UNITED STATES MARSHAL, NORTHERN DISTRICT OF INDIANA

Al W. Hosinski to be United States marshal, northern district of Indiana.

FEDERAL TRADE COMMISSIONER

Ewin Lamar Davis to be Federal Trade Commissioner.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 23, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Eternal God, who hast given us life with all its countless blessings and promises, we rejoice in Thee, knowing that Thou art the source of perfect peace and understanding; all good things cometh from Thy merciful and bountiful hand. We thank Thee for the kindly sunlight, for the beauty and the glory of the radiant sky. O teach us, our Heavenly Father, the joy of that life made responsive to the messages of the flowers, the songbirds, the fragrant hillsides, and the sweet, quiet murmur of the valley. O forgive us, Lord, for only man is out of harmony. By these ministries may we be led to labor joyously and enter into helpful relations with every good thing that lives. Speak to us in the manifold voices of Thy loving creatures and allow nothing, O Lord, to preclude inward largeness, strength, and vision. In the name of Jesus. 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 insists upon its amendment to the bill (H.R. 4220) entitled "An act for the protection of Government records", disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. PITTMAN, Mr. ROBINSON of Arkansas, and Mr. BORAH to be the conferees on the part of the Senate.

The message also announced that the Senate had passed, without amendment, a joint resolution of the House of the following title:

H.J.Res. 159. Joint resolution 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.

The message also announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J.Res. 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.

CONFERRING DEGREE OF BACHELOR OF SCIENCE ON GRADUATES OF NAVAL ACADEMY

Mr. VINSON of Georgia. Mr. Speaker, I call up the conference report upon the bill (S. 753) to confer the degree of bachelor of science upon the graduates of the Naval Academy and move its adoption.

The SPEAKER. The gentleman from Georgia calls up a conference report, which the Clerk will report.

The Clerk read the conference report.

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: After the word "academies", at the end of the said amendment, insert the following: ", from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

CARL VINSON,
FRED A. BRITTEN,
Managers on the part of the House.

PARK TRAMMELL,
FREDERICK HALE,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommend in the accompanying conference report:

The Naval Academy and the Military Academy are now approved and listed by the Association of American Universities.

The curriculum of the Coast Guard Academy has been submitted to the association, but its approval has not yet been extended, pending further observation of the success of graduates of the Coast Guard Academy in post-graduate study.

CARL VINSON,
FRED A. BRITTEN,
Managers on the part of the House.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. VINSON of Georgia. Yes.

Mr. SNELL. As I understand, this is agreeable to the gentleman from Illinois [Mr. BRITTEN]?

Mr. VINSON of Georgia. Yes. This merely requires the three institutions to be accredited in accordance with the rules and regulations of the Association of American Universities.

Mr. GOSS. Mr. Speaker, will the gentleman yield?

Mr. VINSON of Georgia. Yes.

Mr. GOSS. What is going to happen to the degrees of bachelor of science to be conferred on the cadets of the Military Academy? That was in another bill.

Mr. VINSON of Georgia. This takes care of all of them. This takes care of the Coast Guard, the Military Academy, and the Naval Academy. They may each issue the degree of bachelor of science to the cadets when the institutions qualify in accordance with the regulations of the American Association of Universities.

Mr. GOSS. That is, all three of them?

Mr. VINSON of Georgia. Yes. The Naval Academy and the West Point Academy have already qualified. The Coast Guard Academy has not yet qualified, and until it does the degree cannot be issued to the Coast Guard cadets.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

PURCHASE OF PREFERRED STOCK OF INSURANCE COMPANIES BY RECONSTRUCTION FINANCE CORPORATION

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to proceed for a few minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'CONNOR. Mr. Speaker, yesterday I introduced in the House H.Res. 156, providing for the consideration of S. 1094, a bill from the Committee on Banking and Currency authorizing the Reconstruction Finance Corporation to purchase the preferred stock of certain insurance companies.

Public confidence in American insurance companies, particularly fire and casualty companies, has been shaken by rumors and also by rehabilitation proceedings against the third largest American fire company and one of the great American casualty companies, namely, Globe & Rutgers Fire Insurance Co. and the National Surety Co.

The result of this loss of confidence has been to cause more or less serious runs on American insurance companies similar in nature to runs on banks; that is, policyholders cancel policies and demand payment of unearned premiums. The effect is to seriously threaten the ability of the insurance companies to continue in business because of the cash drain, irrespective of whether their assets at a fair value exceed their liabilities.

There are many unfortunate effects flowing from such wholesale cancelations of policies. In the first place, the insurance companies throw into the securities market their best securities in order to provide cash to meet the demands for return of unearned premiums, and this has a depressing effect upon the market.

Moreover, just as in the case of banks, the insurance companies have a vast network of interlocking credits and debits; that is to say, each reinsures in other companies. Accordingly, if one substantial company is threatened, it injures the credit of a number of other companies, and the danger pyramids as in the case of the failure of a large metropolitan bank.

Another effect of rehabilitation or other proceedings against a fire or casualty company is to tie up funds of American industries and institutions which have insured in the company and also to tie up the funds of home owners and other mortgagors and add one more burden to their effort to carry their property.

Legal proceedings against such a company also throws out of work a large number of employees and threatens the solvency and the ability to carry on of thousands of individuals throughout the country acting as agents and brokers who have written business in such a company.

One of the most unfortunate results of the present lack of confidence in American fire and casualty companies is the flow of business to foreign companies operating in this country. This flow of business and premium money is enormous, and is a serious permanent damage to American business institutions. It is, naturally, most difficult to obtain accurate figures as to the volume of this flow of premium money and business. However, it is known that one of the British companies, the operations of which in this country have been on a smaller scale than those of the other British companies, and which expected to do a current annual business of only $5,000,000 in premiums, did approximately $23,000,000 in premium business during the first few weeks after the low point of the depression evidenced by the bank moratorium. It is also known that one of the great American universities ordered all of its insurance canceled in American companies and replaced in foreign companies.

The reason for this confidence in foreign companies, as compared with the lack of confidence in American companies under present conditions, is that the foreign companies are fortified by their resources in their home countries. Thus they may draw on funds at home to meet obligations here, and the liquidity of these home funds are not affected by bank failures, by bank moratoria, and by the holding up of inflow of premiums from agents.

On the other hand, the liquidity of American companies is damaged by the tying up of deposits in closed banks, by the depression in value of their holdings of securities in American railroads, industrials, and mortgages, and by the slow payment of premium balances owed by agents throughout the country, whose funds in turn are tied up in closed banks and in depressed investments.

The difficulties of the American companies are not due in any degree to bad underwriting practices but solely to the banking and mortgage situation and the extreme depression in the market prices for American securities and by their faith in American investments and institutions.

Accordingly the American companies are suffering solely from their confidence in American investments and institutions, and unless they are given assistance and stabilized and sustained by the Government through the Reconstruction Finance Corporation they will become more and more subject to inroads of competition from foreign fire and casualty companies.

It is freely stated by important insurance agents and brokers that unless the important companies which are now in rehabilitation are put in a position to resume business it will be a black eye to all the American fire and casualty companies and a severe blow to that field of American business.

There are not only these large and imponderable effects of a failure to rehabilitate these companies through a lack of legislation permitting the Reconstruction Finance Corporation to purchase their preferred stock, but there is a direct effect through the freezing of assets of other American insurance companies which have direct claims against the companies in present difficulties.

If this bill permitting the Reconstruction Finance Corporation to purchase preferred stock in insurance companies is passed and the purchase is made in a few cases, in all probability confidence in American companies will be restored by the belief in the determination of the Government to stabilize and protect them, and there will be no need for further purchases.

The Reconstruction Finance Corporation funds will be fully protected in the purchase of preferred stocks, and the Reconstruction Finance Corporation will not be asked to contribute any funds to make up any deficiency in assets. The companies will first be made solvent by the conversion of claims against them into an issue of preferred stock junior to that offered to the Reconstruction Finance Corporation. The Reconstruction Finance Corporation will then get a prior claim on the assets, not in the form of a secured loan but in the form of a prior stock. To repeat, the Reconstruction Finance Corporation will not be asked to contribute money so as to bring the assets up level with or above liabilities, but simply to take a prior position, at the same time freeing the pledged assets so as to make the companies liquid. This will enable the companies to carry on in business and take advantage of their enormous good will. The argument has been made that the good will of the companies against which proceedings have been taken has been destroyed. However, careful inquiry has been made among insurance men, and they have estimated that not less than 75 percent of the advantageous agency relationships of these companies are still intact. It is known that when the new National Surety Corporation resumed it received a flood of new business. In fact, the opposite is true. When a company has been rehabilitated and it is seen that the Government intends to sustain it, confidence in the company is more than restored, particularly in a case where claimants against a company convert their claims into stock. The result is customer ownership, and the claimants have every motive to place new business with that company.

Furthermore, in the case of Globe & Rutgers Fire Insurance Co., which is now in rehabilitation proceedings, if the law is passed, the Reconstruction Finance Corporation will not be asked to put new money into the company, but simply to convert all or a portion of its already existing $10,000,000 loan into a prior preferred stock of a company already made solvent. The Reconstruction Finance Corporation will be given controlling voting power which it may exercise when and as it sees fit and thus insure the prompt retirement of the stock it receives after the emergency passes.

If, on the other hand, this, the third largest American fire-insurance company, is permitted to go into liquidation, the record shows that 5 years will probably elapse before any payment whatever is made to claimants. This has been the history of the liquidation of stock companies in New York State in the past. This long freezing of credits is not due to any incompetence or laxity on the part of the insur-

ance department officials, but simply to the necessity for reducing all the claims to definite amounts before any distribution can be made. It would be most unfortunate to freeze the $20,000,000 of claims of policyholders against Globe & Rutgers Fire Insurance Co. for this long period.

Furthermore, the liquidation of this company would have a disastrous effect upon the credit abroad of American insurance companies. The company had a vast amount of foreign business all over the civilized world, in addition to approximately 400,000 policyholders in the United States This company has had a distinguished record of over 34 years, particularly marked by its patriotic achievements during the war. Before the Government established other means of insuring shipment of American goods abroad, Globe & Rutgers time and again increased its maximum risks under marine policies and thus enabled American manufacturers and shippers to protect their shipments to Europe at a time when they were unable to obtain protection in substantial amounts from other companies.

At a meeting of over 100 insurance brokers and agents in New York City last week a resolution was unanimously adopted urging the rehabilitation of the company, and the management has been flooded with letters urging rehabilitation from all parts of the country. Furthermore, the plan for the reorganization of the company has had the endorsement and formal assent of leading American industrial concerns, banking institutions and individuals, who are claimants.

The passage of this law and its consequent immediate rehabilitation of Globe & Rutgers and these few other pressing situations will restore confidence in American fire and casualty companies and do away with any further need of action in this field by the Government, and stop the flow of business and premium money to foreign companies.

(By unanimous consent, Mr. O'CONNOR was granted permission to extend his remarks.)

THE ECONOMY ACT

Mr. KLEBERG. Mr. Speaker, I ask unanimous consent to extend my own remarks concerning the regulations affecting the administration of the Economy Act.

The SPEAKER. Is there objection?

There was no objection.

Mr. KLEBERG. Mr. Speaker, study of the new regulations providing for benefits to veterans under the provisions of the Economy Act has convinced me that they are going to cause grave injustices in many cases, and in fairness to the former service men, as well as to the other citizens of the country, I feel that immediate revision of the new orders and regulations is imperative.

ADMINISTRATION SHOULD CORRECT ALREADY APPARENT INJUSTICES

I am firmly conviced that neither the Congress nor the President had any desire to work any injustice on any veteran to whom the country owes a great debt that must be repaid as best we can. It has been my consistent practice to support the Executive in his recommendations for emergency legislation to bring the Nation out of the critical economic situation that confronted it. I supported him in his request for power to readjust the schedule of benefits to veterans, and voted for the economy bill. President Roosevelt, in discussing the farm-relief legislation, frankly admitted that it was experimental in character; and he asserted that if it failed to achieve the desired results, he would be the first to admit its faults and seek changes in it. I am confident, therefore, that this same attitude of honesty and fairness will characterize his attitude toward the veterans legislation.

SERIOUS ABUSES OF JUSTICE MUST BE AVOIDED

Laws affecting the former soldiers of the Nation form a bulky volume of statutes, and there are many intricate details in them. In sweeping alternations, therefore, it is not surprising that some mistakes have been made, but my hope is that those charged with the administration of the laws will be quick to accept suggestions for modifications and that they would not hesitate to make such changes when it can be clearly shown that they are necessary if serious abuses of justice are to be avoided.

NARROW, UNFAIR, AND ARBITRARY INTERPRETATIONS

There are thousands of former service men in the Fourteenth Congressional District of Texas, and I have corresponded with many of them concerning the details of their cases. From evidence submitted to me by these veterans, I have come to the conclusion that some of the new regulations must be altered if the intent of the Congress is to be followed in administration of the Economy Act. Some of these injustices have been caused by the regulations themselves and others have been occasioned by what I consider harsh, arbitrary, and unfair interpretations placed upon them by officials of the Veterans' Administration.

SERVICE-CONNECTION AND CAUSATIVE-FACTOR REQUIREMENTS

One of the phrases that is depriving many worthy men, with service-connected disabilities, of fair benefits is that in Regulation No. 5, which provides that emergency officers will continue to receive retirement pay for their service-connected disabilities as long as "the causative factor therefor is shown to have arisen out of the performance of duty during such service." According to letters from the Veterans' Administration to retired officers in my district, it is apparent that the Administration is placing a literal interpretation upon this phase that is not warranted by the terms of the act itself. Obviously it is often impossible for a man, who was injured or who incurred disease in the service, to point to the explicit causative factor which originated his trouble. In fact, my observation of cases which have thus far come to my attention leads me to the conclusion that very few disabled men can submit such evidence.

I have numbers of cases of officers who have served for periods of from 10 to 30 years and who were finally discharged after the World War with a surgeon's certificate of disability by reason of tuberculosis; yet they have been removed from the rolls because they cannot point to the exact hour and date when such tuberculosis began. It appears that few, if any, tuberculosis cases in this category will remain on the rolls despite the fact that the men affected were discharged with statements showing that they had the disease. A similar situation exists with regard to other diseases and to many injuries. The veteran became disabled while in service, it is apparent, and the records disclose the fact that it was admitted that he was disabled when he was discharged. Yet lack of technical evidence prohibits establishment of the exact "causative factor" in the case. No one could possibly believe that this was the intent of the Congress or of the President in the enactment of this legislation.

SOLICITOR'S DECISION OF APRIL 21 AND RETROACTIVE EFFECT

Another example of the miscarriage of justice in the interpretation of these regulations is seen in the action of the Administration in actually making some of them retroactive. The act provided that payments should continue for 3 months after its passage. Naturally, it would be assumed that in cases where an award had been made by the Administration the beneficiary would receive payment for those 3 months. However, the officials of the Administration, in numbers of cases affecting my constituents, have ruled that payment must have actually been started to the beneficiary; in other words, if the award had been made, but the payment held up through the inevitable delays of the Administration so that the check was not forwarded prior to March 20, 1933, the beneficiary is wrongfully deprived not only for 3 months after the enactment of the act but in actuality payment from the date of application, which in several cases dates as far back as December 1932. Is there any justifiable reason for depriving a claimant of benefits for December, January, and February under which he was entitled and had been awarded because of an act of March 20, 1933, and a department decision of April 21, 1933?

DISCHARGE FROM HOMES AND HOSPITALS MINUS TRANSPORTATION

Attention should be given immediately to the provisions of the new rules requiring discharge of certain veterans

from hospitals and veterans' homes. In many instances the Government moved these disabled veterans hundreds of miles to these homes; the least it can do now is to return them to their places of residence, and I feel that neither the Congress nor the Executive intended that these veterans be put out into the street with no place to go. I recall the case of a veteran who resides in my home city of Corpus Christi, Tex. He was admitted to the Veterans' Administration home at Leavenworth, Kans. He has now been notified that he will be dismissed; and despite the fact that the Government took him from south Texas to Kansas to place him in the home, it is not going to provide transportation back to Corpus Christi for him. Of course he is without funds to pay for such travel. The Administration states: "There are no funds available to pay return transportation for beneficiaries discharged." If he, and the thousands of other veterans in his situation, are to be turned loose at the homes, a great burden will be placed upon the local charity institutions in the cities where these Government institutions are located, and a gross injustice will be done the veterans. Furthermore, if these veterans attempt to go home on foot or by soliciting rides upon the highways, they are going to expose themselves to needless suffering. I fear that grave results will be apparent in their health; it is not improbable to suppose that this action might even result in fatalities.

VETERAN CANNOT BE HEARD. WHY NOT CHANGE PROCEDURE?

A further change should be made in the method of reducing the allowances and benefits given to service-connected cases of disability. In no instance should the veteran be penalized without the opportunity of presenting his side of the case in an attempt to establish once more the service-connected nature of his disability to the satisfaction of the Government. The Administration advises me the approved procedure does not contemplate affording the veteran or his representative a personal appearance. I earnestly hope that immediate provision will be made for hearings on all of these cases.

SERVICE-CONNECTED CASES NOT REDUCED BY 20 PERCENT BUT MORE OFTEN BY 60 TO 70 PERCENT

I have noted instances where veterans have been reduced in their allowances far more than the percentage specified in the Economy Act. This has been done by the Administration's revising the schedule of ratings of disability and at the same time paying a reduced allowance for each rating. The veteran is thus cut two ways, and the percentage of reduction in some cases under my personal observation will amount to as much as 70 percent. The intent of Congress, clearly shown in the act, should be followed by the Administration in this matter.

INJUSTICES MUST BE POINTED OUT AND REMEDIAL ACTION TAKEN

It is my intention to do all in my power to bring these injustices to the attention of the proper authorities here in order that remedial action can be taken at once. The present crisis is no less serious than that which confronted our Nation in 1917. The same high order of patriotism is needed now as was essential in those critical days. No citizens realize this more than the former service men. They have made sacrifices for the country before, and they are willing to make them again. They should not be called upon to suffer, however, and I hope and believe that the persons who are charged with the administration of the Economy Act should not cause them to do so.

VETERANS WITH SERVICE-CONNECTED DISABILITIES

Mr. KVALE. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. KVALE. Mr. Speaker, sufficient cases of veterans with service-connected disability have now been reviewed so that we can begin to see how the Economy Act is actually going to operate. Fifteen regional offices have reviewed and analyzed a total of 14,227 cases.

Mr. Speaker, I want this record to show that of these cases receiving service-connected compensation of an average of $46 per month, service connection has been broken on 6,253, or 44 percent of them. Two percent, or 289, are getting the monthly statutory award of $20 for total and permanent disability; 7,427 are still on the rolls, but now, instead of $46 a month, they are receiving an average of $20 a month.

This means an actual average cut on these 14,227 cases of 75 percent.

Mr. Speaker, we will not even need the $65,000,000 which is carried for service-connected cases in the independent offices appropriation bill in place of the $221,000,000 previously carried.

Mr. GIBSON. Mr. Speaker, will the gentleman yield?

Mr. KVALE. Yes.

Mr. GIBSON. I understand, from the statement made by the gentleman, that of these cases that have been reviewed, the service-connected disability men will get an average of only 25 percent of what they had received.

Mr. KVALE. The average is 25 percent. The gentleman is entirely correct.

THE RECORD

Mr. McGUGIN. Mr. Speaker, I rise to call the attention of the Chair to what I think should be a correction in the RECORD. I think the correction is necessary unless the RECORD is to carry a deception to the country. On page 3939 the RECORD states:

The Clerk read as follows:

Then included within the portion read by the Clerk are section 15 and subsections (a) and (b). They were not read by the Clerk. Thereby amendments were shut off. I think the RECORD should be corrected to speak the truth.

The SPEAKER. The Chairman held yesterday that the sections had been read. That is the only information the Chair has.

REGULATION OF BANKING

Mr. STEAGALL. Mr. Speaker, I move that the House now resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of 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.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H.R. 5661, the banking bill, with Mr. CANNON of Missouri in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose yesterday an amendment offered by the gentleman from Wisconsin [Mr. BOILEAU] was pending.

Without objection, the Clerk will again report the amendment.

There being no objection, the Clerk again reported the Boileau amendment.

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 1 minute to explain the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin [Mr. BOILEAU]?

There was no objection.

Mr. BOILEAU. Mr. Chairman, the amendment I have offered is to strike out section 24 of the bill, which appears on pages 30 and 31.

At the present time national-bank stock has what is known as the "double-liability feature." In other words, if a person has a thousand dollars' worth of stock and a bank fails or goes into the hands of a receiver to liquidate the bank there is an assessment of $1,000 against the owner of the stock. To my mind, that is a just and fair provision of the law. This section of the present bill would repeal that double-liability feature. If we vote in favor of my amendment it will leave the situation just as it is at the present time, leaving the double-liability feature so far as national banks are concerned.

Most of the States have this double-liability feature in connection with State-bank stock, and it would be unfair to those State banks which have that double-liability feature if we were to remove that feature from the national-bank stocks.

I believe this is not the proper time to further weaken the financial structure. I believe the depositors should have that additional guaranty, and I hope the Members will support my amendment.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. BOILEAU] has expired.

The question is on the amendment offered by the gentleman from Wisconsin [Mr. BOILEAU].

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 31 and noes 83.

So the amendment was rejected.

The Clerk read as follows:

SEC. 202. Section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, secs, 321–331; supp. VI, title 12, secs. 321–331), is amended by adding at the end thereof the following new paragraphs:

"Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal Reserve bank of its district and to the Federal Reserve Board not less than three reports during each year. Such reports shall be in such form as the Federal Reserve Board may prescribe, shall be verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to vertify such reports, and shall disclose the information hereinafter provided for as of dates identical with those fixed by the Federal Reserve Board for reports of the condition of the affiliated member bank. Each such report of an affiliate shall be transmitted as herein provided at the same time as the corresponding report of the affiliated member bank, except that the Federal Reserve Board may, in its discretion, extend such time for good cause shown. Each such report shall contain such information as in the judgment of the Federal Reserve Board shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Board to inform itself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the bank under the same conditions as govern its own condition reports.

"Any such affiliated member bank may be required to obtain from any such affiliate such additional reports as in the opinion of its Federal Reserve bank or the Federal Reserve Board may be necessary in order to obtain a full and complete knowledge of the condition of the affiliated member bank. Such additional reports shall be transmitted to the Federal Reserve bank and the Federal Reserve Board and shall be in such form as the Federal Reserve Board may prescribe.

"Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of $100 for each day during which such failure continues, which, by direction of the Federal Reserve Board, may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located. For the purposes of this paragraph and the two preceding paragraphs of this section, the term 'affiliate' shall include holding company affiliates as well as other affiliates.

"State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 of the Revised Statutes, as amended.

"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, 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.

"Each State member bank affiliated with a holding-company affiliate shall obtain from such holding-company affiliate, within such time as the Federal Reserve Board shall prescribe, an agreement that such holding-company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding-company affiliates of national banks. A copy of each such agreement shall be filed with the Federal Reserve Board. Upon the failure of a State member bank affiliated with a holding-company affiliate to obtain such an agreement within the time so prescribed, the Federal Reserve Board shall require such bank to surrender its stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Federal Reserve Board shall have revoked the voting permit of any such holding-company affiliate, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such holding-company affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

"In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Federal Reserve Board, be assessed against such bank and when so assessed shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section."

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word. I wish to ask the Chairman of the Committee on Banking and Currency to explain what effect this section which has just been read will have upon a group system of banks, where a holding company owns three or four banks in a State. Will it be necessary for the banks affiliated in this group to become separate institutions, or can they continue to operate under the group system?

Mr. STEAGALL. There is not anything that prevents their continued operation.

Mr. RAMSPECK. Then what is the effect of this section on them? If the different elements of a group are separate members of the Federal Reserve System, as I understand it, they lose their vote?

Mr. STEAGALL. It regulates their right to vote and limits the vote, but it does not in any way interfere with their operation.

Mr. RAMSPECK. Is there any change in this act as to their rights to become branches?

Mr. STEAGALL. There is not anything in this section, nor in this bill, that deals with branch banks, except in one trivial manner, namely, that State banks having branches and joining the Federal Reserve System may continue to operate their branches if a national bank in the same territory or city is permitted to continue to operate. There will be so few occurrences of that kind that it is not regarded as of any importance.

Mr. DIRKSEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 33, line 21, after the word "after", strike out the word "two" and insert the word "one."

Mr. DIRKSEN. Mr. Chairman, I ask to be heard very briefly on the amendment to substitute the word "one" for the word "two" in line 21 on page 33.

You are familiar with the fact that this section provides for the divorcing of affiliates from national banks, and 2 years is provided to accomplish that end. In the first bill that was introduced in the last Congress, as I understand, 5 years were provided in which to accomplish this divorcement. The present bill recites 2 years, but I submit some reasons why I believe 1 year is ample.

In the first place it occurs to me that 1 year is sufficient for any bank to get its house in order. In the second place, I think the gentlemen on the Democratic side anticipate we are going to have a boom season one of these days. We are at least hoping so. We hope there will be an upturn in all forms of markets and industrial and commercial enterprises, and if that upturn should come within the space of a year, and we provide 2 years for the divorcement of the affiliates from banks, it still gives them an additional year in such a new lush, boom period in which to connive and operate to the detriment of the investors of the country.

The third reason I submit for the change from 2 years to 1 year is this: The distinguished Senator from Virginia, former Secretary of the Treasury, only a few days ago expressed and uttered the hope in the Senate of the United States that perhaps the body at this end of the Capitol would reduce the 2-year period to 1 year. I do not believe

any more conclusive or cogent logic is necessary to show the advisability of reducing that period.

Mr. STEAGALL. Mr. Chairman, I think we are all agreed in purpose. We are agreed as to the desirability of remedying of what is generally regarded as a serious evil. The only question is the manner in which we shall go about the task. The Senate has considered this provision and discussed it at great length, and it has been agreed among those who have given most thought to this provision and who are responsible for its origin, that in the present condition of the country and the existing disturbance in economic affairs, reasonable time should be allowed for bringing about this reform.

I think perhaps if I had been asked to draw this section I should have agreed with my friend in the thought he has. I should probably have written it 1 year, but having heard the matter discussed as I have and having witnessed developments in the centers where the evil at which this section is aimed exists, I am convinced no harm will result in giving 2 years to bring about this reform.

