment or no employment at all. It would weigh heavily on those not immediately benefited by the inauguration of a recovery program. Those who will benefit most by the measure should be prompted by their sense of fairness as well as their self-interest to assume the heaviest portion of the burden; and since it is an investment that should bring dividends in the way of benefits far in excess of the taxes they will pay, they should be reconciled to the tax burden involved.

Those who are connected with the motor industry should reflect that a general sales tax would not only reach gasoline, but the automobile, the truck, the tractor, parts and accessories, and thus would by far exceed the tax on gasoline. It would also attach to every article consumed on the farm or in the home. It is true that those who favor a general sales tax seem to think it would be helpful to them in getting it adopted, to exempt food, clothing, and medicine. At heart they, in fact, believe in no exemptions. What justification is there in exempting food and tax the stove it is cooked on, the linen and the table from which it is eaten, the knives, forks, spoons, and dishes; the bedding and all the furniture in the home and every farm implement used in producing the food?

It would also tax every board and nail and every brick and every ounce of cement going into the home—all vital necessities in human existence. We might just as well have a sales tax without exemptions and at a lower rate. It would be preferable to one with a high rate and few exemptions. The proffered exemption of food and clothing is nothing but a lure to deceive the people.

Four hundred million dollars specified in this bill is to be expended on road construction and road improvement, not only on the great through highways, but also on the secondary roads and market roads. Four hundred million dollars is to be expended, designated or specified in this bill, which will directly more than reimburse those who pay the taxes on gasoline.

Those who seem to think that a general sales tax would be more acceptable than the small increase on gasoline should consider the provisions of section 204 of this bill, which provide for the spending of as much as $400,000,000 on Federal-aid highway systems and extensions thereof into and through municipalities and the removal of the hazards of highway traffic. This is extended to lateral or feeder roads, and the funds so expended need not be matched by the States. The benefits that will inure to the motor industry and to the oil industry from the operation of this feature of the measure alone will be manifold, and in fact will exceed many times the amount of the tax that will be paid on gasoline. So there can be no just grounds for complaint against this emergency tax for the purposes for which it is levied.

Now, in conclusion, ladies and gentlemen, I desire to emphasize this fact: This is an administration measure. The President has requested its enactment and he considers it necessary in carrying forward his great relief and rehabilitation program. Under his wise and courageous leadership an almost miraculous change has already occurred. This phenomenal revival and recovery, now apparent on every hand, was beyond our fondest expectations a short while ago. From every section of the country are coming the welcome tidings of better business, better times. Renewed hope and confidence have superseded gloom and despair and, my friends, I feel that anyone who tries to deny the President this essential measure—this weapon of warfare on the economic scourge from which we have suffered so long—is assuming a terrible responsibility. The chatter and hair-splitting about the Constitution will find little sympathy among the American people. They trust our President; they know he has started somewhere and is getting somewhere. He is walking a tightrope; and the one who shakes that rope, the one who tries to defeat the wise thought and plans of the President, will discover that the sentiment of the American people will severely condemn such course.

Let us continue to go forward and complete the entire program. Let us look to ourselves that we lose not the things that have been wrought, but receive the full reward by completing in letter and spirit the President s entire program. [Applause.]

Mr. STRONG of Texas. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. STRONG of Texas. Mr. Chairman, I am opposed to the bill. I ask unanimous consent to have my remarks extended in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. STRONG of Texas. Mr. Chairman, on May 17 the President sent a message to Congress asking for a temporary tax levy to pay the bonds which is intended shall be issued for the purpose of raising $3,300,000,000 for reemployment of our citizens. Among other things the President's message says:

> The taxes to be imposed are for the purpose of providing reemployment for our citizens. Provision should be made for their reduction or elimination; first, as fast as increasing revenues from improving business become available to replace them; second, whenever the repeal of the eighteenth amendment, now pending before the States, shall have been ratified and the repeal of the Volstead Act effected. The pre-prohibition revenue laws would then automatically go into effect and yield enough wholly to eliminate these temporary reemployment taxes.

It is not my desire to take issue with our President, who is a sincere patriot striving to restore our country to prosperity; but I feel it is my duty to present what I deem to be important facts concerning this measure. I am anxious to see all our unemployed citizens restored to profitable employment, and I believe this session of Congress has already passed measures which will accomplish this by providing for expansion in the circulation of money. It is as impossible for business to exist without sufficient circulation of money as it is for the human body to live without sufficient circulation of blood; therefore when the circulation of money is stopped business is bound to die. The awful business depression now prevailing is caused for want of sufficient money in circulation. Congress has provided for this, and all that is necessary to bring about reemployment of all citizens is to put into effect the measures which Congress has enacted for this purpose. Proper circulation of money will revive all business, and this will aid people who are now idle in securing profitable employment. Therefore it is unnecessary to issue interest-bearing bonds to bring relief to the people. The interest on such bonds would cost the people more than $100,000,000 annually, besides the extra burden of taxes in order to secure money with which to pay these bonds.

It is said if the eighteenth amendment is repealed the taxes derived from the liquor traffic would be sufficient to pay the bonds issued for the purpose of securing money for the reemployment of our citizens. This statement may be correct. If the eighteenth amendment is repealed, the taxes paid by the liquor traffic may bring enough revenue into the United States Treasury to pay the bonds, but the records will show when business is good much more revenue is paid into the United States Treasury since the adoption of the eighteenth amendment than prior thereto. In the year 1914 the liquor traffic was highly prosperous. The total revenue of the United States Government for that year was $1,045,628,955, while in 1929, which was the beginning of the present depression, the revenue was $4,036,219,000, a gain of about 400 percent under national prohibition of the revenue of the United States. That is not all. The bank deposits increased from 22 billions to 40 billions, in savings banks from 9 to 28 billions. The national income increased from 36 billions to 70 billions. The average income per capita increased from $360 to $562. This is positive proof that national prohibition is not the cause of the depression as the advocates of repeal would have us believe. It is also a glaring fact the "wet" nations of Europe have suffered much more from the depression than has the United States. All of which positively proves if our Government will bring back prosperity by correcting our money system, national prohibition will aid 400 percent more in sustaining the prosperity than will the liquor traffic. Therefore, from a financial standpoint alone, it would be a crime to repeal the eighteenth amendment. This alone is sufficient reason for retaining national prohibition for all time, but there are many, a great many, good and sufficient reasons why the eighteenth amendment should not be repealed. Prohibition is based on the fact that intoxicating liquor is exceedingly harmful and has been a menace to our country from the time our Government was founded.

In the early history of our Nation there occurred what is known as the "Whisky Rebellion." The cause of this uprising was the levying of a tax by the Government upon the distilling of intoxicating liquor. The distillers refused to pay this tax, and when Government officials undertook to collect same they were assaulted in a malicious manner, while some were murdered. President Washington dealt with this criminal uprising very promptly by sending 15,000 soldiers into the rebellious district, whereby the outlawry was promptly abated, and several hundred soldiers remained in the district for some time to prevent the return of law violation. Many of the perpetrators of these crimes were arrested and convicted of treason, while others fled from the country. History tells us this was the first rebellion against the authority of our Government, and the promptness with which President Washington dealt with this unlawful uprising caused great respect for the laws of the land, and there was rest from the unlawfulness of the liquor traffic for a time.

History records another dastardly crime against governmental authority, which occurred during President Grant's administration, known as the "Whisky Ring." Some high officials of the United States Government were connected with this outlawry, and before their crimes were detected had defrauded the Government out of about $2,000,000.

In the mountainous regions of several of the States the liquor interests for more than 50 years conducted illicit stills, and thereby defrauded the Government out of many millions of dollars of revenue. All I have stated is a mere beginning of the crime and ruin brought about by the liquor traffic. It has destroyed more people than all the wars of the world, dotted our Nation with drunkards' graves from the Great Lakes on the north to the Gulf of Mexico on the south and from the Atlantic on the east to the Pacific on the west.

It has destroyed millions of homes, cheated children out of food and clothing and deprived them of an education. Its saloons were headquarters for all classes of criminals. There has never been a day when the liquor traffic showed any respect for law, and not one good act can be placed to its credit; its entire career has been a menace and a crime against mankind.

Henry W. Grady, one of the greatest newspaper editors, orators, and statesmen the world has ever known, speaking to the people of his own city, Atlanta, Ga., concerning the liquor traffic, said:

My friends, hesitate before you vote liquor back now that it is shut out. Do not trust it. It is powerful, aggressive, and universal in its attacks. Tonight it enters an humble home to strike the roses from a woman's cheek. Tomorrow it challenges this Republic in the Halls of Congress. Today it strikes a crust from the lips of a starving child. Tomorrow it levies tribute from the Government itself. There is no cottage humble enough to escape it, no place strong enough to shut it out. It is flexible to cajole but merciless in victory. It is the mortal enemy of peace and order. It is the despoiler of men, the terror of women. It is the cloud that shadows the faces of children. It is the demon that has dug more graves and sent more souls unsaved to judgment than all the pestilences that have wasted life since God sent the plagues to Egypt, and all the wars that have been fought since Joshua stood beyond Jericho.

Oh, my countrymen, loving God and humanity, do not bring this grand old city again under the dominion of that power! It can profit no man by its return. It can uplift no industry, revive no interest, remedy no wrong. You know that it cannot. It comes to destroy, and it shall profit mainly by the ruin of your sons and daughters, or mine. It comes to mislead human souls and to crush human hearts under its rumbling wheels. It comes to convert the wife's love into despair and her pride into shame. It comes to still the laughter on the lips of little children. It comes to stifle all the music of the home and fill it with silence and desolation. It comes to ruin your body and mind. It comes to wreck your home. And it knows that it must measure its prosperity by the swiftness and certainty with which it wrecks.

NOW WILL YOU VOTE IT BACK?

The liquorites revile ministers of the gospel. I believe the minister is as much entitled to the privileges of citizenship as the brewer or any other manufacturer or dealer in liquors. The minister respects and obeys the laws of our country, and his influence is for good. He is against crime and any institution which produces crime. This naturally aligns the minister against the liquor traffic.

No greater indictment can be made against the liquor traffic than is found in the following by that great orator and agnostic, Robert G. Ingersoll, who did not believe in the Christian religion. Read what he said 30 years before prohibition was adopted:

I am aware that there is prejudice against any man engaged in the manufacture of alcohol. I believe that from the time it issues from the coiled and poisonous worm in the distillery until it empties into the hell of death, dishonor, and crime it demoralizes everybody that touches it, from its source to where it ends. I do not think anybody can contemplate the subject without becoming prejudiced against the liquor crime.

All we have to do, gentlemen, is to think of the wrecks on either bank of the stream of death—the suicides, the insanity, the poverty, the ignorance, the destitution, the little children tugging at the faded and weary breasts, weeping and despairing wives asking for bread, talented men of genius it has wrecked, the struggling men with imaginary serpents produced by the devilish thing. And when you think of the jails, the almshouses, the asylums, the prisons, the scaffolds, I do not wonder that every thoughtful man is prejudiced against this stuff called alcohol.

Intemperance cuts down youth in its vigor, manhood in its strength, and age in its weakness. It breaks the father's heart, bereaves the doting mother, extinguishes the natural affections, erases conjugal love, blots out filial attachments, blights parental hope, and brings down mourning age in sorrow to the grave. It produces weakness, not strength; sickness, not health; death, not life. It makes wives, widows; children, orphans; fathers, fiends; and all of them paupers and beggars. It feeds rheumatism, it nurses gout, welcomes epidemics, invites cholera, imports pestilence, embraces consumption. It covers the land with idleness, with misery, and with crime. It fills your jails, supplies your almshouses, floods your asylums. It engenders controversies, fosters quarrels, cherishes riots. It crowds your penitentiaries, furnishes victims for your scaffolds. It is the lifeblood of the gambler, the inspiring element of the burglar, the prop of the highwayman, the support of the midnight incendiary. It countenances the liar, respects the thief, cheers the blasphemer. It violates obligations, reverences fraud, honors infamy. It defames benevolence, hates love, scorns virtue, slanders innocence. It incites the father to butcher his helpless offspring, helps the husband to massacre his wife, and the child to grind the patricidal ax. It burns up men, consumes women, detests life, curses God, despises heaven. It suborns witnesses, nurses perjury, defiles ermine. It degrades the citizen, debauches the legislator, dishonors statesmen, disarms the patriot. It brings shame, not honor; brings terror, not safety; brings despair, not hope; brings misery, not happiness.

And with the malevolence of a fiend it calmly surveys its frightful desolation. Not satisfied with its havoc, it poisons felicity, kills peace, ruins morals, blights confidence, slays reputation, wipes out national honor. It then curses the world and laughs at its ruin. It does that and more—it murders the soul.

The liquor business is the sum of all villainies, father of all crimes, mother of abominations, the devil's best friend, and God's worst enemy.

We cannot afford to permit it to come back. One of the greatest crimes known to all history would be for this Government of ours to again legalize the liquor traffic. The liquor interests claim more liquor is used now than before the adoption of the eighteenth amendment. It is scarcely worth the time to undertake to refute this statement, for those who knew conditions prior to the adoption of national prohibition know there is no truth in such statement, for there is not one hundredth part of the liquor consumed now as in the days when the liquor traffic was in full sway.

It is also well known there has been a powerful effort to make national prohibition a failure, and millions of dollars have been spent in printing and distributing untruths and all kinds of malicious propaganda in regard to the supposed failure of prohibition. National prohibition was adopted after the warfare against the liquor traffic had been carried on for about 100 years. During this time an educational campaign was in continual progress bringing to the people the truths concerning the awfulness of the liquor traffic, and on account of these truths national prohibition was adopted.

After this warfare had ended and national prohibition was made a part of the Constitution and laws of our Nation the victors in this great battle felt the war was over, and certainly the public officials of the Nation whose duty it was to uphold the Constitution and demand obedience to all laws would faithfully perform such plain duties, and peace would reign supremely, and the homes, the manhood, womanhood, and childhood of the Nation would be safe from the onslaughts of the liquor traffic.

Soon after national prohibition was adopted an administration came into power at Washington to administer our Government's affairs. The outstanding individuals of this

administration were the greatest criminals the world has ever known. They were opposed to national prohibition, naturally so, and said to the bootlegger: "The country is open to you. Depredate to the fullest extent." The bootlegger developed into a bank robber, highjacker, racketeer, kidnaper, housebreaker, and all class of criminals, because our National Government was being administered by the greatest criminals of all the world. Then the "wet" newspapers, "wet" organizations began to flood the country with malicious and false propaganda as to the failure of national prohibition. All this, backed by the national administration, which was aiding in all ways possible to cause prohibition to fail, makes one wonder at the great achievements, which I have already stated, of national prohibition. In this connection I can further state, since the adoption of national prohibition, hundreds of thousands of children are attending school who could not attend before, because the liquor traffic took the money that should have been used in buying food and clothing for these children. Our universities and colleges are crowded with young men and young women since the adoption of prohibition. These facts alone should cause every voter in this Nation to vote against the repeal of the eighteenth amendment.

Owing to the unscrupulous manipulation of the finances of the Nation by a few dishonest financiers, which has caused the awful depression now prevailing, the liquor interests are loudly shouting that prohibition is the cause, and claiming the repeal of the eighteenth amendment will lower taxes and cause prosperity to return. This is positively disproved, as I have already shown from the records. Prior to this depression, which the malicious financial manipulators brought on, the revenues of the Government, under national prohibition increased 400 percent. As I have already stated Congress has provided for bringing back prosperity without issuing interest-bearing bonds to burden the people with hundreds of millions of dollars annually for interest payments on the bonds and without increasing taxes. So there is no reason why national prohibition should be repealed to remedy the tax burden except to relieve the multimillionaires from income taxes and place that burden on the consumers of liquor, which burden would fall upon suffering women and children of the Nation. A thousand times better would it be to allow national prohibition to continue, and have the millionaires continue paying the taxes instead of placing the burden on poor women and children, which would deprive them of food and clothing, and cheat the children out of an education. The liquor interests are raising a great howl about reduction of taxes. Let us not be deceived. The repeal of national prohibition will not bring relief, but the correction of the money system which Congress has provided for will bring permanent relief and make it impossible for such depressions as now exist ever to return.

There are three institutions which were established by the Supreme Ruler of this universe. These are the home, the school, and the church, and these must exist and prosper in order for civilization and governments to exist. The liquor traffic stands against all these when it fosters the saloon, gambling den, and house of prostitution; therefore, no government can afford to license such an institution as the liquor traffic in order to raise revenue. This would cause our Government to be guilty of all crimes which will certainly be fostered by the liquor traffic.

There is a liquor rebellion on today of much larger proportions than the one which occurred during President Washington's administration, but we have much greater facilities for suppressing the rebellion than did President Washington, and the liquor rebellion can be exterminated today just as surely as it was during the administration of President Washington. I am unwilling to admit the criminal element of our Nation possesses more power than the United States Government. If it does we have no government, but anarchy exists. I will not admit this, and all that is necessary to bring order out of chaos is to act with the promptness and determination which characterized President Washington's methods in dealing with the outlaws of the liquor traffic, and our Constitution and laws will again reign supreme.

No one will deny the right of any upright, law-abiding citizen to advocate the repeal of any section of the Constitution or any laws of the United States. But there is a correct rule of law and justice as old as time itself which prohibits individuals, organizations, magazines, newspapers, or any other faction from maliciously creating a situation and then undertaking to profit thereby.

It is well known there has been a tremendous effort, backed mainly by the brewers and other liquor interests, to cause national prohibition to fail. There have been millions of dollars spent in this effort by the same element now seeking to repeal national prohibition, and under all rules of justice and right they are prohibited from asking for this repeal. They are a shrewd bunch and liable, by their hypocritical claims, to deceive many who fail to ascertain the truth for themselves. They are bringing on the repeal elections first in States which are overwhelmingly wet and have always been. Then they publish in flaming headlines in the newspapers throughout the Nation a certain State has repudiated the eighteenth amendment, when, in fact, such State had never favored same. But this is characteristic of the liquor-traffic advocates. They have never been sincere, fair, and out in the open with the truth.

I am not a preacher; I wish I were; neither am I the son of a preacher; but I will say the teachings of the Man of Galilee, the Savior of men, if strictly adhered to would settle every issue before the people and settle it right. Then we would really have a government of the people and for the people. This does not mean the union of church and state; everybody is opposed to that; but I do mean that righteousness should prevail; "that we should bring our politics up to patriotism, our citizenship up to Christianity, and our ballot up to the Bible" and vote against repeal of the eighteenth amendment, thereby prohibiting our Government's granting license to the liquor traffic, which traffic has nothing but crime, shame, degradation, and ruin to its credit.

Mr. HOEPPEL. Will the gentleman from North Carolina yield? I should like to ask several questions of general interest.

Mr. DOUGHTON. I will not have time. I cannot yield for general questions.

Mr. HOEPPEL. Well, I want to ask this question: Is there anything disclosed in the hearings to indicate what would be the minimum wage scale for labor?

Mr. DOUGHTON. I do not know that anything was disclosed as to what would be considered as a minimum wage, but it is provided for a minimum wage and maximum hours. I presume that would be left to the administrator, and that the President will appoint a competent administrator and that he will take care of that situation.

Mr. HOEPPEL. Was there anything disclosed in the hearings as to whether or not if a man refused to work at the minimum wage he would be imprisoned, as they were in 1920 when the railroads were under Government operation?

Mr. DOUGHTON. Oh, I do not yield for such a question.

Mr. HOEPPEL. I should like the gentleman to answer that question.

Mr. DOUGHTON. Oh, it would take a month to answer all of such questions. Has the gentleman read the bill and read the report?

Mr. HOEPPEL. I have read the bill.

Mr. DOUGHTON. The gentleman can come to his own conclusion about it, from what is in the report and in the bill. There would be a thousand of other things the gentleman would like to know and 10,000 others he would need to know. I do not yield further, Mr. Chairman.

Mr. PETTENGILL. Will the gentleman yield to me for a question?

Mr. DOUGHTON. I yield to the gentleman.

Mr. PETTENGILL. Am I correct in understanding that a change has been made in the tax on the moving-picture industry?

Mr. DOUGHTON. There is nothing carried in this bill as to the tax on moving pictures, unless it is carrying forward the tax for 1 more year. All of these excise taxes are extended for 1 year.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. WHITTINGTON. Respecting the inquiry I made a few minutes ago regarding postage, I am advised by Mr. PARKER, of the Joint Committee on Taxation, that there is nothing in this bill extending the tax on stamps. Therefore, it is entirely satisfactory, and there should be no reference to it in the bill.

Mr. CHRISTIANSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CHRISTIANSON. As I understand it, this is the President's bill. Can the gentleman tell us whether the President is responsible for the provision in respect to taxes?

Mr. DOUGHTON. I understand the President has put the responsibility on the Congress of raising the revenue needed under this bill. He has left to the Congress of the United States its constitutional right to say how this money shall be raised and what taxes shall be imposed.

Mr. CHRISTIANSON. I understand, then, that the revenue provisions of the bill are offered on the responsibility of the committee only.