We need not be unduly hard. We just want to clean up and straighten up if we can. I can understand how in some communities there might be a division of interests, commercial, industrial, and agricultural between two banks. Half the interests of the community would gather around one institution, a State bank having an affiliate. Across the street is a national bank of similar size serving the other half of the community. Everybody is satisfied in both cases. We have instances like this.

To call upon one of those institutions at this time to put this into effect might result in some instances in hardship and in cases where there never has been criticism against the operation of these institutions.

So, in order to be scrupulously fair and considerate we thought 2 years should be allowed.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield for an observation?

Mr. STEAGALL. I yield.

Mr. DIRKSEN. For the benefit of the House I want to read from the RECORD of May 19, about four sentences. Senator GLASS in debating this section said:

> We have modified that provision of the bill, however, changing it from 5 years to 2 years rather with the expectation, if not the confident hope that the other branch of Congress, or the Senate, may reduce it to 1 year.

I submit this simply for the purpose of showing what has been taking place in the other body and their probable attitude toward it.

Mr. STEAGALL. I am aware of the attitude of the Senator to whom the gentleman refers.

Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto do now close.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were—ayes 45, noes 76.

So the amendment was rejected.

The Clerk read as follows:

> SEC. 203. The Federal Reserve Act, as amended, is amended by inserting between sections 23 and 24 thereof (U.S.C., title 12, secs. 64 and 371; supp. VI, title 12, sec. 371) the following new section:
>
> "SEC. 23A. No member bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, any of its affiliates, or (2) invest any of its funds in the capital stock, bonds, debentures, or other such obligations of any such affiliate, or (3) accept the capital stock, bonds, debentures, or other such obligations of any such affiliate as collateral security for advances made to any person, partnership, association, or corporation, if, in the case of any such affiliate, the aggregate amount of such loans, extensions of credit, repurchase agreements, investments, and advances against such collateral security will exceed 10 percent of the capital stock and surplus of such member bank, or if, in the case of all such affiliates, the aggregate amount of such loans, extensions of credits, repurchase agreements, investments, and advances against such collateral security will exceed 20 percent of the capital stock and surplus of such member bank.
>
> "Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 percent more than the amount of the loan or extension of credit, or of at least 10 percent more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof: *Provided*, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, or the Federal land banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.
>
> "For the purposes of this section the term 'affiliate' shall include holding company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated, (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company, (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of the Federal Reserve Act, as amended, or (4) organized under section 25 (a) of the Federal Reserve Act, as amended; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations."

Mr. CELLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise only to call attention to a provision which advertently or inadvertently was left out of the next section on page 38, so-called "section 5144", of the House bill.

I have examined the companion bill in the Senate, S. 1631, and I find that this section provides for what is known as cumulative voting for directors of banks.

I shall not offer an amendment, but I do hope the leaders of the Committee on Banking and Currency in the House, and the conferees thereof, having received notice of the fact that at least one Member is anxious to have the bill in the House conform to that in the Senate, will provide for cumulative voting for bank directors in the conference report of both Houses. Indeed, Chairman STEAGALL said he reviewed the matter with great favor and pledged support to have it inserted. In the light of that pledge I shall not embarrass the committee now and press an appropriate amendment.

I rise at this time to point out what cumulative voting is. You will find that in most corporations, usually nonbanking corporations, provision is always made, or ought to be made, in charters for cumulative voting so that minority interests shall have a voice in the management and operation of the corporate entity.

There are some very flagrant situations arising in various banking institutions where substantial, large minority interests are kept out in the cold, have no voice whatsoever in the management of the bank. In one particular instance in New York City, of which I have actual knowledge, there are some 5,000,000 shares of stock outstanding. It concerns one of the largest banks in the world. One individual controls about 10 percent of that entire stock, and through another entity controls another 10 percent. So we might say that gentleman—and, incidentally, he is a very upright, honest, righteous, and efficient banker—himself controls about 20 percent of the stock of this very large institution; but the persons in majority control thereof, freeze him out, and refuse to let him have anything to do or say in connection with the operation of this bank. This bank lost a vast sum of money. One of its officials is on trial in New York today for utter disregard and violation of income-tax laws. He has offended in many other respects. He never was a respecter of law or persons. Had this man controlling this 20 percent of stock been on the board—and he would have been on the board had there been cumulative voting—he would have prevented many of the excesses, many of the abuses, much of the malfeasance and misfeasance that occurred in that bank by its officers.

He would have been in the nature of a brake upon the wild and extravagant practices of that institution in New

York; and I do now implore that the Members give some consideration, as the Senate has, at least in its Banking and Currency Committee, to the principle of cumulative voting for directors of banks. So that, for example, if anyone here had, say, 30 shares of stock in a bank, and there were 10 directors to be voted for, he then would have the equivalent of 300 votes. The number of shares is multiplied by the number of directors to be voted for. These votes can be concentrated on one or more directors. So in this way the minority can have at least a chance for their "white alley." As it is today, in these large banks and in many smaller ones, a small coterie cabal together keep out the minority, and, if there are wise counsels and prudence in the minority, the stockholders of the institution and the depositors thereof never get the benefit of such wise counsel and such prudence.

[Here the gavel fell.]

Mr. KVALE. Mr. Chairman, I rise in opposition to the pro-forma amendment.

Mr. Chairman, yesterday when section 21 was being discussed, page 28 of the bill, I sought by amendment to reduce the requirements for directors, as to holdings of stock, from $2,000 to $1,000.

We were told at that time by members of the committee—and I know the misinformation was not intentional—that the present law provided for a minimum of $1,000, and that they saw fit, for good and valid reasons, to lift the requirement to $2,000.

I have looked up the law, and I find that title XII, section 72, of the code places requirements upon directors as follows:

Every director must own in his own right at least 10 shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed $25,000, in which case he must own in his own right at least five shares of such capital stock.

In other words, instead of a requirement of $2,000 worth of stock, the present law requires each director of the $25,000 bank to have $500 worth of stock.

Now, I envision the many business men, professional men, retired farmers, and others, as I said yesterday, who make up the directorates of these small banks.

Mr. SNELL. Will the gentleman yield?

Mr. KVALE. Yes.

Mr. SNELL. As I understand, if this bill goes through in its present form, there will be no more of these $25,000 banks. They will all be at least $50,000.

Mr. KVALE. That is true, but that applies to banks that are going to be organized in the future, and does not apply to banks that already exist.

If it is the intention of the bill, if it is the intention of the committee, if it is the intention of the leaders to kill off all the $25,000 banks that now exist, in addition to preventing their organization in the future, let us say so and let us understand that now, because that is exactly what will happen unless unanimous consent is given to return to this particular section and modify this requirement.

You cannot find enough men in these towns of under 6,000 population to make up a board of directors with men who have $2,000 blocks of stock. Common sense will tell this to every member of the committee here, and I hope the committee will permit us to return and reduce the figure, or, preferably, to leave the law as it is now written.

It is just as ridiculous to require a small bank to live up to this requirement as it would be to say that every director of every bank, regardless of its size, should own 3 percent of the capital stock. Think what such a provision would mean if you applied such a provision to the $100,000,000 banks, and yet that would be no more unfair than the provision to which I am calling your attention.

Common sense seems to me to warrant the request, and I hope it may be granted, so that we can return to section 21 for the purpose of offering and considering such an amendment. Therefore, Mr. Chairman, I do now ask unanimous consent to return to section 21 of the bill for the purpose of offering the amendment suggested.

Mr. BYRNS. May I ask the gentleman to withhold that request until after the reading of the bill is completed? I am sure the gentleman can then be accommodated.

Mr. KVALE. Then I withdraw the request for the present, Mr. Chairman.

The pro-forma amendment was withdrawn.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: Page 37, line 3, after the word "banks" where it first appears, strike out the word "or" and insert after the word "banks" as it secondly appears the words "or any other Federal corporation."

Mr. LUCE. Mr. Chairman, the purpose of this amendment is to secure that the securities of the Federal Mortgage Corporation that we are in process of creating, shall be put on a level with those of the Federal farm banks.

This change was made in committee on the previous page and the insertion of it at this place was overlooked. I am sure there is no opposition to the amendment.

The amendment was agreed to.

The Clerk read as follows:

SEC. 204. Section 5144 of the Revised Statutes, as amended (U.S.C., title 12, sec. 61), is amended to read as follows:

"SEC. 5144. In all elections of directors and in deciding all questions at meetings of shareholders each shareholder shall be entitled to 1 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.

"For the purposes of this section shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate or held by any trustee for the benefit of the shareholders or members thereof.

"Any such holding company affiliate may make application to the Federal Reserve Board for a voting permit entitling it to cast 1 vote at all elections of directors and in deciding all questions at meetings of shareholders of such bank on each share of stock controlled by it or authorizing the trustee or trustees holding the stock for its benefit or for the benefit of its shareholders so to vote the same. The Federal Reserve Board may, in its discretion, grant or withhold such permit as the public interest may require. In acting upon such application, the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;

"(b) After 5 years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 percent of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 percent per annum of such aggregate par value until such assets shall amount to 25 percent of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 percent per annum on the book value of its own shares outstanding until such assets shall amount to such 25 percent of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after 5 years after the enactment of the Banking Act of 1933, (1)

any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them, respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 percent per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount not less than 12 percent of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;

"(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended; and

"(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as 'securities company'); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within 5 years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Federal Reserve Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Federal Reserve Board may, in its discretion, revoke any such voting permit after giving 60 days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard. Whenever the Federal Reserve Board shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Federal Reserve Board, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended."

Mr. ARENS. Mr. Chairman, I move to strike out the last word. I do this for the purpose of getting an opinion of those in charge of the bill whether my contention is right or not. I came to the conclusion in reading the bill that in order for a State bank to come under the operation of this bill it will have to have a capital stock of $25,000 or more. I want to ask the chairman of the committee whether my contention is correct or not.

On page 23 is a paragraph, which says that—

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.

Now, I have the National Bank Act here, and it provides in relation of the conversion of State banks into national banks.

It reads as follows:

SEC. 5154. Any bank incorporated by special law of any State, or of the United States, or organized general laws of any State, or of the United States, and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than 51 percent of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency, be converted into a national banking association, with any name approved by the Comptroller of the Currency.

Under that same act, section 217, provides:

No national banking association shall be organized with a less capital than $100,000, except that such association with a capital of not less than $50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants, and except that such association with a capital of not less than $25,000 may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed 3,000 inhabitants.

So my contention is that under the National Banking Act a national bank must have $25,000 capital or more in places where there is a population of less than 3,000 people and a State bank to become a national bank must have the same capital.

Mr. GOLDSBOROUGH. It is true that no State bank can become a member of the Federal Reserve System unless it has a minimum amount of capital stock.

Mr. ARENS. That is $25,000.

Mr. GOLDSBOROUGH. Yes; but that is not true as far as the insurance provision of this bill is concerned. There is no prescribed capital a State bank shall have in order to be admitted to the insurance fund.

Mr. ARENS. It says that it must have the same capital as a national bank.

Mr. STEAGALL. There is no prescribed amount of capital in the bill which a bank is required to have to become a member of this insurance fund.

Mr. ARENS. I think according to the bill it must have $25,000, at least.

Mr. STEAGALL. The gentleman is mistaken.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I ask for recognition.

Mr. BLANCHARD. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. Yes.

Mr. BLANCHARD. It was my understanding that in order to become eligible to participate in the insurance fund they had to qualify under the Federal Reserve Act.

Mr. GOLDSBOROUGH. That is a mistake.

The Clerk read as follows:

SEC. 205. After 2 years from the date of the enactment of this act, no member bank shall be affiliated in any manner described in section 1 (b) of this title with any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities.

For every violation of this section the member bank involved shall be subject to a penalty not exceeding $1,000 per day for each day during which such violation continues. Such penalty may be assessed by the Federal Reserve Board, in its discretion, and, when so assessed, may be collected by the Federal Reserve bank by suit or otherwise.

If any such violation shall continue for 6 calendar months after the member bank shall have been warned by the Federal Reserve Board to discontinue the same, (a) in the case of a national bank, all the rights, privileges, and franchises granted to it under the National Bank Act may be forfeited in the manner prescribed in section 2 of the Federal Reserve Act, as amended, or, (b) in the case of a State member bank, all of its rights and privileges of membership in the Federal Reserve System may be forfeited in the manner prescribed in section 9 of the Federal Reserve Act, as amended.

Mr. FISH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. FISH: Page 44, line 1, after the word "after", strike out the word "two" and insert the word "one."

Mr. FISH. Mr. Chairman, I would like to hear some discussion of the reason why these security affiliates should be permitted 2 years in which to divorce themselves from national banks. My amendment eliminates the word "two" and substitutes the word "one", so as to compel them to be separated in 1 year. I am not sure but 1 year is more than sufficient. Perhaps 90 days would be better. According to my way of thinking, the Congress should have acted a number of years ago and passed legislation to prohibit national

banks from having these security affiliates. Why should we now give them 2 years to divorce themselves from the national banks? I can remember back in 1928 and 1929, during the boom times, when these bank presidents, Mr. Charles Mitchell, of the National City Bank, and Mr. Wiggin, of the Chase National Bank, which are the two worst offenders, as far as affiliates are concerned, said to the Congress, "We don't want any interference with business by the Congress; we know how to handle our own business and we want to be left alone." The only fault that I find with Congress as I look back is that we listened to this call from the big business men, Mitchell and Wiggin and others in Wall Street, and let business alone. They got us into this inflation largely through these security affiliates connected with the big banks. The banker, instead of looking after the deposits of his own depositors, was paying more attention to the security affiliate, where he got his money from. Only in the last year we found out that Charlie Mitchell, of the National City Bank, obtained in 1 year $3,000,000, whereas his pay as bank president was $100,000 a year.

Probably the same thing applied to the other banks, particularly to the Chase National Bank and to Mr. Wiggin. Those were the men who said to Congress at that time that there must be no interference with business. No wonder when these two bank presidents were making enormous profits for themselves largely at the expense of their depositors. All the time they were saying to their depositors, "You have got money in our banks, and you ought to take it out of our banks and invest it. We will sell you some foreign bonds, some A B C bonds, some South American bonds." The depositors would reply that they did not know anything about the bonds and the bank presidents, and their associates would then advise them that these bonds pay 7 and 8 percent, and would say, "Don't leave your money idle in our banks, you should take it out and invest in these bonds." When the depositor again said that he did not know anything about the bonds the bankers said, "Of course our bank is behind them, and that is enough, for we have investigated them", and then the depositor took his money out and he bought Argentine, Chile, and Brazilian bonds paying 7 and 8 percent, and, of course, the commissions went to the presidents of those banks and their associates. Those security affiliates did more harm in promoting the inflation and the resulting deflation that caused the financial ruin of hundreds of thousands of bank depositors than any other agency in America. So why should we give them 2 years more to divorce themselves from national banks and to carry on this unethical and vicious practice in case of better times and renewal of investment activity.

Mr. SNELL. Mr. Chairman, will the gentleman yield?

Mr. FISH. I am sorry, but I have only 5 minutes. There is nothing new about this depression, as far as the principle involved. It is exactly the same as any other. There was an enormous inflation brought about because of the mass overproduction of stocks, bonds, and other securities largely emanating from these affiliates, which were sold to the American people often without much investigation, and as a result it meant a mass overproduction of factories, commodities, real estate, and everything else—an enormous inflation that sooner or later had to crash, and when it did crash and the pendulum swung back, it did not stop at normalcy but went right on down into the depths where we are now. I do not indict the big bankers alone. The American people were also responsible. They went into an orgy of gambling and speculating and extravagance. But the big business and banking leadership was at fault. These international bankers and the biggest bankers in America were making all kinds of money. They naturally said that they did not want interference from Congress. They wanted to grab off all the money they could while the going was good, regardless of consequences to their depositors or anyone else. The Congress should have acted long before this to protect the American public. We should have told the big bankers long ago to get rid of these affiliates, and should not permit them now more than 1 year to put an end to their security affiliates. I think this amendment should be agreed to. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate upon this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment of the gentleman from New York.

The question was taken; and on a division (demanded by Mr. FISH) there were—ayes 44, noes 64.

Mr. FISH. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. FISH to act as tellers.

The Committee again divided; and the tellers reported there were ayes 64 and noes 68.

So the amendment was rejected.

The Clerk read as follows:

TITLE III

FEDERAL DEPOSIT INSURANCE CORPORATION

SEC. 301. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the "Corporation"), whose duty it shall be to purchase, hold, and liquidate as hereinafter provided the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks, and to make loans to State banks and trust companies as hereinafter provided, which have been closed by action of the appropriate State authorities, or by vote of their directors.

(b) The management of the Corporation shall be vested in a board of directors, consisting of 5 members, 1 of whom shall be the Comptroller of the Currency, 1 a member of the Federal Reserve Board designated by the Board for the purpose, and 3 citizens of the United States appointed by the President, by and with the advice and consent of the Senate, who shall hold their offices during a term of 6 years. Not more than two of the appointive members of the board shall be members of the same political party. The terms of the appointive members first appointed shall be for 2, 4, and 6 years, as designated by the President. The appointive members of the board shall receive compensation at the rate of $10,000 per annum, payable monthly out of the funds of the Corporation, but no other member of the board shall receive additional compensation for service as a member.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $150,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal Reserve banks and member and nonmember banks as hereinafter provided and the United States shall be entitled to the payment of dividends on such stock to the same extent as member and nonmember banks are entitled to such payment on the class A stock of the Corporation held by them. Receipts for payments by the United States for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States.

(d) The capital stock of the Corporation shall be divided into shares of $100 each. Certificates of stock of the Corporation shall be of two classes, class A and class B. Class A stock shall be held by member and nonmember banks only and they shall be entitled to payment of dividends out of net earnings at the rate of 6 percent per annum on the capital stock paid in by them, which dividends shall be cumulative, or to the extent of 30 percent of such net earnings in any one year, whichever amount shall be the greater, but such stock shall have no vote at meetings of stockholders. Class B stock shall be held by Federal Reserve banks only and shall not be entitled to the payment of dividends. Every Federal Reserve bank shall subscribe to shares of class B stock in the Corporation to an amount equal to one half of the surplus of such bank on January 1, 1933, and its subscriptions shall be accompanied by a certified check payable to the Corporation in an amount equal to one half of such subscription. The remainder of such subscription shall be subject to call from time to time by the board of directors upon 90 days' notice.

(e) Every member bank shall subscribe to the class A capital stock of the Corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, as computed in accordance with regulations of the Federal Reserve Board governing the computation of reserves. One half of such subscription shall be paid in full within 90 days after receipt of notice from the chairman of the board of directors of the Corporation, and the remainder of such subscription shall be subject to call from time to time by the board of directors of the Corporation.

(f) The amount of the outstanding class A stock of the Corporation held by member banks shall be annually adjusted as hereinafter provided as of the last preceding call date as member banks increase their time and demand deposits or as additional

banks become members, or subscribe to the stock of the Corporation, and such stock may be decreased in amount as member banks reduce their time and demand deposits or cease to be members. Shares of the capital stock of the Corporation owned by member banks shall not be transferred or hypothecated. When a member bank increases its time and demand deposits it shall, at the beginning of each calendar year, subscribe for an additional amount of capital stock of the Corporation equal to one half of 1 percent of such increase in deposits. One half of the amount of such additional stock shall be paid for at the time of the subscription therefor and the balance shall be subject to call by the board of directors of the Corporation. A bank admitted to membership in the Federal Reserve System at any time after the organization of the Corporation shall be required to subscribe for an amount of class A capital stock equal to one half of 1 percent of the time and demand deposits of the applicant bank as of the date of such admission, paying therefor its par value plus one half of 1 percent a month from the period of the last dividend on the class A stock of the Corporation. When a member bank reduces its time and demand deposits it shall surrender, not later than the 1st day of January thereafter, a proportionate amount of its holdings in the capital stock of the Corporation, and when a member bank voluntarily liquidates it shall surrender all its holdings of the capital stock of the Corporation and be released from its stock subscription not previously called. The shares so surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board, a sum equal to its cash-paid subscriptions on the shares surrendered and its proportionate share of dividends not to exceed one half of 1 percent a month, from the period of the last dividend on such stock, less any liability of such member bank to the Corporation.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 20, after the word "President", insert "one of whom selected by the vote of the three shall be chairman of the Corporation."

Mr. GOLDSBOROUGH. Mr. Chairman, that amendment was adopted by the Committee on Banking and Currency, but through inadvertence of the clerk it was not inserted in the new bill as it was introduced.

Mr. PATMAN. Mr. Chairman, I offer a substitute for the amendment just offered by the gentleman from Maryland.

The Clerk read as follows:

Amendment offered by Mr. PATMAN as a substitute for the amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 17, after the word "Currency", strike out the following language in lines 17, 18, and 19: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert the following: "and four citizens of the United States appointed by the President."

Mr. PATMAN. Mr. Chairman, I would not oppose the amendment offered by the gentleman from Maryland, and I should like to have that adopted first, and then offer my amendment as an amendment.

The CHAIRMAN. As a matter of fact, the amendment offered by the gentleman from Texas is not a substitute at all.

Mr. McFADDEN. I should like to ask the gentleman from Maryland a question. The usual provisions in the Federal Reserve Act or other pieces of legislation which have been enacted provided that a choice should be made between the two political parties.

Mr. STEAGALL. That is provided in this bill.

Mr. McFADDEN. That is what I wanted to know.

Mr. STEAGALL. As to the 3 members appointed by the President, not more than 2 shall be of the same political party.

The CHAIRMAN. The substitute amendment offered by the gentleman is not in order at this time.

The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: On page 49, line 17, after the word "Currency", strike out the following language: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert in lieu thereof the following: "and four citizens of the United States appointed by the President."

THE FEDERAL DEPOSIT INSURANCE CORPORATION—BOARD OF DIRECTORS

Mr. PATMAN. Mr. Chairman, I wish to be heard on the amendment.

This is a board set up for the purpose of determining who will be permitted to take advantage of this law. There are 6,000 national banks and 12,000 State banks in this country. It occurs to me that this board should be a fair board, one that would administer the law fairly and impartially. It should not be composed of representatives of the State banks, neither should it be composed of representatives of the Federal Reserve banks. It should be composed of citizens of the United States who are not directly interested in either State or National banks. If the bill is passed as proposed by the committee, the set-up of 5 members will be 2 members of the Federal Reserve Board, another member of the opposite party, and 2 of the party in power. So if a State bank comes before members of that board asking for admission there will probably be 2 votes on the board immediately influenced against their admission. In other words, the committee did not intend it, but it looks very much like a stacked board. I do not say that to reflect on the committee. I do not impugn their motives. I have the utmost confidence in those gentlemen, and I know they do not propose it to be a stacked board, but nevertheless, 2 members of the 5 will be particularly interested in Federal Reserve banks and naturally will be opposed to State banks coming into the system.

May I suggest that unless this law is fixed in some way so that it will be administered in a manner that is lenient toward State banks, it is likely to cause at least five or six thousand State banks in this country to fail.

SQUARE DEAL FOR STATE BANKS

I say it is not fair for every national bank and every member bank of the Federal Reserve to automatically come within the terms of this law, without so much effort as the turning of a hand. Every one of them will automatically come in, whereas the State banks are excluded and will have to pass an examination and submit themselves to this board, which I say is somewhat of a stacked board. Unless they can convince that board they will have no opportunity to come in. So we certainly should have a fair board, and if the board is arranged as I want it we will have the Comptroller of the Currency as a member of the board. He is also a member of the Federal Reserve Board. We will have a representative of the Federal Reserve Board on the board, as I propose it. Then the President can appoint four other citizens of the United States. They should not be directly interested in the Federal Reserve System nor in the State banking system, but in a position to fairly and impartially pass upon the facts as presented to them.

I hope this amendment will be adopted.

There is a good reason why this should be done. This is an insurance corporation guaranteeing the deposits in banks. Ordinarily, if you insure your own property, you pay the insurance premium. Ordinarily any corporation that insures its own property will pay the insurance premium, but in this case two thirds of the insurance premium is paid by the Government of the United States and the other one third is paid by the banks participating.

The CHAIRMAN. The time of the gentleman from Texas [Mr. PATMAN] has expired.

Mr. STEAGALL. Mr. Chairman, it was my purpose in the preparation of this provision to safeguard State nonmember banks against any possible discrimination by the board administering the deposit insurance corporation. Of course, there are differences of view at this point. It was my thought that we should give recognition to the Federal Reserve System by having a member of the Federal Reserve Board serve on the insurance deposit corporation board, and that it was necessary and wise to have the Comptroller of the Currency serve on the board, not because he happens to be an ex-officio member of the Federal Reserve Board but because he is Comptroller of the Currency and possesses a vast store of information that would be useful in the administration of the deposit guaranty corporation.

The provision of the bill is for three members to be appointed by the President—citizens to represent all public interests involved. Now, I had no thought whatsoever of politics in writing that provision in this bill except that in a hurried manner I did attempt to provide for political division so that the minority party would not get an unfair deal. For that reason provision is made for the appointing of three members, not more than two of whom shall belong to the same political party.

The gentleman is quite correct when he says the board will be made up of two members of the Federal Reserve Board and one Republican, but if his amendment is adopted there will be two Republicans instead of one.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I am not saying that there is anything destructive in that or that it is unfair or hurtful. I merely call his attention to what his amendment would accomplish, since he seems to attach importance to the political complexion of the board.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. PATMAN. I have another amendment, providing that not more than three shall be of one political party. So we can change it if the gentleman desires, if this amendment is adopted.

Mr. ARENS. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. ARENS. Could not the other member be appointed from the Farmer-Laborite Party? That would be the proper way to construe it.

Mr. STEAGALL. After all, Mr. Chairman, this is not a seriously controversial matter. I simply desired to explain the amendment and let the Committee understand just what we are voting on.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The amendment was agreed to.

Mr. STOKES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STOKES: Page 51, line 12, strike out the word "not", and in line 13, after the word "dividends", insert "to the same extent as the member banks."

Mr. STEAGALL. Mr. Chairman, there will be no objection on the part of the committee to the adoption of this amendment.

Mr. PATMAN. Is this the amendment dealing with dividends to Federal Reserve banks?

Mr. STOKES. It is.

Mr. PATMAN. That they shall be paid dividends on the amount of money——

Mr. STOKES. I will explain it to the gentleman from Texas.

Mr. PATMAN. I want to rise in opposition to this amendment. I did not know this amendment was up for consideration.