Mr. DOUGHTON. As far as I know, that is true.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KENNEY. My first concern is to put our people back to work. Does the gentleman know—or have any idea—just how soon we can get these public works under way after this bill is passed?

Mr. DOUGHTON. They will be started just as soon as the organization can be set up. In my opinion, no time will be lost. This is an emergency measure to take care of an immediate need. Work will get under way just as rapidly as it is humanly possible to start it.

Mr. KENNEY. The starting of the work will not wait upon the raising of revenue through these new taxes?

Mr. DOUGHTON. Not at all.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. McFARLANE. With regard to the public-works program, regarding the building of Federal buildings, which was eliminated under the Reforestation Act, can the gentleman tell us whether or not this program will be restored?

Mr. DOUGHTON. That work was only suspended, but that is provided for in this bill. It is authorized. The funds administered for that purpose will be under the direction of the President and those who administer the law. It comes under the provision of this bill, but I cannot state just how much money will be expended under it for public buildings.

Mr. McFARLANE. One further question. Is there anything in the bill with regard to whether the bonds that are to be issued are to be redeemable in gold?

Mr. DOUGHTON. Has the gentleman read the bill?

Mr. McFARLANE. I have read the bill.

Mr. DOUGHTON. I can say nothing further than what is carried in the bill.

The CHAIRMAN. The Chair advises the gentleman from North Carolina that he has consumed 1 hour.

Mr. DOUGHTON. Mr. Chairman, I yield myself 2 additional minutes.

The CHAIRMAN. Without objection, the gentleman from North Carolina is recognized for 2 additional minutes.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MOTT. Is it the chairman's idea that the money made available for road construction, $400,000,000 under this bill, is in lieu of the money which already has been appropriated for construction of this nature?

Mr. DOUGHTON. As I understand it, it is an additional appropriation.

Mr. MOTT. It is an additional appropriation?

Mr. DOUGHTON. Absolutely.

Mr. MOTT. I am very glad to have this information, and I hope it is correct.

Mr. TREADWAY. Mr. Chairman, may I call attention to the fact that in the former appropriation there was a matching process between the State and the Federal Government which does not occur in the matter of this $400,000,000.

Mr. DOUGHTON. That is not required in the present bill.

Mr. TREADWAY. So that any grants to which the gentleman refers, previously made, are on the old basis, whereas this new grant is a complete donation from the Federal Treasury.

Mr. DOUGHTON. As I understand, that is right. The authorization by the last Congress did not require the Federal appropriation be matched by the State.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. I should like to invite attention to this language appearing in subsection (c) of section 202, page 12, which provides as follows:

> Projects of the character heretofore constructed or carried on either directly by public authority or with public aid to serve the interests of the general public.

This should include everything.

Mr. KRAMER. On page 13, line 4, referring to the words "and amendments", does that refer to the amendments that have been made by the two bills that were passed yesterday or to subsequent amendments which will be created after this bill has been passed and signed by the President? In other words, the word "amendments" in this bill does not specifically describe what amendments are referred to.

Mr. COOPER of Tennessee. Of course, Mr. Chairman, that means any amendments that are made up to the time the law becomes effective.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. WATSON].

Mr. WATSON. Mr. Chairman, I voted to favorably report this bill out of the committee, but I made the reservation that I would not, and could not, vote the measure into law.

My main objection is the great increase of our national debt and also the increased revenue that must be paid as interest. Since the period of the war we reduced our national debt by nearly $10,000,000,000, bringing it close to $17,000,000,000. Our national debt is now nearly $22,000,000,000, and we are in that period of our financial history, during this depression, that taxes are becoming a great burden upon the American people, and not only a burden but a serious one because we are approaching that hour when we will have nearly reached our incapacity to pay. When we arrive at that period then we are pretty close to a capital tax, and a capital tax means the breaking down of our financial structure.

I believe there is more ill brought out in this bill than good. If we analyze the many constructive bills that have been enacted since the Seventy-third Congress convened, there has not been very great prosperity as the result; a little here and there to renew clothing and commodities; industries have started to meet these demands.

We cannot force prosperity by legislation. We have tried that, and it has been a failure. We can only bring prosperity by demand, and when there is demand there is prosperity. Look to England, if you please. They have had a dole since the war. Has prosperity commenced there? Has prosperity created any great wealth in Germany, and I dare not mention Russia, because Russia is not a nation that we can compare with the civilized nations of the world.

I remember reading a statement by a historian that a ruler given autocratic power soon becomes a despot and a poor sovereign when he would probably have been a very good ruler if he listened to the legislative power. I do not allude to Mr. Roosevelt, because I am in sympathy with his en-

deavor. If he can bring prosperity, I will give him all the credit that is due him, but prosperity I fear is not in this bill. Dictators seem to be the political fashion of the hour.

Following this bill we will have to increase our normal taxes, levy a tax on dividends, and also impose a gasoline tax. In time of peace, peace with ourselves and with all the world, we are imposing war taxes for the American people to pay. Is this good philosophy? Not as I understand economic methods.

I am in favor of a manufacturers' sales tax in preference to the taxes that are now in the bill.

Two years ago a sales tax was reported from the committee with a Democratic majority, but the bill failed of passage in the House.

They have a manufacturers' sales tax in Australia, in Germany, in France, and in Canada. The expert who came before our committee, who was also the expert in writing a sales tax bill for Australia and Canada, said our bill was the most perfect of all manufacturers' sales tax written by any country. If you will recall, in Canada the manufacturers' sales tax at first was only 1 cent, but now it is 4. The farmers naturally were against the Canadian bill, but when they realized what they gained by it, they now favor it, although it is 4 cents.

I am rather surprised that this Congress has not the power or the ability to legislate. They have extended their power to the President. Ignoring the Constitution, a constitution upon which was builded the greatest Nation of all the world. Today our Nation is a world power, not by the dictatorship of the present, not by our weakness to legislate, but by the action of the past.

Rienzi, when he was speaking to the Senators in Rome, in its period of decay, said:

> Where are those Romans, their power, their virtue, their prestige?

We may ask the same question as to our forbears.

Mr. BLACK. Will the gentleman yield?

Mr. WATSON. I yield.

Mr. BLACK. According to recent history, a Mr. Grundy wrote a tariff bill for Congress. Did the gentleman vote for it?

Mr. WATSON. I want the gentleman to know that I voted for all tariff bills. I expect to vote for all tariff bills in the future, because I believe it is the only legislation that has brought prosperity to this country, and I know the gentleman thinks so, too.

Mr. BLACK. The gentleman says that the Grundy tariff bill brought prosperity to the country?

Mr. WATSON. There was no Grundy tariff bill.

Mr. BLACK. The gentleman better read his history.

Mr. WATSON. I know Mr. Grundy. He lives only a few miles from me. I know him better than the gentleman does. The gentleman has not even a speaking acquaintance with him. [Laughter.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I have supported to the best of my ability the economy bill which the President sent here. I have supported every other measure which he has recommended for recovery, but now we have before us an extravagant program of the President, and that I shall not follow.

This bill proposes to spend $3,300,000,000 on public works which we do not need and cannot afford. They tell us it will put 6,000,000 men to work. Statistics show that it cannot put much more than one man to work for each $3,000 spent. If you allow a little liberality in figures, you cannot get over 1,500,000 at the most, and you are going to spread that out over a period of a year and a half, and that makes approximately a million men.

Why should we go ahead with such a program? What will it do besides waste money? It means throwing on the market, in addition to these things that already are provided for, of about $600,000,000 of bonds every 3 months. That is in addition to what we have previously provided for by the home loan bill and the farm loan bill, and so every 3 months you will depress the market with $750,000,000 in all of bonds of the United States.

That will depress the prices of securities, the price of labor, and the price of commodities. It is a reactionary measure which we ought not to indulge in at such a time as this.

The peculiarity of this is that other things are tied to this legislation.

It is an industry-control proposition. This bill will destroy industry. It has nothing in store for us except the increase of importations of foreign commodities.

Here is the situation. This bill will make a powerful appeal to Herr Hitler and Comrade Stalin; but after the American people have had a dose of it, it will arouse in them the spirit of freedom which has been stilled for some time, and again you will see a devotion to liberty that will lead us back to sound judgment and to prosperity later on. But this is a reactionary measure designed to prevent the return of prosperity, and to delay economic recovery. Let us turn down that kind of stuff and give America a chance to get back. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. BRITTEN].

Mr. BRITTEN. Mr. Chairman, I was very glad to have the Chairman of the Committee on Ways and Means inform the House a few moments ago that the revenue-raising feature of the bill did not come from the administration at the other end of Pennsylvania Avenue. That is the reason the rule providing for this legislation was almost defeated, as it should have been. With a majority of more than 200 on the other side of the House, there was practically a tie vote for and against that rule. That was an evidence that you gentlemen on the Democratic side of the aisle understood the bill, understood the seriousness of the resolution, and that you were voting your own convictions, and I congratulate you for it. The rule was a bad one, and it should have been defeated.

I called to the attention of the House this morning the fact that taxes on incomes in the low brackets, such as usually apply to doctors, dentists, moderate-priced lawyers, and professional men in and out of the smaller cities, are increased in this legislation 50 percent, while the taxes of a gentleman, such as now being examined on the other end of the Capitol who is worth probably $250,000,000 or $300,000,000, is increased 2 percent in this bill, although in the last 3 or 4 years he has not paid any income tax. He says he did pay some to England, but not to the United States.

Mr. GILCHRIST. He has given it to his friends.

Mr. BRITTEN. He has distributed some of it to his friends, it is true. The increase in dividend taxes, intended to raise $83,000,000 additional taxes is in like proportion to the income tax increases in the bill, and let me suggest to you that the sole source of income of the average doctor, dentist, lawyer, teacher, professional man or woman generally is dividends and bonds, but quite generally, dividends. Let us see what this bill does to their dividends in the lower brackets of $3,000, $4,000, $5,000, and $6,000, where there are today no tax assessments. Those taxes are increased from nothing to $210. In the $7,000, which is not a high bracket as incomes go, the tax in this bill is increased 3,000 percent. That is something to take home to your constituents and mine. In the $10,000 bracket the tax in this bill is increased 1,500 percent; in the $14,000 bracket it is increased 700 percent, and so on down to finally when you get to the millionaire bracket, the bracket of easy evasion, evidently, it is only 15 percent. My idea is that this list should be turned upside down, and that 3,000 percent increase should be tacked onto the million-dollar bracket.

Mr. ROGERS of Oklahoma. That would yield a good deal more income, would it not?

Mr. BRITTEN. Oh, yes; much more.

Mr. McFARLANE. I should like the gentleman to tell us at this time what provision he would offer as a tax substitute?

Mr. BRITTEN. Unfortunately I am not on the committee; but if I had my way I would take all the increases in

the income taxes, gasoline, and otherwise, dividends, and so forth, that are provided in this bill and wipe them out and substitute for them a manufacturers' sale tax leaving out clothing and foodstuffs.

Mr. McFARLANE. At what rate?

Mr. BRITTEN. At 1.8 per cent.

Mr. McFARLANE. How much would that raise?

Mr. BRITTEN. Two hundred and fifty million dollars, or plenty to accommodate the $220,000,000 or $230,000,000 that is necessary for the payment of interest and refunding.

One of the worst features of the bill is the three quarters percent additional tax on gasoline which is estimated to raise $92,000,000 per annum. Gasoline taxes in many localities have risen to the point where they are bringing into play the law of diminishing returns, and anything added to them at this time will increase the area over which that law comes into play. Many States are collecting practically 38 percent of their revenues from taxes on motor vehicles at the present moment, and I can see no justification for an increase in this Federal tax on gasoline. In fact, the tax is inequitable and is a discriminating burden on the most overtaxed class of citizens in the country today. I believe the Federal Government is now collecting some $200,000,000 a year from the automotive industry and its customers. I cannot for the life of me understand why the framers of this bill did not accept a manufacturers' sales tax, excluding clothing and foodstuffs, and by so doing, avoid any increases in income-tax brackets from now on.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. TREADWAY. Mr. Chairman, I yield 30 minutes to the gentleman from Pennsylvania [Mr. BECK] and make the point of order that there is no quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twenty-five Members present, a quorum. The gentleman from Pennsylvania is recognized for 30 minutes.

Mr. BECK. Mr. Chairman and my colleagues of the House, I say without affectation that I never rose to address the House with a greater sense of responsibility than at this moment. It is not that I flatter myself for one moment that anything that I can say, or possibly anything that anyone else can say, will influence a single vote, and that remark is in no respect an imputation upon the sincerity, the candor, or the patriotism of any Member of the House; but arguments rarely change votes, as we all know. However, it does seem to me important to make a record, if it is possible, of what is a very critical hour in the history of the Republic, so that future generations, if they turn back to the CONGRESSIONAL RECORD, may know that there were some Members of the House, who at least protested against a transformation of that form of government, under which we had grown surpassingly rich and powerful, into a new form of government, which those who framed the Constitution, if they could "revisit the glimpses of the moon", would today be unable to recognize.

As the shadows of evening are lengthening with us now, the shadows of a lasting night are falling upon the old constitutional edifice, which the genius of Washington, Franklin, Madison, Hamilton, and Jefferson built with such surpassing wisdom. While Jefferson was not a member of the Constitutional Convention, his ideal of liberty was one of its inspirations, and it might be well to recall, as we consider the nature of this bill, those noble words of his first inaugural, which I may commend to the nominal disciples of Jefferson here assembled, when he said that his ideal of a true republic was a "wise and frugal government, which would restrain men from injuring each other, but otherwise leave them free to pursue their own pursuits of liberty and industry, and shall not take from the mouth of labor the bread it has earned." [Applause.] I quote from memory, but with substantial accuracy. Those words of Jefferson could be written in gold over the portals of the Capitol, but they are now "more honored in the breach than the observance". From that high ideal this country has long since departed, and we are now about to transform a representative democracy into a virtual dictatorship in the vital matter of industry. The fact is not open to debate, because it was frankly recognized by the distinguished dean of this House, when he opened the argument upon the rule, that the bill under consideration does create a dictatorship.

It cannot be said, if we are passing from an old order to a new order, that such a fate was not within the anticipation of the fathers. Washington, in his Farewell Address, said pointedly that when one department of government usurped the functions of another, and constitutional limitations were no longer respected, representative government would cease and the Constitution would be "undermined". Such was his expression, and I quote his words:

After warning all succeeding generations of Americans—

That the habits of thinking in a free country should inspire caution in those intrusted with its administration to confine themselves within their respective constitutional spheres; avoiding in the exercise of the powers of one department to encroach upon another—

And after further warning that such spirit of encroachment—

tends to consolidate the powers of all the departments in one and thus to create, whatever the form of government, a real despotism—

Washington added:

If in the opinion of the people, the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation, for though this, in one instance, may be the instrument of good, it is the customary weapon by which free governments are destroyed.

How prophetic seem his words today, for we are now substituting a "despotism" for a free nation. Franklin in the last days of the convention, when with tears in his eyes he besought the members to sign the great compact, said in substance that this Government would last as long as there was any virtue in the body of the people, but when that was wanting the Republic would become a despotism.

In the vital matter of industry we are about to yield to a virtual despotism in this country.

So that all that is now happening is what the fathers expected to happen, if the people of this Nation were unworthy of the priceless heritage given to them in the Constitution of the United States.

We are going to have a new Constitution, not formally framed or ratified, but by executive usurpation. If you read in the New York Times a few days ago interviews of the members of the Cabinet and supermembers of the Cabinet, who although they nominally occupy lesser positions than heads of departments, are more powerful than the Cabinet, you will see as frank an acknowledgment as the distinguished member of the Committee on Rules made this morning, that the old order had passed, and that an entirely new order was about to begin. If so, we ought to frankly recognize the reality and consider a new Constitution, in order that we shall not live under the hypocritical pretense of having one kind of government in practice and another in theory.

While I do not see the prospect of any master architects that will be able today to rebuild upon the old foundations of the Constitution a new Constitution with the same wisdom as the master builders of 1737, yet the "brain trust" is ceaselessly at work "undermining" our Constitution, to use Washington's phrase. They work silently but none the less effectually. In this construction of a new form of government—now in progress—Professor Moley takes the place of George Washington, and Professor Tugwell that of Hamilton, and Professor Berle that of James Wilson, and the old architects must yield to these new architects, who, fresh from the academic cloisters of Columbia University, and with the added inspiration of all they have learned in Moscow, are now intent upon rebuilding upon the ruins of the old

Constitution a new Constitution, in which, as in the old German Reichstag, this Congress will be merely a debating society, and the Executive will be master of the destinies of the American people.

By what possible ingenuity of reasoning can there be any justification for this legislation?

I pass by the $3,300,000,000 appropriation. I recognize it may temporarily give some employment. My prediction is that it will ultimately, by destroying the credit of the United States, displace more labor than it creates. I will say more. If there be a representative of either the employer class or of the laboring class in the galleries, I say to them both by way of prediction, and I hope I am not a Cassandra, uttering prophecies which, though true, are nevertheless disbelieved at the time, that as large as is the appropriation of $3,300,000,000, they are selling the constitutional liberties of the American people for a petty price, for this sum is the "thirty pieces of silver", with which the ancient liberties of the American people, as defended by Jefferson in the inaugural address already quoted, are now being betrayed.

The Constitution today exists in form, but it has largely ceased to exist in spirit. Its disintegration has been proceeding for many years, and notably in the last quarter of a century, and both political parties must accept some share of the responsibility.

A great Chief Justice of the United States nearly a generation ago, in delivering a powerful dissenting opinion in the famous *Lottery case*, said: "It is with governments as with religions, the form often survives the substance of the faith." His analogy to extinct religions is a very striking one. Time and again, after the soul of a religion has perished, its temples remained and its priests continued their ceremonial rites, even though, like the augurs of ancient Rome, they winked at each other while standing at the altar.

This is true today of the Constitution of the United States. Time was when Members of Congress, in considering the extent of its powers, at least paid the Constitution lip service, but that time is passed and any challenge in the Congress to its power to pass a given measure, for which no discernible grant of power in the Constitution can be found, is greeted with cynical indifference. It is true that the mechanical form of our Government still remains. We still have a President, a Congress, and a Supreme Court; but the man is blind who cannot see that the office of President is no longer the office which the Constitution created, and that the powers of Congress, as the great Council of the Republic, have gone into an eclipse. It does little more than register the will of the Executive. In a sense, the President is not an usurping dictator, for the unprecedented powers which he has now gained were given to him by a too subservient Congress and could be taken from him by Congress; but it is true that the President will exercise over production, transportation, banking, and other instrumentalities of commerce greater powers than those enjoyed by all his predecessors, either in times of war or peace. In that sense he will be the economic dictator of America.

Now a dictator, whether his power rests upon force or the voluntary acquiescence of the people, has a supremely difficult task. Even in a country that is homogeneous and whose economic interests are in harmony, such a dictator treads a dangerous path. To be a successful dictator in a country, whose population is heterogeneous and whose economic interests are in conflict, is an almost impossible task.

The difficulty with a dictatorship is that in assuming all power, he accepts all responsibility. Greek mythology tells us of Phaeton, who attempted to drive the chariot of the sun, and he came to grief. Let us hope that our too daring charioteer, as he attempts to drive the chariot of America's economic destinies, may not have a like fate.

Some, who still revere the Constitution, may solace themselves with the belief that the present crisis only marks a moratorium on the Constitution, but the Constitution does not recognize the possibility of a moratorium. Moreover, revolutions rarely go backward. Constitutions are made for times of stress even more than for times of peace and prosperity.

While the present revolution in our political form of government is pacific and may represent temporarily the general will, yet it no longer remains what it was, any more than the form of government in Italy was the same after parliamentary government was abolished and all power was vested in a dictator. If such powers succeed, or seem to succeed in ending the depression, the American people will not, I fear, be greatly concerned about the change in our form of government, for at present they feel that any port is good enough in a storm. The present generation of Americans are hopeless pragmatists.

The change has some justification in greater efficiency of administration, but the Constitution refused to sacrifice security for efficiency. The justification of our old form of government was that there was greater security in the composite judgment of the Congress than there could be in the judgment of an individual, who, for a time, was President of the United States. A caesar may be far more efficient than a senate, but the Roman Republic came to an end when the policies of Rome were determined by Caesar and not by the senate. In this connection, it may be well to recall the noble definition of a free government, which Mr. Justice Matthews, speaking for the Supreme Court, gave in the case of *Yick Wo.* v. *Hopkins*, 118 U.S. 356:

> "When we consider the nature and the theory of our institutions of government, the principles upon which they are supposed to rest, and review the history of their development, we are constrained to conclude that they do not mean to leave room for the play and action of purely personal and arbitrary power. Sovereignty itself is, of course, not subject to law, for it is the author and source of law; but in our system, while sovereign powers are delegated to the agencies of government, sovereignty itself remains with the people, by whom and for whom all government exists and acts. And the law is the definition and limitation of power. It is, indeed, quite true, that there must always be lodged somewhere, and in some personal body, the authority of final decision; and, in many cases of mere administration the responsibility is purely political, no appeal lying except to the ultimate tribunal of the public judgment, exercised either in the pressure of opinion or by means of the suffrage. But the fundamental rights to life, liberty, and the pursuit of happiness, considered as individual possession, are secured by those maxims of constitutional law which are the monuments showing the victorious progress of the race in securing to men the blessings of civilization under the reign of just and equal laws, so that, in the famous language of the Massachusetts Bill of Rights, the government of the Commonwealth 'may be a government of laws and not of men'. For, the very idea that one man may be compelled to hold his life, or the means of living, or any material right essential to the enjoyment of life, at the mere will of another, seems to be intolerable in any country where freedom prevails, as being the essence of slavery itself."

Some future Gibbon may entertain the view when he comes to narrate the decline and fall of the American Constitution. He may express the opinion that the Constitution remained as it began, one of the wisest and noblest charters of government in the annals of mankind, and that it failed in the hysteria of an economic crisis, not because it was unsound in theory, but because the present generations of Americans were unworthy of their priceless heritage. Will posterity pronounce this verdict upon us for selling our birthright for a mess of pottage?

Such a historian should recognize that the cataclysm that followed the World War destroyed in nearly every nation parliamentary forms of government, which, one by one, were succeeded by dictators, and he may sardonically observe that, while our Nation, with its Constitution still in full vigor, had entered the World War to save the world for democracy, the only perceptible result of the victory has been the destruction of democracy in America, which can only function through parliamentary institutions.

However, we are not now concerned with the views of the historian of the future. The first duty of the thoughtful man is to determine the reality of the present situation.

Possibly no people are so deluded by phrases as the American people. They confuse theories with realities. They are either apathetic to the destruction of their constitutional

form of government, or they do not realize its steady subversion. To them it is enough that the great charter, in its original characters—now hardly legible—stands upon the walls of the Congressional Library in Washington, and the average American cheats himself with the delusion that its mighty mandates still have self-executing power.

It is not merely that many great limitations of the Constitution are openly disregarded, or that powers are now exercised, which were never granted to the Federal Government, or that the respective functions of the executive and legislative branches of the Government have been hopelessly confused, but, even more important, many of the basic purposes of the Constitution, of which its written provisions were but one expression, have now been destroyed.

Let me illustrate my meaning by only one instance. The Constitution was called into existence to insure the freedom of commerce between the States. Before it was adopted every State burdened the free flow of commerce with conflicting and hostile regulations. To emancipate commerce, the power to put it into shackles was taken from the States by the simple grant that Congress should have power to "regulate" such commerce. It was never intended that Congress should then proceed to put upon commerce the very shackles that it had been created to destroy, and this is shown by the fact that in the first century of our existence under the Constitution, Congress never exercised any power to regulate interstate commerce, unless we except the subsidies of land to the transcontinental railroads.

In the absence of any Federal regulation it was held by the Supreme Court that the failure of Congress to exercise its power of regulation was its mandate that commerce should be free, and for a full century this policy of freedom remained, and under it a great continent was conquered, the Atlantic and Pacific linked by steel rails, and the Republic became one of the greatest nations in the world.

Exactly one century after the Constitution was adopted Congress abandoned that policy and began to forge the chains for commerce by bureaucratic regulation. That year it created the Interstate Commerce Commission, and this was followed in 1890 by the Sherman antitrust law, which vainly attempted to limit the inevitable tendency of business to combine into larger units. Ever since there has been an ever-increasing regulation of American business by Federal bureaus, and now we are building a more stupendous and tyrannical bureaucracy than ever before.

In the first century of the Republic it was generally recognized that Federal powers could only be exercised to accomplish Federal purposes, but the destruction of the Constitution began when Congress entered upon the destructive policy of utilizing Federal powers to usurp the powers reserved to the States. For example, it was soon seen that if Congress could appropriate moneys for non-Federal purposes without challenge, it could supervise the use of such moneys and thus usurp fields of power which were the exclusive province of the States.

About a generation ago it was first asserted that Congress could deny the privilege of engaging in interstate commerce to anyone who did not conform to the views of Congress as to the methods of production. This heresy has now been carried to the extreme of holding that no one can engage in interstate commerce as of right, and that the Government may license or refuse to license a citizen to engage in interstate commerce. Such was not the doctrine of the Supreme Court in the time of the great Chief Justice, for Marshall, in *Gibbons* v. *Ogden*, said:

> "In pursuing this inquiry at the bar, it has been said that the Constitution does not confer the right of intercourse between State and State. That right derives its source from these laws, whose authority is acknowledged by civilized man throughout the world. This is true. The Constitution found it an existing right, and gave to Congress the power to regulate it."

Indeed, the right to follow a lawful calling, and for this purpose to engage in interstate commerce is one of the natural rights which are included in the solemn guaranty of the right to "life, liberty, and the pursuit of happiness", but the theory of this bill is that unless the manufacturer conforms to the wishes of the Federal Government in regard to the hours of labor, his maximum output, and minimum wages, and other restrictions, he can be proscribed by his own Government, and denied the privilege of selling his products in interstate trade.

This is economic slavery. It destroys not merely the rights of the States but the basic freedom of the individual to engage in lawful occupations. It concerns both employer and employee, and, again to quote Jefferson's words in his first inaugural, it "takes from the mouth of labor the bread it has earned."

The two basic industries of America are concerned with the production of agricultural products and the manufacture of goods. The Constitution did not attempt to give any power over the production of either class of commodities. If they required regulation, such power belonged to the States; and, as stated, the Federal Government acted upon this theory for more than a century. The Government could tax products and it could "regulate" their interstate transportation or their exportation to foreign countries. Nothing would have more amazed the generation, which created the Constitution, than the idea that the Federal Government, which they were creating, could regulate the conditions of the farm or the factory. Notwithstanding this, the Federal Government for many years past has, through its many bureaus and commissions and notably through its Departments of Agriculture and Labor, attempted to control both the factory and the farm.

In this connection, let me make a passing reference to the most recent radio speech of our President. It was both adroit and ingratiating.

The address, in most respects admirable in form and substance, seemed to me to contain one disingenuous suggestion, which was the more dangerous because of the irresistible charm of the speaker.

He calmly assured his countrymen that in this emergency legislation there has been "no actual surrender" by the Congress "of power." The President said:

> Congress still retains its constitutional authority, and no one has the slightest desire to change the balance of these powers.

This means that when the Constitution imposes a direct duty upon Congress, as to regulate the value of currency or to impose taxes, it exercises that power when it turns over to the President or some executive official the absolute power to exercise it. In other words, the abdication of a power is the exercise of the power.

Such a doctrine is a complete destruction of the division of powers as prescribed by the Constitution. It is the present German idea of constitutional law, for the German Parliament, in one sweeping delegation of power to the Chancellor, gave him complete power to make any laws, although the legislative power, under the Weimar Constitution, was vested in the Reichstag.

This is not a mere matter of detail. It goes to the foundations of the Constitution. That great document required that the Congress and not the President should determine whether war should be declared; that the Congress and not the President should regulate the value of our currency; that Congress and not the President should impose taxes. It was intended that these important functions should be discharged by a body which would broadly represent the people of the country. If there be any justification for such action, it lies in the fact that the present critical conditions require an abandonment of our constitutional safeguards. Such a theory is intelligible although not tenable, but the theory, as advanced by the President in his recent radio address, that the Congress retains its powers when it makes a complete delegation of them to executive officials, makes the Constitution a mere rhapsody of words.

About a generation ago I argued a case called "the *Lottery case*" (188 U.S. 321). It was one of the very great cases of the Supreme Court of the United States.

In a sense it is the supplement to, and may rank second in importance to the great case of Gibbons and Ogden, in which the commerce power was first defined.

In the *Lottery case* I represented the Government and my contention then, which the Supreme Court sustained, was that the power to regulate commerce included the power to prohibit it when essential to Federal ends. But, I said, the right to prohibit was subject to other limitations in the Constitution, and the greatest of all those limitations was obviously the Tenth Amendment, solemnly but futilely guaranteeing that the rights of the States, and what is more significant, the rights of the people of the States as individuals, should never be taken from them, unless by some express grant in the Constitution or by the necessary implication of such grants.

The Supreme Court sustained this contention, and they said in the conclusion of the opinion of Mr. Justice Harlan that while this power to regulate was the power to prohibit, yet, nevertheless, it must be taken as subject to the fundamental liberties of the American citizen and could never be arbitrary or capricious. That great Justice, who had a consuming love for the old Constitution, said:

> "We may, however, repeat, in this connection, what the court has heretofore said, that the power of Congress to regulate commerce among the States, although plenary, cannot be deemed arbitrary, since it is subject to such limitations or restrictions as are prescribed by the Constitution. This power, therefore, may not be exercised so as to infringe rights secured or protected by that instrument."

Notwithstanding this warning there began to be evolved the doctrine that by the perversion of the commerce power the Federal Government could usurp the reserved rights of the States, that it could go into the States and say to them: "You have not properly exercised your reserved police powers to meet this economic evil, or that economic evil, and, therefore, we will now say that either by the power of taxation, the greatest of all Federal powers, or by the power over commerce, we will compel you to do so either at the risk of a prohibitive tax or at the risk of being denied the opportunity to engage in commerce.

That was the doctrine suggested, and it has been the basis of a great deal of subsequent legislation. The decision in the *Lottery case*, while sound in theory, was one of the most fateful and mischievous decisions in its effect upon the expansion of Federal power that the Supreme Court ever rendered, because it has been wrongfully interpreted to give to Congress this tremendously coercive and tyrannous power over commerce in order to take from the constituent States their reserved rights, which we had supposed, vainly supposed, had been guaranteed by the Tenth Amendment of the Constitution.

Now, we have the full fruitage of the doctrine of the Lottery Case in this legislation. It makes the President the economic dictator of the industrial activities of the American people, as the Congress has already made the Secretary of Agriculture the virtual dictator over the agricultural interests of the country.

But how can the power be exercised? By denying access to the channels of interstate trade; and to deny them such access is, of course, to take from most industries the opportunity to exist, because they cannot exist within the borders of a particular State in these days of mass production.

This is not a case in which you could reason that, as the validity of this legislation is doubtful, it can be left to the Supreme Court. This is always a questionable expedient, because no concrete case may ever reach the Supreme Court. But in this case there can be no question under later decisions of the Supreme Court that you cannot do what you are trying to do—to make the President the economic dictator of the United States—by putting in his hand the big stick of the commerce power, because in the case of Hammer against Dagenhart (247 U.S. 251) it was held that where an attempt was made by the commerce power to coerce the States in the matter of child labor, the Court—although by a bare majority—held that that was such a clear perversion of the commerce power as to amount to a destruction of the guaranty to the States of local self-government in the matter of production, guaranteed by the tenth amendment of the Constitution. In that case the Supreme Court expressly held:

> There is no power vested in Congress to require the States to extend their police power so as to prevent possible unfair competition.

The theory of the present bill is that there is a police power in the Federal Government to prevent unfair competition in production. For this heresy there is no justification in any declaration of the Supreme Court, and even if it were otherwise tenable, the expression "unfair competition" is so vague that no manufacturer could ever know how to conduct his business, except at the risk of being sent to prison, because he had erroneously guessed what were the undefined ethics of business.

It is not important that the products of the farm may subsequently go into interstate commerce, for the Supreme Court, in the notable case of United Mine Workers v. Coronado Co., 259 U.S. 344, said:

> Coal mining is not interstate commerce and obstruction of coal mining, though it may prevent coal from going into interstate commerce, is not a restraint of that commerce unless the obstruction to mining is intended to restrain commerce in it or has necessarily such a direct, material, and substantial effect to restrain it that the intent reasonably must be inferred.

Those who think that this legislation will be sustained, should not place too much dependence upon the fact that the case of Hammer against Dagenhart was decided by an almost divided Court, for in a later case, a case I too happened to argue—the case of Bailey against the Drexel Furniture Co. (259 U.S. 20)—where the United States invoked the supreme power of taxation, as absolute as the power of any sovereign nation in all the world, yet when the taxing power was thus sought to be used to make it impossible for any manufacturer to employ child labor, the Court, with only one justice dissenting, held that that also was a clear perversion of the power of taxation and that it amounted to a usurpation of the rights of the States. Thus it held that each State, if it wanted to abolish child labor, could do so, but it was not for the Federal Government to usurp this police power of the States.

I am not saying that the law you are now proposing may not in some way pass the guantlet of the Supreme Court. I say this, because in the first place the plea will be made that it is justified by the existing emergency. But please remember that in the emergency cases nearly all were either cases of State statutes, passed under the reserved sovereign power of the States except as granted to the Federal Government; and, therefore, in passing upon the larger power of the States, except as granted to the Federal Government by the Constitution, the Supreme Court did hold that if a State felt that in a given emergency some particularly drastic legislation were required, it might be justified on such ground, of which it was the final judge. The other exceptional class of cases were those in which the Federal Government exercised its territorial powers, as, for example, its exclusive power over the District of Columbia.

There is one Federal case, and that is the Adamson law case, Wilson against New (243 U.S. 332), a case in which again there was an almost evenly divided court—but there the Supreme Court was dealing with an instrumentality of interstate commerce, and therefore the Government had in respect of the interstate railroads of the United States a peculiar power—but even in that case the Court never said that a bill to raise the wages of labor could possibly be passed lawfully by the Congress, but all it said was that for a short period, in order to allow railroad executives sufficient time

to negotiate the terms of labor with their employees, that the law, as a mere stopgap, was permissible.

As a matter of fact, the Court has again and again, by declarations whose meaning to the discerning lawyer cannot admit of doubt, indicated that that case had gone to the verge of Federal power, and I think the fair implication of its language in subsequent cases is that it has gone far beyond the limit. Nevertheless, the responsibility upon us, under our oath of office, is infinitely grave, because the situation is that by the time any case would reach the Supreme Court this law would have been so long in force that the Supreme Court, not being omnipotent, could not unscramble eggs that have already been scrambled. Moreover, the Supreme Court is a court in a nation of democratic institutions, and it has neither purse nor sword, and it must often sustain unconstitutional statutes on the theory of reasonable doubt or emergency legislation, because they can no longer unscramble eggs that have already been scrambled. In this attempt one finds a great deal of ingenious and almost disingenuous reasoning, and it reminds one of the story told by Jonathan Swift in his very powerful satire, written in the early days of the eighteenth century, called "The Tale of a Tub." It is so appropriate that even at the risk of taking the little remaining time I have, I must tell it. According to Jonathan Swift, a testator had three sons, and he said to them on his deathbed:

> I am leaving you my property under a will, and that will provides that under no circumstances are you ever to wear any ornament of any kind upon the coat, which I am giving each of you by my will.

He said—

> The coat will last you as long as you live, and as you grow and expand, the coat will grow with you.

They took their patrimony and thereupon moved into London society and then found that shoulder knots upon coats were demanded by the dictates of fashion, and thereupon they looked to the will and there was this provision that under no circumstances should the coats ever be changed, and thereupon one ingenious son said, "Well, if we read this totidem verbis perhaps we would find the words 'shoulder knot'", but they could not, and then another son said, "If we read this totidem syllabis we can find our justification", but no syllables spelled "shoulder knots", and then they invoked the totidem literis method and found the letters for shoulder knots, except the letter "k", and the ingenious son said, "Well, the letter 'c' in Latin was pronounced 'k' and therefore, as the other letters are there, shoulder knots are in the will and we will wear shoulder knots." After they had worn shoulder knots a little while gold fringes came in, and then the ingenious son said, "Well, after all, there are two kinds of wills, a written will and a nuncupative will, and now I remember my old father did say that gold lining was just what was wanted for the coat, and therefore, under this theory of a nuncupative will, I will wear gold lining." Then silver fringes came in and, eager to wear them, one of these ingenious sons suggested that every good will had a codicil, and thereupon they forged a codicil to the will, which provided that silver fringe could be worn. They invented the theory that "fringe" meant "broomstick" and the will only prevented the wearing of broomsticks upon their coats. When, however, it was suggested that it was "silver fringes" that was forbidden, and the word "silver" had no reference to broomsticks, the sons concluded that they had exhausted their ingenuity of interpretation, and thereupon they said, "Well, let us lock the old man's will up in a box where we will never see it again and do just as we please."

This fable could be told of the whole constitutional history of this country. The Supreme Court has done great work in restraining any trespass of the States upon the Federal power, but when it comes to restraining the excesses of Federal power upon the States the Court has been less effective, for in all the history of our country there have not been 50 cases where the Supreme Court ever decided that a Federal statute was invalid, although literally thousands of unconstitutional statutes have been passed by Congress by perverting its powers to gain non-Federal ends.

By refined interpretation, by the doctrine of reasonable doubt, by the theory of emergency—one of the most dangerous of constitutional heresies—breaches have been made in the dyke and slowly, slowly, our whole constitutional edifice has been crumbling, pillar after pillar, until the very foundations of the Constitution are now sinking into cureless ruin.

To change the metaphor, the Constitution of the United States—for which I am making what is probably for me a swan song, because I have so often wearied this House by pleading the sanctity of the Constitution that I am weary of it—is like a dead oak in a forest. It is still standing, its branches are still moving with apparent life in the wind; but it is dead at the roots, and sooner or later, some other elemental storm, such as that through which we are now passing, will come and the noble tree, under which six generations of Americans have sheltered themselves and under which they have builded the greatest and noblest and freest government in all the world, will fall forever.

It may survive in form, for we will have a President, a Congress, and a Supreme Court; but the President under this bill is not the President that was created by the Constitution. Congress is no longer the representative organ of popular will it was designed to be. The judiciary is no longer what it was expected to be.

The Constitution exists in form, but it has ceased to exist as a spirit, and as a noble spirit it never had its equal in the annals of the world. [Applause.] The man is not a patriotic American who can, without the deepest grief, see the passing of our form of government, so noble in its conception, into a dictatorship.

That word "dictator" is not my word. It was used by the chairman of the committee, but it was an apt term.

I appreciate all that the majority of the House may say as to the charming personality of the President, his unquestioned patriotism and high motives, but if you look at this bill you will see that our happy, smiling, well meaning, and courageous President will not necessarily be the actual dictator, for under this act he is given power to appoint anybody he chooses, to prescribe his compensation and duties, and to delegate all his dictatorial powers to such selected deputy.

According to common rumor, the supreme dictator of this country in the realm of industrial activity is to be Gen. Hugh S. Johnson, a West Point graduate, who is said to have drafted the draft law under the Wilson administration, which summoned men to the colors at the time of the World War and who is therefore supposed to be peculiarly qualified to dragoon the free labor of America.

He is a man of military education and some legal knowledge. It is to him that these powers will be delegated, a selection as to which the Senate will not be consulted in the manner required by the Constitution as to all important officials. The President will turn that power over to General Johnson, the power of a dictator, and he will regimentalize the employees of the country and reduce them, as Matthew Woll, the very able vice president of the American Federation of Labor, said before the Committee on Labor, to the condition of economic serfs.

There never was a truer word than that uttered by Mr. Woll, representing that great organization. The man who is to exercise the power is not a man, as to whose selection the Senate or even the House of Representatives will have any determining choice and yet he will be the most powerful official in the Nation excepting the President. General Johnson is an able man. I had the privilege of being his associate in the Great Lakes litigation. If he were as great a man as Lord John Russell according to Sidney Smith, I think it was, still I would doubt his ability to do the things expected of him by this proposed law. It was

Sidney Smith, I think, who said of Lord John Russell that his confidence in his own ability was such that he would undertake simultaneously to rebuild St. Peter's Cathedral, manoeuver the channel fleet, and operate upon a patient for a stone in the bladder, and would be ignorant of the fact, when he had tried all three, that the patient with the stone had died, that the channel fleet had sunk, and St. Peter's had tumbled into ruins. If General Johnson is of the type of the "admirable Crichton" and can tell employees of this country how long they shall work and what shall be their minimum and possibly maximum wage and whether or not the maximum output of this factory or that factory is greater or less than is permissible to the high bureaucratic despot, without injuring the economic condition of this country, then he is a type of man superior to any that we have ever produced heretofore.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. BECK. I yield to the gentleman.

Mr. CELLER. The gentleman must know that the War Industries Board, which had powers no less than these we are giving the President today, was merely set up by a letter from President Wilson to Mr. Baruch, and if the War Industries Board having these powers was conducted or operated with such great efficiency and advantage to the Government why cannot this same industrial recovery board be similarly operated without hurting the Constitution?

Mr. BECK. The answer is very obvious. In the first place, the war power, when war exists, and only so long, comes into very large life and has a far greater scope when the Nation is fighting for its existence, and powers are exercised that would not be tolerable in time of peace. In the second place, the War Industries Board never had the power that is given under this act to the economic dictator of America, whoever he may be. In the third place, I cannot share the gentleman's enthusiasm over the achievements of the War Industries Board.

Mr. CELLER. I presume the gentleman recalls a letter of March 4, 1918, from Mr. Wilson to Mr. Baruch?