Mr. STOKES. Mr. Chairman, this amendment merely permits Federal Reserve banks to receive the same amount of dividends which the member banks and the Treasury Department will receive on their stock subscriptions. This is only fair.

The Federal Reserve banks are the fundamental basis of our whole banking system and we do not want to weaken them in any way. The Federal Reserve Bank of the City of Philadelphia, whence I come, has a surplus of $29,000,000. Of this surplus it must take, under the provisions of this bill, $14,500,000, or one half, to be advanced toward this guaranty fund. At the present time it is receiving an income on this $14,500,000. According to the provisions of this bill, this money would be invested in this stock and no dividends would be received thereon. My amendment merely authorizes them to receive the same dividends as the Treasury Department and as the member banks, which I think will be agreed is only fair and just.

FEDERAL RESERVE NOT ENTITLED DIVIDENDS ON SURPLUS FUNDS

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. The way this fund is made up is in the first place by a contribution of $150,000,000 from the Treasury of the United States. The other $150,000,000 is taken from the Federal Reserve funds and Federal Reserve banks. The remainder of the $150,000,000 is taken from the depositors by levying an assessment of one half of 1 percent against their deposits. There is no question but that the Government is entitled to 6-percent dividends on the part it appropriates directly from the Treasury.

NOT FEDERAL RESERVE FUNDS

The member banks which subscribe to the $150,000,000 are also entitled to 6-percent dividends. That will be the law, and it is right.

But now the gentleman comes in and wants the Federal Reserve banks to have a 6-percent dividend on money that they do not own, are not entitled to, and which the House yesterday said they should not receive. That is not the Federal Reserve banks' money.

Why give the Federal Reserve banks a dividend on money they are not entitled to receive? It is not their money. It belongs to the Government. That is in the Reserve fund, a surplus fund that the law says does not belong to the Federal Reserve banks, but belongs to the people of the United States. That is what it says.

CONVINCING EXAMPLE

Now, in order to convince absolutely the gentleman, suppose a member bank decides to withdraw from the System. It can get the amount of capital stock that it pays in, but it does not get a penny of the surplus. Why? Because this surplus does not belong to the Federal Reserve bank. This surplus belongs to the people. It is written into the law. There cannot be any mistake about it when it is written into the law itself.

Another convincing example is that in the event a Federal Reserve bank is liquidated, voluntarily or otherwise, after the creditors are paid, the law says that the remainder, the surplus, shall go into the Treasury of the United States. Why should it not go to the member banks, if the gentleman is correct in his statement that it belongs to them? No. Everywhere throughout this bill it is written in coal-black letters that this surplus does not belong to the Federal Reserve banks. They are not entitled to it. It belongs to the Treasury of the United States; and certainly the gentleman would not have the Government, or this insurance corporation, pay dividends on money the Federal Reserve banks do not own and are not entitled to receive.

SECTION 3 OF PRESENT BILL

On yesterday the committee agreed to strike out of this bill section 3. I offered the amendment, and it was accepted. Section 3 attempted to give these surplus earnings to the Federal Reserve banks, but we made such a hard fight on it I think we convinced the committee that the Federal Reserve banks are not entitled to this surplus. Now, are we here today, just 1 day later, going to turn around and say that although they are not entitled to the surplus, we are going to give them a 6-percent dividend on an investment paid out of that surplus? It is unreasonable. I cannot see why the gentleman would even argue that the Federal Reserve banks are entitled to it. The amount of money that the member banks put up they will get dividends on, and the amount of money that the Government puts up the Government will get dividends on, and this money, really, the Government of the United States should get dividends on instead of the Federal Reserve banks; and I respectfully submit that this amendment should be defeated.

Mr. STEAGALL. Mr. Chairman, I do not regard this amendment as in any sense vital to this legislation.

This is the situation. The present law provides that the 12 Federal Reserve banks shall set aside in a surplus fund all their net earnings until the fund equals the amount of its subscribed capital stock. This amount they have on hand. They paid this year into the Treasury something over $2,000,000, as I remember.

The bill provides that the amount of one half of the surplus of the 12 Federal Reserve banks shall be subscribed by the Federal Reserve banks for stock in the deposit insurance corporation. Originally the bill was drawn so as to

omit the Federal Reserve stock from the provision which permits the payment of dividends on stock in the deposit insurance corporation. This was done because of the fact that we formerly provided that hereafter all the earnings of the Federal Reserve banks should go into a surplus fund, leaving nothing for the Treasury. At the instance of gentlemen who opposed this, and without the slightest violence to my own feeling about the matter—and to be frank about it, without the slightest effect whatever on the practical results—I agreed to this amendment and it was adopted.

I may say, in passing, that at the rate which the 12 Federal Reserve banks are now earning profits under existing law, it will be sometime before there will be anything left for the Treasury, but having taken half of the surplus of the Federal Reserve banks which they were permitted to accumulate under unqualified, lawful authority, having taken away their surplus, I do not think it is unreasonable or destructive to permit them to share in the earnings of the deposit insurance corporation and receive dividends on the amount of the stock invested by them if, happily, we are to have substantial dividends to the stockholders of the deposit insurance corporation.

Mr. PATMAN. Will the gentleman yield for a question?

Mr. STEAGALL. Certainly.

Mr. PATMAN. I will ask the gentleman if it is not a fact that if the Federal Reserve member banks had paid their 6-percent assessment or had paid in the amount they are required under the law to subscribe, they would now have $321,000,000 capital stock instead of $160,500,000, and this surplus would not be needed at all, and the only reason they ask that this surplus that has been accumulated be arrested or captured before it gets to the Treasury is that they have not paid in the other half of their capital stock and they are using the Government's money to take its place?

Mr. STEAGALL. I will say to the gentleman that I have never believed that the Federal Reserve banks needed the entire amount of surplus they have been permitted to acquire. I may say to my friend that for 10 years I have introduced bills providing for an administration upon the earnings of the Federal Reserve banks and the payment into the Treasury of such portion of the earnings as of right ought to go into the Treasury, and to distribute the balance of the earnings of the Federal Reserve banks among their member banks, out of which the profits of the System are made. But that subject is broad enough for a separate bill.

I regard it all as an insignificant detail in connection with the bill now under consideration.

Mr. ROGERS of Oklahoma. Will the gentleman yield?

Mr. STEAGALL. Certainly.

Mr. ROGERS of Oklahoma. I just want to ask the gentleman this question. Since it is not vital, will it not be all right to leave it in, because it will not affect the bill very much one way or the other?

Mr. STEAGALL. It will not destroy the bill if it is changed, and it will not harm anybody if it remains as it is.

Mr. ROGERS of Oklahoma. I was quite sure the gentleman felt that way about it, and that is the reason I asked the question.

Mr. MARTIN of Colorado. Mr. Chairman, I should like to be recognized for 1 minute to ask the gentleman a question.

Mr. STEAGALL. I yield to the gentleman.

Mr. MARTIN of Colorado. What becomes of the dividends on this class B stock? Is it a donation to the insurance fund?

Mr. STEAGALL. If there are no dividends allowed, half of the surplus of the Federal Reserve banks will go into the deposit insurance corporation as a contribution. In other words, it is a subscription to stock that stands without any right of revocation or any right to dividends.

Mr. MARTIN of Colorado. In other words, this class B stock is a pure donation to the insurance system.

Mr. STEAGALL. Yes.

Mr. PATMAN. Will the gentleman yield?

Mr. MARTIN of Colorado. Yes.

Mr. PATMAN. May I say that the $150,000,000 will be a donation from the surplus fund of the 12 Federal Reserve banks, which really belongs to the Treasury.

The CHAIRMAN. The time of the gentleman has expired, and the question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken, and the amendment was rejected.

Mr. HOEPPEL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 50, line 9, strike out the figures "$150,000,000" and insert in lieu thereof "$1,000."

Mr. HOEPPEL. Mr. Chairman, if gentlemen will read this section they will see that it takes $150,000,000 from the Public Treasury. When we voted to protect the national credit, we were told that the house was on fire. We voted to cut the veterans, and the wages of Federal employees, and yet here we are providing $150,000,000 to be taken from the Treasury in order to give the private bankers of America a guaranty on bank deposits.

If the Government is justified in entering the guaranty-deposit business, it is equally justified in entering the banking business. I understand from the gentleman from Texas that the Government is providing two thirds of the guaranty. In other words, the Government is going to guarantee deposits. Why should not the Government have some stock in the banks? If it did, there would be no necessity of a guaranty provision.

We have been exceptionally liberal to the banks of America, and that liberality has been reflected parsimoniously on the people of the country.

The first bill I voted for was to give the banks $2,000,000,000 at practically no interest, on the urge of the President that an emergency existed. We have in addition given to the banks through the Reconstruction Finance Corporation $1,122,000,000; and through the Postal Savings we have given the banks another billion or more.

All we are doing is making contributions to the bankers and doing nothing for our unemployed citizens.

Congress is not the only one culpable—the various legislatures of the States seem to be doing the same thing. I have a letter from California, my own State, advising me that the legislature enacted a law protecting building-and-loan associations.

Under the new law I may be compelled to wait 8½ years before I can secure the return of my modest passbook account.

We are doing everything to protect the bankers and nothing to relieve the mortgagors and men out of employment. If we wish to do the proper thing for the people, we should give the bankers a fair deal; but at the same time we should enact a moratorium so that the unemployed and others will be protected against the loss of their homes.

The building-and-loan associations state that the provisions with relation to the recently enacted home-loan bank will be of no benefit to them. The mortgagees will not accept the benefits of the act. Our citizens are going to lose their homes.

I hope that the chairman of the committee will be a little more liberal in this matter and help protect the taxpayer and bring relief to the unemployed.

I may vote for this guaranty bill, although it seems to me like a nice, rosy, well-polished apple. It looks nice, but I am afraid that there are defects inside—that it is rotten at the core. [Laughter.] I may vote for it, but it will be a strain on my conscience to do so. [Laughter and applause.] I am hoping that the time will come when the chairman of this committee will bring in a humanized bill which will protect the interest of all the people and not one solely for the bankers.

Mr. FULLER. Mr. Chairman, it certainly is amusing to hear such an argument as that just listened to. It is absolutely ridiculous for men who claim to be business men, who claim to represent constituencies that are composed of busi-

ness men, to listen to such utter absurdities. It is said that we are giving the big bankers of the country a big benefit because we allow these bankers to act as depositories for post-office money.

Mr. HOEPPEL. Mr. Chairman, will the gentleman yield?

Mr. FULLER. In a moment. There is not a bank in the United States that is making any money by reason of being a depository for post-office money. I will tell you how it happens. I happen to be the president of a small bank. It was wished on me after I came here. The banks were failing over all the country and the boys elected me president of this bank, and I have never found an opportunity to resign. I do not know much about banking, but mine is standing up. This bank has stood the acid test. We wanted to be a depository for post-office money.

Mr. HOEPPEL. I wish the gentleman would advise us what ladies' aid society he belongs to.

Mr. FULLER. None. Banks make no money off postal savings. They buy bonds, mostly Government, drawing a small rate of interest, and these are deposited as security for the postal savings. Then these banks must pay 2½ percent on the postal savings, and thus make nothing out of these Postal Savings deposits.

Mr. HOEPPEL. I am not speaking for the banks, I am speaking for the American people. If you examine the records, you will find that postal deposits have increased over 1,100 percent since the bank holiday.

Mr. FULLER. And they have a gentleman like you in Congress who just got out of a Republican post office and came here on the Democratic landslide and occupies a seat on the Democratic side. You do not know what it is to go along with this Democratic administration. The only time anybody ever knew of you voting with the administration was when you voted for beer; and if you did as you should, you would go over to the Republican side where you rightfully belong. [Laughter and applause.]

Mr. HOEPPEL. Mr. Chairman, will the gentleman yield?

Mr. FULLER. No; I do not want to hear any more. I cannot spend a lot of time in 5 minutes shooting cannon balls at a canary bird. [Laughter and applause.]

Mr. HOEPPEL. But I have a cannon ball to shoot at you. Why do not you yield?

Mr. FULLER. It is not the big banks that want security or guaranty. None of them wants it. It is the people who are demanding this law.

Mr. HOEPPEL. Will the gentleman yield?

Mr. FULLER. No.

Mr. HOEPPEL. What about Dawes getting charity?

Mr. FULLER. Who?

Mr. HOEPPEL. Dawes, the man with the friendly pipe. He borrowed $90,000,000, and we will lose at least $30,000,000 on the securities.

Mr. FULLER. I expect that is true, but it has nothing to do with the merits of this bill. What we are trying to do is to correct the American banking system so that we can regulate the banks. I am amused at other Members on this side of the House who make every objection and every argument they can in criticism of this bill, especially the guaranty system. The gentleman from Texas says in his own State two thirds of the banks cannot qualify under this law. This is an acknowledgment of their insolvency. If they cannot pass inspection and examination, they should not be permitted to take advantage of the guaranty feature. If they are not solvent, they should not be permitted to operate. Yet the people of his State and the people of America everywhere are demanding at the hands of Congress that we give them a guaranty bank system. The only way that we can do that is for the Federal Government to get back of it all. I say to you that two thirds of this money is not being contributed by the Federal Government.

Mr. HOEPPEL. Will the gentleman yield? Mr. PATMAN is a Democrat.

Mr. FULLER. Yes; and he is a good one, and he is going to be regular, and he will vote for this bill. He is all right. You need not worry about PATMAN. He will go along with this measure and the administration. They say that these little banks are insolvent and cannot come into this System. Then they should cease to operate. The Government cannot afford to guarantee insolvent banking institutions. If it did, the guaranty would prove a failure and almost bankrupt the Government. The deposits should not be guaranteed in any bank which cannot stand examination.

This panic, causing general bank failures, has caused the people to lose confidence in banks. The best way to restore that confidence is to examine strictly and regulate banking and guarantee the deposits of all banks sufficiently solvent to pass a rigid examination. We should make it impossible for banks to accept deposits, fail, and pay only a small percentage. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas has expired. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. GOLDSBOROUGH. Mr. Chairman, a few moments ago an amendment was adopted which read like this:

One of whom, selected by the third, shall be chairman of the Corporation.

Since that time, by an amendment offered by the gentleman from Texas, which was adopted, that no. 3 has been changed to 4, so that the previously adopted amendment has no meaning. I ask unanimous consent that that previous amendment which I have just read be stricken out.

The CHAIRMAN. Is there obejection?

There was no objection.

Mr. GOLDSBOROUGH. I offer an amendment, Mr. Chairman.

The Clerk read as follows:

Amendment offered by Mr. GOLDSBOROUGH for the committee: Page 49, line 20, after the word "President", insert: "one of whom shall be chairman of the Corporation."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

Mr. McGUGIN. Mr. Chairman, I move to strike out the enacting clause.

Mr. Chairman, before we get to the next section of this bill and before the gentleman from Texas [Mr. PATMAN] will have an opportunity to offer his amendment thereto there are some things I wish to bring before the Membership of this House.

There seems to be a prevailing idea that those of us who are opposing this bill or parts of it in its present form are unduly stubborn in our position.

I have some communications which I should like to bring to the attention of this House. Our position is based upon the proposition that we believe sincerely that this bill, placed in operation, is detrimental to the welfare of the country banks.

I hold in my hand a letter from Hon. H. W. Koeneke, bank commissioner of the State of Kansas. The banks out in the agricultural section have become very apprehensive in this matter. Mr. Koeneke tells me that as a result of a certain conference of Kansas bankers, a meeting was called in Des Moines, Iowa, and at that meeting there attended as representatives from the various agricultural States bank commissioners, representatives of the State banking departments, presidents, secretaries, and chairmen of the legislative committees. Mr. Koeneke would have been here at this time as a representative of the State banking departments of 14 agricultural States, except that he met with an automobile accident on his way to Washington.

Speaking of the Des Moines meeting, he has this to say:

This meeting was attended by more than 40 representatives from 14 Midwest States, consisting of the following States: Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin.

At this meeting the proposed national legislation was thoroughly discussed, and the consensus of opinion of the entire group was that we should not stand idly by and permit the enactment of Federal legislation which would be detrimental to the individual unit banks throughout these agricultural States.

I hold in my hand a telegram which I received this morning from the president of the Kansas Bankers Association:

Kansas bankers, State and National, in convention at Salina, May 17, expressed by resolution strong opposition to the features of the Glass-Steagall bill. One being concerned chiefly over provisions which would inevitably operate to annihilate fully 400, or more than half, of existing Kansas banks now opened and serving well their respective communities. The convention urged strongly the preservation of the dual system and maintenance of present capital limitations for existing banks and admission of State banks thereunder to the Federal Reserve System.

Now, under the present law, State banks in towns of under 3,000 people can enter the Federal Reserve with $25,000 capital. When you pass this bill any bank in any size town, even if it only has a hundred people, must have a minimum capital stock of $50,000. Pass this bill; and if a bank is located in a town of over 6,000, it must have a capital of $100,000 in order to enter the Federal Reserve. Study this bill as you may, and you can reach but one logical conclusion, and that is that in the end no bank is safe unless it ultimately qualifies and enters the Federal Reserve System. In fact, it is the purpose of the bill to force all banks into the Federal Reserve.

I should like to go along on a bill which would provide for the guaranty of deposits. The country bankers of Kansas want to do that. The banking departments of the 14 agricultural States want to do that, but you have not given them that kind of bill. This bill discriminates against them. I protest against the wrong about to be done to the small country unit banks.

The CHAIRMAN. The time of the gentleman from Kansas [Mr. McGUGIN] has expired.

Mr. STEAGALL. Mr. Chairman, I have been in this fight for 15 years to accomplish this reform on behalf of independent community banking in the United States, and the passage of the legislation during all these years has been defeated by messages flooding Congress from bankers such as those just read. Many of those bankers, guided by short-sighted, selfish interests, did not even understand at times the purport of the legislation under consideration. No doubt the messages that have been read were predicated upon the bill introduced in the Senate.

Some of the advocates of bank-deposit insurance at this time favor restricting such insurance to member banks of the Federal Reserve System. I am as much opposed to that as is the gentleman from Kansas [Mr. McGUGIN]. The Congress passed last year a bill setting up a plan for insuring bank deposits, and we incorporated in that bill a method for the admission of State banks upon the same terms and conditions that had to be met by member banks of the Federal Reserve System. This bill has incorporated in it almost every suggestion that any advocate of the interests of State nonmember banks has seen fit to offer to safeguard the System against discrimination as between the two classes of banking.

I know the service that has been rendered by the small community banks. They constitute the pillar of the financial and economic structure of this country.

Mr. McGUGIN. Will the gentleman yield?

Mr. STEAGALL. And the figures that have been read on this floor by the gentleman from Kansas [Mr. McGUGIN] and by others relating to the number of bank failures in the United States, and the comparative figures relating to the two systems in the reports of bank failures, do not tell the whole story.

The records show while there is a far greater number—practically one and one half times as many—of State nonmember banks than there are member banks of the Federal Reserve System, and while deposits in State nonmember banks far exceed the deposits in member banks, the records show that there is slight difference between the amount of deposits that have been tied up by bank failures in member banks and nonmember banks of the Federal Reserve System.

Mr. McGUGIN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Not for the moment; I will a little later. I have the figures which show during the 10-year period from 1921 to 1931 that the total number of deposits tied up in nonmember banks were a fraction less than the deposits tied up in member banks that failed. I have the figures for 1931. They tell the same story, comparatively. I have the figures showing the distress that has come upon the country and the conditions that have arisen because of the failure of large banks, of chain banks, and branch banks. I am not going to take the time to read these figures.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. I shall incorporate the figures in my statement.

No man is more concerned about preserving the independent community banks in the United States than I am. The same statement is true of the members of this committee, who have stood together in this House and defeated for years all efforts to undermine independent community banks. We have beaten back the effort that has been made to unify the banking system and to set up centralized banking. We have made this fight through the years, and this bill is the culmination of that struggle.

This bill will preserve independent, dual banking in the United States to supply community credit, community service, and for the upbuilding of community life. That is what this bill is intended to do. That is the purpose of this bill; that is what the measure will accomplish.

In addition to the deposits insurance provisions which have been discussed and which I think the Members of this House favor, and which I know the citizenship of this country desires, I may say that the measure represents years of effort of a great Senator who wishes to restrict commercial banking and the great Federal Reserve System to service of the public interest. Everybody now regards these regulatory provisions as wise and constructive.

Besides these provisions and the plan for insuring deposits, we are setting up a great fund with resources of something like $2,000,000,000 to be used for the purpose of relieving the distress caused by the wave of bank failures that has come upon us in recent years. We pray God these experiences will never be repeated in the United States, and they will not be repeated if the Congress is alive to the responsibilities and duties of this hour.

If there were nothing else in this bill, the plan for making loans upon the assets of closed banks for the purpose of enabling communities that have their deposits tied up in failed banks to realize a portion of the value of those deposits would alone make this bill one of supreme importance.

Mr. Chairman, I think I know that it is unnecessary to argue with this House against the motion to strike out the enacting clause of this bill. [Applause.]

The CHAIRMAN. The question is on the motion of the gentleman from Kansas.

The question was taken; and on a division (demanded by Mr. Goss) there were—ayes 1, noes 148.

So the motion was rejected.

The Clerk read as follows:

SEC. 302. (a) Any State bank or trust company, not a member bank of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in solvent condition, after examination by, and approval of, the Corporation, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. The Corporation is authorized to prescribe rules and regulations for the further examination of such bank or trust company and fix the compensation of examiners employed for such examination. All the provisions of subsections (e) and (f) of section 301 and of section 303 shall apply to such State bank or trust company and to its holding of such stock as if it were a member bank. If

at any time the board of directors of the Corporation is of opinion that any such State bank or trust company has failed to comply with the provisions of this title applicable to such State bank or trust company or that the continued participation by any such State bank or trust company is detrimental to the safe and economical carrying out of the duties of the Corporation under this title, the board shall give notice thereof to such State bank or trust company and, after hearing, the board may by order require the withdrawal of such State bank or trust company from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled).

(b) In case any State bank or trust company, not a member of the Federal Reserve System, is prohibited by State law, or by the State authority, from complying with the requirement of subscribing for stock in the Corporation pursuant to subsection (a) of this section, it shall be entitled to the privileges of this title upon complying with the other requirements of such subsection, and upon making a deposit in lawful money with the Corporation equal to the face amount of stock which it would be required to subscribe for if it became a member bank. The Corporation shall pay interest on any such deposit to the bank or trust company making such deposit at a rate equal to the rate of the dividend paid on stock of member banks. Such deposit shall be adjusted in like manner as holdings of stock in the Corporation by member banks are adjusted under subsection (f) of section 301. Upon insolvency of the State bank or trust company making the deposit, such deposit and accrued interest thereon shall be applied in the same manner as cash-paid subscriptions and dividends are applied under section 303. The provisions of the last sentence of subsection (a) of this section shall apply to any bank or trust company making such deposit, except that in lieu of payments by the Corporation to the bank or trust company of amounts paid for stock the Corporation shall return to such bank or trust company the amount of the deposit.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Mr. GOLDSBOROUGH, for the committee, offers the following amendment: Page 55, add a new sentence between what are now lines 3 and 4, as follows: "It is not the purpose of this subsection to discriminate in any way or manner against State nonmember and in favor of national or member banks, but the purpose is to provide all banks with the same opportunity to obtain and enjoy the benefits of this title. No bank shall be discriminated against because its capital stock is less than the amount required for eligibility for admission into the Federal Reserve System."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 54, line 2, after the word "condition", strike out the following language in lines 2 and 3: "after examination by and approval of, the corporation"; and on page 54, line 13, after the word "time", insert the following: "After 1 year."

NATIONAL BANKS HAVE ADVANTAGE

Mr. PATMAN. Mr. Chairman, under the terms of this amendment all State banks will automatically come into this insurance system in the same way and manner that national banks and member banks of the Federal Reserve System have come in.

When this law is passed there will be no examination of national banks or member banks. I see no reason why we should not permit the State banks to come in under the same terms and conditions, with the understanding that they shall have a year before any examination of any kind will be required. We are hopeful that during this period of time commodity prices will come back and other prices will come back and the State banks can qualify under this system the same as the national banks can qualify. If they do not, no bank will be any good. It is all dependent entirely upon this condition.

REASONABLE AMENDMENT

So I see no reason why this amendment should not be adopted. It is reasonable. We are using the Government's money in order to pay an insurance premium for banks. Should the Government spend money to pay two thirds of the insurance premium just to protect 6,000 banks or should we pay the premium for all the 18,000 banks in the country, the State banks as well as the national banks?

I invite your attention to the CONGRESSIONAL RECORD of Saturday. I inserted a table which gives the number of State banks in each State in the United States and also the deposits in the banks of each State. This is shown at page 3841 of the RECORD.

There are 6,011 national banks and there are 12,379 State banks.

In order that you may know how it will affect certain States, for instance, the State of the gentleman from Wisconsin has 654 State banks that cannot go into this system unless and until they are certified by the supervisor and an examination is made and this board passes upon them. Until that time 127 national banks in the gentleman's State will have every advantage.

In the State of Kansas there are 209 national banks, but 625 State banks. Maryland, 140 State banks and only 68 national banks; in Kentucky 108 national banks, but 362 State banks; in Alabama 77 national banks, but 158 State banks; Texas, 483 national banks and 540 State banks.

Will it be right to say to the 77 national banks in Alabama, the gentleman's home State, that they shall automatically come into this system and the Government is going to pay their premium, except what the depositors pay, but that twice that number of banks, or 158 State banks, are going to be excluded unless and until they can qualify according to the rules and regulations that are laid down by this board of five members.

In the State of Arkansas there are only 52 national banks, but 220 State banks.

If you pass this bill as it is, you will use the Government's money to protect deposits in national banks aggregating $16,000,000,000, but you will exclude from any protection of any kind whatsoever deposits in State banks amounting to $25,541,000,000.

I should like to know what excuse can be given for using the Government's money to pay an insurance premium just for the protection of one third of the banks of this country.

Mr. GOSS. Will the gentleman yield?

Mr. PATMAN. I will be pleased to yield to the gentleman.

Mr. GOSS. If the gentleman's amendments are adopted, does the gentleman think the sum of $150,000,000 will be large enough?

Mr. PATMAN. It will be much more than that. It will be $150,000,000 from the Government, it will be $150,000,000 from the Federal Reserve banks' surplus fund, which really belongs to the Government, and then it will be one half of 1 percent of the deposits, which will amount to from $200,000,000 to $350,000,000, instead of just the $150,000,000, if you put in only the national banks.