Mr. BECK. I do not; but the gentleman need not go farther into that. He can put it into the RECORD in his own time, because my time is running.

I would have given much to have made an adequate argument in this matter. I wanted, beyond any desire I ever had before in this House, to "rise to the height of the great argument" and to "vindicate" the Constitution of the fathers, in which I, for one, still believes as against this new constitution which is now being forced upon us in the hysteria of an economic crisis. I am satisfied that if tomorrow you pass this law and the Senate concurs, and it goes into effect, the day of its enactment will be a black day in American history. It will mark the final abdication of representative government in this country, because when you give to dictators the power over agriculture and industry, what have you left? Russia is very keen about having recognition from us, the recognition of the kind where we send an ambassador to them and they send an ambassador to us. They ought to be in a high state of jubilation today in Leningrad, because they are getting a far greater recognition than they ever had before. We are vindicating their theory of government by substituting it for our own. We are beginning a 5-year plan, and we are beginning it with the same arbitrary power. "Imitation is the sincerest form of flattery." We are imitating Moscow. We are turning our backs on Philadelphia, where the Constitution was framed, and knowingly or ignorantly we are marching toward Moscow. Its government is getting the greatest recognition that they ever had, a recognition of their methods, a recognition of their industrial outlook, a recognition of the regimentalizing of the peasant and the workman in the factory.

Our Constitution was once regarded as the noblest form of government in the annals of mankind, and so characterized by one of the greatest statesmen of the nineteenth century, Mr. Gladstone. We are abandoning it in the hysteria of the moment in order to confer absolute powers, not upon the President but upon some unknown that he selects. I hope my friend from New York [Mr. TABER] is right, and that there will be a reaction. I am not so sure of it. Nothing succeeds like success. Revolutions do not go backward. You can tear down in a day what it cost the fathers and succeeding generations of Americans 150 years to erect, and that is what you are doing. That it could be done with 6 hours debate and without any power of amendment is to me one of the most amazing and depressing situations I have ever seen.

Let us hope that Mr. TABER is right and that this bill will be a blessing in disguise in this respect, and that it may create a reaction. I do not mean reaction against the majority party. This question is far above partisan politics. What the majority is now proposing is the monstrous birth of the despair of the moment. We have lost our heads in the present moment of hysteria, and therefore I am not saying it in any partisan sense, but hope that when the American employer and the American employee, having derived the temporary benefit of the "thirty pieces of silver", for which the constitutional liberties of the American people are now being sold, begin to feel the shackles of this bureaucratic tyranny, they will not only revolt in an unmistakable manner, but a powerful movement will begin to bring back the Constitution of the Fathers, once the noblest form of government in the world. [Applause.]

No written form of government, however wise, can insure the perpetuity of the Union. To use the homely analogy of the founder of Pennsylvania:

> Governments, like clocks, go from the motion men give them, and as governments are made and moved by men, so by men they are ruined, too. Therefore, governments rather depend upon men than men upon governments.

The same truth was expressed centuries before William Penn, in words that could be profitably written in gold upon the portals of the Capitol:

> Where there is no vision the people perish.

[Applause.]

The CHAIRMAN. The time of the gentleman from Pennsylvania [Mr. BECK] has again expired.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania, Mr. KELLY.

Mr. KELLY of Pennsylvania. Mr. Chairman, there is no Member who receives more pleasure than I from the enchanting speeches of my colleague the gentleman from Pennsylvania, Mr. BECK. He has just delivered one of these masterly constitutional orations, and his mellifluous voice and pleasing rhetoric have charmed us all.

Admitting all that, I say, also, that it gives me great pleasure to support the principles and policies embodied in this great measure which has aroused his forebodings. It contains more assurance of industrial recovery than any legislation considered here for the past 4 gloomy years. It deals with the disease and not with symptoms. It is a social invention adequate to match our mechanical inventions.

My colleague, Mr. BECK, is a great student of history, and summons great names in American annals to support his argument that we can do nothing to meet this creeping paralysis which threatens our national life and institutions. I am only a humble student of American history, but I believe that the George Washington who built a new order in the wilderness of his own times would not hesitate to build a new order now in the wilderness of economic conditions which surround us.

I believe that the Thomas Jefferson, who stretched the Constitution until it cracked in order to make the Louisiana Purchase for national expansion, would be the first to urge any needful action to save his Nation from industrial and economic collapse.

I believe that the Abraham Lincoln, who did not fear to meet his gigantic problems with new plans and new methods,

would not fear to act now, even though new plans must be employed.

Mr. Chairman, my colleague [Mr. BECK] preaches a counsel of despair. We can do nothing, for the Constitution is a great wall against our progress. I choose rather to follow a constitutional student with a vastly different philosophy, Justice Louis D. Brandeis, of the United States Supreme Court. He has said, "We do not need to amend the Constitution; we need to amend men's minds."

This bill undertakes action now. And the unmistakable approval from Americans is one of the most inspiring things in my service here. The United States Chamber of Commerce has joined hands with the Federation of Labor, which most eloquently proves that neither wrote this bill but that its provisions are fair to both. In my estimation, the American people have made up their minds that the way out of this depression lies along the pathway of partnership control of those industrial processes upon which their safety and very lives depend.

The first step to a cure is proper diagnosis. What are the evils we must fight? This bill states them clearly. They are unemployment, disorganization of industry, division between labor and management, unfair competition, absence of governmental cooperation, lowered standards of living.

In this measure it is declared to be the policy of Congress to use every resource of the Government to restore employment, to provide proper cooperation, to help establish law and order in place of anarchy in business, and to help secure the increased purchasing power which will mean higher and better standards of living.

Mr. Chairman, this is the zero hour in our long battle against depression. The people are ready to go over the top in an irresistible advance. And this measure, if wisely and courageously administered, is the double-barreled weapon powerful enough to assure the victory.

The plan provided in title I is simple, easily understood, and yet effective. Every trade and industry will be invited to organize for united action in line with the public interest. They will form associations which will adopt codes of fair competition adapted to their needs. These associations must give their full rights of representation to the smaller enterprises, and there must be no methods designed to promote monopoly.

The Federal Government's participation is not so much that of a dictator, as repeated here so often this afternoon, as that of a guide and umpire, safeguarding the rights of the public, employees, and producers. There is undoubted power, as there must be, if any effective action is to be taken, but for all right-thinking and right-acting elements in business this power will not be a mailed fist but a helping hand.

The power of organizing the governmental action is given to the President, but, of course, he will not personally administer the act. He will name an administrator, who with his board of advisers will constitute the executive body charged with acting in cooperation with each industry and coordinating all industries to reach the objective.

There is a provision that the President may establish an industrial planning and research agency to aid in carrying out his functions. This will be of vital importance in securing the multitude of facts which are essential to effecting a balanced economy. There is no highroad through the present jungle, the road must be surveyed and built. The capacity of an industry to produce goods and the demand which may be reasonably expected will require the most careful study. This research and planning group will have a great opportunity to make full contribution to the restoration of prosperity.

The executive body will doubtless name a representative for each industry who will sit in council with the industrial board named by the trade association or organization. When the code of fair competition is formulated, this representative will make his report to the administrator, thus aiding him to take proper action as to the approval or disapproval of the code.

There will certainly be a labor board to take jurisdiction over complaints and disputes which may arise in industry. This board will hold hearings and listen to the evidence presented by both sides. It will report its conclusions to the administrator who is empowered to decide. Of course, a great deal will depend upon the administration of this plan. If men of vision and courage are appointed, there will be no disappointment over the operation of the law.

Upon the approval of a code of fair competition, it becomes binding upon the trade or industry. It may cover every problem which concerns the industry. The problems vary with the industry, but there is authority for any agreements necessary to arrive at the goal of fair competition in the public interest.

Mr. Chairman, for 10 years or more almost every trade and industry has been trying to establish codes of ethics and fair practices which help build business on a better basis. They have met in convention and have earnestly sought to meet the problem of destructive competition in fair and lawful manner.

I have been present when some were adopted. I have read more than 50 codes adopted by various trade associations. They are all practically the same and they are all equally impotent. They do not have and they cannot be given, without proper supervision, a weapon powerful enough to do the work required.

I hold in my hand the code adopted by the fabricators of ornamental iron, bronze, and wire, approved by the Federal Trade Commission. It provides against the substitution of inferior materials, selling goods below cost with the intent of injuring a competitor, secret rebates, breach of contract with competitors, shipping goods which do not conform to samples, bribing buyers or employees of competitors, discrimination in price between purchasers to create monopoly, obtaining information surreptitiously as to competitors' bids, and so forth.

All these declarations against unfair practices are but a pious wish as far as results are concerned. Cutthroat competition rages through trades and industries which have adopted these rules.

What we must have is a real definition of fair competition and an effective plan for securing it in trade and industry.

This Industrial Recover Act sets up a new meaning for the term "fair competition." These codes must deal with the fundamental elements of competition under the modern industrial system if they are to carry out the purpose of this act. The four essentials in any code of fair competition are price, production, wages, and hours.

There must be agreement as to minimum price. Omit that and the door is open to all the cutthroat competition which has almost destroyed industry. The price must be fair in that it includes a just return to the producer. Establishment of a maximum price will not serve since it would permit destructive competition from that level down to zero. Under it practically all today's evils would flourish.

The code must contain agreement as to production. We are undertaking to establish a balance between production and consumption. If there is unrestrained production of goods without regard to their consumption, surplus supplies will pile up, with resultant unemployment and chaos. Each industry can work out its apportionment of production to the various units. Without doubt the past performance of each unit will be the yardstick for determining its quota of the production needed to meet the demand. As consumption increases, the production will rise in proportion.

The code must contain agreements as to wages and hours. These are mandatory under the law and will be vital to the maintenance of fair competition.

If this measure is enacted, there will be established a new and better definition of fair competition. It will include all the trade practices which have been worked out in the past.

It will also include within its scope fair prices, fair production, fair wages, and fair hours. If that kind of competition can be secured and safeguarded, the economic problem is solved.

It has not been overlooked that in almost every industry there is a minority of pirates who seek profits by attacking honest merchantmen. These racketeers have made impossible the most reasonable agreements which could be made under former laws. In this bill, for the first time in our history, there is power given to prevent those predatory practices in business which have worked injury to everybody but those who practice them. The enterprise that willfully violates the code agreed upon will be judged guilty of unfair competition within the meaning of the Federal Trade Commission Act and subject to its penalties. Further, such violation shall be judged a misdemeanor and punishable by fine for each offense.

If a trade or industry refuses to organize and adopt a code of fair competition, it will not avoid its obligation to enter upon this plan of cooperation for the common good. The President, through his appointed agency, is authorized either upon his own motion or upon complaint of aggrieved parties to prescribe and approve a code of fair competition for such obstructive industry, and that code shall have the same force and effect as though submitted by the industry itself.

If anyone thinks such a provision severe let him think of the action which has been taken as to railroads, public utilities, and similar industries. Government has been compelled to establish by law the code of fair competition. That was necessary because of the effect of unrestrained action by these industries upon all other industries. Today any great industry by its refusal to set up and abide by decent standards of behavior could nullify the good intentions and purposes of other industries. Compulsion is essential in some cases, and that compulsion will be exerted.

It is further provided that the President, or the agency established by him, shall enter into agreements with and approve voluntary agreements between persons engaged in a trade or industry, labor organization, and trade or industrial associations. The only test of such an agreement is that it shall be in the public interest and consistent with the principles and policies of this measure.

If it becomes necessary to carry out the purpose of the act and if the other measures prove powerless to secure fair and square competition, there is power to establish a license system in any industry where it is needed to make a code of fair competition effective. In such a case only licensees shall engage in business affecting interstate commerce.

Mr. Chairman, the entire purpose of these provisions is to secure constructive and fair competition and to outlaw unrestrained, destructive, and antisocial competition. It is quite true that it is a departure from the philosophy embodied in the antitrust laws as interpreted for 40 years. But "new conditions teach new duties; time makes ancient good uncouth." We are in a new age which the men of 1890 could not possibly have foreseen.

Today the requirement that business shall be war is suicidal. We have drifted on the old pathway while everything changed and the pathway slipped into a swamp. Instead of dealing with business through the Department of Justice, this measure permits governmental cooperation through an agency which will help business serve its real purpose of satisfying human needs under fair conditions.

Over a year and a half ago Justice Brandeis, of the United States Supreme Court, called for an interpretation of the Constitution and the laws in keeping with modern business conditions. Here is what he said:

> All agree that irregularity in employment—the greatest of our evils—cannot be overcome unless production and consumption are more nearly balanced. Many insist there must be some form of economic control. There are plans for proration; there are projects for stabilization. * * * There must be power in the States and the Nation to remold through experimentation our economic practices and institutions to meet changing social and economic needs.

It is the high purpose of those who support this legislation to help remold the industrial system for the promotion of the public welfare, even though there must be modifications of laws which have long been on the statute books.

Mr. Chairman, this measure provides that for the life of the act and for 60 days thereafter any code agreement or license issued under it shall be exempt from the provisions of the antitrust laws of the United States.

This provision must be understood in connection with the previous requirement that no code shall be designed to promote monopolies or to eliminate or oppress small enterprises or discriminate against them.

The antitrust laws have had two entirely separated effects. The first is the vitally important one of prohibiting monopoly and all coercive or oppressive tactics toward competitors, which tend to destroy competition and create monopoly.

This part of the antitrust laws remains in full force and effect. The operation of this law will be in full accord with it. In fact, it will add to the strength of the laws against monopoly. It was cutthroat competition on the part of the great corporations which led to the passage of the Sherman Act. The debates in Congress show that it was the complaints of the smaller business men against destruction through unfair practices and destructive competition that led to the enactment of the law.

However, the law has been held to prohibit agreements of beneficial kind between independent competitors. It has banned cooperation even when united action has been in the public interest.

The result has been compulsory competition of the kind which leads to the ruin of the smaller enterprise. The only remedy for excessive production is controlled production. But limitation of production cannot be accomplished by one concern any more than limitation of armament can be accomplished by one nation. There must be agreement and cooperation.

Such action on the part of independent business men has been held to be illegal and subject to criminal penalty. Of course, it affects the supply and thus the price of the commodity and is forbidden, if every agreement to restrain competition, whether in the public interest or not, is covered by the Sherman Act.

It has been so held by the courts in many cases, although every observer knows that the only effective means for industrial welfare are based upon mutual agreements of entire industries.

This bill cuts a clear pathway through the undergrowth of 40 years of legislation and judicial interpretation. It accepts the fact that competitors are practically on the same level of costs in this advanced era of manufacture, and that there is no middle ground between destructive industrial war on one hand and industrial peace through mutual agreements under the supervision of the Government.

These agreements, properly supervised, cannot lead to oppressive prices. Industry knows that the lowest prices consistent with a fair return induce greater consumption, and greater consumption in turn makes lower costs possible. We have also learned during the last 4 years that unless the industry and its pay roll are preserved there is injury done the entire public.

Mr. Chairman, the real purpose of the antitrust laws was to protect the public from unregulated monopoly power. Great consolidations of capital threatened the public welfare. Yet in our own times have come stupendous mergers which are seeking and securing the power which the law sought to guard against. This bill will remove the incentive to merger and consolidation. It will give the little independent enterprise its fair place in the industry and protect it against oppressive methods.

Under this plan of partnership control by industry and Government, there will be preserved every wholesome prohibition of the antitrust laws against monopoly and oppression. At the same time it will permit agreement for the

restraint of the unfair competition which is the sure road to monopoly.

As to the attitude of the United States Supreme Court on this problem of planned and controlled industry, it is necessary to look only at the Appalachian Coals decision. That will show how far the Supreme Court will go in any effort to help bring law and order into disorganized industry.

The corporation received a Delaware charter giving it power to enter into every business known. Under that charter 137 coal corporations banded themselves together to form a sales agency which should handle the output of all the mines. They controlled 74 percent of the coal produced in their territory.

The United States district court declared this organization to be illegal under the antitrust laws. The case went up to the Supreme Court of the United States, which overruled the decision of the lower court.

The Supreme Court took into consideration the deplorable conditions in the soft-coal industry. Its decision deals with "overcapacity", "distress coal", "pyramiding of coal", "abnormal and destructive competition", "bankrupt operators", and "organized production."

The Supreme Court declared:

> The fact that the correction of abuses may tend to stabilize a business or to produce fairer price levels does not mean that the abuses should go uncorrected or that cooperative endeavor to correct them necessarily constitutes an unreasonable restraint of trade.

Yet, even in declaring the plan to be legal on paper, the Supreme Court was forced to say that the actual operation of the plan might prove it to be in violation of the antitrust laws. The Court said:

> The decree will be reversed and the cause will be remanded to the district court with instructions to enter a decree dismissing the bill of complaint without prejudice and with the provision that the court shall maintain jurisdiction of the cause and may set aside the decree and take further proceedings if future developments justify that course in the appropriate enforcement of the Antitrust Act.

It must be admitted that such a situation is impossible as a remedy for cutthroat competition. In the first place, 26 percent of the operators are outside the plan. They will take every opportunity to reap profits by cutting below the standards set up. There is no way of dealing with them under a voluntary agreement and their unfair practices make the plan entirely unworkable, in coal, just as in many other industries where a similar attempt has been made. In the second place, there is perpetual fear and uncertainty as to the action by the district court. If the plan really betters conditions by control of price and restraint of competition, it runs afoul of the antitrust law and must be dissolved.

However, the Supreme Court, by unanimous decision, resolved all doubts in favor of stability in industry and fair competition. It has in reality invited Congress to lay down the public policy just as we are doing it in this bill. Surely we may rely upon the desire of this great tribunal to cooperate, to the very furthest degree possible, in securing industrial recovery through reasonable partnership control.

Now, Mr. Chairman, if the Nation's industries are to be revived, purchasing power must be increased. That means the employment of idle men in the tasks of production. Immediately the question of hours and wages confronts us. Hours of labor must be reduced, but wages must be increased.

Many plans have been offered for dealing with the problem of hours of labor. The Black bill provided for a 30-hour week. There have been suggestions for the 36-hour week and the 40-hour week.

The plan under this bill is not to fix a rigid schedule for every industry alike but to permit the employers and employees in each industry to work out the hours of labor best suited to the exact conditions. It is believed that collective action will result in fair adjustment of working hours and balance them with production.

Mr. Chairman, this would not be a measure for industrial recovery if it failed to deal with the workers in the industries and provide adequately for their just rights. I have heard it said that this is not the time to make any changes in labor relations, no matter how just those changes may be. The argument is that we should wait until this emergency is over before attempting to establish labor standards.

Nothing could be more illogical. This emergency is, in part, due to the neglect of the importance of fair wages and balanced hours of labor in maintaining prosperity in a machine age. Now is the best time possible to make sure that better methods will prevail in the future.

This measure undertakes to secure and preserve the right of collective action for those who invest their muscle and mind and blood and life in industry.

Section 7 is as follows:

> SEC. 7. Every code of fair competition, agreement, and license approved, prescribed, or issued under this title shall contain the following conditions: (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organizations or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining a labor organization of his own choosing; and (3) that employers shall comply with the maximum hours of labor, minimum rates of pay, and other working conditions, approved or prescribed by the President.

It is the purpose to encourage the settlement of the vitally important questions of hours, wages, and working conditions by mutual agreements between organizations of employers and employees. The responsibility is put upon those who should have it. There will be no difficulty about it, granted a spirit of fair play and right thinking by both parties.

When the agreement is made and approved it will have all the sanctions of the codes of fair competition. Its provisions will be enforced against any violator who would attempt to make unjust profits out of lower standards.

If in any trade or industry there is neglect or refusal on the part of one or both parties to make mutual agreements covering these important questions, power is given the President through his agencies to investigate labor practices, wages, hours of labor, and working conditions and prescribe fair standards.

Such action will be necessary in few cases. We are giving power to employers and employees to adjust these questions and ninety-nine times out of a hundred they will do it. Mutual agreements are always easier to make when each side knows the strength of the other and respects the other.

We have heard a great deal about the evils and excesses of organized labor. The enemies of organized labor have been largely responsible. They have forced unionists to spend most of their time and efforts to secure the right to act collectively. Labor organizers have been fought by fair means and foul. They have had to deal with spies and face the attacks of a private police force. They have had to face black lists, injunctions, and vicious obstructions. It is no wonder that their tactics could not be marked by soft speech and gentle hands.

Mr. Chairman, we are here frankly recognizing the right of workers to organize and bargain collectively. It is an inherent, God-given right, and granting it without equivocation will put a solid foundation under the structure of industrial justice.

If these provisions be opposed by industrial leaders, it will prove them blind leaders. They will be joining hands with the red revolutionists who plot against the Government. They, too, are enemies of trade-unionism and against them the unions must make continual struggle. The Industrial Workers of the World opposed collective bargaining as violently as the most reactionary employer. The motto of that organization has been "the working class and the employing class have nothing in common." "Big Bill" Haywood denounced labor organizations, with their dues and sick benefits, because "when the union has something to lose, the urge for rebellion is gone."

There is constructive statesmanship in these provisions that every worker shall be free to join a labor organization of his own choosing. "Trade-unionism", said Gladstone, "is the bulwark of modern democracy." This measure, when enacted into law, will make trade-unionism in America a better instrumentality for the advancement of social justice and human freedom.

The question of the so-called "company union" is met in this measure. No worker shall be compelled to join a company union as a condition of employment, nor shall he be barred from joining another organization. The War Labor Board was compelled to take exactly that action during the World War, and to the day of its dissolution in August 1919 there was not a single strike involving an entire industry nor one of national proportions. Within 6 months after it went out of existence there were three great strikes, involving coal, steel, and railroads.

If the employees of any company or establishment of their own free will desire to be represented by fellow employees, that course will come within the definition of collective bargaining. But if they have reason to believe that the "company union" is only a subterfuge to control representatives through threat of dismissal then they will have the right to choose another organization and other representatives.

My friends, the labor union is a permanent part of our national life. It cannot and should not be destroyed. It is here to stay, for men will die for the cause it represents. This measure only requires industry to recognize the facts and to adjust itself to them in constructive fashion. There will be difficulties but only the difficulties which come with democracy. Congress is not 100 percent perfect, yet we do not propose to scrap the Government on that account.

We are attempting to stabilize industry. Of necessity there must be a place for the organization of labor, one of the most stabilizing forces in all industry. With fair wage standards and the elimination of sweat-shop wages, child labor, and other intolerable conditions, the fair and humane employer will be protected against cutthroat competition which he is powerless to meet today.

Then, too, Mr. Chairman, the passage of this bill will put renewed courage and confidence into the hearts of 1,500,000 independent merchants of this country. They have faced destructive competition and unfair practices on the part of great chain organizations, which have attained semimonopolistic power. More than 120,000 wholesale establishments will have a fairer chance to serve the public welfare by performing their necessary function in distribution under a square-deal policy.

When the Supreme Court in 1911 put the resale price agreement under the ban of the Sherman antitrust law, it unwittingly struck a deadly blow against the independent retailer. From that day to this I have urged the recall of that judicial decision and the restoration of the right to fair contract universally admitted previous to that time.

This bill gives the independent retailer his chance. His industry, one of the greatest in the Nation, cannot be forgotten if we are to build on the solid foundation of fair trade. It is not forgotten, for under the wise provisions written in this bill, the business men, who are the foundation of every local community in the land, will have their fair chance to protect themselves against cutthroat tactics in merchandising.

Mr. Chairman, title II, the public-works provisions, is an essential part of this plan for national recovery. Unemployment is the root evil, and it is against that that we make war. The only cure for unemployment is putting people to work. This bill proposes to prime the pump by putting willing workers on public construction projects. Their purchasing power will make it possible to put others back in their regular occupations and with production and consumption balanced by proper control, to keep them at work.

Almost 90 percent of the workers in the building trades are out of work today. The value of all construction in 1932 was $6,097,000 less than in 1930.

There is public work to be done by the Federal Government and in every State in the Union. We need highways, ships, buildings, river and harbor improvements. The resumption of business activity alone will produce the revenues to pay the cost; $3,300,000,000, as provided in this bill, will mean work for 3,000,000 men. That will mean new buying at the stores, new orders for the factories, new jobs for factory workers, new jobs for clerical and professional workers.

The section dealing with employment on the public works is in itself a tremendous stride forward. All the contracts let shall provide for the 30-hour week and, more important still, that the wages paid shall be compensation sufficient to provide a standard of living in decency and comfort. All the materials used shall be American-made.

That is further proof that we are serious in our effort to increase purchasing power and increase employment as the vital action necessary to win the war against depression.

There is power enough in the public-works title to turn over the wheel, and there is power enough in the industrial-recovery title to keep it turning.

Mr. Chairman, this bill does not provide funds for the charitable relief of suffering Americans, but it will provide a pay envelop for workers out of which they may support themselves and their families.

It does not provide any revision of our monetary system, but it will provide the method for putting money into circulation through the channels of business.

It does not undertake to provide credit for business, but it makes it possible for business to secure credit from banks with assurance that the loans can be repaid.

It does not aim to stimulate business by ballyhoo, but it does provide for the purchasing power needed to revive business.

It does not put control of industry solely in the hands of producers, but it gives labor its just voice and the Government guards the rights of all.

It does not undertake to cut down indebtedness, but it does offer a plan of fair prices and fair wages, so that indebtedness can be paid.

This measure seeks industrial recovery through putting people back to work in their normal occupations at wages and hours which will make a more even distribution of purchasing power.

It is protection of investors against losses from destructive policies. It imposes the responsibility of trustees upon big and little business. It offers a way to eliminate the sweat-shop and child labor. It recognizes that an era of plenty requires different policies than an age of scarcity. It is a new device big enough for a new age.

O Mr. Chairman, I know that there are those who lift up their hands in horror at the thought that we are touching with impious hands that holy of holies, the law of supply and demand. How can they face the facts of real life and still regard the "law of supply and demand" as though it had the same fixity as the law of gravitation.

It will not do to mouth these words in the presence of 30,000,000 destitute Americans whose demand for goods is pitiful while they see an overabundance of the things they desire filling bursting warehouses. These words do not carry conviction to the bankrupted soft-coal operators who see coal cut to 45 cents a ton by those who dispossessed them of their property.

It is possible to control the conditions which bring the law of supply and demand into operation. Put people back to work and let them have buying power and their demand will swamp the factories with orders. Restore purchasing power to the consuming millions who need and desire to buy goods for themselves and their families and the wheels of industry will hum with full activity. Balance production against an increasing standard of living for Americans and this depression will become only a nightmare memory.

We are undertaking to secure industrial recovery by encouraging a fairer distribution of buying power. The purpose is to accomplish that much-needed end through patri-

otic, business, industrial, labor, and political leadership. We are undertaking to solve the fourfold problem of production, price, wages, and hours under a sound and statesmanlike plan.

It is true that we must depend upon that intangible thing called human nature. This bill is founded in the faith that the majority of those engaged in trade and industry and the majority of those in labor organizations are men of good will, who will be satisfied with a square deal, no more and no less. It is built on the faith that the great mass of Americans have learned that our panicky present is due to our planless past and are willing to pay the price for security and stability. This bill is formulated with faith in the President of the United States and that he will administer the tremendous powers it gives him with but one purpose—the promotion of the general welfare.

Yes; it is an act of faith, comparable to that of our forefathers when they put their names to the Declaration that "all men are created equal and are endowed by their Creator with certain inalienable rights, among which are life, liberty, and the pursuit of happiness, and governments are instituted to secure these rights."

If their sublime faith had been baseless, this new Nation would have speedily perished. How sound and well merited their faith is proven by 150 years eventful history.

Let us have faith. There are patriotism enough and wisdom enough and genius enough in America to execute the partnership-control plan evolved in this measure and start us toward a future that will, in material comfort, and general well-being, outstrip all the prosperity of the past. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Arkansas [Mr. GLOVER].

Mr. GLOVER. Mr. Chairman, the bill now before us is the President's bill to relieve the unemployed, that now number about 12,000,000 men. No more pitiable sight can be presented than to find a large family in want simply because the father cannot get work to do to earn a living.

We have very few indolent people. Our people do not want a dole or to have to live off of charity, but on the other hand they want to earn an honest living and only want a chance to do so. This bill will give employment to at least 6,000,000 men when it is put into operation.

The life of this bill is for a 2-year period. It is hoped, by that time, that our country will be restored to a normal condition. There are many objections that can be offered to this kind of legislation, and under normal conditions this bill would not pass this Congress. It gives entirely too much power to any one man, but we feel that our President will use it justly and not abuse it. I do not believe that Congress should delegate its power to where it might be abused, but in this emergency we must trust the President with the power given to him.

This bill seeks to correct by use of the power given the President the unfair practices that have for years been carried on by industry and to provide for a fair and just code of competition. If this can be done, industry will again prosper and men will be employed at a fair wage for a day's labor.

The States will receive under this bill $400,000,000 for roadbuilding. My State of Arkansas is a small State in comparison with some others, but it will get about $6,000,000 for roadbuilding, which will give work to our people.

Many public building will be erected under this bill. We hope to see many post-office buildings in our small cities taken care of and built. This will give employment to labor and make a demand for material.

There is one provision of this bill that I dislike very much, and that is the provision for financing it. We have authorized the President by a law passed by this Congress to expand the currency to the amount of this bill and more. I see no good sense or business judgment in paying out large sums of money as interest on bonds when we can deposit the bonds as eligible security and issue the money on them and save the interest. Under the rule adopted we cannot do that now. But I hope it will be provided for in the next Congress.

There are many features of the bill I should like to discuss, but I cannot in the time allotted to me. I do not like the provision that permits the President to redelegate some of the powers given to others. I think Congress could have worked out a much better bill than this, but we are told by your House leaders that this is the bill the administration wants and no other, and for that reason as a Democrat I am supporting the bill, in the hope that it accomplishes all the administration thinks it will accomplish. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Washington [Mr. SAMUEL B. HILL].

Mr. SAMUEL B. HILL. Mr. Chairman, I can hardly believe that very many Members of this House will vote against this bill. We have just listened to a very learned dissertation on the unconstitutionality of it. It is, however, little satisfaction to the man who is starving for want of the opportunity to work to tell him that he is starving to death constitutionally. [Laughter.] Men who are in the breadlines, men who are out of employment and who, under the economic conditions obtaining, are unable to secure employment, are not deeply interested in the constitutionality of an act which holds out the hope to them of returning prosperity and of returning jobs.

Mr. RANDOLPH. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. I wanted to make an observation while the gentleman from Pennsylvania [Mr. KELLY] was speaking. I believe what the gentleman from Pennsylvania [Mr. KELLY] was saying and what the gentleman from Washington is now saying is true, and I want to add the observation that in the splendid and eloquent remarks of the gentleman from Pennsylvania [Mr. BECK], I feel he is working from a wrong premise. The gentleman said that we were creating a dictatorship for a prosperous and wealthy industry, when, as a fact, I believe we are creating a savior for a bankrupt and prostrate industry. [Applause.]

Mr. SAMUEL B. HILL. For 4 years we have been going down deeper and deeper in the bog. We have tried numerous expedients during this time in a legislative way to improve the economic conditions.

We passed the Reconstruction Finance Corporation Act and this act has been beneficial in certain respects, but it fell far short of a complete remedy for the economic predicament in which the country found itself. We found that under the administration of that act, which was largely in the interest of extending credit, such credit as was so extended to the banks and the financial institutions did not go out into circulation and create employment, but rather was hoarded in order to render these institutions more liquid against a run on the institutions.

We had the expedient of the Federal Reserve banks going into the open markets and buying Government securities in the hope of piling up credits that might get into the commercial life of the country, with the result that the member banks selling their securities to the Federal Reserve banks simply went out and bought other Government securities, and hence no expansion of the credit or the currency resulted.

The only thing that has brought about an amelioration of conditions against the economic depression has been the inflation that has come through our going off the gold standard, and from that we have now a hopeful country, hoping that this administration may be able to do something to bring the people back to prosperity; and the legislation proposed here now is the most important part of the administration's program to rehabilitate the economic condition of the country, and in view of this fact and in view of the confidence that the people of the country have in our President, I am sure that only a very small percent-

age of the membership of this House will refuse to support this legislation. It is the President's bill and his plan for the rehabilitation of industry and commerce.

A great deal has been said about the small number of men who could be employed under this program, and this argument is based largely upon title II of the act or the building program under the act, in which the Government proposes to provide $3,300,000,000 to aid projects, mostly of a public character. This is the smallest item in this bill. It constitutes only the shocking blow that may serve to jar the wheel of industry off of dead center and start it revolving.

The greatest and most important part of this legislation is to be found in title I. Under title I we have what is known as "industrial control."

Mr. DIMOND. Will the gentleman from Washington yield with respect to one particular phase of the bill?

Mr. SAMUEL B. HILL. I yield.

Mr. DIMOND. As the Delegate from Alaska, I am particularly interested in the provisions with respect to the public-highway system as applied to Alaska, and I wish to ask the gentleman a question because he is a member of the Ways and Means Committee. I direct the gentleman's attention to sections 202 and 203 of the act which provide that public highways, among other public works, may be constructed in all the States, including Alaska and the District of Columbia, and so forth; and then under section 204 we have a special provision in relation to highways allotting or authorizing $400,000,000 to be spent on the highways under the provisions of this section.

I understand that this was taken up with the Director of the Budget when he appeared before the committee I think, in executive session, with respect to whether the provisions of section 204 would prevent the construction of highways in the Territories, particularly the Territory of Alaska under the provisions of sections 202 and 203 of the act. I would like to have the gentleman give me any information he has upon this point.

Mr. SAMUEL B. HILL. The Director of the Budget said it was his opinion that it did not, that under sections 202 and 203 you might have money for highway construction in the Territory of Alaska, but not coming out of the $400,000,000 allocated to the States.

Mr. DIMOND. Is that the gentleman's opinion?

Mr. SAMUEL B. HILL. That is my opinion, too.

Now, the most important part of the legislation is in title I, providing for industrial recovery. Under title II an amount to $3,300,000,000 may be expended by the Government in financing public enterprises and enterprises semi-public.

Under title I it is hoped and expected by the sponsors of the legislation to rehabilitate industry, so that under that title there will probably be thirty or forty billion dollars expended in the industrial program, and when industry is rehabilitated you will find that the greatest percentage of reemployment of the idle men in our country today will be in the industries, trades, and commerce.

It has been objected that this legislation suspends the operation of the antitrust law. The prime purpose of the antitrust law is to preserve fair competition in trade and industry and to preserve that fair competition against organized monopolies.

I say to you that the purpose of title I of this bill, which suspends for a certain time the antitrust law, promotes the spirit of the antitrust law itself because we propose here to add to or supplement existing law designed to preserve conditions of fair competition. The antitrust law does not take into consideration unfair competition resulting from the exploitation of labor. It has developed that that is the greatest factor in unfair competition that confronts industry today.

This bill proposes to make that one of the factors in arriving at the basis of fair competition and to protect labor in a living wage and protect industry that pays a living wage against other industries less scrupulous that take advantage of necessitous conditions to exploit labor and say, "You must take the wages we offer or you will have no job."

I say that in preserving the conditions of fair competition, even though it suspends in part the operation of the antitrust law, does in fact support the main objective of the antitrust law—namely, the preserving of fair competition. That is the whole gist of title I, and its whole purpose is the increasing of employment in industry and securing a living wage to labor. When labor has a living wage, you have increased the purchasing capacity of the masses of the people and built up a market for industry.

Mr. COX. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman.

Mr. COX. The gentleman's committee authorizes an agent to carry out the purposes of the legislation and set up and regulate the hours of labor and fix a minimum wage. In view of the holdings of the Supreme Court, what has the gentleman to say as to the expectation that these provisions of the act will be sustained and upheld?

Mr. SAMUEL B. HILL. I do not share the alarm of my friend from Georgia in that regard.

Mr. COX. Does the gentleman expect the Court to hold it is within the power of Congress to fix a minimum wage and regulate hours of labor in private industry which in no way affects the public interest?

Mr. SAMUEL B. HILL. I do not admit the gentleman's premise that it "in no way affects the public interest." This legislation is based on the constitutional provision found in the commerce clause and in the general welfare clause.

Mr. COX. Does the gentleman construe the commerce clause to vest power in the Congress to regulate trade wholly and entirely dissociated from actual interstate commerce?

Mr. SAMUEL B. HILL. Again, I cannot assume the premise that the gentleman proposes. This bill is so carefully drawn that that question does not enter into the discussion. Title I of this bill relates only to interstate commerce.

Mr. COX. But does the gentleman construe the term "interstate commerce" to mean the right to control any traffic entering commerce from the point of origin or production to the point of distribution?

Mr. SAMUEL B. HILL. Provided it becomes interstate in its transportation and in its commerce.

Mr. COX. In other words, does the gentleman construe the commerce clause to mean that Congress has the power to extend its control over any article entering the channels of trade—that is, interstate commerce—back to the point of origin or production. Let me make myself plain.

Mr. SAMUEL B. HILL. Please do not take up too much of my time.

Mr. COX. But the gentleman is discussing a very important question.

Mr. SAMUEL B. HILL. The gentleman has time coming to him in his own right.

Mr. VINSON of Kentucky. Let me suggest that the powers granted herein are discretionary, and it is an academic question to pick out some isolated product and ask whether it comes within the purview of the act. The discretion is given the President of the United States, and I might say to those who are alarmed, that we all know that an emergency exists, that the economic structure has fallen, and this power is only for temporary emergency purposes.

Mr. COX. Will the gentleman yield to me to ask him a question?

Mr. SAMUEL B. HILL. I must ask the gentleman to use his own time.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. SAMUEL B. HILL. Mr. Chairman and gentlemen, we all know this legislation is of an emergency character, that it is proposed to meet the most emergent situation in which this country has ever found itself. It is temporary; it is self-eliminating, confined to the period of 2 years, unless sooner terminated by proclamation of the President or by a joint resolution of Congress. The labor interests of the country, the industrial interests of the country, the agricultural interests of the country, are willing to take a chance on the constitutionality of it, and, personally, I am not alarmed at these great barriers which our friends seek to erect against the legality of the proposed legislation. I am willing to try it, and I believe you are willing to try it, and in this great emergency I doubt very seriously whether the courts would contemplate barring action by the Government to bring us out of the situation which means ruin and destruction of the Government itself, unless it is remedied. What boots it if we have our Constitution maintained in what we think was its original integrity, if civilization under it crumbles and falls?

We must meet these new conditions, and we all know that the courts have construed exceptional legislative provisions with a view of developing progress and the provisions of the Constitution to fit the conditions of society as they have developed.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I decline to yield; I have not the time. I claim that the big thing in this bill is title I, which, if it works out as its sponsors hope it will, will put to work millions of men and will bring about the expenditure of billions of dollars. The public-works program provided for in the bill will be limited to the amount specified, namely, $3,300,000,000. Title I carries out the exact purpose of the antitrust laws in maintaining conditions of fair competition. It carries out the idea in the Federal Trade Act that provides machinery for enforcing methods of fair competition. It is in conformity with the Weights and Measures Act and with the standard of money and with all of these acts that have been passed by Congress to preserve conditions of fair competition.

There is nothing new in principle in this title I. It simply carries out the purpose that has been running through statutes since the Interstate Commerce Act was passed, back in the eighties, and it does not conduce to monopoly. It is specifically provided in the bill that under the supervision of the administrator or the President monopoly shall not be permitted to grow up. It must in its codes of fair competition be representative of the industries affected, so that big and small alike may have the same benefits. There is no discrimination, no opportunity for monopoly. There is no opportunity for suppressing small industry, and there is a provision for protecting labor and for protecting the industries which employ labor at a living wage. If you carry out that condition, you will start the wheels of industry turning in this country and we will have the people back on an earning basis, on the basis of purchasing power. That is what the bill proposes to do. This bill has the unqualified and wholehearted endorsement of the American Federation of Labor, as voiced by President Green, of that organization, before the Ways and Means Committee; and Donald H. Richberg, for many years attorney for the railway-labor organizations, helped to write the bill, and, in fact, wrote practically all of the industrial-control feature embraced in title I.

Mr. COX. Mr. Chairman, will the gentleman yield?

If monopoly is not contemplated, then why the proposal to set aside the antitrust law?

Mr. SAMUEL B. HILL. The antitrust law is not set aside as to monopolies. It is suspended for the purpose of enabling trade associations and industries to enter into trade agreements under the supervision of the administrator for the protection of labor against starvation wages and for the protection of legitimate industry against sweatshop competition.

Prevention of unfair competition and unfair methods of competition is the object of: (1) Antitrust laws; (2) Interstate Commerce Commission Act; (3) Federal Trade Commission Act; (4) Weights and Measures and Standards Acts. And the purpose of title I of this bill is to prevent unfair competition by preventing the exploitation of labor.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. SAMUEL B. HILL. Under leave to extend my remarks I submit the following brief analysis of the bill:

TITLE I

Section 1: Declaration of policy.

Section 2: Administration agencies.

Section 3: Codes of fair competition. (a) Approval of such codes by the President.

(1) When no inequitable restrictions are imposed on admission to membership, and that those presenting such code to the President are fairly representative of such trades or industries.

(2) That such codes are not designed to promote monopolies or to eliminate or oppress small enterprises (spirit of antitrust laws is preserved hereunder).

(b) Upon approval of such code by the President such code shall be the standards of fair competition in commerce for such trade or industry.

(c) Terms of code of fair competition enforceable through Federal district courts.

(d) President may prescribe and approve a code of fair competition where the trade or industry has not presented such code to him on its own initiative. Public notice and hearing prerequisite for such action by President.

Section 4 (a): President authorized to enter into voluntary agreements between or among persons engaged in trade or industry, labor organizations, and trade or industrial organizations, associations, or groups, if such agreements will aid in effectuating the policy of title I with respect to interstate commerce and will not promote monopolies or oppress small business enterprises.