[Here the gavel fell.]

Mr. TRUAX. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to say to you that in my State of Ohio the State banking department has not only the little bank to supervise but many of the large financial institutions as well.

But during the past 2 years no more sordid tales have been written on the pages of history than that of mismanagement, criminal blindness by the State bank departments in examinations of our banking and financial institutions.

In the campaign of 1932 the Governor of our State, George White, boasted that at last they had secured the greatest, most efficient State superintendent of banks in the world. They said that this man had not been selected for political preferment, but that his name had been suggested by the big bankers of Cleveland.

And that was true, but now the chickens have come home to roost. The failure that rocked the State was that of the Union Trust Co., of Cleveland, and the Guardian & Savings Trust Co., of Cleveland. These men had suggested the name of Ira G. Fulton as the man to be named as State superintendent of banks.

Woven into this tale is the story of the Van Sweringen brothers, owners of many railroads, and Cyrus K. Eaton, the man who started Sam Insull on the downward path—all dreamed of a world empire.

The projects of these super crooks of the twentieth century were financed by the Union Trust Co. That is typical of their selfishness and greed—they wanted a world empire which emanated in the minds of Eaton and the Van Sweringens—they wanted it to become their own little baby. They wanted it all, and after the crash, or rather before it, the holding company was born, known as the Western Reserve Mortgage Co. They pooled all their mortgages in that holding company—many of them of no market value and not worth the paper they were written on.

Thanks to the former Speaker of this House, JACK GARNER, and the present Speaker, HENRY T. RAINEY, publicity had to be given to all loans made by the Reconstruction Finance Corporation, and these gentlemen borrowed $25,000,000 under the name of the Western Reserve Mortgage Co.

I want to tell you gentlemen that this company which robbed widows and orphans of trust funds which had been left to them were under the supervision of this banking superintendent, Ira G. Fulton.

When the gentleman from Kansas was talking about the State bank department of Ohio objecting to this provision in this bill it made me stronger than ever for the bill. I want to commend this committee for their labor on the bill, and for having the courage and the guts to at last recommend to Congress a bill that will guarantee deposits of people's money in these banks. [Applause.]

Gov. George White's indifference to the cry of robbed depositors of defunct banks was first registered when the Standard Trust Co. of Cleveland, Ohio, closed its doors in December 1931. This institution was founded upon the savings of the members of the Brotherhood of Locomotive Engineers throughout the United States and Canada, and the savings of the members of kindred labor organizations in northern Ohio.

Shortly after the failure of this institution, through the influence of Governor White, one Maurice Bernon, an ostensible power in the Democratic organization of Cleveland was appointed liquidating agent in charge of this bank, despite the fact that the records disclosed at the time that Mr. Bernon and his brother had secured from the Standard Trust Co., shortly before it failed, the sum of $25,000 on a nonsecured note. As liquidating agent, this individual drew several thousands of dollars in fees before he resigned, about 6 months ago, not one cent of which was applied to offset his indebtedness to this bank.

A trail of ruined homes and suicides followed as a result of the defalcations of the president and officers of this bank.

During the process of liquidating a certain law firm in Cleveland, contrary to all established law, by court action set off certain fees due them for legal services performed for this bank against their double liability as stockholders due to this institution under the law.

This action was so reprehensible that protests from the newspapers and depositors were forwarded to Governor White urging him to cause an independent investigation of the action of this law firm. Instead of responding to the appeal of the robbed depositors, Governor White passed the buck by asking the Cleveland Bar Association to make the investigation. To date no report has been made.

At the present time the members of the Brotherhood of Locomotive Engineers and other depositors are eagerly waiting action by the prosecutor of Cuyahoga County looking to the indictment of those who were responsible for the failure of this institution, and who long ago should have been behind prison bars.

In Ohio the State banking department for the past several years has been nothing but a political machine for the Governor who happens to be in power. During the third term of Governor Vic Donahey, 1927–28, it was discovered that all was not well with the State banking department, and the resignation of the superintendent was "accepted." An efficient and faithful employee of the department was then elevated to the superintendency by Governor Donahey. With the retirement of Governor Donahey on January 14, 1929, the incoming Governor reverted to the spoils system and a political appointment was made. Governor Cooper's administration lasted one term only, being followed by Gov. George White, a Democrat, who was inaugurated in January 1931.

The political set-up in the State banking department under Governor White was intensified to the *n*th degree for the sole purpose of building up a political vehicle in which Governor White could ride into a second term as Governor and thence to the United States Senate, George White, himself the head of a large banking institution in his home city of Marietta and a director of the Tidewater Oil Co.

During the first term of the Governor many State banks collapsed, but thanks to his political henchmen, appointed to positions of trust and responsibility, the mess was covered up so that a good front could be made in the election campaign of November 1932. During that campaign Governor White and his high priest of banking and finance, Hon. Theodore Tangeman, director of commerce, traveled around the State in State-owned airplanes and automobiles and boasted that in Ohio the banks had been saved—the crisis was over—the banking problem had been solved for all time because of the masterful judgment and unexampled executive ability of George White, the Governor, and Theodore Tangeman, the director of commerce, and Ira G. Fulton, the State superintendent of banks.

So great was the egoism of the first two named that they boasted in public addresses of the unique manner in which their scintillating jewel of all State bank superintendents, Mr. Ira G. Fulton, had been discovered. Admitting that practically all other appointments, including the cabinet members, had been named by the political bosses, Brunner, Gongwer, Pyke, Leonard & Co., they fearlessly asserted that Ira G. Fulton was selected by the big bankers of Cleveland as the outstanding bank expert in Ohio, the one man to bring light out of darkness, who could bring order out of chaos, and who could, as if by magic, clear the muddy waters of the tangled and stinking bank cesspool in Ohio.

So elated did the pair, White and Tangeman, become because of the glib mess of pottage that had been swallowed by the unsuspecting voters at the November 8 election, hook, line, and sinker; so swollen did the head of the governor then become and so pronounced his well-known asininity manifested itself, that forthwith and then did he declare himself to be a full-fledged candidate for President of the United States. No more amusing picture has ever imprinted itself on the pages of history, no more ludicrous was the attempt of Don Quixote to charge the windmill, than was the abortive campaign of George White for the presidency of the United States, climaxed by the now-famous caucus of the Ohio delegation in the Chicago convention after nomination had been made of the greatest President this country has ever known, Franklin D. Roosevelt.

Now the chickens are home to roost, the biggest bank collapse in Ohio is that of the Union Trust Co., of Cleveland. The officials of this bank were among those who recommended Ira G. Fulton for State banking superintendent. With the collapse of this huge financial institution it now develops that no greater example of twentieth century piracy, no more shining illustration of banks' being looted by bankers themselves will ever befoul the pages of banking history than the looting of the sacred funds and trusts of fathers and widows to their children and their children's children than the sacking and pillaging of the Union Trust Co. by those who were supposed to be the watch dog of its funds.

Like a story from the Arabian Nights it unfolds: The Van Sweringen brothers, originally smooth-tongued real-estate operators, after successfully developing the Shaker Heights addition to Cleveland, like Napoleon, longed for new and bigger worlds to conquer. They directed their attention to two streaks of rust, a right of way, a few cars and antiquated locomotives, officially known as the Nickel Plate Railroad, and amazing though it seems, transformed this line into a modern, profitable enterprise. Then, commendable as it is, the Van Sweringen boys dreamed of a new and greater Cleveland to be known as the Union Terminal Development, the hub of which was a mighty skyscraper

containing hundreds of offices. The Union Trust Co. was the white angel that made these vast projects of the Van Sweringens possible by financing the project with not only depositors' money, but those who had left their all with this supposedly Gibraltar of finance to administer safely, honestly, and wisely, their incomes to their posterity.

Then along came Cyrus K. Eaton, who in dreams of world power and wealth towered above the puny Van Sweringens, as Saul towered above his brethren. Eaton it was who conceived the creation of Continental Shares, Inc., a bucket shop extraordinary, having as one of its directors the young David S. Ingalls, Assistant Secretary of the Navy under President Hoover, and defeated Republican candidate for Governor of Ohio in 1932. Eaton, Ingalls, and their Continental Shares Co. started that supercrook of all times, Samuel J. Insull, on the downward path to ruin. They bought so many shares of Middle Western Securities, an Insull subsidiary, that Insull was forced to go into the open market and buy them back at enormously advanced prices.

Cyrus Eaton and David Ingalls controlled Otis & Co., the largest investment and speculative brokers in Ohio, who were also drawn into the net and now are compelled to confine their business strictly to the handling of legitimate investment securities. Eaton, still dreaming of a world empire, reached out his greedy hand and tried to corner the stock of the Youngstown Sheet & Tube Co., but the directors of these two great corporations, craftier than Eaton, and guided by the great legal mind of the Hon. Newton D. Baker, immediately announced a coming merger with Bethlehem Steel Co. and Charlie Schwab. Eaton was forced to go into the open market and buy stock for as high as $180 a share to prevent the merger with Bethlehem.

During the melee and mad spree with other peoples' money, the Allegheny Corporation, a holding company, was formed to pool stocks and assets for the Van Sweringens' railroads, terminal development projects, and real estate. The point which interests us is the Union Trust Co., with characteristic hoggishness and greed of the big bankers, wanted this sweet little child of world empire, conceived in the minds of the Van Sweringens and Eaton, for their own baby. They financed these modern Captains Kidd to the limit.

In the meantime, directors of the Union Trust Co. had borrowed huge sums upon their personal unsecured notes. The financial institutions were milked and the depositors ruined.

The sequel to this gruesome story of frenzied finances is known to every American citizen who reads the newspapers. Insull fled to Greece with his ill-gotten millions, Eaton took what was left of Continental shares to Canada, where he has a holding company in the name of his wife and family. There his ill-gotten millions repose to enable him, like Insull, to live like a king upon the spoils stolen from brokenhearted men and women, who were once high in the financial and industrial world, and helpless widows and orphans who hold the bag.

Do not forget that the Union Trust Co., Guardian Trust Co., and more than 200 State banks have collapsed and fallen down under the administration of Governor George White and under the mismanagement of his superintendent of banks, Ira G. Fulton. Protests and complaints have poured in to the governor by hundreds. Demands for Fulton's removal reach him by the score. Threats of impeachment are heard freely, yet the governor moves on, unperturbed, serenely, apparently secure in the thought that is typical in the mind of all big bankers, namely, government of, by, and for bankers.

Mr. STEAGALL. Mr. Chairman, I am sure the gentleman from Texas [Mr. PATMAN] does not want to destroy the results of the enormous labors expended in connection with this bill and which have brought us to this moment where victory and success seem about to crown our efforts. I am sure the gentleman understands that there have been many differing views as to the methods to be employed in setting up this plan for insurance of bank deposits. I desire to say to my friend that if we tear down the reasonable safeguards that are provided for the soundness and success of this plan, we shall endanger ultimate success. If this board, which is to be selected in accordance with the wishes of the gentleman himself and in accordance with the wishes of all of us who view this problem from the standpoint of utmost consideration for State banks, cannot be trusted to examine a bank honestly and fairly and decide whether it should be permitted to join other banks in the benefits of this corporation, we may as well abandon the undertaking. Who will say that a bank that cannot pass a fair examination, whether its difficulties were due to crookedness, or incompetency, or unavoidable insolvency, should be imposed upon others who are to bear the burden? Banks that come in automatically are examined now under Federal authority.

If the amendment were adopted, it would automatically exclude banks in a number of States that could not qualify at all and that the Board would have no right to admit, because some States have no examining authority. I cannot call the list now, but there are some.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Certainly.

Mr. PATMAN. I wonder why the gentleman inserted in the bill the language:

> With the approval of the State authority having supervision of such bank or trust company.

Mr. STEAGALL. We require that in States where they have examining authorities. Of course, any bank in a State that has examining authorities should prepare to submit a certificate of good character, but a number of States cannot submit those certificates and the banks of those States would be automatically excluded under the gentleman's amendment.

Mr. PATMAN. Would it not be all right then if this amendment——

Mr. STEAGALL. I did not yield except for a question.

Mr. PATMAN. Should provide, where they have no supervising authority, that then the board can pass upon them.

Mr. STEAGALL. Mr. Chairman, I do not think the gentleman ought to keep splitting hairs and chasing shadows in an effort to delay the passage of this bill. This House, if I know its temper, desires this legislation. This problem has been worked out as best it can be worked out. I do not say that claiming the credit to myself, but it represents the combined judgment of the men who desire an honest-to-God system of mutual bank-deposit insurance in this country that will admit every bank that is worthy of admission and that will give us a new start with a clean slate and dignify and elevate banking to a plane worthy of the banking system of this great Republic. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 20, noes 88.

So, the amendment was rejected.

Mr. DIRKSEN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

> Amendment by Mr. DIRKSEN: Page 54, line 6, after the word "bank", at the end of the sentence, strike out the period and insert: "*Provided*, That any State bank or trust company not a member bank of the Federal Reserve System which shall have been certified by the State authority having supervision of such bank or trust company as in solvent condition and which shall have agreed to comply with this title and have subscribed for the amount of stock required by this title, shall be entitled to the privileges of this title pending examination by and approval of the Corporation."

Mr. DIRKSEN. Mr. Chairman, under the existing language of the bill, there are three requirements for membership under the benefits provided by the bill. First of all, a bank must get a certificate from the banking authority of its State. Second, it must be examined and approved by the corporation set up by this act. Third, it must subscribe to its quota of stock under this act. The amendment I propose does not take away any one of those requirements. This amendment does require, first of all, the certification of

the banking authority in the State; second, the subscription to the required amount of stock; and then provides that such bank shall be entitled to the benefits of the act pending an examination and approval by the corporation.

I am not insensible to the arguments against this amendment. It will be said that this is a proposal to bring banks within the provisions of this act and give them the benefits and privileges of this act before having been examined by the corporation herein set up. That is absolutely true; but I am just a little alarmed by this fact: The former Secretary of the Treasury indicates that it will take approximately 12 months or more for the corporation to make all the necessary examinations, before all banks that may apply can be properly approved. You can readily understand that in a town which has four or five banks it is quite possible to examine one bank and approve it and then go on to some other town and leave three or four banks in the first town that have not been approved under the provisions of this act. The result will be what? If you were a depositor in one of the other banks and the first bank was insured, you would take your money out of the uninsured banks and place it in the insured bank, because there is a transition period of 1 year, and perhaps more, before the corporation can approve banks that will come under the purview of this title. I say there is a bit of danger, and I am alarmed about it.

I confess that my dilemma is about the same as yours. I have a score of State banks in my district. On the other hand, I have 60,000 or 70,000 depositors who are clamoring for bank insurance. Incidentally, we have been using the words "insurance" and "guaranty" interchangeably. I think we should be more careful about that. I do not look upon this as a guaranty but, rather, as insurance. But I say here are depositors on one hand and State banks on the other, serving agriculture, serving mining districts in my district, and I like to be a little solicitous about the State banks in my district. However, I am more interested in this transition period which will be set up when they start approving the various banks under this title, because it is possible for depositors to rush from an uninsured bank to a bank that has been previously insured under this act and thereby possibly disrupt the banking fabric in a great many cities.

Mr. BROWN of Michigan. Will the gentleman yield?

Mr. DIRKSEN. I will.

Mr. BROWN of Michigan. Has the gentleman's attention been called to section 311 of the bill on page 75, in which it is provided that surveys shall be made by the President before the act goes into effect?

Mr. DIRKSEN. That is not very conclusive.

Mr. BROWN of Michigan. Well, that provision is made for a survey. It means a survey of State banks.

Mr. DIRKSEN. But it does not make it particularly mandatory to confer the benefits of this act on any bank that has met two requirements and is willing to meet the third requirement as soon as the corporation can examine that bank.

Mr. BROWN of Michigan. Does not the gentleman think the President will be fair to the State banks?

Mr. DIRKSEN. Yes; but it is nothing more than lip service, as a matter of fact.

I yield back the balance of my time, Mr. Chairman.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

Mr. McGUGIN. I hope the gentleman will give me an opportunity to offer an amendment.

The CHAIRMAN. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were ayes 28 and noes 51.

So the amendment was rejected.

Mr. McGUGIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McGUGIN: Section 302 (a), page 53, line 22, strike out subsection (a) and insert in lieu thereof:

"(a) Any State bank or trust company, not a member of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in a solvent condition, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. Such State bank or trust company shall thereafter continue to be entitled to the privileges of this title upon semiannually supplying the Board with a certificate of solvency from the proper State authority. All the provisions of subsections (e) and (f) of section 301 and section 302 shall apply to such State bank and trust company and to its holding of such stock as if it were a member bank. Any such State bank or trust company that fails or refuses to furnish such semiannual certificate of solvency from the proper State authority shall by the Board be ordered to withdraw from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the Board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled)."

Mr. GOSS. Mr. Chairman, I reserve a point of order. I want to ask the gentleman if in reality the language of this amendment——

Mr. STEAGALL. Mr. Chairman, a point of order. All debate on this section and all amendments thereto have been closed.

Mr. GOSS. Very well. I am reserving the point of order. I want to ask if this amendment——

Mr. BYRNS. Well, Mr. Chairman, I make the point of order that that is getting around just what the House did a moment ago.

Mr. GOSS. I am willing to make a point of order and take a chance on it. I make the point of order that the House has already passed upon this question, that the gentleman from Texas [Mr. PATMAN] made a motion to strike out line 2, "after examination by and approval of the corporation"; and if I heard the reading of the gentleman's amendment correctly, it seeks to do the same thing by indirection which the House has already passed upon directly.

Mr. McGUGIN. Mr. Chairman, I wish to be heard on the point of order.

The CHAIRMAN (Mr. McMILLAN). The Chair is ready to rule. The point of order is overruled.

The question is on the amendment offered by the gentleman from Kansas [Mr. McGUGIN].

The amendment was rejected.

The Clerk read as follows:

SEC. 303. If any member bank shall be declared insolvent, the stock held by it in the Corporation shall be canceled, without impairment of the liability of such bank, and all cash-paid subscriptions on such stock, with its proportionate share of dividends not to exceed one half of 1 percent per month from the period of last dividend on such stock shall be first applied to all debts of the insolvent bank or the receiver thereof to the Corporation, and the balance, if any, shall be paid to the receiver of the insolvent bank.

Mr. McCLINTIC. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment by Mr. McCLINTIC: Page 56, add at the end of the section the following: "*Provided*, That in case of a bank failure no official connected with such institution shall in the future be eligible to obtain a bank charter or to be employed in any department that has jurisdiction over banking activities."

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. McCLINTIC. Mr. Chairman, we are dealing with banking matters. We are trying to place in the bill provisions that will safeguard the people's money. If this amendment is not germane, I do not see how one can be written that will be germane, because it deals specifically with the subject matter of this section and refers to insolvent banks.

The CHAIRMAN. Does the gentleman from Massachusetts desire to be heard on the point of order?

Mr. LUCE. No, Mr. Chairman; I rely upon the good judgment of the Chair.

The CHAIRMAN. The Chair feels that the amendment offered is not pertinent to the section under consideration.

The Chair sustains the point of order.

The Clerk read as follows:

SEC. 304. Upon the appointment of all the appointive members of the board of the Corporation, the Corporation shall become a body corporate and as such shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until dissolved by an act of Congress.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. Nothing in this or any other act shall be construed to prevent the appointment and compensation, as an officer or employee of the Corporation, of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof.

Sixth. To prescribe by its board of directors, bylaws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this section and such incidental powers as shall be necessary to carry out the powers so granted.

Mr. McFARLANE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: On page 57, in line 2, strike out the period after the word "employees" and insert the following: "*Provided*, That no such officer or employee shall be paid more than $10,000 per annum: *And provided further*, That in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and the Civil Service laws and regulations."

LET US LIMIT THE SALARIES OF THE OFFICERS AND EMPLOYEES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. McFARLANE. Mr. Chairman, this is an amendment similar to the amendment offered on yesterday to limit the pay or salary to be received by the officers or employees of the corporation set up under title I of the Federal Reserve Board.

I want to call to your attention section 301 on page 50 wherein you are limiting the pay to be received by the officers of this corporation to $10,000 per annum, one of whom is a member of the Federal Reserve System, and to call your attention further to the fifth paragraph of section 304 on pages 56 and 57 of the bill, the authority under which the board set up herein appoints and selects officers and employees to administer the act.

Then I wish to refer you back to paragraph (L), section 248, of the United States Code, which sets up the same provision under which the Federal Reserve Board selects the officers and employees under the act under which you voted on yesterday by a close vote to decide against adopting this same amendment.

DO YOU FAVOR ECONOMY IN GOVERNMENT?

Now, there is not any half-way ground about it, Mr. Chairman. If the membership is in favor of limiting the pay to be received by the officers and employees in the administration of this act, let them say so by their votes. Do not be misled. You are spending Government money. Many of the officers and employees under the Federal Reserve Act draw as high as $50,000 a year. I submit in all fairness that we ought to regulate the salary of these employees for that money comes out of the Treasury of the United States, and when they are paid exorbitant salaries it cuts down the profits that would go to the United States Treasury if we do not encourage the squandering of the people's money.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. GREEN. Is there any other place where a limitation can be put on salaries?

Mr. McFARLANE. This is the place where it should be done. There is no other place where it can be done. If you are in favor of paying these high salaries, if you believe these employees of the institution we are setting up under this bill should receive from $20,000 to $50,000 a year of the people's money, if you believe they are justified in having it, then just vote against this amendment, but do so fully realizing that you are saying by your vote that you are unwilling to fix the salaries of these employees, many of whom are receiving anywhere from $20,000 to $50,000 a year.

SURPLUS EARNINGS OF THE FEDERAL RESERVE BOARD SHOULD GO INTO UNITED STATES TREASURY

Under the law, after the necessary expenses of the Federal Reserve System have been paid and the stockholders paid 6 percent on the paid-in capital stock, the remainder of the profits, under the law, should be placed in the Treasury of the United States as a franchise tax after a surplus fund of 100 percent of the subscribed capital stock has accumulated.

The bank records show they have accumulated about two hundred and eighty millions surplus, and this large sum, regardless of the reckless expenditure of the Federal Reserve System, which is annually expending about $27,000,000, salaries of officers and employees of the 12 Federal Reserve banks combined.

Officers	Number		Annual salaries	
	Dec. 31, 1931	Dec. 31, 1930	Dec. 31, 1931	Dec. 31, 1930
Chairman and Federal Reserve agent	12	12	$289,000	$278,000
Governor	12	12	360,000	355,000
Other officers	246.1	247	2,064,540	2,070,840
Employees by departments:				
Banking department	8,366.7	8,623.5	12,947,313	13,112,875
Federal Reserve agent	286.4	293.4	695,692	691,833
Auditing department	190.5	192.5	436,055	439,400
Fiscal agency department	226.3	228.6	447,175	453,942
Total	9,340	9,609	17,239,825	17,401,890

This Congress has cut the disabled war veterans more than 50 percent, and the Federal employees, most of whom receive very meager salaries, 15 percent.

It seems to me we should take advantage of this opportunity to save the taxpayers money and to stop this flagrant and extravagant abuse of enormous salaries being doled out to these big bankers. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. GOLDSBOROUGH) there were—ayes 54, noes 70.

Mr. McFARLANE. Mr. Chairman, I ask for tellers.

Tellers were refused.

So the amendment was rejected.

The Clerk read as follows:

SEC. 305. The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation with the consent of any Federal Reserve bank or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 57, line 21, strike out the sentence beginning with the words "The Corporation" and ending with the word "Government", in line 23.

FRANKING PRIVILEGES

Mr. PATMAN. Mr. Chairman, this corporation is a private corporation. It will be allowed to use a corporate seal. It will exist until dissolved by Congress, which makes it a perpetual character. It can make contracts, sue and be sued, complain and defend in any court, State or Federal, in the United States.

I believe that this will be the only donation that the Government of the United States will have to make to it. I think it will be self-sustaining by reason of the assess-

ments on the depositors of the banks under this system. Therefore, it should not be allowed the franking privilege.

USE OF MAILS FREE

This bill gives this corporation the right to use the mails free of charge. At the same time it allows dividends to the stockholders. Can you defend giving dividends to stockholders and then allow the corporation to have the free use of the United States mails?

Certainly they should not be allowed dividends and the free use of the mails. The mailing privileges should be paid before dividends. Last year the Federal Reserve banks spent over $1,600,000 for postage. I venture to say that if this corporation is organized it would spend $1,500,000 for postage. The Federal Reserve banks are not allowed the franking privilege.

Are you willing to take $1,500,000 out of the taxpayers' pockets and pay 6-percent dividends to holders of the stock of this private corporation? I do not believe you can defend this.

Mr. O'MALLEY. Will the gentleman yield?

Mr. PATMAN. Yes.

Mr. O'MALLEY. Under this provision they could mail out the dividend checks in franked envelopes, could they not?

Mr. PATMAN. Certainly they could, and when they have a lawsuit they can communicate with their witnesses by using the mails free. They can use the mails free for any purpose on earth, defending lawsuits or suing people.

INVESTMENT TRUST

This is an investment trust. It is not just an ordinary corporation; it is an investment trust. It is going into the business of buying and selling stocks and bonds, and under this privilege it can use the mails to transport the stocks and bonds that they buy.

I do not think the Members of the House want to do this. The franking privilege has probably been abused too much already, and certainly we should not give them this privilege and pay dividends to stockholders on the stock.

Last year we had a postal deficit of about $200,000,000 by reason of the users of the United States mails not paying a sufficient sum for the use of the privilege. The postage on newspapers and magazines alone amounted to $102,000,000, and on third-class parcel-post matter it amounted to about $36,000,000.

Certainly we have extended the franking privilege too far already, and there is no excuse or reason why we should pay dividends to private stockholders on private stock in an investment trust at the expense of the taxpayers of the United States, and I ask that this section, which allows this privilege, be stricken out.

Mr. REILLY. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. REILLY. Will not the Government of the United States make money out of this corporation?

Mr. PATMAN. If it does, it is entitled to it. It has stock in it, and while the Government would get 6 percent on the $150,000,000, all the private banks will get dividends on their stock, and I say do not pay the Government, the private banks, or anybody else any dividends if you have to take it out of the pockets of the taxpayers, because for every dollar the Government gets, the private bank also gets a dollar.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this amendment and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken, and on a division, demanded by Mr. STEAGALL, there were—ayes 88, noes 75.