(b) President may require business licenses in order to effectuate a code of fair competition or an agreement under this title. Such license requirements shall be imposed only after public notice and hearing and a proclamation of such requirement.

Section 5: During the effective period of title I and for 60 days thereafter any approved code, agreement, or license thereunder exempts from the provisions of the antitrust laws.

Section 6: Limitation of benefits.

(a) Trade or industrial association or group must furnish to President such information as he by regulation may prescribe.

(b) President authorized to prescribe rules and regulations designed to insure that any organization availing itself of the benefits hereunder shall be truly representative of the trade or industry represented by such organization.

(c) Federal Trade Commission directed to make such investigations as President may require for purposes of this title.

Section 7: (a) Conditions of code of fair competition, agreement and license.

(1) Right of employees to organize and bargain collectively.

(2) No employee or one seeking employment shall be required as a condition of employment to join any company union or refrain from joining any labor organizations of his own choosing.

(3) That employers shall comply with maximum hours of labor and minimum rates of pay, and so forth.

(b) President shall allow as far as practicable employers and employees to establish by mutual agreement standards as to maximum hours of labor, minimum rates of pay, and other working conditions, and such standards when approved by the President shall have the same effect as a code of fair competition.

(c) Where no such agreement has been approved by the President, he may investigate the labor practices, policies, wages, hours of labor, and working conditions in a trade or industry and, after hearings, may prescribe a limited code of fair competition fixing the maximum hours of labor, minimum rates of pay, and other working conditions in such trade or industry.

Section 8: This title shall not be construed as repealing or modifying any of the provisions of the Agricultural Adjustment Act, approved May 12, 1933.

Section 9: (a) President is empowered to prescribe necessary rules and regulations to carry out the purposes of this title, and fees for licenses and for filing codes of fair competition. The violation of any such rule or regulation is punishable by fine or imprisonment or both.

(b) The President may from time to time cancel or modify any order, license, rule, or regulation issued under this title.

TITLE II

Public works and construction program

Section 201 (a) provides agencies and personnel to carry out the program.

(b) Provides personnel and facilities and fixing compensations.

(c) Compensation, expenses, and allowances to be paid out of funds made available by this act.

(d) Limiting life of this title to 2 years or such shorter period as President may proclaim.

Section 202: Administrator to prepare program of public works of the character of projects designated in that section.

Section 203: (a) (1) Provides for financing the construction of the projects and works authorized by section 202.

(2) Grants to States, municipalities, or other public bodies for the construction, repair, or improvement of any such project, limited to 30 percent of the cost of labor and materials employed upon such projects.

(3) Grants the power of eminent domain to acquire necessary real or personal property in connection with the construction of such project and providing that all moneys received by way of repayment of loans or from sales of securities and lease of properties shall be applied to retirement of the bonds to be issued to finance the building program.

(4) Provides aid in financing such railroad maintenance and equipment as may be approved by the Interstate Commerce Commission as desirable for the improvement of transportation facilities.

Proviso: To render a State, county, or municipality eligible for the 30-percent grant herein, it may be required to show that its ordinary expenditures are prudently within its estimated revenues.

(b) All expenditures of officers and employees in connection with a particular project shall be charged to the amount allocated to such project.

(c) Sections 305 and 306 of the Emergency Relief and Construction Act of 1932, as amended, shall apply in the acquisition of lands or sites for Federal public buildings.

Section 204, public highways: (a) $400,000,000 provided for emergency construction of public highways granted to the States.

(1) For expenditure on the Federal-aid highway system and extensions thereof into and through municipalities; also for the elimination of hazards to highway traffic. No part of such funds to be used for acquiring right of way, easements in any railroad grade eliminating project.

(2) For construction of secondary or feeder roads, determined upon between the State highway departments and the Secretary of Agriculture. Such grants shall be available for payment of full costs of surveys, plans, improvement and construction of secondary or feeder roads.

(b) Provides the basis of allocation of the $400,000,000 among the several States..

(c) Provides that all contracts involving the expenditure of such highway funds shall specify minimum rates of wages which contractors shall pay skilled and unskilled labor and that such minimum rates shall be stated in the call for bids and shall also be stated in the bids for the work.

(d) Removes the limitation, as to the expenditure of these funds, in the Federal Highway Act, approved November 9, 1921, as amended and supplemented, upon highway construction, and so forth, and upon payments per mile which may be made from Federal funds.

Section 205 provides that all contracts for construction projects and all loans and grants hereunder shall contain such provisions as are necessary to insure—

(1) That no convict labor shall be employed upon such project;

(2) That, so far as practicable, no individual directly employed on any such project shall work more than 30 hours in any one week;

(3) That all employees shall be paid wages sufficient to provide, for the hours of labor as limited, a standard of living in decency and comfort; and

(4) That preference shall be given, where they are qualified, to ex-service men with dependents.

Section 206 authorizes the President to prescribe such rules and regulations as may be necessary to carry out the purposes of this title, and makes the violations of any such rule or regulation punishable by fine or imprisonment or both.

Section 207 provides through bond issues the raising of the moneys necessary to the projects authorized under this act and also provides an addition to the existing sinking fund of the Government 2½ percent of the amount authorized to be expended under this act, and appropriates such additional sinking fund money for each fiscal year, beginning with the fiscal year 1934, to pay the interest on the bonds to be issued hereunder and to retire such bonds at maturity.

Section 208 provides additional taxes to meet the interest and sinking fund requirements necessary to service the bond issues herein authorized in the estimated amount of $220,000,000 a year.

Section 209 authorizes the appropriation of $3,300,000,000 for the purposes of this act.

TITLE III

Amendments to Emergency Relief and Construction Act and miscellaneous provisions.

Section 301: Transfer from the Reconstruction Finance Corporation to the administrator under this act the powers and functions enumerated under and in connection with section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended.

Section 302 reduces the total amount of all obligations which the Reconstruction Finance Corporation is authorized under section 9 of the Reconstruction Finance Corporation Act, as amended, to have outstanding at any one time by $1,200,000,000.

This reduction is made because of the projects under section 201 (a) of the Emergency Relief and Construction Act of 1932 being transferred to the jurisdiction of the administrator under this act.

Section 303 is the separability provision.

Mr. RAGON. Mr. Chairman, I yield such time as he may desire to the gentleman from Georgia [Mr. TARVER].

Mr. TARVER. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include in connection therewith a publication containing a statement made recently by the Secretary of Labor.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. TARVER. Mr. Chairman, the bill before the House proposes to place the entire control of every character of trade or industry in the United States within the control of agencies to be set up by the President; to authorize the expenditure of $3,300,000,000 in a public-works program to be directed by an administrator appointed by the President;

to levy an additional tax burden of $220,000,000 per annum upon the people; and to offer to the people relief from this tax burden if they will repeal the eighteenth amendment. It was impossible for me to secure time for a detailed discussion of its provisions. A decent regard for the opinions of the people I represent, and a profound respect for our great President in whose name the measure is being urged, requires that I should briefly state the reasons which impel me to vote against it.

The industrial control title of the bill would authorize such agencies as the President may set up, either upon the application of a portion of a trade or industry supposed to be representative of it, or of some branch of it, or "upon his own motion", to fix regulations for the Government of that trade or industry, which "shall contain * * * maximum hours of labor, minimum rates of pay, and other working conditions." Licenses may be required of "business enterprises", and if not secured or if revoked, anyone who carries on such enterprise shall be guilty of a crime. In other words, no man could carry on a business of trade or industry without complying with such regulations covering wages, hours of labor, and working conditions as might be prescribed, and without securing, if required, a license from the Federal Government. The bill is far beyond the provisions of the Black 6-hour bill, in which it was proposed for Congress to legislate on the subject of hours of labor. In this bill it is proposed that Congress delegate the power to legislate, not merely to the President, but to "such officers, agents, and employees as he may designate or appoint"; and not merely with reference to hours of labor, but with reference to the entire field of industrial operation and control.

The Supreme Court of the United States has clearly said in the child-labor decision, and reaffirmed in subsequent decisions that I shall not take time to cite, that Congress has no power to enact any such legislation. Waiving aside the question of the right of Congress to delegate to the executive branch of the Government its legislative authority, the legislation touches a subject matter that under the Constitution is purely within State control. In the case of *Hammer* v. *Dagenhart* (247 U.S. 251) the Supreme Court said:

> The manufacture of goods is not commerce, nor do the facts that they are intended for, and are afterward shipped in, interstate commerce make their production a part of that commerce subject to the control of Congress. The power to regulate interstate commerce was not intended as a means of enabling Congress to equalize the economic conditions in the States for the prevention of unfair competition among them. * * * It was not intended as an authority to Congress to control the States in the exercise of their police power over local trade and manufacture, always existing and expressly reserved to them by the tenth amendment.

There are no words in the English language to make the proposition plainer. No lawyer can read that language and say that under its meaning Congress can control, or authorize anybody else to control, the manufacture of goods in your State or mine, and everything incident to their manufacture, merely because those goods are to be shipped in interstate commerce. The fact that it was a 5-to-4 decision makes no difference. It is the law of the land until it is overruled. And as a Member of Congress, sworn to uphold the Constitution, I can do no less than accord to it the meaning which has been given it by the highest court in the land.

It is sought to differentiate this bill from the character of legislation the Supreme Court says is unconstitutional, upon the ground that it is an emergency measure. I defy any gentleman to point out any provision of the Constitution, or any decision of the Supreme Court, construing it, which authorizes the conclusion that the existence of an emergency vests in Congress the right to exercise power over matters expressly reserved to the States by the tenth amendment.

If I felt that there is a chance the Supreme Court might uphold this legislation, I should oppose it all the more strongly. I shall not take part in the establishment of a precedent under which any Congress in future, perhaps a Congress inimical to my section of the country, perhaps a Congress in whose councils the manufacturing interests of other sections may have a voice and those of my section have none, may impose any character of restricting, hampering, ham-stringing legislation it desires upon the manufacturers of my State. We shall not always have a President Roosevelt; it is conceivable that at some time in the future we might have another Republican administration; and I tremble to think what the cotton manufacturers of New England, who have long been jealous of the gradual transfer of that industry to the South, might do to southern textile manufacturers under a Republican administration if a precedent like this is established and upheld by the courts. If we can do this, we can do anything we want with regard to goods that are to be shipped in interstate commerce. We can say to the cotton farmer, "Neither you nor anyone for you, shall work more than 3 hours, or 5 hours, or 6 hours a day; you shall not pay your hired hand less than $3 per day—if you do, it will be a crime to transport the cotton you raise in interstate commerce." Perhaps no Congress would ever go to such extremes, but I shall not be one to vote in favor of saying that Congress has the right, if it desires, to regulate all matters of that sort.

Who are the agencies that will be selected to make these laws regulating manufacture in the States? Who have been the agencies most prominent in urging them before committees in Congress? Can any Member of Congress point to a more outstanding person of this type than the honorable Secretary of Labor, Miss Frances Perkins? What is her attitude toward the people and industries of my section; what does she know about their condition? With profound regret, but as a matter of duty, I call attention to an Associated Press dispatch quoting her views as delivered before an audience in New York on May 22:

[From the Atlanta Constitution, May 22, 1933]

"SOUTH BAREFOOT", FRANCES PERKINS—LABOR SECRETARY SEES SOCIAL REVOLUTION WITH WEARING OF SHOES

NEW YORK, May 22.—Secretary of Labor Frances Perkins declared today that the administration program of strengthening consumers' buying power may build up "a new kind of civilization." She addressed the girls' work section of the Welfare Council, of New York City.

"We recognize," she said, "that our mass-production system cannot go on unless we consciously build up the purchasing power of the people who work in this country and we are recognizing that out of the building up of this purchasing power—by artificial or other means—may come a blessing beyond anything we in our generation have ever dared to dream of."

As an example, Miss Perkins cited the South as a market for shoes.

"Those of you who have lived all your lives in communities where the wearing of shoes is a commonplace," Miss Perkins said, "have, perhaps, forgotten how important and significant a social contribution are shoes.

"When you realize the whole South of this country is an untapped market for shoes, you realize we haven't yet reached the end of the social benefits and the social goods that may come from the further development of the mass-production system on a basis of consuming power in the South which will make possible the universal use of shoes in the South.

"I have said in the last few weeks, as we have been discussing the bills in Washington which have been proposed for the revival of industry and which, among other things, provide for the fixing of hours of work and for the fixing of minimum rates of pay, that if the minimum rates of pay and the hours of work could be fixed in the southern mills and in the southern employments generally, that those who wanted to get rich quick ought to buy a shoe factory, for the opportunity of buying shoes by people who may have their wages for the first time in a generation come up to the level of living wages is perfectly enormous and a social revolution can take place if you put shoes on the people of the South."

To one having knowledge of conditions in the South the statement of the honorable Secretary would be merely ridiculous if it did not disclose such pitiable and dangerous ignorance of the South and its people on the part of one who is undertaking to direct legislation vitally touching the manufacturing interests of the whole country.

The clear inference from her statement is that the wearing of shoes is an exception rather than a rule in the South, which, according to her, is "an untapped market for shoes", and that the passage of this legislation "will make possible the universal use of shoes in the South." How must the intelligent, high-class laboring population of the South, the people who toil in its factories and on its farms, and who compare exceedingly favorably with those of other sections of the country, appreciate having legislation drafted for them and which will doubtless be, in part, administered for them by a woman who knows so little about them that she can picture them as a whole pacing the highways of the South unshod? Let me assure the honorable Secretary that the people of the South are doubtless just as familiar as she with the use of shoes, although if she comes South in the summer we might have to hide our barefoot boys in order to avoid the breath of her condemnation; but heaven help us if we must have the teeming millions who work in our industries and their destinies controlled, in whole or in part, by people who have as little knowledge of them as she shows by her statement.

I prefer to leave the industries of my State and their workers to the control of their own laws, and to the rights guaranteed to them under the Constitution. No man in the world more deeply sympathizes with labor than I do. I come from the ranks of labor. When, as a very young man, I went to our State legislature, I was instrumental in having written upon the statute books of Georgia a law restricting the hours of labor in cotton and woolen mills. But I shall insist upon the right of my people to make their own laws in a field where the Supreme Court of the United States has said the Federal Government has no right to come.

I have not discussed the public works or tax features of the bill. If it is good statesmanship to endeavor to relieve unemployment through Government work, if the Government can properly furnish enough people work to contribute enough aid toward the solution of the unemployment problem to justify it, the public works program is warranted, but even without the industrial control feature I have discussed, I should want, if I had the opportunity under the rule, to propose amendments assuring that this tremendous sum of money would be evenly distributed throughout the country, and that my people would not be taxed to pay for billions of dollars worth of improvements going largely to other sections of the country. But the rule does not permit me to offer an amendment.

Not long ago we passed a relief bill carrying half a billion dollars, and the first allocations of money thereunder sent two and one half million dollars to Illinois and $40,000 to Georgia. I hope further distributions under it will be more equitable, but in the case of this appropriation of over $3,000,000,000, I for one am unwilling to leave it entirely to hope. I question whether the benefit from the public-works program will equal the evil of a heavy additional tax burden in this time of distress, and especially am I concerned about that portion of the tax part of the bill by which you propose to continue the nuisance taxes beyond the fiscal year 1934. But, under your rule, you will not allow this House to do what you know it would do if it had the chance and amend this bill so as to correct this situation. You will not allow us to say, if we must have additional taxes, what kind of taxes we prefer. We must swallow the bill whole, from stem to stern, without amendment, or else vote against it all, and since I cannot swallow its head there is no use to debate whether I could swallow its tail, especially that little stinger on the end of its tail by which you offer the American people to relieve them of a $220,000,000 tax burden if they will repeal the eighteenth amendment. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, the measure we are now considering is a part of the administration's economic-recovery program, and was reported out by the Ways and Means Committee without a dissenting vote. During the hearings our committee had before it Director of the Budget Douglas; Assistant Attorney General Donald R. Richberg; Senator Robert F. Wagner; William Green, president American Federation of Labor; Henry I. Harriman, president of the Chamber of Commerce of the United States; Prof. Irving Fisher, of Yale University; leaders in agriculture and industry—in fact, we heard everyone who had constructive suggestions to offer, and to one and all the committee is deeply indebted.

In the consideration of the measure itself partisanship was laid aside and every member thereof was animated by but one purpose—to give to the President every possible cooperation in his program to bring to an early termination the devastating depression which has hung like a pall over the entire world the past 4 years. May I be pardoned if at this point I pay a deserved tribute to our beloved chairman, Mr. DOUGHTON, for his unfailing fairness and courtesy during the long and arduous hearings.

Other and older members of the committee have spoken of its tax features; therefore I shall content myself with a brief outline of some other aspects of what I consider one of the most important and perhaps revolutionary measures ever to come before an American Congress. To those who would say that this bill confers too great powers upon the President, let me say that the necessity for strong and centralized power is most necessary if we are to have an early recovery.

Mr. COX. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COX. The gentleman speaks of this being revolutionary in character. Does the gentleman mean by that that it is revolutionary in that it runs counter to the provisions of the Constitution?

Mr. KNUTSON. I am not a lawyer, so I will say to the gentleman from Georgia that I cannot discuss the legal phases of this legislation.

Mr. COX. What does the gentleman mean when he says it is revolutionary?

Mr. KNUTSON. That its provisions are different from that of any other legislation that has ever come before a Congress, to my knowledge.

Mr. COX. Different in what respect?

Mr. KNUTSON. Oh, in a number of respects, and if the gentleman will read the bill and the hearings——

Mr. COX. I have read the bill and I think I understand it quite as well as the gentleman. I have read the hearings and I can get nothing out of them except a recitation of the contents of the bill.

Mr. KNUTSON. Well, that is a matter of opinion.

Then, too, it is well to bear in mind that this legislation is but for 2 years and less if the emergency shall have passed before that time.

Primarily, the bill now before us is an employment measure, in that its aim is to bring about an increase in employment at wage levels that will restore normal living conditions as they existed in our land prior to the depression. It is sought to bring this about through cooperative action within industry itself, and by the undertaking of a gigantic public-works program, the entire cost of which may run as high as $3,300,000,000, although it is not anticipated that this staggering sum will be required, for it is our thought and hope that the very passage of this legislation will so restore confidence as to make necessary the spending of but a fraction of ths sum authorized.

As has been pointed out by preceding speakers, this legislation will be made effective through voluntary codes and agreements entered into by groups engaged in the same industry or trade. It is designed to prevent cutthroat competition and unfair trade practices; to shorten hours of toil and the establishment of minimum wage scales in certain industries and trades, thereby giving a better and more

profitable distribution of work; by protecting the small and weak against the strong and powerful.

Mr. COLLINS of Mississippi. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COLLINS of Mississippi. I should like to know how much of the $3,300,000,000 the gentleman expects will be spent?

Mr. KNUTSON. I do not know, but it was testified before our committee——

Mr. COLLINS of Mississippi. A relatively small amount?

Mr. KNUTSON. That the amount spent under this bill would probably result in 14 or 15 times as much being spent throughout the country by individuals.

Mr. COLLINS of Mississippi. But of the $3,300,000,000, the gentleman thinks only a small part will be expended?

Mr. KNUTSON. Of course, not a small part. The gentleman must bear in mind there have only been one billion minutes since the dawn of the Christian era, so that any part we spend here will not be an inconsiderable amount. I anticipate there will probably be a couple of billion dollars spent under this legislation.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. VINSON of Kentucky. May I suggest it was testified before the committee that there would be more than $2,500,000,000 spent in the first 12 months after it went into operation.

Mr. KNUTSON. Yes. I thank my colleague.

Mr. COX. But the gentleman will agree——

Mr. KNUTSON. Now, Mr. Chairman, I hope the Democratic leader will give my good friend from Georgia some time. The gentleman consumed much of the time of the gentleman from Washington [Mr. HILL].

Mr. COX. Was not the gentleman enlightened as a result of the questions propounded to the gentleman referred to?

Mr. KNUTSON. Somewhat.

Mr. COX. I thank the gentleman.

Mr. KNUTSON. As much as I expected.

Mr. SWICK. Will the gentleman yield?

Mr. KNUTSON. I yield briefly.

Mr. SWICK. Are these public works self-liquidating projects?

Mr. KNUTSON. Not all. Save for the road-building allocation that which is allocated for public works is self-liquidating. That is, $400,000,000 is given outright to the States without the States being obliged to match it dollar for dollar, as has been the case heretofore, but under the provisions of this legislation the Government may advance to the political subdivisions moneys for public improvements such as sewage-disposal plants, waterworks, and other things, and under the provisions of this act the President may make an outright grant or donation of up to 30 percent of the amount which the municipality will secure.

Mr. SWICK. Without any idea that the projects are self-liquidating?

Mr. KNUTSON. No.

Mr. THOM. They will be by taxes.

Mr. KNUTSON. It is thought that 70 percent will be repaid to the Government by reason of provision being made for collection through taxes on waterworks, sewage-disposal plants, and so forth.