Mr. STEAGALL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. PATMAN and Mr. STEAGALL.

The Committee again divided, and the tellers reported that there were—ayes 90, noes 88.

So the amendment was agreed to.

Mr. COCHRAN of Missouri. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COCHRAN of Missouri: On page 57, line 23, after the word "Government", strike out all down to and including line 2, on page 58.

Mr. COCHRAN of Missouri. Mr. Chairman, I request the committee to read the sentence that I desire stricken out. I should like the attention of the members of the Banking and Currency Committee. The sentence reads:

The corporation, with the consent of any Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Mr. Chairman, this is wide open. If I understand the English language it means, whether you want it to mean it or not, that this private corporation can avail itself of the services and facilities of any Government institution or agency, if a Federal Reserve bank or any branch of the Government says so.

Do you think this is good business? If you think it is good business to turn over to this private corporation the services and facilities of all Government agencies, well and good. If this is not what the sentence means and someone can show me that it is not what it means, then I shall withdraw my amendment.

I should like for the chairman of the committee to advise us if he can make anything out of this sentence other than what I have just stated.

Mr. STEAGALL. I will say to the gentleman that there is no provision for the corporation to avail itself of anything except with the consent of the Federal Reserve bank or any board, commission, independent establishment, or executive department of the Government.

Mr. COCHRAN of Missouri. That is what I have just explained. In other words, if the Federal Reserve bank in St. Louis, a private institution under Government control, says to this corporation, "Avail yourself of the facilities of the Department of Agriculture or the Department of Commerce or any other Government department", under the terms of this sentence the corporation will have authority to do it.

Mr. STEAGALL. The purpose of the language is to try to supply the new corporation with the benefit of any information or aid that may be extended from other departments without attempting to set up a separate personnel to do the work.

Mr. COCHRAN of Missouri. Why should you do that? Let the corporation hire its own help and set up its own facilities.

Mr. STEAGALL. This is the customary language used in every bill of this type I have ever read.

Mr. COCHRAN of Missouri. Well, it should not be in any bill.

Mr. STEAGALL. It requires the consent of each separate agency and is the customary language employed in bills of this kind.

Mr. COCHRAN of Missouri. I do not see where there is provision for the consent of any separate agency. One agency can say, Use another agency. It even goes so far as to include the language "including any field service thereof." If any field service of a department gives its consent to this corporation to avail itself of Government facilities, it may do so. It also uses the word "services", and the first sentence of the section provides that—

The board of directors shall administer the affairs of the corporation fairly and impartially and without discrimination.

If the word "services" means anything, it means that this corporation can employ Government agencies to carry out the purposes of this section.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The question was taken, and the amendment was rejected.

Mr. ZIONCHECK. Mr. Chairman, I am in a peculiar position. I came here promising my constituents that I would not represent the bankers, big and small, and I am, therefore, opposed to the measure before us at the present time, for the reason that it is a bankers' bill pure and simple. In doing this I realize that I will be one of very few who will vote in the negative.

Before going into my reasons for opposing this bill generally I want to refer to a statement made upon the floor of this House yesterday by the gentleman from Maine which I do not think should be allowed to go unchallenged. He stated that every Member who had taken the solemn oath to support the Constitution of the United States before the bar of this House was in duty bound to serve both classes. I have better than a bowing acquaintance with the Constitution, and I reread it to ascertain whether there was any foundation for the statement made and I was unable to find anything to bear out that position. I for one have come to this Congress solemnly believing that it is impossible to represent all of the people. My position is that you cannot represent the oppressed and the oppressors, the robbed and the robbers, the poor and the rich, at the same time. It just cannot be done because of the absolute conflict of interests. I took the position during the campaign that there had been too many congressional representatives of bankers, power companies, and chambers of commerce, and that, if elected, I would not in any respect or particular represent them in any manner where it conflicted with the interest of the workingman, the farmer, or the small business man. I intend to do this and I hope that, contrary to the opinion of the gentleman from Maine, I will not be rendering myself an unconstitutional Representative in the Congress of the United States of America.

Some may think that one cannot be a good Representative taking such a position, but I would rather be a bad Representative, in their opinion, working for the interests of those who produce all the wealth, than be such a good Representative that I would enter the category of the man who was so good that he was good for nothing.

The bankers in my district took me at my word and believed me, for I have not received a letter or a telegram from any of them suggesting how I should vote on any matter. So in order to determine whether the bankers were for this bill I made inquiry among several other Representatives to ascertain whether or not they had received any protests against this measure from any bank of an appreciable size. I learn that no such protests were received, but that, on the contrary, they received many communications from their bankers asking them to vigorously support this measure. To my mind that is the best proof that this bill is not for the interests of the people, generally speaking.

I have tried to carefully study this measure, which is 76 pages long, and as a lawyer I must confess that I do not entirely understand its provisions, so, therefore, must depend to some extent upon my intuition and negative line of reasoning. In the first place, the whole measure seems to be drawn so as to fool the public into believing that all the wrongs of our banking system will be rectified as soon as we get branch banking. I am not so sure of this, for here are the results of our experience with branch banks in the United States.

I insert the following excerpt from volume 136 of the Financial Chronicle on page 51:

> In Canada we have an undeveloped country, due without doubt to the banking system. The portfolios of the Canadian banks indicate that the major portion of their funds are invested in Government securities or in securities of industries controlled by the Government, leaving very little to loan to the individual and none for real-estate loans. The citizens of Canada do not use banks to any extent, therefore runs on banks are not common and after all, the real way to compare systems is to put them to the same test. Is there anyone who really believes that the Canadian branch-banking system could have stood the test to which our 19,000 banks have been subjected, and which are paying 100 cents on the dollar when a dollar has now the purchasing power of $1.30, whereas the Canadian dollar is worth about 90 cents and the English pound $3.30, when a year ago it was worth $4.86.
>
> Is there safety in branch banking? Witness the closing of the branch-banking systems in the United States when they were put to the test. The most disastrous failures we had were branch, group, and chain failures, such as the following:

	Branches
Bank of United States, New York	59
Federal National, Boston	8
Banco Kentucky Group	7
A. B. Banks, American Chain	27
Manley Chain, Georgia	87
Bain Banks, Chicago	12
Bankers Trust Co., Pennsylvania	20
United States National, Los Angeles	8
Security Home Trust, Toledo	10
Peoples State Bank, South Carolina	44
Arizona State Bank	5
Foreman National Group, Chicago	6

> To this rather impressive group, with deposits running into hundreds of millions of dollars, of branch and chain bank collapses, which were due to many of the same abuses that weaken unit banks, we could name important branch, group, and chain banking systems in Detroit, Boston, San Francisco, and other cities which got into trouble and merged or were supported by other banks or United States credit until the crisis was past.
>
> The weakest links in our banking system proved to be the "branch banks," and they went down comparatively early in the depression; it was their failures that caused public confidence to be shaken so badly that runs were precipitated on and closed many well-managed small independent banks.

The so-called "attractive" feature of the bill—yes, one may say the "enticing" feature—is the provision for bank insurance, the fund to be created to amount to approximately $2,000,000,000 to set up a private insurance corporation to insure the deposits of the depositors of the member banks against further loss. I confess that I am unable to see how you can insure against losses under our present banking set-up, for the deposits aggregate approximately $45,000,000,000 and all the money and currency and gold in the vaults of the private banks today amount to less than $1,000,000,000.

This statement has been made on innumerable occasions on this floor and has not been challenged. Even with a $2,000,000,000 fund in this insurance corporation, there would be only approximately $3,000,000,000 to pay off $45,000,000,000, and I am unable to see how that can be done, and I think that it is the worst form of deception to lead the public to believe that they will have security in the future and that the Government stands behind the security. Some may say that the people will know better, but I say that 95 percent of the people yet believe that the Federal Reserve System is a governmental institution and not a private bank for private bankers. I for one will not lend myself or become a party to such deception.

Another feature of this bill which I dislike very much is the further sanctioning by a Government measure high and exorbitant interest rates, for, in my humble opinion, high interest is one of the primary reasons for this depression. The total public and private debts of the country today amount to approximately $200,000,000,000. This sum at the modest rate of interest of 6 percent per annum brings the annual interest, without compounding, to the huge sum of $12,000,000,000 annually. The last estimate of our national income was approximately $36,000,000,000, which brings interest to one third of our national income. We talk about putting labor on a 6-hour day, 5-day week, and many other measures, but nobody seems to work to rectify one of these gravest of wrongs which still draws wages upon capital 365 days a year, 24 hours a day, and does not even take a Sunday off.

Another reason why I will not vote for this bill is that it provides for a $150,000,000 raid on the Treasury as a contribution to this private insurance company, which will have a few governmental officials to supervise it. We all know, or should know, that any time you start to supervise these legalized larcenists they immediately commence to supervise their supervisors in a very effective manner. Is there anyone here who will deny that the national bank supervision has been a farce and that the national bankers have had the determinative voice among most of our governmental officials, and particularly so in the framing and passage of legislation in their behalf?

I am thoroughly convinced that commercial banking, the issuance of currency and the regulation of its value are abso-

lutely governmental business and that we will never approach the banking situation intelligently in the interests of the people until we remove private bankers from commercial banking and confine them to speculative and investment financing. This act merely gives the bankers a greater stranglehold upon the legitimate governmental business of banking and currency and control of credit, and will make it more difficult for us to bring about a safe and sane national banking system owned and operated by the Government for and in the interest of the people of the United States.

Another reason why I will not vote for this measure is that it is not a part of the President's program; and I, for one, will not vote for any measure which he does not ask for during this special session, particularly such a measure as this, which I am of the opinion is full of dynamite and might embarrass the President in the event of its passage; for I feel certain that he would not relish the necessity of exercising his veto power at this time, for this bill may not harmonize with his complicated emergency program.

Mr. Chairman, at the proper time I shall offer a motion to recommit with instructions to the Committee on Banking and Currency to limit the excessive salaries of the officers under this act.

The Clerk read as follows:

SEC. 306. (a) The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed. Notwithstanding any other provision of law, whenever any national bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors the Comptroller of the Currency shall appoint the Corporation receiver for such bank. As soon as possible thereafter the Corporation shall organize a new national bank to assume the insured deposit liabilities of such closed bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this paragraph. For the purposes of this subsection the term "insured deposit liability" shall mean with respect to the owner of any claim arising out of a deposit liability of such closed bank the following percentages of the net amount due to such owner by such closed bank on account of deposit liabilities: 100 percent of the amount by which such net amount does not exceed $10,000; and 75 percent of the amount, if any, by which such net amount exceeds $10,000 but does not exceed $50,000; and 50 percent of the amount, if any, by which such net amount exceeds $50,000: *Provided*, That, in determining the amount due to such owner for the purpose of fixing such percentage, there shall be added together all net amounts due to such owner in the same capacity or the same right, on account of deposits, regardless of whether such deposits be maintained in his name or in the names of others for his benefit. For the purposes of this subsection, the term "insured deposit liabilities" shall mean the aggregate amount of all such insured deposit liabilities of such closed bank. The Corporation shall determine as expeditiously as possible the net amounts due to depositors of the closed bank and shall make available to the new bank an amount equal to the insured deposit liabilities of such closed bank, whereupon such new bank shall assume the insured deposit liability of such closed bank to each of its depositors, and the Corporation shall be subrogated to all rights against the closed bank of the owners of such deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor until such dividends shall equal the insured deposit liability to such depositor assumed by the new bank, whereupon all further dividends shall be payable to such depositor. Of the amount thus made available by the Corporation to the new bank, such portion shall be paid to it in cash as may be necessary to enable it to meet immediate cash demands and the remainder shall be credited to it on the books of the Corporation, subject to withdrawal on demand, and shall bear interest at the rate of 3 percent per annum until withdrawn. The new bank may, with the approval of the Corporation, accept new deposits, which, together with all amounts made available to the new bank by the Corporation, shall be kept on hand in cash, invested in direct obligations of the United States, or deposited with the Corporation or with a Federal Reserve bank. Such new bank shall maintain on deposit with the Federal Reserve bank of its district the reserves required by law of member banks, but shall not be required to subscribe for stock of the Federal Reserve bank until its own capital stock has been subscribed and paid for in the manner hereinafter provided. The articles of association and organization certificate of such new bank may be executed by such representatives of the Corporation as it may designate; the new bank shall not be required to have any directors at the time of its organization, but shall be managed by an executive officer to be designated by the Corporation; and no capital stock need be paid in by the Corporation; but in other respects such bank shall be organized in accordance with the existing provisions of law relating to the organization of national banks; and, until the requisite amount of capital stock for such bank has been subscribed and paid for in the manner hereinafter provided, such bank shall transact no business except that authorized by this subsection and such business as may be incidental to its organization. When in the judgment of the Corporation it is desirable to do so, the Corporation shall offer capital stock of the new bank for sale on such terms and conditions as the Corporation shall deem advisable, in an amount sufficient in the opinion of the Corporation to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5158 of the Revised Statutes, as amended, for the organization of a national bank in the place where such new bank is located, giving the stockholders of the closed bank the first opportunity to purchase such stock. Upon proof that an adequate amount of capital stock of the new bank has been subscribed and paid for in cash by subscribers satisfactory to the Comptroller of the Currency, he shall issue to such bank a certificate of authority to commence business, and thereafter it shall be managed by directors elected by its own shareholders and may exercise all of the powers granted by law to national banking associations. If an adequate amount of capital for such new bank is not subscribed and paid in, the Corporation may offer to transfer its business to any other banking institution in the same place which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the Corporation may deem adequate. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by another banking institution, in the manner herein prescribed, within 2 years from the date of its organization, the Corporation shall place the new bank in voluntary liquidation and wind up its affairs. The Corporation shall open on its books a deposit insurance account and, as soon as possible after taking possession of any closed national bank, the Corporation shall make an estimate of the amount which will be available from all sources for application in satisfaction of the portion of the claims of depositors to which it has been subrogated and shall debit to such deposit insurance account the excess, if any, of the amount made available by the Corporation to the new bank for depositors over and above the amount of such estimate. It shall be the duty of the Corporation to realize as rapidly as possible upon the assets of such closed bank, having due regard to the condition of credit in the district in which such closed bank is located; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided, retaining for its own account such portion of the amount realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors and paying to depositors and other creditors the amount available for distribution to them, after deducting therefrom their share of the costs of the liquidation of the closed bank. If the total amount realized by the Corporation on account of its subrogation to the claims of depositors be less than the amount of the estimate hereinabove provided for, the deposit insurance account shall be charged with the deficiency and, if the total amount so realized shall exceed the amount of such estimate, such account shall be credited with such excess. With respect to such closed national banks, the Corporation shall have all the rights, powers, and privileges now possessed by or hereafter given receivers of insolvent national banks and shall be subject to the obligations and penalties not inconsistent with the provision of the paragraph to which such receivers are now or may hereafter become subject.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment be tendered by the appropriate State authority and be authorized or permitted by State law. Thereupon the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new national bank, in the manner prescribed by this subsection, an amount equal to the insured deposit liabilities of such closed State bank; and the Corporation and such new national bank shall perform all of the functions and duties and shall have all the rights and privileges with respect to such State bank and the depositors thereof which are prescribed by this subsection with respect to closed national banks holding class A stock in the Corporation: *Provided*, That the rights of depositors and other creditors of such State bank shall be determined in accordance with the applicable provisions of State law: *And provided further*, That, with respect to such State bank, the Corporation shall possess the powers and privileges provided by State law with respect to a receiver of such State bank, except insofar as the same are in conflict with the provisions of this subsection.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the

case may be, on account of inability to meet the demands of its depositors, and the applicable State law does not permit the appointment of the Corporation as receiver of such bank, the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new bank, in accordance with the provisions of this subsection, the amount of insured deposit liabilities as to which such recognition has been accorded; and such new bank shall assume such insured deposit liabilities and shall in other respects comply with the provisions of this subsection respecting new banks organized to assume insured deposit liabilities of closed national banks. Insofar as possible in view of the applicable provisions of State law, the Corporation shall proceed with respect to the receiver of such closed bank and with respect to the new bank organized to assume its insured deposit liabilities in the manner prescribed by this subsection with respect to closed national banks and new banks organized to assume their insured deposit liabilities, except that the Corporation shall have none of the powers, duties, or responsibilities of a receiver with respect to the winding up of the affairs of such closed State bank. The Corporation, in its discretion, however, may purchase and liquidate any or all of the assets of such bank.

Whenever the net debit balance of the deposit insurance account of the Corporation shall equal or exceed one fourth of 1 percent of the total deposit liabilities of all class A stockholders as of the date of the last preceding call report, the Corporation shall levy upon such stockholders an assessment equal to one fourth of 1 percent of their total deposit liabilities and shall credit the amount collected from such assessment to such deposit insurance account. No bank which is a holder of class A stock shall pay any dividends until all assessments levied upon it by the Corporation shall have been paid in full; and any director or officer of any such bank who participates in the declaration or payment of any such dividend may, upon conviction, be fined not more than $1,000, or imprisoned for not more than 1 year, or both.

The term "receiver" as used in this section shall mean a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator, commission, person, or other agency charged by State law with the responsibility and the duty of winding up the affairs of an insolvent State member bank.

For the purposes of this section only, the term "national bank" shall include all national banking associations and all banks, banking associations, trust companies, savings bank, and other banking institutions located in the District of Columbia which are members of the Federal Reserve System; and the term "State member bank" shall include all State banks, banking associations, trust companies, savings banks, and other banking institutions organized under the laws of any State, which are members of the Federal Reserve System.

In any determination of the insured deposit liabilities of any closed bank or of the total deposit liabilities of any bank which is a holder of class A stock of the Corporation, for the purposes of this subsection, there shall be excluded the amounts of all deposits of such bank which are payable only at an office thereof located in a foreign country.

The Corporation may make such rules, regulations, and contracts as it may deem necessary in order to carry out the provisions of this section.

Money of the Corporation not otherwise employed shall be invested in securities of the Government of the United States, except that for temporary periods, in the discretion of the board of directors, funds of the Corporation may be deposited in any Federal Reserve bank or with the Treasurer of the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depositary of public moneys, except receipts from customs, under such regulations as may be prescribed by the said Secretary, and may also be employed as a financial agent of the Government. It shall perform all such reasonable duties as depositary of public moneys and financial agent of the Government as may be required of it.

(b) Nothing herein contained shall be construed to prevent the Corporation from making loans to national banks closed by action of the Comptroller of the Currency, or by vote of their directors, or to State banks closed by action of the appropriate State authorities, or by vote of their directors, or from entering into negotiations to secure the reopening of such banks.

(c) Receivers or liquidators of State banks which are now or may hereafter become insolvent or suspended shall be entitled to offer the assets of such banks for sale to the Corporation or as security for loans from the Corporation, upon receiving permission from the appropriate State authority in accordance with express provision of State law in the case of State banks, or from the Comptroller of the Currency in the case of national banks. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such banks. The Comptroller of the Currency may, in his discretion, pay dividends on proved claims at any time after the expiration of the period of advertisement made pursuant to section 5235 of the Revised Statutes, and no liability shall attach to the Comptroller of the Currency or to the receiver of any national bank by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment.

(d) The Corporation is authorized and empowered to issue and to have outstanding at any one time in an amount aggregating not more than three times the amount of its capital, its notes, debentures, bonds, or other such obligations, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest, and to mature at such time or times as may be determined by the Corporation: *Provided*, That the Corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the Corporation may be secured by assets of the Corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the Corporation may determine.

(e) All notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The Corporation, including its franchise, its capital, reserves, and surplus, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(f) In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other such obligations.

(g) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(h) Whoever, for the purpose of obtaining any loan from the Corporation, or any extension or renewal thereof, or the acceptance, release, or substitution of security therefor, or for the purpose of inducing the Corporation to purchase any assets, or for the purpose of influencing in any way the action of the Corporation under this section, makes any statement, knowing it to be false, or willfully overvalues any security, shall be punished by a fine of not more than $5,000, or by imprisonment for not more than 2 years, or both.

(i) Whoever (1) falsely makes, forges, or counterfeits any obligation or coupon, in imitation of or purporting to be an obligation or coupon issued by the Corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited obligation or coupon purporting to have been issued by the Corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation or coupon issued or purporting to have been issued by the Corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation or coupon, issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than 5 years, or both.

(j) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged, or otherwise intrusted to it, or (2) with intent to defraud the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000, or by imprisonment for not more than 5 years, or both.

(k) No individual, association, partnership, or corporation shall use the words "Federal Bank Deposit Insurance Corporation", or a combination of any 3 of these 5 words, as the name or a part thereof under which he or it shall do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its deposit liabilities are insured or in anywise guaranteed by the Federal Bank Deposit Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no class A stockholder of the Federal Bank Deposit Insurance Corporation shall advertise or otherwise represent falsely by any device whatsoever to extent to which or the manner in which its deposit liabilities are insured by the Federal Bank Deposit Insurance Corporation. Every individual, partnership, association, or corporations violating this subdivision shall be punished by a fine

of not exceeding $1,000, or by imprisonment not exceeding 1 year, or both.

(l) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.

(m) The Secret Service Division of the Treasury Department is authorized to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.

The CHAIRMAN. May the Chair call the attention of the gentlemen to page 57, line 19, where there is a typographical error? Without objection, the Clerk will be authorized to make the correction.

There was no objection.

The CHAIRMAN. Also, on page 73, line 19, the word "to" should apparently be "the."

Mr. STEAGALL. I ask unanimous consent that that correction be made.

The CHAIRMAN. Without objection, the Clerk will be authorized to make the correction.

There was no objection.

Mr. LUCE. Mr. Chairman, on page 62, line 17, I move to strike out the words "as rapidly as possible."

Mr. STEAGALL. Mr. Chairman, that amendment was made in committee, but by oversight it was left in the bill.

The amendment was agreed to.

Mr. STEAGALL. On page 58, I move to strike out the word "member", in line 4. It makes the meaning a little more clear.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 58, line 4, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. And I move the same amendment on page 63, line 18.

The Clerk read as follows:

Page 63, line 18, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. On page 65, line 3, the same amendment.

The Clerk read as follows:

Page 65, line 3, strike out the word "member."

The amendment was agreed to.

Mr. BEEDY. Mr. Chairman, for the information of the House I should like to call attention to one or two provisions. I think this is a matter all the Members should understand. I should like to call the attention of the chairman to one or two provisions of the bill and ask him to tell the House whether, in his opinion, this deposit-insurance corporation would not be obligated under the bill to insure deposits in every member bank in the Federal Reserve System now closed.

Before the gentleman answers, let me call these facts to his attention, because I think before the bill becomes a law some corrections must be made or the proposed insurance corporation will find itself in trouble.

At the bottom of page 51 in the bill, paragraph (e), it is provided that every member bank *shall* subscribe to the class A capital stock of the corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, and so forth.

Suppose this bill becomes a law. Suppose at the time there are 50 closed Federal Reserve member banks. The moment the act becomes effective, as a matter of law they would be compelled to come into the system. They must buy class A stock, whether they are closed or not. Even closed banks have outstanding time and demand deposits. Any receiver or conservator of a closed bank would of course find it to his advantage to pay to the insurance corporation one quarter of 1 percent of his outstanding time and demand deposits and thus insure the deposits in the closed banks. Now let us turn to page 58, section 306:

The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed.

Therefore, in the case of Federal Reserve member banks, now closed but which become holders of class A stock, the insurance corporation is obligated, under the mandatory provisions of this bill, to insure their deposits. I present this point of view because I think there is a good deal in it. I am interested to have the Chairman's explanation.

Mr. STEAGALL. Mr. Chairman, there is not the slightest thought of attempting to insure deposits in banks that are closed. The provision applies insurance to all banks subscribing for the stock of the insurance corporation. Of course no bank in the hands of a receiver, a liquidator, or a conservator could subscribe for stock unless there were a specific provision authorizing such subscription.

Mr. BEEDY. May I interrupt at that point to say that there is not merely authority here, but that it is mandatory upon every member bank to purchase stock.

Mr. STEAGALL. A closed bank could not do that after it was in the hands of a receiver or liquidator or conservator.

Mr. BEEDY. Why not?

Mr. STEAGALL. Because it would have no power. The directors are supplanted in authority by the receiver.

Mr. BEEDY. The power is given it under the law, when they are compelled to act.

Mr. STEAGALL. It applies to class A stockholders, and no bank becomes a stockholder except as a bank. There is no provision by which a conservator or a liquidating agent or a receiver can subscribe for stock.

Mr. BEEDY. My thought is this. When a bank is closed, it is none the less a bank.

Mr. STEAGALL. I have no objection, if the gentleman desires, to an amendment which will provide that this title insuring deposits shall be construed to apply to deposits that are subject to withdrawal at the time the title becomes effective, though I do not regard it as at all necessary.

The CHAIRMAN. The time of the gentleman from Maine has expired.

Mr. BEEDY. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. STEAGALL. I am quite definite of the idea that no amendment is necessary, but I should not object to such an amendment if the gentleman desires it.

Mr. BEEDY. I think the insurance fund ought to be protected in that way.

Mr. STEAGALL. I know the gentleman understands the practical situation is such that this bill will never come from conference if there is the slightest danger that the language used would be construed to insure deposits in a closed bank. I do not think it is necessary at all.

Mr. BEEDY. I am not going to offer the amendment, but I wanted to get this into the RECORD, because I think it might be helpful, and I want to help the gentleman make this insurance provision effective.

Mr. McCLINTIC. Mr. Chairman, I ask unanimous consent to return to page 25 for the purpose of offering an amendment.

The CHAIRMAN. Is there objection?

Mr. STEAGALL. Mr. Chairman, I suggest to the gentleman that he defer his request until we conclude the reading of the bill.

Mr. McCLINTIC. The gentleman knows that I have been tied up in the Ways and Means Committee morning, night, and afternoon.

Mr. STEAGALL. I do not want to be stubborn about the matter, but there are several such requests, and I again ask the gentleman to defer his request until we come to the end of the bill, and if I can do it, I shall be very glad to take care of the gentleman.

Mr. McCLINTIC. Very well. I withdraw my request.

Mr. CHRISTIANSON. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CHRISTIANSON. In line 22, page 73, I suggest that the word "corporations" should be changed to the singular, "corporation", to conform to the rest of the language.

Mr. STEAGALL. The gentleman is quite correct. I ask unanimous consent that the correction may be made, Mr. Chairman.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CLAIBORNE. Mr. Chairman, I move to strike the last word from the section.

Mr. Chairman, on yesterday the gentleman from Massachusetts [Mr. LUCE] said he would support this bill, but he reminded us that the bill was an administration measure, and if not a success the Democratic Party would be held responsible. The gentleman spoke wisely. He can support the bill, for if it is a success, he participates in the success, and if it is a failure it will be the failure of the Democratic leadership.

If we are to pass this bill, we might just as well take down the statutes of Benjamin Franklin throughout the country. We might just as well tell the youth of the country to cease saving. We might just as well tell the strong to load on their backs the weak and carry them, because this act seeks to penalize those banks which in the last few years have practiced sound banking and come through, in favor of those that did not, and who are now suffering.

On yesterday I asked the distinguished chairman of the Committee when he arose to make his opening statement if any of the strong banks of the country were in favor of his insurance plan. The gentleman seemed to be a bit surprised at the interrogation. He could not tell me of any banks that were in favor of it. Now, I would ask the Committee if they would be so generous as to permit me to read a resolution adopted by the American Bankers Association.

It is as follows:

The American Bankers Association has long been opposed to the compulsory guaranty of bank deposits in any form, and is on record by the following resolution setting forth its position on this subject:

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation for the following reasons:

1. It is a function outside of State or National Government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economics.
6. It will lower the standard of our present banking system.
7. It is productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failures of the weak.
9. It discredits honesty, ability, and conservation.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation, believing it to be impractical, unsound, misleading, revolutionary in character, and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people.

I say to you as a lawyer that if a question came before a law court which an ordinary man was not familiar with, and if an expert witness was called, the witness would first have to qualify as knowing more about the subject than the ordinary man knows. In this matter I call as my witnesses the members of the American Bankers Association to testify as expert witnesses as to the worth in their opinion of the insurance features in this bill. On their testimony I rest my case and my vote. I accept their judgment in the matter. Hence I shall vote against the bill.

The CHAIRMAN. The time of the gentleman from Missouri [Mr. CLAIBORNE] has expired.

Mr. LEHR. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LEHR. My colleague [Mr. DINGELL] is unavoidably absent from this session, being confined to his home on account of illness. The gentleman has prepared an amendment to paragraph (a) of this section. My inquiry is, may I interpose that amendment at this time in his behalf?

The CHAIRMAN (Mr. CANNON of Missouri). Amendments may not be proposed by proxy. The gentleman may offer the amendment himself.

Mr. LEHR. I wish to offer this amendment, Mr. Chairman.

The Clerk read as follows:

Amendment offered by Mr. LEHR: Page 58, line 22, after the word "liabilities", insert "100 percent of the amount by which such net amount does not exceed $2,500. This provision shall take effect not later than July 1, 1933."

Mr. LEHR. Mr. Chairman, I may say in behalf of the gentleman who prepared and drafted this particular amendment that the purpose and intent thereof was to conform to a similar amendment which we understand will be presented in the Senate by Senator VANDENBERG, of Michigan.

Those of us who came here with the idea and intention of supporting a bill insuring deposits in banks were hopeful that a real, 100-percent insurance deposit bill would be passed. I am not insensible to the argument that will be raised, that it will be physically impossible for an examination of the banks to be made by the 1st day of July 1933 in order to determine what banks may take advantage of this act; but I just want to make this suggestion to the members of this committee, that all the banks, so we have been informed, whether they be State banks or national banks, or State member banks of the Federal Reserve, have undergone during the past 3 months a very stringent examination, and I have been told by the Secretary of the Treasury and by other high officials of the administration that today there are no banks open except those which are sound and which are solvent. If that be true, then the policies of this bill can be put into effect by July 1. In that connection, I just want to say that with the upturn in business, with the increase in commodity prices, with the apparent return to happier days that seems to be the hope of all of us at this time, one thing remains, particularly in the State of Michigan, for us to attempt to accomplish to bring back this confidence 100 percent in the hearts of the people of this country, and that is to make it possible for these banks to be reopened; to make it possible for the people to place back their deposits in the banks.

In this connection may I read from a letter I received only this morning from the editor of a small-town newspaper in the State of Michigan in which he says this:

I am neither a banker nor a bank stockholder. I am only one of the small-depositor class who feels this great need.

I know that no amount of money will be returned to the care of the banks unless there is some form of guaranty. The guaranty may be restricted to a certain amount or to some certain class of deposits, but the small depositor, the man with active money and a little surplus, is just not going to use the bank until he can get this kind of assurance. All this takes money out of circulation and slows up the wheels of progress to recovery.

The purpose and intent of this amendment is simply to place into immediate effect on the 1st day of July 1933 this insurance provision insofar as it affects 100 percent of the deposits up to $2,500.

I submit that if this bill is the bill which we have been told it is, the sooner we do this the quicker we are going to bring back the confidence of the depositors of this great country. [Applause.]

Mr. STEAGALL. Mr. Chairman, the gentleman from Arkansas has very clearly pointed out certain of the chief defects in this amendment.

If a provision is inserted to make the bill immediately operative as to deposits up to a certain amount, it follows that banks that are in the Federal Reserve System and have their examinations by Federal authority down to date would probably encounter very little difficulty in securing admission. But State banks which have most of the small deposits would probably be delayed in securing admission, and hardships result. That is one reason why the amendment ought not to be adopted.

There is still another difficulty. I will say to the gentleman I am just as anxious as he is to bring the relief to be afforded by this legislation, but I have not the power to write a deposit guaranty bill and declare it law, nor has the gentleman on my left any such power.

It has been a task of major proportions to secure this legislation and to make the progress we have made down to this hour. The Treasury Department insists that there shall be time for a survey and for an investigation of conditions respecting banks that are to come into the System; and a further cleaning-up process may be had before this law is put into final operation. While I am anxious and impatient to have the law become operative, I can appreciate the reasons for the delay provided for.

The safe, prudent thing to do is to stand on what we have and await a time with patience, let the administration conduct its survey, set up the organization, and have the corporation prepare necessary rules and regulations and take proper preliminary steps to put the system into operation.

I know the views that will dominate and control this insurance corporation. We must trust these powers, we must trust the administration, we must trust the President of the United States to go along with this undertaking or it cannot be accomplished.

I should like to have the law become operative tomorrow. I should like to have done this 10 years ago and covering all deposits in every solvent State bank in the United States, but I have not been able to accomplish these results in my own time. Such things have to be worked out by consultation and conference and by agreed judgment. That is what has been done, and I beg the House not to disturb this provision of the bill, and if you will not, we will at no very distant day have an effective insurance-deposit system for banks in the United States.

Mr. FULLER. Will the gentleman yield?

Mr. STEAGALL. I yield?

Mr. FULLER. In conversation with the gentleman from North Carolina [Mr. HANCOCK], a member of the Banking and Currency Committee, he stated that my objections were sought to be covered by the committee in section 311, which provides that "the foregoing provisions of this title shall take effect at such time as the President by proclamation declares that such surveys have been made" and so forth. Is it the understanding of the chairman of the committee that it is expected the President will see that such surveys are made not only as to members of the Federal Reserve System, but the State banks as well?

Mr. STEAGALL. That is the very purpose of the provision. The member banks of the Federal Reserve System are examined already under Federal authority, and there would be no delay so far as they are concerned, but it is desired that the cleaning-up process go further.

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I rise in opposition to the pending amendment.

Mr. Chairman, we are coming to the final stages of this particular piece of legislation. I am of the opinion that there are comparatively few Members of this House who realize what is going to happen when certain sections of this bill are put into operation.

I made some observations yesterday in regard to the open-market provisions of this bill and the authority that is given to the Federal Reserve Board in this connection. I stated there was a broadening of the uses of the open-market operations to the extent of the financing of millions of dollars' worth of foreign transactions in which the people of the United States are in no wise interested. Now we have a confirmation of this in today's papers. If you have noted them you have seen that they confirm what I stated here yesterday that Prof. O. M. W. Sprague, of the Bank of England, is back here again and is to be put in charge, apparently, of the inflationary program which was attached to the farm bill.

It is clearly indicated in press reports that what I stated yesterday is true, that the money to be issued under the inflation program is going to be handled under the direction of Professor Sprague, of the Bank of England, and the notes that are issued, instead of being circulated here freely, are to be used for the purchase of foreign open-market paper and for the so-called "purpose of stabilizing foreign exchange." These notes are to be shipped out of this country and held by the foreign countries as first mortgages against everything in the United States. These notes, whether United States or Federal Reserve, are obligations of the United States, and we are to get this open-market paper, representing British, German, or Chinese, or Japanese, or whatever bills they may be—any kind of paper that gets in the open-bill market.

I want to call your attention to the fact that notwithstanding the fact that many of these banks have been opened, there are hundreds of millions of dollars' worth of this foreign—mostly German—paper, frozen as solid as a cake of ice, in the banks of this country today. You are now going to put more of it in the banks under this authority.

I want to appeal to the Members of the House not to pass this bill, but to return it to the committee and have the House appoint a committee to study what has caused the situation that you are trying to correct by a guaranty of deposits.

On the opening day of Congress, when we passed the banking bill and when there was no opportunity given to men who were against it to vote against it, I stated I was against it, and I tried to vote against it; and I stated on the floor of this House at that time that I would never support a bill proposing to guarantee the deposits in the banks that have been looted by the bankers of this country unless you first fixed their responsibility and they were dealt with properly under the laws of the land.

You are now guaranteeing the deposits in these banks when the assets of the banks have been looted by these international bankers; and, today, at the other end of the Capitol, you have exhibit A. The members of the Morgan group are there. They are the ones who introduced a lot of these investments into these banks and they are now answering over there.

I want to now suggest to you that instead of passing this bill you wait until the examination of these bankers is completed. You are going to find, unless I miss my guess, much of the skullduggery unearthed, if this committee does its duty; and you are going to find how they have affected Federal Reserve operations and are now asking for an extension of the right to further use Federal Reserve credit to finance foreign obligations in the United States.

I beg of you that before you do this you look into the causes of the situation which you are trying to cover up by guaranteeing deposits in these banks. You are still dealing with results.

Of course, the bankers of the type of Albert H. Wiggin and Charles E. Mitchell want the deposits in their banks guaranteed. Of course they do, and you are not guaranteeing simply the deposits of the little banks of the country. You are guaranteeing the deposits of the Chase National Bank, the National City Bank, and the Chicago banks that hold Insull securities, as well as all the other banks.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken, and the amendment was rejected.

Mr. BEEDY. Mr. Chairman, without any further discussion, in order to make assurance doubly sure that we do not wreck the insurance portions of this bill, I offer the following amendment.

The Clerk read as follows:

Page 68, line 2, after the word "country", insert a new paragraph, as follows:

"The insurance provisions of this section and the right to subscribe to class A stock shall not apply to any bank closed by competent authority or whose deposits are not subject to withdrawal by reason of insolvency."

Mr. STEAGALL. Mr. Chairman, there is no objection to that amendment, and I ask that it be adopted.

The CHAIRMAN. The question is on the adoption of the amendment.

The question was taken, and the amendment was agreed to.

Mr. TABER. Mr. Chairman, I move to strike out the last two words. Yesterday afternoon, on page 28, line 25, the gentleman from Minnesota [Mr. KVALE] offered an amendment reducing the amount of par-value stock which a director in a bank would be required to hold.

Now, I do not believe the House when it passed on that situation had in mind what the situation now is or what the effect of this provision would be, nor do I believe the committee understood what effect it would have.

The requirement to hold $2,000 par-value stock makes it practically impossible for the $25,000 bank, which we have permitted the organization of over the last 10 years, to continue. The requirement for a director in that bank was only $500. It makes it exceedingly difficult for a bank with $50,000 capital, which formerly required 10 shares to operate, to continue. I believe that this provision will result in the closing of thousands of small banks of the country. I hope when the proper time comes that the committee will permit a return to that section for a corrective amendment.

Mr. KVALE. Mr. Chairman, in thanking the gentleman for his interest in the matter, I consulted with several members of the committee, and have drawn a modified amendment which several members of the committee have assured me they will not oppose, and I trust that I shall have unanimous consent at the proper time to return to that section.

The pro forma amendment was withdrawn.

The Clerk read as follows:

SEC. 308. Section 9 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 (U.S.C., title 39, sec. 759), is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "*Provided*, That no such security shall be required in case of such part of the deposits as are insured under title III of the Banking Act of 1933."

Mr. BROWN of Michigan. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Michigan: Page 74, line 24, after "Sec. 308," nisert "The second sentence of."

Mr. BROWN of Michigan. Mr. Chairman, the purpose of this amendment is to correct an error made in the drafting of this section. As the section now reads, the language after the "*Provided*", in line 5, page 75, is placed at the end of the paragraph. It should be after the second sentence in the section amended. This amendment is agreed to by the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was agreed to.

Mr. HOEPPEL. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPPEL: Page 75, after line 8, insert the following as an addition to section 308 of the bill:

"*Provided*, That section 4 of the act entitled 'An act to establish postal-savings depositories', approved June 25, 1910 (U.S.C., title 39, sec. 754), is hereby amended by adding at the end thereof a new paragraph to read as follows:

"'Deposits in any such account may be of two classes: (1) Savings deposits as provided for in this act prior to the date of the enactment of this paragraph; and (2) circulating deposits. Circulating deposits shall not bear interest, and no such deposit may be maintained except in amounts of $1 or multiples thereof. Receipts for any circulating deposit shall be furnished to the depositor in such denominations of $1 or any multiple thereof as the depositor may request. Such receipts, when countersigned by the depositor, shall be a lawful circulating medium and shall be negotiable in such manner as the Board of Trustees may by regulations prescribe, except that such regulations shall conform as nearly as may be practicable to the law governing the negotiation of express money orders or travelers' checks. Any such receipt shall be redeemable at any post office upon proper identification of the bearer under such rules and regulations as the Board of Trustees may prescribe, and upon redemption, the amount of the receipts redeemed shall be charged against circulating deposits of the depositor.'

"*Provided further*, That section 2 of the act entitled 'An act to amend the act approved June 25, 1910, authorizing the Postal Savings System, and for other purposes', approved May 18, 1916 (U.S.C., title 39, sec. 759), is hereby amended to read as follows:

"'Postal Savings funds shall be deposited in solvent banks to the credit of the United States Treasury, or remitted direct to the United States Treasury, under such rules and regulations as the Board of Trustees may prescribe, for the purchase of United States bonds or other United States securities and/or for deposit in a special fund for repayment to depositors.'

"*Provided further*, That the first sentence of section 6 of such act, as amended (U.S.C., title 39, sec. 756), is hereby amended by striking out the figure '$2,500' and inserting in lieu thereof the figure '$5,000.'"

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. Does the gentleman desire to be heard upon the point of order?

Mr. LUCE. Simply to say that because we amend one section of a law, I had not understood that we would amend other sections of the law.

The CHAIRMAN. Does the gentleman from California desire to be heard upon the point of order?

Mr. HOEPPEL. Mr. Chairman, I do, on the point of order. This amendment is an amendment to the Postal Savings Act approved June 25, 1910, and is intended to give banking facilities to the American public where there will be guaranty of deposits which will result in the savings of millions of dollars to the American people and the Treasury. This section 308 is an amendment offered by the Banking Committee, which is framed primarily to protect the interest of the American banker. I am going to concede the point of order and I ask unanimous consent to present another amendment.

The CHAIRMAN. The point of order is sustained.

Mr. HOEPPEL. Mr. Chairman, I offer another amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPPEL: Page 74, line 24, strike out all of section 308 beginning on line 24, page 74, and continuing to include line 8 on page 75.

Mr. HOEPPEL. Mr. Chairman, when I took the floor a little while ago my banker friend from Arkansas [Mr. FULLER] got up and berated me for speaking in the interest of the people. I admit that he has a perfect right to be a banker, but he brought out facts in his remarks which pertain to this section of the bill which I should like to call to your attention. First, let me preface my remarks with the statement that he criticized me for one time being a Republican and not supporting the administration. I have voted for the administration measures 50 percent, and probably shall vote for this measure. The gentleman's efforts to criticize me for one time being a Republican and today being a Democrat is ill-advised. No one can deny that the Republicans elected our President. Mr. Hearst in his editorial in today's Herald stated that the Republicans have the brains and the Democrats have a heart. I concede that the Democrats have a heart, but their heart is pulsating every day primarily in the interest of the bankers, so graciously provided for in this bill, and not in the interest of the common man, which is my concern.

Mr. BULWINKLE. Mr. Chairman, I rise to a point of order. The gentleman is not speaking to his amendment.

Mr. HOEPPEL. I shall come back to the subject. This gentleman banker from Arkansas, Mr. FULLER, who berated me——

Mr. BULWINKLE. Mr. Chairman, I make the point of order that the gentleman is not speaking to his amendment.

Mr. HOEPPEL. Mr. Chairman, I am speaking on this motion and bringing up his statements. The gentleman from Arkansas stated that the Postal-Savings business was not making any revenue for the bankers.

Mr. BULWINKLE. Mr. Chairman, I insist upon my point of order. The gentleman is not speaking to his amendment.

Mr. HOEPPEL. I am speaking to my amendment in furtherance to the statement which Mr. FULLER made in reference to the Postal Savings. He said they did not return any profit to the bankers. This is one point I should like to call attention to in this bill, to which Mr. FULLER re-

ferred. The present law makes it mandatory for the banks of America to put up bonds or securities whenever they receive deposit of Government funds. This section of this bill relieves the banks from depositing with the Government security for the postal funds they receive from the Post Office Department at 2½ percent and which they relend to us at 7 percent.

I have observed the gentlemen on the Democratic side, and I notice that is where all the noise comes from.

If you have ever been on a farm and saw them tie a hog, you know that the hog squeals. I am not tied. I am speaking my convictions. Some of you gentlemen may be tied, but I am not and am speaking as an American citizen. [Applause and laughter.] I am speaking on this amendment, and I am speaking specifically. The Government provides two thirds of the money which is to go into this guaranty fund, yet we are making it possible for the bankers to get over $1,000,000,000 of American funds without any security. I say it is unfair for the American people to put up a guaranty to protect their own money. That is the reason I have presented this amendment.

The CHAIRMAN. The time of the gentleman from California [Mr. HOEPPEL] has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HOEPPEL].

The amendment was rejected.

Mr. DOBBINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 75, line 8, after the figures "1933", add the following: "*Provided further*, That no post office which has within its delivery limits a bank or banks whose deposits are insured under the provisions of said title III shall accept or maintain deposits for an aggregate balance of more than $500 from or to the credit of any individual who resides within the same delivery limits."

Mr. LUCE. Mr. Chairman, I make the point of order against the amendment that it is not germane.

The CHAIRMAN. Does the gentleman from Illinois [Mr. DOBBINS] desire to be heard?

Mr. DOBBINS. Will the gentleman from Massachusetts withhold his point of order?

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. LUCE. I understand all debate on this section and all amendments thereto is closed.

The CHAIRMAN. The point of order is sustained.

MEETING OF WAR VETERANS OF THE HOUSE

Mr. GIBSON. Mr. Chairman, I ask unanimous consent to proceed for one half minute to make an announcement.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. GIBSON. There will be a meeting of all war veterans of the House in the caucus room of the old House Office Building at 10:30 o'clock tomorrow morning.

REGULATION OF BANKING

The Clerk read as follows:

SEC. 309. A national bank, reserve bank, or other member bank as defined by section 1 of title I of this act, or any bank or trust company whose deposits are guaranteed in any respect under the provisions of this title, or any employee of any such bank, shall not either directly or indirectly act as an agent or broker for any partnership, association, or corporation engaged in the business of writing or selling any form of insurance. Any individual, partnership, association, or corporation violating this section of this act shall be guilty of a misdemeanor and shall be punished by a fine not exceeding $1,000 or imprisonment not exceeding 1 year, or both.

Mr. HANCOCK of North Carolina. Mr. Chairman, I offer an amendment, which is at the desk.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" between the words "any" and "partnership" in line 14, page 75; and on page 75 strike out the period in line 20, insert a semicolon, and add the following proviso: "*Provided*, That this section shall not become effective until 2 years after the date of the enactment of this act."

Mr. GOSS. Is this by direction of the committee?

Mr. HANCOCK of North Carolina. By direction of the committee.

Mr. Chairman, the first word, "individual", is inserted in line 14 in order to correct an omission.

The remaining portion of the amendment is a proviso which places the effective date of divorcing banks from the insurance business at 2 years and thus in this respect alone places them on an equality with affiliates. Section 309 divorces banks from the insurance business; and, in case this amendment is adopted, that provision would not become effective until 2 years after the date of the enactment of this act. In the light of other provisions of the bill, this seems right and consistent. To accomplish this reform suddenly might work undesired hardships.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. WHITTINGTON. Is there anything in the section or in the amendment that would prevent the director of a bank from writing insurance?

Mr. HANCOCK of North Carolina. There is nothing in the section that would prevent a director. It applies only to employees actively connected with the bank.

Mr. WHITTINGTON. Nor in the amendment?

Mr. HANCOCK of North Carolina. No, sir.

Mr. SISSON. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. SISSON. I want to ask the gentleman from North Carolina if it was not understood in the committee or in conversation between the gentleman and myself today that the effectiveness of this provision should be postponed for only 1 year?

Mr. HANCOCK of North Carolina. I told the gentleman I would register no objection to such an amendment, but that I would offer my amendment and the gentleman could offer his as an amendment to my amendment and I would interpose no objection. Though I strongly favor the principle or reform sought in this provision, I felt we should approach it gradually, and especially in consideration of the problems facing the banks in small communities.

Mr. MARTIN of Colorado. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. MARTIN of Colorado. At the danger of repetition I wish to ask the gentleman if the cashier of a small State bank, for instance, writes applications for insurance, is that practice prohibited by the language of this section?

Mr. HANCOCK of North Carolina. I think it would be.

Mr. MARTIN of Colorado. I should like to make an explanation to the gentleman preliminary to asking a question. I received a letter from the cashier of a small State bank who explained that during this depression he has been able to eke out a livelihood by writing applications for insurance, and thereby to some extent relieve the bank.

I wrote back to him for an elucidation of his views on this section, but have not had time to get his answer. Now, the question is, Would that man be prevented from writing applications for insurance?

Mr. HANCOCK of North Carolina. That involves the meaning of the word "employee" as related to a bank's personnel. It is intended to cover him.

The reason this amendment has been offered is because there are a great many small banks in the smaller communities of the country which combine insurance with the regular banking work in order to supplement the meager salaries of their employees and augment the bank's income. They should have time to work out. That is the chief reason for the second portion of this amendment.

Mr. MARTIN of Colorado. Mr. Chairman, if the gentleman will yield further, in the case to which the gentleman referred, was the bank itself an agent of the insurance company?

Mr. HANCOCK of North Carolina. It varies; sometimes the bank and sometimes an employee.

Mr. MARTIN of Colorado. I am just asking a question that fits the case where a bank employee or officer, merely as a side line, writes applications for insurance.

Mr. HANCOCK of North Carolina. Is the gentleman asking me a question?

Mr. MARTIN of Colorado. Yes; whether that is prohibited.

Mr. HANCOCK of North Carolina. I think under the language of this section it would apply regardless, whether it was a side line or his main activity and especially if his success was due to the fact that he had the bank's support.

Mr. MARTIN of Colorado. If the gentleman will permit a further question, To what abuses is this section directed?

Mr. HANCOCK of North Carolina. In the first place, there were some members of the committee who did not believe that insurance was a proper banking function. In the second place, they recognized that it was unfair competition because there is always more or less an element of credit coercion. There were other objections which all familiar with this practice admit. Of course there are isolated cases where it might work fairly and without abuses. They would seem to be exceptions, however.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. BULWINKLE. And in the third place, is it not true that in many instances loans are refused unless the policies of insurance are written at the particular bank?

Mr. HANCOCK of North Carolina. I have heard of such cases.

Mr. BEEDY. Mr. Chairman, may I ask what is the amendment now before the House?

The CHAIRMAN. Without objection the Clerk will again report the amendment.

There was no objection.

The Clerk again reported the Hancock amendment.

Mr. BEEDY. Mr. Chairman, I do not care to take up the time of the House with a speech at this hour, but I hope the gentleman from North Carolina, for whom I have a very high regard, will agree to drop that portion of his amendment which would authorize a continuance, for 2 more years, of this practice by banks of selling insurance. We discussed it quite thoroughly in the committee and I think the majority of us felt that it is unfair to a poor man who wants to borrow some money on his home, to be very adroitly held up by the inquiry, "Where do you carry your insurance?" To this question the would-be borrower replies, "Well, I am insured in such and such a company." Whereupon the bank replies, "We are sorry but our bank is interested in such a company. If you should see fit to cancel your present policy and take out a policy through our agency, we shall be glad to talk over a loan to you."

All banks do not operate this way, but as the gentleman from North Carolina knows, a great deal of injustice has been worked, and much unfair competition practiced by banks which sell insurance. And it certainly is unfair to the man in the insurance business. It is just as reasonable to have insurance men authorized to do a banking business as it is to have the banks invade the insurance field.

Mr. MORAN. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. MORAN. In regard to the danger involved from the standpoint of increased income to the bank, the same argument might be applied to putting a filling station in front of the bank. Another danger involved that was not pointed out by the gentleman from North Carolina, in addition to coercion, is that the banker is putting the commissions in his own personal pocket. Therefore, the banker who loans the money might be induced to loan other people's money for the sake of a personal commission to himself. This is a reason why banking and insurance should be divorced in the interest of the depositors of the country.

Mr. BEEDY. Mr. Chairman, to save time let us consider a division of the pending amendment. There are two propositions involved in it. One is the inclusion of the word "individual." The other deals with a 2-year period of extension. Let us have this amendment divided so we can vote down the 2-year extension proposal but give the gentleman the other amendment he desires. I ask that the amendment be divided.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. HANCOCK of North Carolina. May I call the attention of the House to the fact that if you make this provision preventing banks from doing business as agents of insurance companies effective at once, it will be the only provision in this bill that is effective immediately upon the enactment of the bill. Is not this right?

Mr. BEEDY. Oh, no!

Mr. HANCOCK of North Carolina. In other words, we are extending the time for the separation of affiliates 2 years, holding company affiliates so many years. Why not extend the effective date of the insurance feature to 2 years? Would it not then be more in harmony with the other sections? If one is done now, all might be done.

Mr. PEYSER. Mr. Chairman, if the gentleman will permit, I wish to ask the gentleman from North Carolina a question.