Mr. BECK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. If my friend will not make his question too complicated. I am not a lawyer.

Mr. BECK. My question will be a very simple one. Can the gentleman conceive any power the President could not exercise under this statute?

Mr. KNUTSON. The powers granted are very broad, I may say to the gentleman from Pennsylvania, but we hope it will not be necessary for the President to use all of them.

Mr. COX. Mr. Chairman, will not the gentleman be good enough to yield to me for one question, not a question of law?

Mr. KNUTSON. Is it a question of fact?

Mr. COX. It is a question of fact; yes.

Mr. KNUTSON. I yield to the gentleman.

Mr. COX. It is a question I think the gentleman can answer. So far as the effect of this proposed legislation upon the property and lives of the citizen, of the individual, is concerned, title II and the rest of the titles of the bill are inconsequential in comparison with the provisions of title I.

Mr. KNUTSON. I agree with the gentleman as to title I. It is very broad. There is no question about it.

Mr. COLLINS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COLLINS of Mississippi. There is no obligation placed in this bill requiring anyone to expend the total of $3,300,000,000, or even half of that amount.

Mr. KNUTSON. No.

Mr. COLLINS of Mississippi. In other words, any part of it may be expended, but all of it need not be expended.

Mr. KNUTSON. That is true.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my colleague.

Mr. KVALE. If the $3,300,000,000 will not be expended this year, why, then, is it necessary to raise the total increment of taxes to pay interest and amortization on the whole amount?

Mr. KNUTSON. It was explained in the hearings. Has my colleague read the hearings?

Mr. KVALE. No; I have only read them in part.

Mr. KNUTSON. It is explained that it is not proposed to issue these bonds all at one time. It will take 2 years to expend any considerable part of the money that we are making available, and the bonds will be sold only as need arises for the money to put into effect the provisions of this legislation.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. KNUTSON. Right here I desire to quote from a colloquy between Senator WAGNER and myself as it is found on page 103 of the committee hearings:

Mr. KNUTSON. Senator, may I direct your attention to section 3, on page 4, lines 5 and 6, especially to the words "trade or industry"? In your opinion, would this legislation provide greater protection for small, independent merchants against unfair trade practices than under existing law?

Senator WAGNER. Yes.

Mr. KNUTSON. There is no question about that?

Senator WAGNER. There is no question about that. The big fellow can take care of himself. I think essentially this is the salvation of the small business man. He will be protected by a code.

Mr. KNUTSON. Will this legislation do what it has been said would be done under the so-called "Capper-Kelly bill"?

Senator WAGNER. Yes.

Mr. KNUTSON. You have no doubt about that?

Senator WAGNER. I have no doubt about that. I want to acknowledge here Congressman KELLY'S aid in the consideration and the drafting of this legislation. He was at some of our meetings and made some very valuable contributions in the drafting of this legislation. He has been a student of this subject for a long while.

Under the provisions of this measure, if properly and wisely applied and enforced, industry will benefit greatly, in that its operation will do away with unfair and ruinous competition. During the depression unfair trade practices have returned which we thought had been banished from our land for all time. Sweatshops and starvation wages are again with us, and in some lines wages have been reduced to as low as $1 per day. This situation can be cured by the measure now before us. Industries will be enabled to get together and act in a manner that will restore them to normal levels. In this connection I refer you to pages 60 and 61 of the hearings, wherein Mr. Richberg points out what I consider a very important angle of the bill.

Under this legislation we are setting up a cooperative machine with the Government as mediator. I assume that zones will be fixed for manufacturing and commerce so as to avoid unnecessary transportation and needless duplication and competition.

The measure allocates 400 millions to the several States for road construction, and it will not be necessary for the States to match this money as they have in the past.

As to the method of raising the money with which to carry out this gigantic and unparalleled undertaking, let me say that only in this one respect was I in disagreement with my colleagues on the committee. It was my thought that we should finance this program through the issuance of non-interest-bearing Treasury notes and by the imposition of an excise tax on importations of vegetable oils and seeds now coming in duty-free, which would greatly aid agriculture. I felt that we could have secured at least fifty millions from that source alone and that we should have done so. Then, too, I am opposed to a Federal tax on gasoline, for I believe that tax should be left to the States for road building and maintenance; but, even with these differences, I have no hesitancy in giving the measure my whole-hearted support and the President will have my best wishes for its successful operation. We are all Americans first, and our first and principal concern is the speedy and complete return of prosperity to our stricken country, and to that object we will all work, regardless of any partisan differences that may exist among us. Mr. Roosevelt's program is unique and courageous, and it deserves to win in the biggest possible way. By working together whole-heartedly I am hopeful that it will contribute greatly to early restoration of our well-being. Those who labored to bring this legislation into its present form deserve the Nation's gratitude. In supporting this legislation I am thinking of the idle factories and the millions who are unemployed and hungry. I am also thinking of the American farmer who is now compelled to sell his products at prices far below production costs. With a revival in industry and restored purchasing power of the consumer, the benefits of this legislation should seep into every nook and corner of the Republic. [Applause.]

Mr. COLLINS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I shall be pleased to.

Mr. COLLINS of Mississippi. Does the gentleman know who are the real authors of the bill?

Mr. KNUTSON. It is our understanding this legislation was drafted by a considerable number of authorities. The gentleman from Pennsylvania [Mr. KELLY] helped to draft the particular section I have just explained.

Mr. COLLINS of Mississippi. Will the gentleman put in the RECORD the names of the different persons who participated in the drafting of this legislation?

Mr. KNUTSON. I suggest that the gentleman from Mississippi get this information from the President.

[Here the gavel fell.]

Mr. RAGON. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. CROWE].

Mr. CROWE. Mr. Chairman, the industrial recovery bill now under consideration is a bill of the first magnitude. In my opinion, it will be a master stroke and will go further toward industrial recovery and to aid in the return to prosperity, more than in any other possible way.

We have been told since the beginning of this panic that a condition existed equal to and as bad as a state of war. Since that statement was made by those in high authority in the Government some 2 or 3 years ago, conditions steadily and rapidly grew worse and reached the climax on March 3, 1933. Up to that time we had had a program of inactivity excepting methods dealing solely with the larger units of our Government and of our country.

It is not my purpose to at this time either commend or condemn the things that were done, but in spite of the agencies brought into play conditions steadily grew worse, and they grew worse for the reason that things which are the backbone of the country and the backbone of ours or any nation were given no attention. Those two great agencies were the farmer and labor of the country. If and unless you have activity and prosperity in those two agencies, all other reliefs are futile and like pouring sand in a bottomless pit; it goes in and disappears. Since that time continuous activity has been had with the result—a slight, slow, gradual, but certain upturn in business and recovery.

We say a condition exists equal to the emergency of war. Many say the condition is worse than war. What would we do in case of war? If our flag should be fired upon at sea, if our ships should be sunk, if a declaration of war was declared against us by some major nation, or our shores invaded, would we sit idly by or lie supinely on our backs of indifference and wait to see if they would not get ashamed or if they would not cease their attacks? No; we would do nothing of the kind. We would do as we have done in the past wars. The President would send a message to Congress stating the facts and an outline of the situation. Congress would declare war. They would vote a billion dollars, two billion dollars, five billion dollars; yes, and come back for another five billion dollars if necessary. Patriotic appeals would be made to people with money to buy bonds to prosecute the war, and we would spend many billions of dollars for destructive purposes to destroy life and property and to preserve our national honor.

I am not, mind you, opposing such a plan. I am making a simple statement of fact of what our Government would do in a case of war, yet in a calamity, which many say is equal to or worse than war, we sit idly by all these months and years, and now at last, with our courageous leader, a man of vision and a man of action, we are asked for legislation which will give employment to those hungry and unemployed.

It is preposterous to think of having good times and prosperity with 12,000,000 unemployed. It cannot be done. The intention of the administration, I am told, is that by the aid of this legislation some 3,000,000 men will be given employment. That means that another 3,000,000 men back of the lines will be employed in making, preparing, and moving the things which will be used in this program.

PUBLIC BUILDINGS

Among the things which will be done to create employment, and one of the most important things under the program, will be the public-building construction, which will have immediate action. Under this industrial recovery bill at least $150,000,000, it is said, will be used for immediate public building. The question is asked, How much will that aid labor? In answering, it is safe to say that from 80 to 90 percent of every dollar spent on this building program will go for labor either directly or indirectly. Furthermore, from dependable statistics, it is shown that 25 percent of every dollar spent for public building goes to railroad freight transportation, which is almost all labor. Moreover, the need of the industry is greater than almost any other industry; in fact, in the building trades, according to the Alexander Hamilton Institute of Chicago, only 14.7 percent of those engaged in the building trades had employment during the first 3 months of this year—hence the necessity of relief employment to that industry.

One cannot subscribe to every provision of this bill. It is impossible to enact legislation satisfactory in every respect to all. I can see no reason why there should be additicnal expense for interest for a bond issue for industrial recovery legislation. This program should be met by an expansion of the currency and only a sufficient amount of revenue be raised to retire this currency within a reasonable period—say 25 years—and a sinking fund of 4 percent per annum of this amount to retire this issue within 25 years. I see no reason to throw an additional $100,000,000 or more per annum into the coffers of the big bankers of the Nation, who, it is shown by recent disclosures, are not in any sense of the

word good American citizens, but in reality profiteers, tax evaders, who not only dodge their own taxes but help others to do likewise. The mechanics for the investigation and collection of income tax due our Government by the bigger interests of the country would no doubt afford sufficient revenue to retire this issue of currency by at least 4 percent per annum. But time is the essence of this legislation and I am wholeheartedly in favor of this plan of giving employment. It is not only humanitarian but it is in the interest of good and sound government. People will not always continue to be patient when poverty is gnawing at their vitals and when the wolf is standing at their door. In a land of plenty, too much wheat, too much corn, too much cotton, too much coal, too many houses, yet with millions hungry, scantily clothed, suffering with cold in the winter, and without homes. Good government and a constitution for the people require and demand that the Government step in and do what capital of the country should do, but refuses to do.

This public-works program will be the real starter, in my opinion, of a return to prosperity. When that prosperity returns our national debt should be speedily wiped out by a generous amount of the profits and excess profits graded up as the incomes increase, with the intent and purpose in mind that when another period like this arises that not only will our national debt be paid but that a large nest egg be on hand in the Federal Government's Treasury to again do what we are starting to do now, only on a magnified scale. In other words, our Government should do for its people what the provident, good man does for his family. He accumulates, he pays his debts when times are good. He lays by for a rainy day. At least the leaders of our country should have as much common sense as Joseph and the rulers of Egypt had some thousands of years ago. They filled their granaries during the 7 years of plenty, knowing that they would be followed by a drought. When the drought came they had plenty and to spare. This Government should take a tip from that, pay off the national debt in good times, and be in position to help take care of the needs of the country and help in the return of prosperity when times are bad.

It is frequently said that we are making a dictator of the President. As a matter of fact, the Congress is simply placing broad powers in his hands for a temporary period. We were mandated by the people last November 8 to do what we are doing now, and when the emergency has passed, if before 2 years, I have faith to believe the President will forego the further use of these powers, and, at the furthest, the generous forms of relief legislation are only for a period of 2 years and will automatically cease to exist at that time.

Mr. RAGON. Mr. Chairman, I yield such time as he desires to the gentleman from Ohio [Mr. DUFFEY].

Mr. DUFFEY. Mr. Chairman and members of the Committee. On Thursday, March 9, 1933, the House of Representatives assembled in extra session in this Hall, upon a proclamation issued by the President of the United States, because of national emergency and because public interest required that Congress should be convened. Soon followed the passage of the economy bill (H.R. 2820), which I voted for at that time. Today we have under consideration the industrial recovery bill (H.R. 5755), to provide for the construction of certain useful public works. We have the serious proposal before us of meeting the national emergency of disorganization of industry and unemployment.

Title I supplements and liberalizes the present antitrust statutes, which grew out of a peculiar economic condition in the early '90s and sponsored by the distinguished Senator from my own State of Ohio, Senator Sherman. Today we have, to say the least, another peculiar economic condition; and as conditions have changed during the past 43 years, so, too, the rigid antitrust laws should in some form reflect a good solution to the existing economic conditions. That is the purpose of title I.

There is created in title II a Federal emergency administrator of public works, involving the expenditure of $3,300,000,000. And to meet the interest and the sinking fund charges, the bill provides for millions in taxes.

Taxation is a vexatious question; and it has always been so. Political parties rise and fall on this issue; and reasonable minds can differ as to what is the best method to be used in order that the Government can perform its proper function. A sales tax is not provided for under the terms of the proposed legislation. Ultimately we may have to come to a sales tax in our Nation, but today the people are not ready or willing to accept this form of taxation. Instead the proposed bill carries the added burden of taxes by an increase in the normal rates of the income tax and subjecting dividends to the normal rates of taxation and increasing the present excise tax on gasoline of three fourths of a cent per gallon.

It is a difficult choice as we reflect and study the general economic situation throughout our Nation.

Again we now are informed that the rules and regulations adopted under the provisions of the Economy Act are provoking wide-spread discontent and injury among the World War veterans and Spanish-American War veterans. This should be corrected, and must be brought about by the Veterans' Administration at the earliest moment. On April 21, 1932, I issued an announcement of my candidacy for representative in the Congress from the Ninth Ohio District and, among other things, then stated:

> I favor immediate payment of the "bonus" to our World War veterans, in currency issued against the present surplus gold reserve, believing this method of payment economically sound governmental aid.

I repeat and reiterate now, 14 months later, that the payment of the adjusted-service certificates can and should be paid in currency in this manner.

Also, Mr. Chairman, if we are going to have an expansion of our currency, why cannot we have a real expansion? No one can deny that within the past 30 days we have had demonstration in a practical way of the benefits that come from a controlled expansion by the increase in credit facilities, and because our Government has plenty of gold. It seems to me that if we are going to have national economy; if we are going to relieve our burden by immediate and drastic retrenchment in the cost of Government rather than by increase in the burden of taxes, then it can and should be done by issuing the $3,300,000,000 in currency required to be expended to provide for the construction of useful public works in the proposed H.R. 5755.

This would provide real relief, and would be economically sound, and would avoid the burden of taxation which now rests so heavily on our people.

The gentleman from Pennsylvania [Mr. BECK] said that there are grave constitutional questions involved. I, too, recognize there are constitutional questions involved, but we cannot defer to legal opinions at this time of emergency, when honest difference in legal thought arises, and when every effort and consideration has been put forth to provide a bill to adequately meet the existing economic condition.

Mr. Chairman, the passage of this bill will further promote and round out the program initiated by our President and should result in an immediate revival of business and employment throughout the Nation. I intend under the present emergency to vote for this bill. [Applause.]

Mr. RAGON. Mr. Chairman, I yield such time as he desires to the gentleman from Michigan [Mr. LEHR].

Mr. LEHR. Mr. Chairman, I simply want to take advantage of this opportunity to explain my reason for voting against the rule.

In my campaign last fall against my distinguished opponent, the former Member from Michigan, Mr. Michener, I criticized the Republican Party and my opponent for their method of controlling legislation through the so-called "gag rule", and I pledged myself to my constituents that I would oppose gag rule to the fullest extent of my ability and influence, and I have consistently done that in this special ses-

sion of the Congress. My position in this matter is one of sound policy and conscientious principle. A gag rule is equally as bad and indefensible whether it be imposed by a Democratic or a Republican majority. I hold no brief for the Republican Members in criticizing the gag rule which this morning was adopted by such a narrow margin. As a matter of fact, their criticism is absolutely unjustifiable because, as it has been said here today by the gentleman from New York, this is just exactly the same sort of a rule that the Republican majority used while they were in power. On the other hand, the mere fact that the Republican majority made use of the gag rule in its palmy days is no justification or excuse, in my humble opinion, for the Democratic majority to make use of it now. We discussed the important bank reform bill on Monday and Tuesday of this week without imposition of the gag rule, amendments were permitted and debate thereon allowed even though such debate was extremely limited. There were no serious consequences as a result of that rule. The bill as finally passed and although but slightly yet constructively amended is a better bill than as it was as originally proposed, and I submit to the leadership of my party that it is offensive to the intelligence and loyalty of us Democrats who came here imbued with the idea to follow constructive leadership, to attempt to tie our hands so that a friendly expression and a reasonable interchange of ideas and suggestions cannot be had, and for that reason I resent deeply the attempt to tie my hands in this matter.

Before being inducted into this office I publicly stated that if Franklin Roosevelt wished to assume dictatorial powers in this emergency in an attempt to bring us out of this situation in which we find ourselves, then I should be glad to go along with him in that direction, and I have done so consistently, but that does not mean that we may not have constructive ideas of our own, and if we have, therefore we should have the right to present them to the Congress for its consideration and for its unfettered action. We ask no more than that, and we have a right to expect no less than that. I have voted consistently with the majority in this Congress with the exception of the Embargo Act, and my position in that matter I feel is justified, and with the further exception of the bill which yesterday was passed entirely through the aid of the large number of Republicans who voted for it, namely, the bill that authorizes the Reconstruction Finance Corporation to make further loans of public money to defunct insurance corporations.

I voted against the gag rule today, not only as a matter of conscientious principle, to which I am entitled without in the least waving my loyalty to the cause of democracy or my allegiance to our splendid Chief Executive, but also because we now either have to vote for this bill, with its added burdens of taxation, in order to get the good things which admittedly the bill carries, or forego giving the unemployed of the Nation the opportunity of employment because of our objection to certain features of the bill.

Had the rule this morning which provided for the consideration of this present bill under a 6-hour debate, with no right to amend the bill, not been adopted by the Congress, it was my intention to offer an amendment to the bill to strike out from it all provisions of taxation. This bill has for its object the relief of the unemployed by appropriating the huge sum of $3,300,000,000 to finance a public-works program. That is a commendable proposition and is worthy of the sympathetic heart of our great leader in the White House, but the bill, in order to finance this proposition, places an added tax upon the already burdened taxpayer of the middle class. It increases the income tax on incomes of $4,000 and up to $10,000 by more than 50 percent, while it does not in the same proportion increase taxes on the extremely wealthy class of America; and then, too, it even creates a new form of taxation, that on dividends, and finally it increases the tax on the gasoline used by the operators of automobiles. All this is very objectionable. It should not have been in this bill. There is absolutely no justification for it. There is absolutely no reason for it. Within the last few weeks the Congress gave to the President the power to inflate and to enlarge and to expand the currency, and the result of the agitation for this inflation and of the enactment of this sort of legislation is already definitely pronounced throughout the entire country in the increase of employment, in the rise in commodity prices, and in the business upturn everywhere.

I feel that here and now is the psychological place and the psychological time in which to give an added impetus to this returned confidence and to this upturn in industry and in business. I pledged myself during the campaign that I would not favor the immediate payment of the bonus to the veterans if to do that would require any increase in taxes. I now say that this power of inflation which the Congress has given the President, namely, to inflate the currency in the sum of $3,000,000,000, could well be used by him to pay the soldiers' bonus. That would forever settle the bonus question. That would make it possible for the Government to settle its moral obligation to the veterans. That would place in the hands of the spending public of America $3,000,000,000 without any cost to the Government in the way of interest and at a time when it would drive forward betterment in our economic situation; and if, for some reason or other, it is not the intention of the administration to do that at this particular time, then I submit that now is the logical time for the administration to take advantage of this power of inflation and issue $3,000,000,000 worth of currency to finance this public-works program, as provided for in this bill. This will carry out all of the humanitarian designs of the President without imposing any extra taxation burden upon our people, and it should be done. Unfortunately, because of this gag rule which has been adopted, we cannot now offer such an amendment for the consideration of the Congress, and I feel that the people who will have to bear this burden of taxation, even though it be temporary and for but a year, are entitled to this information.

I trust that the committee which alone under this rule has the power to amend the bill will see fit to amend section 204. This bill was not submitted by President Roosevelt because of the great need for public works. We all appreciate that fact. As a matter of fact, the condition of our country today is not such as to justify such a program with that in view only. This measure has been proposed solely and entirely because of the tremendous unemployment throughout the country. The bill as originally submitted to the Ways and Means Committee provided for the allocation of $400,000,000 for the construction of highways and provided that three fourths of the money should be allocated on the basis of the Federal Highway Act and one fourth on the basis of population. That means that one half of the money under the bill as originally presented to the Ways and Means Committee was to be allocated on the basis of the population, one fourth on the basis of area, and one fourth on the basis of public-road mileage.

The Ways and Means Committee, however, has seen fit to amend the bill so as to provide that this $400,000,000 will be allocated on the basis of the Federal Highway Act, giving no special consideration to population or unemployment.

Under the bill as submitted by the President, New York State, for instance, would receive $25,400,000 for its 12,500,000 people, 30.6 percent of whom are unemployed. The State of Wyoming would receive $4,036,000 for its 225,000 people, 27.4 percent of whom are unemployed. There are 60 times as many people in the State of New York as there are in the State of Wyoming, yet New York State receives only six times as much money under the President's bill. The intensity of unemployment in New York State is 33 percent greater than it is in the State of Wyoming.