Mr. BEEDY. I yield.

Mr. PEYSER. I merely wanted to state that the extension of 2 years in this particular class is not necessary because if an insurance man who is now connected with a bank is under contract he is not deprived of any commissions which he might have earned in the past. His contract continues.

There is nothing in there in my judgment that shows any reason why it should be extended 2 years for the same reasons that applied to other sections.

Mr. HANCOCK of North Carolina. Does not the gentleman agree that they should have some time within which to adjust themselves to the reform sought?

Mr. PEYSER. I do not think they should have any time.

Mr. HANCOCK of North Carolina. Is it not true that many of them will have a very difficult time disposing of their insurance agencies immediately under existing conditions?

[Here the gavel fell.]

Mr. KOPPLEMANN. Mr. Chairman, in the first place, I should like to know whether we are dividing the pending amendment; and if so, what part are we to vote upon first?

The CHAIRMAN. The amendment consists of two substantive propositions, either one of which would stand without the other.

Mr. KOPPLEMANN. I understand that.

The CHAIRMAN. At the request of the gentleman from Maine [Mr. BEEDY], the vote will be on the first portion of the amendment and then the vote will come on the remaining portion.

The question is on the first portion of the amendment, which the Clerk will report.

The Clerk read as follows:

First portion of the amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" followed by a comma between the words "any" and "partnership", in line 14, page 75.

The first portion of the amendment was agreed to.

The CHAIRMAN. The question now recurs on the second portion of the amendment, which the Clerk will report.

The Clerk read as follows:

Second portion of the amendment offered by Mr. HANCOCK of North Carolina: Strike out the period, in line 20, page 75, insert a semicolon and add the following proviso: "*Provided*, This section shall not become effective until 2 years after the date of the enactment of this act."

Mr. SISSON. Mr. Chairman, I had intended to offer an amendment making the effective date of this section 1 year. It has been called to my attention by the gentleman from Maine [Mr. BEEDY] that this is unnecessary, because it does not become effective until 1 year after the enactment of the Banking Act of 1933.

As a member of the committee, I may say that I am not questioning the veracity or the good faith of the gentleman from North Carolina [Mr. HANCOCK], but I think there was some misunderstanding when he said that it was agreed in committee that this should be deferred for 2 years.

From my conversations with insurance agencies and with their policyholders I believe it is entirely unnecessary, and even in fairness to the banks themselves, that we should postpone this prohibition for 2 years.

The CHAIRMAN. The question is on the second portion of the amendment.

The second portion of the amendment was rejected.

Mr. BOILEAU. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BOILEAU: Page 75, line 13, after the word "any" strike out the word "such" and insert in lieu thereof the words "national bank or reserve."

Mr. BOILEAU. Mr. Chairman, this amendment would mean that employees of a State bank could sell insurance.

I do not believe it is good policy for the National Government or the Federal Congress to say that the employees of a State bank cannot sell insurance, and this is exactly what this section now provides so far as these banks that will come under the provisions of this guaranty provision are concerned, and I presume that practically all banks will hope to get some of the benefits of this insurance of deposits.

My amendment would limit the operations of the bill in this respect to employees of national banks and reserve banks. In other words, the employees of small State banks in the small rural communities could continue carrying on the business they have been engaged in during these years.

As a Representative from a rural community, I may say that there is no evil in connection with the selling of insurance by the small-town bankers. There may be some evils so far as the larger banks are concerned, but I am not prepared to say that there is or that there is not. I want to call your attention to the fact that we have a lot of small State banks capitalized at $10,000 or $15,000 or $20,000 and the employees of these small banks are necessarily working for a small salary. The cashiers who have the responsibility of these small banks are getting salaries around $125 or $150 or $175 a month. They are responsible business men of these small communities, and because of their experience many of the farmers, as well as other people in their communities, ask them to assist in providing fire insurance and other kinds of insurance, and I do not believe it is the intention of the Members of this House to say that the Federal Congress is going to prohibit these small bankers from carrying on this business and giving this service to their communities.

Mr. BYRNS. Will the gentleman yield?

Mr. BOILEAU. I gladly yield to the distinguished gentleman from Tennessee.

Mr. BYRNS. I know of towns of 200,000 inhabitants which have State banks. The gentleman's amendment would permit the State banks in towns of this size, as well as the smaller towns, to sell insurance while prohibiting a national bank across the street from having the same privilege.

Mr. BOILEAU. I want to make this distinction.

Mr. BYRNS. I think the gentleman should limit his amendment, if he wants it to go into the bill, to the small towns to which he has referred.

Mr. BOILEAU. I want to call the gentleman's attention, as well as the attention of all State-rights Democrats, to the fact that we have State banking systems and that we should let the State authorities have something to say about the system. I have no fault to find if the Congress wants to restrict the national banks, because that is within our province, but I do say that we should not restrict the operations of the small State banks. We should leave these banks to the banking departments and the State legislatures of the various States.

I would gladly move to strike out the entire section, but I know that would be futile, but I do ask, in behalf of these small-town bankers and in behalf of the small banks for this consideration, and I believe every Representative from every rural community in this country should vote for this amendment.

Mr. BEEDY. Mr. Chairman, just a word so that we may clarify the situation.

The law now forbids national banks to sell insurance on the ground that it is not a legitimate banking function. The evils that have grown up from the sale of insurance, and the complaints that have come to us is the result largely of this practice on the part of State banks, and in this bill we are trying to remedy it.

Mr. BOILEAU. Are all national banks prohibited from the sale of insurance?

Mr. BEEDY. All except those in places of 6,000 inhabitants or less. The provision in this bill would forbid all banks, State and national alike, to sell insurance.

Mr. BOILEAU. If you feel that the national banks should be prohibited that is the function of Congress, but I do not think that you ought to prohibit it in State banks—that is the function of the State legislatures.

Mr. BEEDY. Well, the House can decide for itself whether it is proper for us to forbid any bank which seeks to come under the insurance of deposits provision, to stop selling insurance. I think it is wise and proper for us to adopt such a provision.

Mr. McGUGIN. Mr. Chairman, I offer the following as a substitute for the amendment of the gentleman from Wisconsin.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following: "*Provided*, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

The CHAIRMAN. The Chair does not think that is a substitute. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken, and the amendment was rejected.

Mr. McGUGIN. Now, Mr. Chairman, I offer the amendment which has been read.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following proviso: "*Provided*, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

Mr. McGUGIN. Mr. Chairman, I was in sympathy with the amendment offered by the gentleman from Wisconsin. I think he is right. I realize from the argument suggested by the gentleman from Tennessee [Mr. BYRNS] that when you limit it to State banks it may go to those banks of $100,000 capital or more. My amendment, irrespective of whether it is a State or a national bank, provides that it shall not apply to towns of less than 5,000 population.

Mr. BYRNS. I want to say that I am opposed to a bank going into the insurance business in either the large or small towns. [Applause.] My objection was due to the fact that the gentleman from Wisconsin was talking in favor of small towns, whereas his amendment would have permitted it in large cities. I am opposed to it in any event.

Mr. McGUGIN. Here is the situation: Why should gentlemen want to insist throughout the bill on putting in provisions that work a hardship on the small rural country communities of this country?

Mr. PEYSER. Will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. PEYSER. If it is an evil, and I believe it is, why have it in towns where small banks are, because these banks cannot fight the evil as well as the big banks?

Mr. McGUGIN. The answer is that the big banks create most of the evils.

I do not believe there is one country bank in a hundred which says to its customers, "You cannot borrow from this bank unless you buy insurance in this bank." It is a matter of convenience, it is a matter of business in these small communities.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. BULWINKLE. The gentleman fails to recognize that in some of these small towns there is one man who is being paid as a cashier or employee of the bank who is making in addition to his salary these commissions on the insurance that he sells, and that at the same time in the same town there is some other man who is trying to eke out a business writing insurance, but who cannot compete successfully with the bank.

Mr. McGUGIN. In these small banks the cashiers are drawing small salaries, $75 or $100 a month, and if they carry on a little insurance business and add to their income in that way, it is of benefit to the community.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. BOILEAU. This section will prohibit the employee of the small State bank from entering into the insurance business, but I can find nothing in the language that will prohibit the directors of a big bank from doing the same thing, because it prohibits employees and not officers.

Mr. McGUGIN. This bill will prevent the janitor of a little country bank from making a little on the side by selling insurance.

Mr. McCLINTIC. Mr. Chairman, I had hoped it would be possible for me to offer a perfecting amendment. I realize that the temper of the House at this hour of the day is such that it is hardly possible to get any kind of an amendment adopted unless it be offered by a member of the committee. I appreciate the strategy of the chairman of the committee in asking that I refrain from asking permission to return to a section of the bill to offer an amendment until after the bill had been read and practically completed. I am in favor of this legislation, but I wanted to offer an amendment with the hope that it would prevent officials who might be termed crooked from absolutely destroying a bank from inside. I wanted to offer an amendment that had been adopted already in at least one State, but I realize it is practically impossible to get Members of the House to consent to go back 25 or 50 pages at this late hour of the day for the purpose of offering that amendment.

I have been interested in this subject possibly as long, if not longer than any other Member on the floor. Many years ago I introduced the first bill that was ever presented to either House of Congress providing a system for the guaranty of bank deposits. I see there the chairman of the committee, who granted me a hearing on that bill, and the hearing still remains in typewritten form, because there was no sympathy for a measure of this kind. However, year after year I have continued to introduce a bill, hoping the time would finally arrive when the people would realize that unless something is done to give people confidence in banking institutions they would not patronize them to the extent of putting their money in them. I hope this bill will cause money to cease going into Postal Savings, and thus be carried away to some sections of the country, denying legitimate institutions from having that which they should have to take care of normal business.

At this time, Mr. Chairman, I ask unanimous consent that I may include as a part of my remarks the statements that have never been printed, made by me before the Banking Committee 12 years ago. It will be interesting to note that some of the members of this committee participated in the hearing, and for the reason there has been a complete upheaval in banking since that date I am convinced that this legislation will do more to cause our citizens to take their money out of hiding than any other measure, if enacted into a law. On account of being otherwise engaged as a member of the Ways and Means Committee in holding a hearing on the so-called "public works bill", which caused the committee to remain in session morning, afternoon, and night, it was not possible for me to be on the floor during the early consideration of this measure. Therefore I have been denied the opportunity of offering an amendment that, in my opinion, would have caused further safeguards to be thrown around this measure.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

There was no objection.

The matter referred to follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Thursday, January 20, 1921.

The committee at 12 o'clock noon proceeded to the consideration of H.R. 15012, Hon. LOUIS T. MCFADDEN (chairman) presiding.

The CHAIRMAN. Gentlemen of the committee, Representative MCCLINTIC wants to be heard for a few minutes on the bill he introduced in connection with the guaranty of deposits of banks and, if there is no objection, we will hear Mr. MCCLINTIC at this time.

STATEMENT OF HON. JAMES V. M'CLINTIC, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. MCCLINTIC. Mr. Chairman and gentlemen of the committee, I want to respectfully direct your attention to H.R. 15012, a bill I have introduced, which provides for the protection of deposits in national banks. I take it that it is the object of every committee to legislate as much efficiency as possible in the various branches of government over which they have a certain amount of jurisdiction. I am not a banker, and yet it has been my privilege to serve as a member of a banking committee in the State Senate of my State, and I had a little to do with the present State laws which regulate and govern State banks in Oklahoma.

The subject of guaranteeing deposits in national banks is not a new proposition. A number of States already have this law and, up to the present time if I am correctly informed, no depositor in any State bank has ever lost one dollar because of a bank failure. If you will read the report recently made by the Federal Reserve Board, you will note that every Federal Reserve district has indirectly been carrying on a campaign to get as many member banks to join their System as possible. You will find that there is a certain amount—I do not want to use the word "jealousy", but there is a certain amount of rivalry between the national banks and the State banks.

In other words, the systems that are in operation at the present time bring about a great deal of duplication, in that the State banks maintain separate machinery in order to take care of their institutions, and the national banks do likewise. There are at present approximately 8,000 national banks in comparison with some 22,000 other banking institutions. There are 160 bank examiners which cost the Government approximately $750,000. In my opinion, the time will come when there will be no necessity for State banks. In other words, there is no more need for a separate system of State banks and national banks than there is for two street-car systems in the same city. But until that question has been solved, or until those interested in this subject can meet upon a common basis, we will continue to have this duplication which brings about a great increase of expenditures to the taxpayers of the country.

I have prepared a bill here which establishes a separate guarantee fund in each Federal Reserve district in the United States; yet I have placed the supervision of the same under one head so that uniform rules and regulations can be put into effect for carrying on the plan. The bill which I have introduced provides for amending the law which makes disposition of the profits made by the Federal Reserve Banking System. It would be amended so that after the dividends are taken care of to those who own stock in the various Federal Reserve banks, 10 percent of the profits each year will be set aside in each Federal Reserve district into a guarantee fund and this, with an additional assessment against each national bank, will provide sufficient money to take care of the needs of any bank that might be so unfortunate as to fail in the future.

In States where they have guaranty laws, when a bank becomes impaired to the extent that it cannot meet its obligations, instead of closing the door and waiting for a receiver to be appointed, the bank examiner quickly makes some kind of an arrangement with other persons to take charge of the bank and, instead of the assets being unloaded or forced to be sold at such a price as they will bring, the bank changes hands; the assets are collected in the regular manner and, as a rule, the loss is reduced to a very low minimum. In other words, in speaking before the House the other day, I made the statement that in Oklahoma, when there was a bank failure—that is, a State bank failure—there was no more excitement over the same than there was over an ordinary swapping of a horse. By having a law of that kind, we have reduced our losses to a very low figure, and at present we have a very large fund, which is sufficient to take care of the needs of all of those who are affiliated in that system.

It is my hope that this committee will feel warranted in allowing a hearing to be held at a later date so that those who are interested in this subject may have the opportunity to come before this body and offer such suggestions as they would care to offer in order to perfect the legislation. I realized that the bill I have introduced possibly should be changed in some places. In other words, national banks with whom I have talked and who have written me, have made certain suggestions which meet my approbation.

I am thoroughly of the opinion that whenever we can establish a guaranty fund for the protection of depositors in national banks, that it is only a matter of time when practically all of the State banks will feel warranted in becoming nationalized. And when that condition has been brought about, then we will have the trust companies, who will operate in a separate way and who are granted more liberal provisions than the national bank to go ahead and take care of certain kinds of business on the one hand and the national banks on the other. I am thoroughly of the opinion if a bill similar to the one I have introduced can be put into effect, that instead of having disasters brought about by the crash of a national bank, which seriously disturb every condition in every community when a happening of this kind occurs, that in the future we can reduce their heavy losses to a minimum and, at the same time, wind up the affairs of any defunct organization in such a way as to save to the depositors all the money they have placed in the bank.

Originally a bank was considered a private institution; but as time has rolled on the opinions of the people have become more liberal, until today they are declared to be public institutions. And it is for this reason the different States in the Union have come to the conclusion that banks, being public institutions, it is right to protect the depositors or to protect the public. And while this Congress may not have sufficient time to pass a bill of this kind, yet I am thoroughly of the opinion that it is only a question of time until a bill will be passed protecting depositors in national banks.

This bill provides that one half of 1 percent shall be levied against the average daily deposits of a national bank as an assessment fee when it goes in as a member or when it is entitled to participate in this fund. I am of the opinion that if we can assess the profits that are made by the Federal Reserve Bank System each year, thereby setting aside 10 percent to the credit of this fund, that this amount as carried in my bill can be decreased probably to one tenth of 1 percent. And if that would meet the approbation of the committee and those who are interested in this subject, then the expense of a national bank becoming a member or becoming a participant in this fund would be very, very small.

Mr. SCOTT. Then in the last analysis if it reached that Utopian stage where there were no bank failures throughout the country the amount of reserve carried in this guaranty fund might be taken out and utilized in other ways?

Mr. MCCLINTIC. It was my intention to write a new amendment to this bill which would give the Comptroller of the Currency the right to decrease the assessments whenever he saw fit. The Federal Reserve Banking System made $55,000,000 in 1918 and some $80,000,000 in 1919. This money does not belong to the member banks, yet they are indirectly responsible for it. It is by the cooperation, support, assistance, and patronage they give to the reserve banks that made these results possible.

Mr. LUCE. The member banks are stockholders, are they not?

Mr. MCCLINTIC. They are stockholders and, for that reason, they are entitled to participate in the profits that are made by the Federal Reserve bank. I cannot see how any person can say it would not be fair and right to take 10 percent of those profits, after the stockholders had been taken care of, and to put it into one of these funds in each Federal Reserve district to be used as a guaranty, so that when you put your money in a national bank you would know, if that bank failed, that your deposit would be safe.

Mr. STEVENSON. Should not you provide there that when that fund reached a certain figure, so many million dollars, there should be no more assessments made until there should be some impairment of it?

Mr. MCCLINTIC. I am very glad you made that suggestion. It meets with my approbation.

Mr. STEVENSON. We established the system of State insurance of all public buildings in South Carolina in 1899 and provided that all collections of premiums and all appropriations should go into a fund until it amounted to $2,000,000, and then there should be no further premiums over and above reinsurance—there should be no further profits accumulated until there was an impairment. It reached the $2,000,000 fund in about 6 years and the State insurance on all public buildings has been carried for practically nothing except just a small reinsurance since that time, and the $2,000,000 stands there as a guaranty.

Mr. MCCLINTIC. The suggestion of the gentleman meets my approval.

Mr. KING. Suppose in some manner that Congress should wake up to the fact that all this money should be turned into the Treasury (this $2,000,000 you speak of is really nothing after all but a form of taxation of the people) and should limit those earnings, then where would we get your fund from, if legislation of that kind should be passed?

Mr. MCCLINTIC. If the Federal Reserve banks of the country did not make any profits, then there is a provision in this bill which would allow the Comptroller of the Currency to increase the assessment, provided it was necessary to take care of the losses of any defunct bank. In other words, this bill provides that the Comptroller of the Currency may increase the assessment provided it does not reach any more than 1 percent of the daily average bank deposits, based upon the daily average in 1 year, not including the deposits of State funds and national funds.

Mr. LUCE. I take a personal interest in these proposals and am very glad to consider them seriously, because of a personal consideration. I am one of 80,000 citizens of Boston who, at the present moment, are deprived of the use of about $30,000,000 of money—my share of it being pretty small—by reason of the failure of four trust companies. My own deposit came to me; I did not put it in myself, but it came into my possession too late for me to pull out the money before they went to smash. Now those four trust companies were new, comparatively; they had been organized by men without much experience in banking; they were rashly conducted, their loans being tied up and not liquid, so that when depositors began to worry and to withdraw their accounts they could not get in their loans. Some of their troubles were due to that Napoleon of finance, Ponzi. Now, I should like to have that money right off. They tell me probably I will get mine sooner or later, but I should like to have it at once.

Mr. MCCLINTIC. I should like to see the gentleman get his money.

Mr. LUCE. But there are a good many banking institutions in Boston that are safely conducted, prudently conducted, and honorably conducted; they are prosperous and make money. If I should vote for this proposal, they would ask me, "Why should we, who are cautious, who are prudent, and who have spent our lives in learning how to run this business and who feel we are trustees for our depositors and try to be honorable men—why should we be mulcted in order to pay somebody else who was foolish enough to intrust his money to men apparently unfitted to care for it?"

Mr. MCCLINTIC. I shall be very glad to answer the gentleman. In the first place, this bill will not cost those national banks you refer to in Boston very much money.

Mr. LUCE. It will cost them some.

Mr. MCCLINTIC. It will cost them some, for the reason they have all indirectly contributed toward a line of business which has produced a sufficient amount of profits in order to maintain this kind of protection. And, in addition to that, it is to their advantage, for this reason: Whenever their institutions comply with the provisions of this bill, according to section 6, which says—

"As soon as a bank has complied with the provisions of this section, the Comptroller shall furnish to said bank a certificate which shall recite that said institution has complied with the provisions of the National Depositors' Guaranty Act, and the bank receiving the same shall be permitted to advertise that its depositors are protected by the national depositors' guaranty law."

A bank's success, to a large extent, always depends upon the patronage it receives. A bank without any deposits cannot do very much business. It simply means its business will be increased to that extent that it will more than recompense them for the small amount they have paid in order to be protected by this fund; and their business will be so much larger than the ordinary trust company, who will probably not be allowed to participate in this fund, that the expenditure it costs them will amount practically to nothing.

Mr. STEAGALL. Is not this true, also, that bank failures often are brought about by periods of depression that nobody in the world can anticipate and by psychological developments that cannot be anticipated; so that really a big bank, a strong one, prudently managed, can never be said to be exempt from the dangers that attend banking as faced by the smaller institutions, all being in one inseparable system?

Mr. MCCLINTIC. The statement of the gentleman is quite true, and I will cite you a condition that exists in the South (and I do not wish to draw any sectional lines, because this bill applies to every section of the United States), where during the last 5 or 6 months the spinners were out of the market, and while the price of cotton remained fairly high, yet the man who had 200 bales of cotton on hand could not find a market for it. The bank that advanced the money to the buyers, in order to take care of the farmers, was unable to collect its loans, and this situation caused some of them to fail. The same condition was true up in the Northwest with relation to the price of wheat. The object of this bill is to provide a system that will furnish this kind of protection to the banks located in every section of the United States, so that emergency conditions like the gentleman has spoken about can be taken care of in the future. And when you take into consideration a bill drawn along this line will practically cost the member bank only a very small amount, I do not believe that anyone engaged in this business would object to paying that small amount, when you take into consideration the added advantages it gives.

A short time ago a bank went broke in my own county. What happened? The banking department sent a man from away up in the northern part of the State that knew nothing about the situation in that part of the county to wind up its affairs. An attorney was appointed. A whole set of machinery was put in operation in order to wind up the affairs of that bank. They had to get their information relative to the assets from people on the outside. I have known a bank that failed to run along for 12 months before the business was finally settled up and all the cost of closing up the affairs of that bank had to come out of the amount of money that was collected and this caused the depositors to receive a correspondingly smaller amount. I might go back and give you some personal experiences, but I dare say every member here knows that whenever a bank fails in any community and the sign is put up on the door "This bank is in the hands of the Federal Government", then runs begin to be made on the other banks; and unless they stick together and furnish capital to take care of that situation, in many cases a great many of the institutions go down in a crash. Inasmuch as we have prepared a system which is working successfully at the present time and we have the money already in hand, why would it not be right to place a small percentage of that into a

fund and thus charge each bank only a small amount for this kind of protection? You might reduce it to one twentieth of 1 percent. It simply means, gentlemen, in a few years from now, these State banks of the country would gradually come over and be nationalized and then we will only have two systems, thereby decreasing the cost to the taxpayers of maintaining these different kinds of businesses and, at the same time, furnish the kind of protection the people want.

Mr. SCOTT. Mr. McClintic, is it not actually true that the failure of a large industrial enterprise in a community is a great misfortune; but the failure of a bank in a community is a calamity that reaches very much further than the failure of any particular concern in a community?

Mr. MCCLINTIC. That is true. And it is further true that, as a rule, the person who loses money in a bank failure is the one who is not able to lose the money; it is the poor unfortunate, nine times out of ten.

Mr. MCCLINTIC. In many instances it brings about runs on other institutions in the immediate centers and thereby affects every kind of business.

The CHAIRMAN. In other words, you mean no bank can fail without affecting some other bank in some certain degree?

Mr. MCCLINTIC. That is true.

The CHAIRMAN. And as I understand your argument, the well-managed banks could well afford to pay a small minimum amount of insurance against that sort of thing?

Mr. MCCLINTIC. That is it exactly.

The CHAIRMAN. Because whenever any bank fails it affects some other bank?

Mr. MCCLINTIC. That is it exactly.

Mr. PHELAN. How many bank failures have you had there in the past year in State banks?

Mr. MCCLINTIC. I could not answer that question; not very many. We have had, possibly, about the same number as national banks; possibly a few more. But there is a section in the Oklahoma statutes which provides that "no person who has been convicted for a violation of the banking laws of this or any other State shall be permitted to engage in or become an officer or official in any bank organized in this State."

That section was put in the law in order to keep wildcat bankers who had failed in other States from coming to Oklahoma and engaging in the banking business. In other words, the guaranty law of my State has been greatly tightened up until we have done away with many of the risks we had to go up against in the eary days following statehood. A guaranty bank law in a new State has to run many more risks than in an old State, for the reason that the people are not acquainted with the different characters who seek to engage in this kind of business, and oftentimes men who should not be granted charters are placed in charge of institutions.

Mr. PHELAN. There is a possible objection to a bank guaranty system that I think is of more importance than any I have heard mentioned here yet. The average man today endeavors, perhaps not always successfully, when he deposits money in a bank, to put it in a bank which he feels is well managed. In other words, he intrusts his money to men in whom he has confidence. In the long run, public opinion will, I think, pick out the men who are superior, rather than the men who are inferior, to handle their money.

Mr. MCCLINTIC. I think that is true.

Mr. PHELAN. The better class of men, therefore, will be handling the banks that are doing the largest amount of business; and, since all industry and commerce depends on efficient management of the banks, it is extremely important that the institutions which grow and have more and more power and resources shall be managed by capable men. Now there is this objection—perhaps it is not fatal, but there is this objection—to bank guaranty of deposits, that when a guaranty system is evolved and put into execution, it takes away entirely from the depositor any caution as to where he deposits his money, because he feels secure in any bank, with the possible result that bank deposits will be made in banks through friendship, politics, or what not, and not on the judgment of the depositor—deposits will be made in banks managed by men of the type who ought not to manage banks.

That goes right to the essence of the whole banking system, and I think it is one reason why men who have been successful in the banking business, who can see something besides their own business, who can see the necessity for proper and efficient bank management to the whole community, to the whole country, object to a bank guaranty bank system.

Mr. MCCLINTIC. But I do not think the public should be penalized because national or State bank authorities allow someone to engage in that business who should not have been granted the privilege. Under our present system, when an application is made, it is referred to an inspector in that particular section; and he makes an exhaustive report as to the financial condition of the men, their character, and all other facts possible to be obtained as to their business capacity.

Mr. LUCE. In the cities, these banks are often transferred from their original owners to other owners.

Mr. MCCLINTIC. That is true, and that is the reason our present law provides that when an inspector finds any official connected with a bank who is not satisfactory, he has the right to remove that official and to place somebody else in charge who will be satisfactory to the Government. In other words, we have advanced from the old days up to the present time where we have adopted a sufficient amount of machinery to get the very best class of people in the banking business; and it is my hope, in the interest of humanity, in the interest of good Government, that some legislation like this can be put into law so as to take care of emergency conditions in the future.