Under the bill, as amended by the Ways and Means Committee, New York State will receive but $20,200,000, while

the State of Wyoming, with only one sixtieth of the people and about one eightieth of the unemployment that New York has, will receive $5,136,000, or 25 percent of the amount of money that the great State of New York, with its 1,500,000 unemployed people, will receive. Similarly very large inequalities exist in all of the other densely populated States.

I give you a list of the States which will lose under the amendment as suggested by the Ways and Means Committee with the amount that each State will lose:

	Loss
Alabama	$32,400
California	737,100
Connecticut	660,600
Illinois	1,990,100
Indiana	90,100
Kentucky	248,600
Louisiana	263,200
Maryland	484,000
Massachusetts	2,037,300
Michigan	795,200
New Jersey	1,912,200
New York	5,214,100
North Carolina	176,200
Ohio	1,668,000
Pennsylvania	3,468,100
Rhode Island	60,500
South Carolina	28,800
Virginia	92,700
West Virginia	312,500

I understand from the statement of the gentleman from Tennessee [Mr. COOPER] that the committee is willing to, and expects to, reestablish in this bill the plan as it was presented to them by the President, and I sincerely hope that at least this very much needed change will be permitted by the committee; and if this proposed change is agreed to by the committee, I shall vote for the bill in the hope that the relief to the unemployed will more than offset the added burden to the taxpayer and in the further hope that it will afford an added impetus to our economic recovery and also because I have the greatest confidence in the splendid leadership of Franklin Roosevelt. [Applause.]

Mr. RAGON. Mr. Chairman, I yield to the gentleman from Michigan [Mr. MUSSELWHITE] such time as he desires.

Mr. MUSSELWHITE. Mr. Chairman, I am not opposed to the national industrial recovery bill, because I believe our President is making a sincere effort to bring about what the very title of the bill suggests—a recovery of the national industrial system which has been severely ill for the past several years. I know the Ways and Means Committee has been confronted with a difficult task in framing this measure, and I believe its members have acted in good faith, but, gentlemen, I cannot help but express my opposition to the methods of raising revenue under this bill.

I need not remind you that taxation is a vital function of government, and that it is as necessary to the life of a nation as food is to the life of a body. There is no part of our system of taxation that bears scrutiny and careful consideration and revision more than the income tax. An income-tax levy, in my judgment, is a prosperity-time tax. In a depression such as we are now passing through, and I hope passing over, such a tax operates to exempt the Morgans and their wealthy partners and strikes hard at the purse strings of the man with a moderate income. You and I cannot escape the tax, but the wealthy manipulators of Wall Street can and do. The fundamental purpose of the income tax is nullified by the provisions of this measure, with its deductions, its exemptions, its exceptions, its modifications, its allowances, and its brackets.

The Morgans and the Harrimans can manipulate to show big losses and pay no tax—they find ways to escape, but there is no "out" for the little fellow. Take the case of a man who has a $100,000 corporation with say a net revenue of $6,000 a year. He is subjected to a double income tax, and in some States this is trebled. The corporation must pay an income tax on its profits, and the man must pay a tax on his dividend. In some States, like my own State of Michigan, there is an added corporation tax.

While on the income-tax subject there is one feature that I have long opposed and will continue to oppose. That is the exemption accorded State, county, and municipal employees. I hoped to offer an amendment to include them today, but, under the procedure the House has indicated it will follow, none but committee amendments will be considered. There are thousands of State, county, and municipal officials drawing salaries far higher than corresponding positions in the Federal Government or private industry who pay no tax at all and do not even have to make a return. This is a gross discriminatory feature which by all means should be eliminated from our system of income taxation. In Michigan there are presidents and superintendents of institutions drawing upward of $10,000 per year and who are housed in mansions maintained by the State who do not pay a nickel in income tax to the Federal Government.

How otherwise could we raise the money? Why, by the simple expedient of issuing currency—greenbacks—backed by national credit as authorized under expansion legislation already provided.

This bill singles out a few industries such as the automobile industry, the radio industry, and so on. It increases the tax you pay on gasoline. It increases the tax you pay on tires and tubes and other automobile accessories. It makes you pay a heavier tax on your radio receiving set. While I am opposed to all discriminatory taxes, that opposition is accelerated to vigorous denunciation when I see the automobile industry, which is the very lifeblood of Michigan, forced to accept additional burdens. It is unfair to the automobile manufacturers and automobile owners. If we continue to burden this great industry, unemployment will never be reduced in the big manufacturing centers.

Unemployment can only be reduced in Michigan when industry starts on the upgrade, and I submit that it cannot start upward if it must carry the load of burdensome and discriminatory taxes such as is proposed in this bill. I thank you.

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. SWICK].

DEMOCRATIC TAX MEASURES DESIGNED TO RELEGATE THE MIDDLE CLASS TO THE REALM OF THE FORGOTTEN MAN

Mr. SWICK. Mr. Chairman, despite the pride with which the administration under the hard-boiled lash of its Budget Director points to the redemption of its pledge to reduce expenditures 25 percent, thereby balancing the Budget, the great middle class of our population, which numbers a vast majority of our people, find themselves confronted with the prospect of having to carry a greatly increased load of taxes. They see men of great wealth and influence resting on their oars, enabled by the efforts of shrewd employees to escape payment of taxes to their Government.

Despite the sensational disclosures of recent days which, if they have shown nothing else, should convince any sane man that our income tax laws are ineffectual, insofar as the upper brackets are concerned, and that any increased revenue to be derived from that source must come from the lower brackets, the Democratic leaders of this House insist upon repeating their mistake of last year by increasing the highest impost ever placed on the people of the United States in peace-time history, the larger portion of which must come out of the pockets of the backbone of the Nation—the middle class.

Disregarding the expressed opinions of business, industry, and labor, who through their various representatives appeared before the committee and urged the adoption of a general sales tax which would touch the pockets of everybody in proportion to their ability to spend without permitting anybody to evade their fair share of the load and penalizing the others for that evasion, the Ways and Means Committee after much deliberation continued to be "horrified" and decided to increase the crushing tax burdens of the middle class.

The one ray of hope held out by the administration—and it looks like the "big stick" in disguise—is that with the repeal of the eighteenth amendment and resulting harvest of gold from liquor taxes this load will be removed. It is difficult to believe that public-spirited officials would attempt to force repeal by such tactics. If this is not the intention, then there can be no excuse for such action except obstinacy.

Regardless of our convictions on the repeal issue, Congress has disposed of that question; it now rests with the voters of the several States. If the administration sees fit to use the machinery of the Democratic Party under the leadership of the Postmaster General to interfere with the affairs of the States, it may do so. We certainly cannot collect liquor taxes now, and if we could they would come for the most part out of the pockets of the very people we are endeavoring to help.

Congress will do well to listen to the voice of the people and insist that the Democratic leaders swallow their pride and enact the sales tax and not the present destructive measure, which will relegate the great middle class to the realm of the forgotten man, whom the majority leaders no longer champion.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Chairman, a bill of such magnitude coming before the House, now in committee for sharply limited debate, under a rule which permits no amendment, makes any expression in debate rather futile. Obviously, I cannot consider the details and the reaches of any of the separate titles, so in the time allotted to me today I want to point specifically to two things that I laid before the committee.

One has to do with a bill I introduced a few days ago and with reference to which I have visited the White House. The reaction to it there I have yet to know. I refer to the child labor bill (H.R. 5744), which I introduced on Monday last and of which I am not the author, because I simply added a section to a law that was passed by the Sixty-fourth Congress, signed by the then President and declared unconstitutional by the Supreme Court by a 5-to-4 decision, as referred to a short time ago in debate by the gentleman from Pennsylvania, the distinguished constitutional lawyer [Mr. BECK].

I have talked with several whom I deem to be good constitutional authority and who are recognized as such, and it is their opinion, as it is mine, that that child labor law which was declared unconstitutional by a 5-to-4 decision 16 or 17 years ago, might well be considered constitutional today, not only because of the fact that the personnel of the Supreme Court has changed since that time, but also because the Court's general line of decisions has been along a different line of thought and has embodied a different set of economic principles and has embraced a different social outlook and belief.

So I simply added to that act a new section which proposes to apply it for the emergency period of 3 years and which provides further that if at any time within the 3-year period the President of the United States might ascertain and might proclaim that employment conditions, as far as adult male labor is concerned, had again reached normal, the act should then become inoperative.

I call the special attention of the committee to the fact that the addition and the inclusion of this law in the measure now before us would not only make immediately available upward of 2,000,000 positions in industry but it would not endanger the rest of the act because of the separability clause which the committee has seen fit to put in at the end of the measure before us; and if the industrial recovery bill stands up from the point of view of constitutionality, then, inevitably, the child labor bill must also stand from the point of view of constitutionality.

Here is a chance at one stroke—and this stroke is denied us under the rule which we adopted today by a very narrow margin—to reemploy as many men as, and more men than, will be employed under all the rest of the huge measures now before us.

This, too, is in line with the thought of the President of the United States who, a few days ago, sent out an urgent appeal to the various State legislatures to hurry along their ratification of the amendment that was drawn and adopted after the law had been declared unconstitutional. Some States have responded, but it is a pitifully slow affair; and the other method, that of action by the States themselves with respect to the industries within the confines of each State, is also pitifully slow.

Now, you would not only reemploy men, if this child labor law were to be considered as an addition to the present law, but you make for better health and education and welfare among the stunted youth and the victims of industry, under age, in this land of ours.

This is one of the two thoughts I should like to lay before you for serious consideration. It may be that in this body we cannot do it. Under the rule it will be impossible, lacking committee sponsorship. This is one reason I so strenuously resented the application of a gag rule this afternoon. I hope, however, that another body will give this serious attention, and that, perhaps, if and when a conference report comes before us, we will be able, then, to have this question before us for decision.

The other question that I wanted to discuss in the time at my disposal is the matter of taxes.

In the earlier stages of the measure the tax question seemed to be purely incidental. I had hoped for a time that there would be no need to project the tax question into the picture, because under earlier legislation that had been crowded before the two Houses early in the session, the President of the United States was given, and now possesses, administrative power to pay for these improvements, or at least pay the interest on them and provide for the amortization of them, by the issuance of new currency; and thereby in a very modified degree apply the principle of expansion, reflation, inflation, or whatever you choose to call it. It seems the committee did not think highly of this proposal.

So instead of issuing money to pay for the interest on the bonds and the amortization thereof, if and as they are issued, we are going to issue these tax-free securities; and then we are going to tax Mr. John Q. Citizen, the man with the small income, for additional taxes in order to bring money into the Treasury to pay the interest on the tax-free securities and to amortize them. This seems to me to be an unnecessary and unjustifiable procedure.

If we have to submit to it, I say, let us seek for some kind of tax structure which will lay its hand evenly upon the man of modest means and the man of extreme wealth. Let us not make the receiver of a small income in the United States of America pay a tax larger than the most powerful industrial and financial magnates, as is being demonstrated in the hearings now being held at the other side of the Capitol. They are escaping without any payment whatever toward the cost of their Government, unbelievable as it may seem, while professional people, those employed in crafts and trades, even the secretaries and clerks, pay their share. Such a wicked condition cannot continue, and I dare to say this Congress will not permit it to continue.

We must apply higher surtaxes to these great incomes and reduce the possibilities of evasion through artful deductions and exemptions. It may be that we have reached the point of diminishing returns in seeking assessments on large annual incomes. It may be true, too, that we have raised the rate on incomes on estates which will not bring us in a great amount of revenue to the Treasury, although I do not believe so.

But let me solemnly say to this House that if there is a man in the United States that receives a net annual income

for taxable purposes—that is, of more than a million dollars—then for the period of the emergency certainly it is only fair and right that he should pay a larger share than what he is now paying.

Then we come to seek a tax that will supplement the income tax. We are having a sham battle today between those who are urging the placing of a sales tax on everything the poor man purchases. "Oh", they say, "we will exempt clothing." Yes; but they do not tell you that it is taxing the cloth that the suit is composed of—it is taxing the buttons that go upon the suit, it is taxing the lining that goes into the suit, it is taxing the machinery that weaves the cloth, and the needle that sews it together.

I say that a sales tax in this Congress can never be passed. So that failing, we must look elsewhere to bring us larger revenues.

These are some of the reasons why some of us resisted the application of the gag rule. It grieves me to know that, although I asked my constituents to return me and although I assume the full responsibility of making the laws for them, I have to go back and tell them it was considered by the leadership here that it was my duty to give away all my rights to amend a measure, and that I had to yield to that leadership or, even worse, to someone entirely outside this Chamber for decisions, instead of following my own convictions, freely formed after the best study I could make. That, to my mind, is not legislation, and is not proceeding according to the rules by which we should be operating.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. HUGHES].

Mr. HUGHES. Mr. Chairman, this bill provides the machinery that will permit the establishment of a maximum workday and a maximum workweek, and fix a minimum wage. These factors are essential to any legislation which is designed to restore American industry, revive and spread employment in the Nation. They will wield a double-edged sword that will strike at and destroy a great evil that exists in industrial America today and which threatens the whole structure—namely, sweated labor.

Sweated labor involves millions of our workers. It has invaded every major industry. It knows no geographic limits. It exists in every section of the country, in every State in the Union, and it affects every division and branch of American industry. Today it is drawing its numbers from the youth of the land, paying a mere pittance, involving long hours, exhausting their strength, killing ambition, and limiting opportunity. It affects the womanhood of the American worker where it leaves the same trail of exhaustion and human wreckage. It constitutes a menace to the dignity, the skill, and real worth of American labor. It threatens our workers with serfdom.

In competition with this ugly system, legitimate business either must adopt the plans and practices of sweated labor or take the road to financial ruin.

Involved in such methods, labor is driven to lower working and living standards. Industry cannot prosper and know earnings in conflict with that institution. The Nation cannot survive if that system flourishes within our borders—a system that capitalizes on human misery, want, and woe. This bill, if it had no other virtue, would deserve your consideration and support.

The measure will provide activity for national industry and resut in reemployment. It will mean the return of purchasing power to millions of workers and the restoration of a healthy, economic condition in the Nation.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. DOUGHTON. Mr. Chairman, I move that the Committed do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LOZIER, Chairman of the Committee of the Whole House, reported that that Committee had under consideration the bill H.R. 5755 and had come to no resolution thereon.

BOARD OF INDIAN COMMISSIONERS (H.DOC. NO. 57)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Expenditures in the Executive Departments and order printed.

To the Congress:

Pursuant to the provisions of section 1, title III, of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, I am transmitting herewith an Executive order abolishing the Board of Indian Commissioners.

There is no necessity for the continuance of this Board, and its abolition will be in the interests of economy.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *May 25, 1933.*

ORDER OF BUSINESS—SUSPENSIONS

Mr. BYRNS. Mr. Speaker, next Monday is the fifth Monday. I ask unanimous consent that the Speaker be authorized to recognize Members for suspension upon that day.

The SPEAKER. Is there objection?

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. SNELL. Will the gentleman inform the House what suspensions he expects to take up at that time.

Mr. BYRNS. I shall have to let the Speaker answer for that.

Mr. SNELL. I do not want to object to the gentleman's request, but I should dislike to see the provision brought up here at that time to change the fundamental law of Hawaii in accordance with the suggestion made by the President and passed under suspension of the rules. Otherwise I have no objection.

Mr. BYRNS. I shall have to leave what they are to the Speaker. I do not know.

Mr. SNELL. Is that one of them?

The SPEAKER. I think that is one. There are two suspensions. Is there objection?

Mr. KVALE. Mr. Speaker, I do not intend to object; I think the RECORD should show that there are 400 Members who are not here who have no opportunity to object.

The SPEAKER. Every Member has an opportunity to be present and object. Is there objection?

There was no objection.

HOUR OF MEETING TOMORROW

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow at 11 o'clock a.m.

The SPEAKER. Is there objection?

There was no objection.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, announced that that committee had examined and found duly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 5390. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills and a joint resolution of the House of the following titles:

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize

the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State highway route no. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed, to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.;

H.R. 5480. An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes; and

H.J.Res. 159. Granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 20 minutes p.m.), in accordance with the order heretofore made, the House adjourned until tomorrow, Friday, May 26, 1933, at 11 o'clock a.m.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. COFFIN: Committee on Military Affairs. H.R. 3124. A bill for the relief of Stephen Sowinski; with amendment (Rept. No. 162). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 5635. A bill for the relief of Frank Kroegel, alias Francis Kroegel; without amendment (Rept. No. 163). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. S. 381. An act for the relief of Samson Davis; without amendment (Rept. No. 164). Referred to the Committee of the Whole House.

Mr. McSWAIN: Committee on Military Affairs. Senate Joint Resolution 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China; with amendment (Rept. No. 165). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. JONES: A bill (H.R. 5790) to provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes; to the Committee on Agriculture.

By Mr. WHITE: A bill (H.R. 5791) to add certain lands to the Challis National Forest; to the Committee on the Public Lands.

By Mr. McSWAIN: A bill (H.R. 5792) to restore the rights of honorably discharged soldiers, sailors, and marines; to the Committee on Pensions.

By Mr. GIBSON: A bill (H.R. 5793) to revive and reenact the act entitled "An act authorizing Jed P. Ladd, his heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across Lake Champlain from East Alburg, Vt., to West Swanton, Vt.", approved March 2, 1929; to the Committee on Interstate and Foreign Commerce.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Wisconsin, memorializing Congress to enact laws providing for the use of ethyl alcohol in all motor fuels; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Wisconsin, memorializing Congress relative to the payment of the soldiers' bonus in cash; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Illinois, memorializing Congress to create a Federal agency to take over all the assets and liabilities of closed banks in the State and Nation and pay all depositors in said closed banks; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BEITER: A bill (H.R. 5794) for the relief of Carl A. Butler; to the Committee on Naval Affairs.

By Mr. BRITTEN: A bill (H.R. 5795) for the relief of Byran William Eldredge; to the Committee on Naval Affairs.

By Mr. CHAPMAN: A bill (H.R. 5796) for the relief of John Bryson; to the Committee on Military Affairs.

By Mr. CROWE: A bill (H.R. 5797) for the relief of Leonard A. Evans; to the Committee on Claims.

By Mr. CROWTHER: A bill (H.R. 5798) for the relief of Richard Evans & Sons Co.; to the Committee on Claims.

By Mr. LUNDEEN: A bill (H.R. 5799) authorizing the Secretary of the Navy to award a Congressional Medal of Honor to Lynford Charles Albro; to the Committee on Naval Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1187. By Mr. JOHNSON of Minnesota: Petition of the business men of Cannon Falls, Minn., to retain the post office of Cannon Falls, in the status of second-class post offices; to the Committee on the Post Office and Post Roads.

1188. By Mr. KENNEY: Petition of the executive committee of the American Legion Auxiliary, Department of New Jersey, vigorously opposing official recognition of Soviet Russia by the United States at this time and for such further period as Soviet Russia maintains propaganda in the United States the purpose of which is to destroy our Government; to the Committee on Foreign Affairs.

1189. By Mr. LINDSAY: Petition of the New York Board of Trade, Inc., New York City, concerning the National Industrial Recovery Act and favoring a general manufacturers' sales tax; to the Committee on Ways and Means.

1190. Also, petition of the National Federation of Federal Employees, Washington, D.C., concerning certain amendments to House bill 5755; to the Committee on Ways and Means.

1191. By Mr. RUDD: Petition of the National Federation of Federal Employees, favoring certain amendments to House bill 5755; to the Committee on Ways and Means.

1192. By Mr. SUTPHIN: Petition of the American Legion Auxiliary, Department of New Jersey, Trenton, N.J., opposing official recognition of the Soviet Russia by the United States; to the Committee on Foreign Affairs.

1193. Also, petition of the American Legion Auxiliary, Department of New Jersey, Trenton, N.J., urging the continuance of the Lakehurst Naval Air Station as a lighter-than-air base; to the Committee on Naval Affairs.

1194. By Mr. TRAEGER: Petition of the Senate and Assembly of the State of California, dated May 4, 1933, urging adoption of amendments to Senate bill 158, so that all persons engaged in the mining industry will be exempt from the provisions of legislation limiting hours of labor to 30 hours a week to people engaged in the mining business; to the Committee on Labor.

1195. Also, petition of the Senate and the Assembly of the State of California, dated May 5, 1933, requesting the adoption of the project contemplating conservation of the waters of Yosemite Creek and the preservation of Yosemite Falls in Yosemite National Park as a unit of the program under the Emergency Unemployment Relief Act; to the Committee on Labor.

1196. By Mr. WATSON: Resolution adopted by Pride of Allen Council, No. 182, Sons and Daughters of Liberty, Allentown, Pa., relative to more stringent immigration laws; to the Committee on Immigration and Naturalization.

1197. By Mr. WITHROW: Memorial of the Legislature of the State of Wisconsin, urging the immediate payment of the soldiers' bonus in cash; to the Committee on Ways and Means.