Mr. PHELAN. I have noticed this about the advocates of a guaranty bank system—I have an open mind on the thing and I want to get the argument, but I have noticed this—that they center the whole attention on the depositor, as if the depositor were the important person to be looked after in the banking system. Now it is a question whether that is the important thing.

Mr. MCCLINTIC. I am very glad the gentleman raised that point——

Mr. PHELAN. For example, although many people in Boston have been held up, on money deposited in banks—and they were all State banks, keep that in mind; they were all State banks that have failed, that have closed their doors—that may be simply an individual inconvenience or it may go a little farther, it may inconvenience a man's business; but if a bank is put in a position where it has to stop making loans or it is put in a position where it is obliged to contract credits, it can do ever so much more damage to the country, or to a particular community—ever so much more damage—than can be done to the depositors who cannot get their money. In other words, when we are looking at the banking system, we want to keep in mind that the bank not only serves the depositor—and, so far as we can do, properly and equitably, should be made to consider him fairly—but the bank must also be in a position where it can properly take care of borrowers.

Mr. SCOTT. Where does the bank get the money to loan to the borrowers?

Mr. MCCLINTIC. That is what I was going to ask. The gentleman must take into consideration that the banking institution cannot operate unless it has the confidence of its depositors, and the bank must do business on the money furnished by the depositors.

Mr. SCOTT. It depends on the depositor for its working capital.

Mr. MCCLINTIC. Yes; and the only privilege he gets is the checking system and to borrow money in case he can furnish sufficient collateral or is rated high enough to obtain the confidence of those in charge of the bank.

I am glad you raised that point, because I have introduced a bill here which is not perfect and will probably need amending, and it is my hope we can have a hearing to strengthen the various features that should be strengthened in a law of this kind; and on the point you have raised there, we ought to strengthen the regulations which have to do with the question of policies of our banks, which probably ought to receive some attention.

Mr. PHELAN. Just to take an example—I do not mean to imply there is any connection between the two things, and yet there may be some—you have a State guaranty system in Oklahoma.

Mr. MCCLINTIC. Yes; and in Kansas and in Texas.

Mr. PHELAN. But in Oklahoma, I am talking about particularly. There was no State in the Union that was more severely criticized by the Comptroller of the Currency a few years ago than your State for what he deemed excessive interest rates charged by the banks down there.

Mr. MCCLINTIC. Yes, sir.

Mr. PHELAN. I do not know there is any connection between the two things, perhaps not, but it is conceivable, possible, and even probable, that your borrowers down in Oklahoma can lose a great deal more by excessive interest rates than your depositors would suffer by failure of the banks to pay their obligations to the depositors in case of failure. That is my point.

Mr. MCCLINTIC. I want to answer your point. Oklahoma, or a larger portion of it, was opened for settlement 18 years ago. It was possibly the newest country in the United States where there was a large rush of immigrants. When those people came into that country and settled in that country and in that community, those who engaged in the banking business knew very little about them, except that they came from some other section of the country. That being the case, the risk was greatly increased. I mean by that when a man was given a loan, they did not know anything about the moral part of the risk. And while he may have had a certain amount of collateral, the moral risk was not known; the banker did not know him in the same degree it could have known him in the older States. That being the case, the bankers felt it was necessary to increase the rates in order to take care of the percentage of losses because of that fact. As the time has rolled on and we have weeded out many of those who might be classed as undesirables, the interest rates have gone down until today they compare favorably with those in the older States.

Mr. PHELAN. Wasn't it decided to change them after the publicity given by the Comptroller?

Mr. MCCLINTIC. I could not say as to that part.

Mr. STEVENSON. Those were national banks anyhow he was criticising, not banks under the guaranty system at all.

Mr. MCCLINTIC. That is true; they were national banks. But that is the reason; it is because of the moral risk.

Mr. PHELAN. I said, in my question, there might be no connection between the two at all; but, of course, the State banks charge the same amount of interest.

Mr. MCCLINTIC. Approximately.

Mr. PHELAN. My point was that you can do greater damage to a community in other ways than by losses to the depositors.

Mr. MCCLINTIC. I cannot agree with you, because there is nothing on earth that will demoralize a community like a bank failure; and if you have lived in a small community where everything is

taken care of by one bank and that bank has failed, you can appreciate this particular fact.

Mr. PHELAN. But do not beg the question. This bill provides a means to relieve depositors in failed banks, whereby they can be taken care of.

Mr. MCCLINTIC. That is true.

Mr. PHELAN. If you can prove the adoption of this system will result in fewer failed banks, you are making some progress, but you have not contemplated that and your bill does not propose to do it; so that when you say the failure of a bank in a community is disastrous, we all agree to that; but you are not taking care of that; you are taking care of the depositor after the failure. If your system will result in fewer failed banks, it is a very strong factor.

Mr. STEVENSON. Let me make this suggestion: My experience with a failed bank is that it ties up everything. Here is a bank with $500,000 of deposits in a community. They shut their doors. It is absolutely certain it will be 12 months and probably 15 before a dollar is paid out to the depositors. That $500,000 is taken right out of the commercial life of the community and tied up, and the result is the manufacturer over here who has a large deposit, and the merchant over there who has a large deposit and who expected to pay his bills with it, he has got his money tied up, and the next thing you know the merchant has gone to the wall. And then the depositor begins to get suspicious and he says "Here is my neighbor tied up down in this bank; I am going to take my money out of this other bank."

That is what broke 4 of the 5 trust companies in Boston, the loss of confidence that comes after a failure like that Napoleonic crash of Ponzi's. And if you fix it so that whenever a bank closes its doors the commercial life goes on and the depositors can all have their money available and their business can go right along, then the other banks will have the money with which to finance the usual functions of banking in that community and it keeps business moving. And the whole thing turns on that proposition. That is my experience.

Mr. MCCLINTIC. Let me add this, and then I am through: In addition to what my friend, Mr. Stevenson, from South Carolina, has said, if this bill becomes a law, instead of tying up the capital of the bank that fails and causing runs on a great many other banking institutions, it will be possible simply to turn that bank over to or place it in the hands of some other person, or some other set of officers, and then the assets of the bank can be collected without having their value depreciated, and there will be no more excitement over that failed bank than there is over the change of the control in any other kind of a business institution. A little State bank went broke in my town, and I dare say there were not 25 people in the town who knew it. If we can protect our financial system without increasing the cost to any great extent by providing this kind of protection to those who furnish the working capital of a bank and, at the same time, strengthen the regulations relative to the officers and to the business plans of the bank, then it does seem to me that this committee would be willing to set a date ahead for a hearing and let everyone that wants to come before it and offer any kind of suggestions that they cared to, in order that a bill of this kind might be perfected. And that is the reason I have brought a bill here relating to this subject. I realize there are some amendments that ought to be offered. In fact, I have some here that I have thought of since introducing the bill that I wish to offer in case the bill is allowed to be perfected. My only interest in presenting this plan is that it will do something to create a more efficient plan of taking care of the business of the country and, at the same time, protect our people and all other kinds of industries and institutions in case there are bank failures in the future.

Mr. BROOKS. The best feature I see in this bill is that it may have the result of preventing runs on banks.

Mr. MCCLINTIC. Mr. Chairman, I am very grateful to you and the other members of this committee for the opportunity extended me to present my ideas in favor of this proposed legislation.

(Thereupon the committee adjourned until tomorrow, Friday, Jan. 21, at 10:30 o'clock a.m.)

Mr. McGUGIN. Mr. Chairman, I ask unanimous consent to modify the amendment which I offered by striking out the limitation of 5,000 population and inserting in lieu thereof 2,500.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

Mr. SISSON. Mr. Chairman, I object.

Mr. GILCHRIST. I have just sent to the Speaker's desk an amendment of the same character as the amendment offered by the gentleman from Kansas [Mr. McGUGIN] which limits the provisions of section 309 to towns having a population of 3,000 or more. If the gentleman wishes to put it at 2,500, I would have withdrawn my amendment in favor of his; but on account of the objection made, I will not do that now.

I wish to say to the Membership of this House that it is not an evil to have officers or employees of banks in small towns perform this kind of insurance work. It has always been done. There are no adequate facilities in most cases in small villages of 1,000 or 1,200 or 1,500 population to do this kind of work. If this section is put into this bill, then the people who live in those smaller villages will have to go away to the larger cities in order to perform the business that they should do at home, and in order to have their insurances written. That in itself would be an evil. This work should not be prohibited here. This kind of legitimate work should be allowed to go on in small towns and villages. I agree thoroughly with the gentleman from Kansas [Mr. McGUGIN], and I hope the Membership of this House will not write into this bill, which we want to support, a provision which will drive away from it the good will of every man who lives in the smaller places. I venture the hope that the amendment offered by the gentleman from Kansas, or else my amendment, may be incorporated in this section. I know what I am talking about. I live in a little village of only 1,200 people. In my county there is not a town exceeding 1,500 population. We look to the men in the banks to write our insurance. It is nothing that should be prohibited. In many cases it is the only way we can get our insurance taken care of.

Mr. McGUGIN. Mr. Chairman, I ask unanimous consent to withdraw my amendment, and that will give right of way to the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas [Mr. McGUGIN]?

There was no objection.

Mr. GILCHRIST. I say again that I know how the business is being conducted in the small villages of this country. I hope you will vote for my amendment.

The CHAIRMAN. The gentleman from Iowa [Mr. GILCHRIST] offers an amendment, which the Clerk will report.

Mr. KVALE. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. KVALE. Is not the amendment offered by the gentleman from Iowa now pending?

The CHAIRMAN. The amendment is pending. The Clerk is about to report it.

The Clerk read as follows:

Amendment offered by Mr. GILCHRIST: On page 75, line 20, add the following: "This section shall not apply to banks operating in towns of less than 3,000 inhabitants."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The question was taken; and on a division (demanded by Mr. GILCHRIST) there were ayes 76 and noes 112.

So the amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer an amendment, which I have sent to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 9, strike out the letter "A" and insert in lieu thereof the following: "After 1 year from the date of the enactment of the Banking Act of 1933, no."

Mr. SISSON. Mr. Chairman, I submit the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. SISSON].

The amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 15, after the word "selling", strike out the word "any"; and in line 16 strike out the words "form of"; and in line 16, after the word "insurance", change the period to a semicolon and add the following language: "but this section shall not apply when the insurance so written is insurance on the life of a borrower in connection with a loan and when the said life insurance is for the protection of a bank and/or the endorsers or comakers for said borrower."

Mr. SISSON. Mr. Chairman, I will take just a minute to explain the purpose of this. This applies to Morris Plan banks. I am going to assume that every Member of the House knows what a Morris Plan bank is, and knows that it is a means whereby the poor man or poor woman in a community may obtain a loan without paying an excessive rate of interest, without going to the note shaver, if you please. The limit of the loan is usually $200. The loan is supposed to be made upon the moral character of the bor-

rower and the fact that he has two comakers on the note with him.

The Morris Plan bank when it makes this loan advises or requests him to take out an insurance policy in a company which is a company of their organization to the extent of the loan, namely, $100 or $200, for the protection of the bank and of the comakers. This provision in this law would prevent them from doing that.

Mr. STEAGALL. Mr. Chairman, I will say the committee has no objection to the amendment.

I now move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. SISSON].

The amendment was rejected.

Mr. MARTIN of Colorado. Mr. Chairman, I move that section 309 be stricken from the bill.

The Clerk read as follows:

Amendment offered by Mr. MARTIN of Colorado: On page 75, beginning with line 9, strike out section 309.

The CHAIRMAN. The question is on the amendment of the gentleman from Colorado.

The amendment was rejected.

The Clerk read as follows:

SEC. 311. The foregoing provisions of this title shall take effect at such time as the President, by proclamation, declares that such surveys have been made as he finds necessary for the proper execution of such provisions, but in no event shall such provisions take effect later than 1 year after the enactment of this act.

Mr. BROWN of Kentucky. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Kentucky: Page 76, line 3, after the word "effect", strike out the balance of the section and insert the following: "until the examinations provided in section 302-a of all State banks applying within 30 days from the enactment of this act have been completed and said applications approved or rejected."

Mr. BROWN of Kentucky. Mr. Chairman, this is the last opportunity the Members will have to express their views on this point. I want to make it clear to the Members that this is the last opportunity they will have to take care of their State banks.

When this bill becomes a law your national banks, your Reserve members, are immediately protected. The State banks have absolutely no protection until after they have been examined. This amendment provides that this act shall not take effect until after the examinations of the State banks have been completed.

A moment ago the Chairman of the Committee on Banking and Currency objected to a certain amendment offered by the gentleman from Michigan on the ground that if certain provisions of the bill were made effective immediately, there would be no opportunity of making these examinations.

I want to put an absolute safeguard in this bill so that the State banks will not be put under a handicap. In my town we have seven banks. Two of them are national banks. Put this law into effect and next Sunday's paper will carry the ad: "Our banks guaranteed by the Government. The other five are not."

What would you do if you had a deposit in the other banks? You would get your money and take it across the street to the bank that had the guaranty.

Now, this will work no hardship to the bill. The law will be just as effective.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Kentucky. I yield.

Mr. DONDERO. I am in sympathy with the gentleman's endeavor; but does not the gentleman think there should be a time limit within which the examinations of the State banks should be completed?

Mr. BROWN of Kentucky. I take it those who administer this law will complete the examination just as quickly as they can, but I have written into this amendment that all State banks which want protection must come in within 30 days. I take it those who are administering the law will complete the examinations just as speedily as possible.

Now, as I said, this is the last opportunity you are going to have to take care of your State banks. You cannot say that you left it to the President, because the President is not going to administer this act; and once it goes into effect with no provision whatever taking care of State banks, what are you going to say when you meet your State banker and he asks you: "What did you do to take care of the stockholders and depositors in our State banks?" Are you going to say you relied on the President? They sent you here to safeguard their interests. This is the last opportunity you will have to take care of the State banks. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky.

The question was taken; and on a division (demanded by Mr. BROWN of Kentucky) there were—ayes 116, noes 43.

So the amendment was agreed to.

Mr. WEIDEMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WEIDEMAN: On page 76, in line 3, strike out the words "1 year" and insert in lieu thereof the words "6 months."

Mr. GOSS. Mr. Chairman, I make the point of order that the House has already passed on this matter.

The CHAIRMAN. The Chair may say to the gentleman from Michigan that the substance of his amendment has already been acted upon.

Mr. WEIDEMAN. I am inclined to agree that it has. May I be heard on the point of order, Mr. Chairman?

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. WEIDEMAN. I wish the attention of the Chairman of the Committee on Banking and Currency. He moved to close debate. He ought to hear this.

The section in the present bill makes the guarantee of bank deposits effective not later than 1 year after the passage of the bill. I believe that the people want their bank deposits guaranteed now and that the 1-year period should be changed to 6 months in order to make this bill operate sooner.

The CHAIRMAN. The point of order is sustained.

The CHAIRMAN. The gentleman from Illinois [Mr. DOBBINS] has an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 76, after line 4, after the word "act", change the period to a colon and add the following: "*Provided*, That the provisions of this title, for the insurance of deposits in banks, shall become effective simultaneously in all banks then qualified therefor, but not until the Corporation shall have finally approved or rejected all applications from nonmember banks for participation in the plan of insurance, filed with the Corporation within 30 days after the enactment of this act, nor until final action shall have been taken upon all applications from nonmember banks for admission to the Federal Reserve System, regularly filed prior to the expiration of the said 30-day period."

Mr. DOBBINS. Mr. Chairman, my amendment is covered very thoroughly by the amendment of the gentleman from Kentucky [Mr. BROWN], and I ask unanimous consent to withdraw it.

The CHAIRMAN. Is there objection?

There was no objection.

The Clerk read as follows:

SEC. 312. The right to alter, amend, or repeal this act is hereby expressly reserved. If any provision of this act, or the application thereof to any person or circumstances, is held invalid, the remainder of the act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Mr. KVALE. Mr. Chairman, I ask unanimous consent to return to section 21 for the purpose of offering an amendment.

Mr. STEAGALL. Mr. Chairman, there will be no objection if the gentleman will submit his amendment for a vote on the particular amendment and let that be the end of it. Is this satisfactory to the gentleman?

Mr. KVALE. Will the gentleman allow me 1 minute?

Mr. STEAGALL. Is this satisfactory to the gentleman?

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. HUDDLESTON. Mr. Chairman, I object.

Mr. KVALE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, for the life of me I cannot understand how any Member of this House can take upon himself the responsibility of objecting to a request which is the result of an agreement that has been entered into, after debate, and as a result of an understanding and agreement with members of the committee.

Mr. HUDDLESTON. Mr. Chairman, I make the point of order the gentleman is not confining his remarks to the subject of his motion.

Mr. KVALE. The gentleman is quite correct, and if he wants to shut me off in that way he can do so.

Mr. HUDDLESTON. I would be willing for the gentleman to offer his amendment without debate. I would not have objected had the request been to return to this portion of the bill merely to offer the amendment.

Mr. KVALE. That is all I ask to do.

Mr. HUDDLESTON. The gentleman asked for time.

Mr. KVALE. I said I would not insist on any time.

Mr. HUDDLESTON. The gentleman insisted on having a minute, and we cannot grant time to one without granting it to all.

Mr. STEAGALL. I suggest the Chair again submit the request.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. HUDDLESTON. Mr. Chairman, reserving the right to object, if the gentleman merely wishes to offer an amendment I shall not object, but I shall object to any debate.

Mr. KVALE. I shall gladly accede to that.

Mr. HUDDLESTON. If the request is that we return merely for the purpose of offering the gentleman's amendment and if it is to be offered without debate, I shall not object.

Mr. KVALE. I so request, Mr. Chairman.

Mr. HUDDLESTON. I object unless the request is put in that form.

Mr. KVALE. I agree to that form.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The CHAIRMAN. The gentleman from Minnesota offers an amendment which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. KVALE: Page 28, line 25, after the words "not less than", strike out "$2,000" and insert in lieu thereof the following: "$2,500, unless the capital of the bank shall not exceed $50,000, in which case he must own in his own right shares having a par value in the aggregate of not less than $1,500, unless the capital of the bank shall not exceed $25,000, in which case he must own in his own right shares having a par value in the aggregate of not less than $750."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken; and on a division (demanded by Mr. KVALE) there were—ayes 136, noes 5.

So the amendment was agreed to.

Mr. LEWIS of Maryland. Mr. Chairman, I ask unanimous consent to return to section 4, page 6, line 1, for the sole purpose of offering an amendment, without debate, which I send to the Clerk's desk.

The CHAIRMAN. Is there objection to the request of the gentleman from Maryland?

Mr. DE PRIEST. I object.

The CHAIRMAN. Under the rule the Committee automatically rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration 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, under the provisions of the resolution he reported the same back to the House with the amendments adopted by the Committee.

The SPEAKER. Under the rule the previous question is ordered. Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. ZIONCHECK. Mr. Speaker, I offer the following motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. ZIONCHECK. I am.

The SPEAKER. Is any member of the committee opposed to the bill? If there is no member opposed to the bill who wishes to make a motion to recommit, the Clerk will report the motion of the gentleman from Michigan.

The Clerk read as follows:

Mr. ZIONCHECK moves to recommit the bill to the Committee on Banking and Currency with instructions to report the same back forthwith, amended as follows:

"On page 31, after line 4, insert a new section, as follows:

"'SEC. 25. Paragraph 1 of section 16 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 248), is hereby amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "*Provided*, That no such officer or employee shall receive a salary in excess of $10,000 per annum and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations.'"

"And on page 57, line 2, before the period, insert the following: "'*Provided*, That no such officer or employee shall receive a salary in excess of $10,000 per annum, and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations.'"

Mr. LUCE. Mr. Speaker, I make the point of order that neither of the provisions of the motion to recommit are germane to any provision of the bill.

The SPEAKER. That has already been passed upon in Committee of the Whole and was held to be germane.

IMPEACHMENT CHARGES

Mr. McFADDEN. Mr. Speaker, I rise to a question of constitutional privilege. On my own responsibility as a Member of the House of Representatives, I impeach Eugene Meyer, former member of the Federal Reserve Board; Roy A. Young, former member of the Federal Reserve Board; Edmund Platt, former member of the Federal Reserve Board; Eugene R. Black, member of the Federal Reserve Board and officer of the Federal Reserve Bank of Atlanta; Adolph Caspar Miller, member of the Federal Reserve Board; Charles S. Hamlin, member of the Federal Reserve Board; George R. James, member of the Federal Reserve Board; Andrew W. Mellon, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; Ogden L. Mills, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; William H. Woodin, Secretary of the United States Treasury and ex-officio member of the Federal Reserve Board; John W. Pole, former Comptroller of the Currency and former ex-officio member of the Federal Reserve Board; J. F. T. O'Connor, Comptroller of the Currency and ex-officio member of the Federal Reserve Board; F. H. Curtiss, Federal Reserve agent of the Federal Reserve Bank of Boston; J. H. Case, Federal Reserve agent of the Federal Reserve Bank of New York; R. L. Austin, Federal Reserve agent of the Federal Reserve Bank of Philadelphia; George De Camp, former Federal Reserve agent of the Federal Reserve Bank of Cleveland; L. B. Williams, Federal Reserve

agent of the Federal Reserve Bank of Cleveland; W. W. Hoxton, Federal Reserve agent of the Federal Reserve Bank of Richmond; Oscar Newton, Federal Reserve agent of the Federal Reserve Bank of Atlanta; E. M. Stevens, Federal Reserve agent of the Federal Reserve Bank of Chicago; J. S. Wood, Federal Reserve agent of the Federal Reserve Bank of St. Louis; J. N. Peyton, Federal Reserve agent of the Federal Reserve Bank of Minneapolis; M. L. McClure, Federal Reserve agent of the Federal Reserve Bank of Kansas City; C. C. Walsh, Federal Reserve agent of the Federal Reserve Bank of Dallas; Isaac B. Newton, Federal Reserve agent of the Federal Reserve Bank of San Francisco, jointly and severally, of high crimes and misdemeanors, and offer the following resolution:

Whereas I charge the aforesaid Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Peyton, M. L. McClure, C. C Walsh, Isaac B. Newton, Federal Reserve agents, jointly and severally, with violations of the Constitution and laws of the United States, and whereas I charge them with having taken funds from the United States Treasury which were not appropriated by the Congress of the United States, and I charge them with having unlawfully taken over $80,000,000,000 from the United States Government in the year 1928, the said unlawful taking consisting of the unlawful creation of claims against the United States Treasury to the extent of over $80,000,000,000 in the year 1928, and I charge them with similar thefts committed in 1929, 1930, 1931, 1932, and 1933, and in years previous to 1928, amounting to billions of dollars; and

Whereas I charge them, jointly and severally, with having unlawfully created claims against the United States Treasury by unlawfully placing United States Government credit in specific amounts to the credit of foreign governments and foreign central banks of issue; private interests and commercial and private banks of the United States and foreign countries, and branches of foreign banks doing business in the United States, to the extent of billions of dollars; and with having made unlawful contracts in the name of the United States Government and the United States Treasury; and with having made false entries on books of account; and

Whereas I charge them, jointly and severally, with having taken Federal Reserve notes from the United States Treasury and with having issued Federal Reserve notes and with having put Federal Reserve notes into circulation without obeying the mandatory provision of the Federal Reserve Act which requires the Federal Reserve Board to fix an interest rate on all issues of Federal Reserve notes supplied to Federal Reserve banks, the interest resulting therefrom to be paid by the Federal Reserve banks to the Government of the United States for the use of the said Federal Reserve notes, and I charge them with having defrauded the United States Government and the people of the United States of billions of dollars by the commission of this crime; and

Whereas I charge them, jointly and severally, with having purchased United States Government securities with United States Government credit unlawfully taken and with having sold the said United States Government securities back to the people of the United States for gold or gold values and with having again purchased United States Government securities with United States Government credit unlawfully taken and with having again sold the said United States Government securities back to the people of the United States for gold or gold values, and I charge them with having defrauded the United States Government and the people of the United States by this rotary process; and

Whereas I charge them, jointly and severally, with having unlawfully negotiated United States Government securities, upon which the Government's liability was extinguished, as collateral security for Federal Reserve notes and with having substituted such securities for gold which was being held as collateral security for Federal Reserve notes, and with having by this process defrauded the United States Government and the people of the United States, and I charge them with the theft of all the gold and Federal Reserve currency they obtained by this process; and

Whereas I charge them, jointly and severally, with having unlawfully issued Federal Reserve currency on false, worthless, and fictitious acceptances and other circulating evidences of debt, and with having made unlawful advancements of Federal Reserve currency, and with having unlawfully permitted renewals of acceptances and renewals of other circulating evidences of debt, and with having permitted acceptance bankers and discount dealer corporations and other private bankers to violate the banking laws of the United States; and

Whereas I charge them, jointly and severally, with having conspired to have evidences of debt to the extent of over $1,000,000,000 artificially created at the end of February 1933 and early in March 1933, and with having made unlawful issues and advancements of Federal Reserve currency on the security of the said artificially created evidences of debt for a sinister purpose, and with having assisted in the execution of the said sinister purpose; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the currency obligations of the Federal Reserve banks to the people of the United States, and with having conspired to obtain a release for the Federal Reserve Board and the Federal Reserve banks from their contractual liability to redeem all Federal Reserve currency in gold or lawful money at any Federal Reserve bank, and with having defrauded the holders of Federal Reserve currency, and with having conspired to have the debts and losses of the Federal Reserve Board and the Federal Reserve banks unlawfully transferred to the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully substituted Federal Reserve currency and other irredeemable paper currency for gold in the hands of the people after the decision to repudiate the Federal Reserve currency and the national currency was made known to them, and with having thus obtained money under false pretenses; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the national currency of the United States in order that the gold value of the said currency might be given to private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements, and the people of the United States be left without gold or lawful money and with no currency other than a paper currency irredeemable in gold, and I charge them with having done this for the benefit of private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements; and

Whereas I charge them, jointly and severally, with conniving with the Edge law banks and other Edge law institutions, accepting banks, and discount corporations, unlawfully to finance foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and foreign individuals with funds unlawfully taken from the United States Treasury; and I charge them with having unlawfully permitted and made possible "mass financing" of foreigners at the expense of the United States Treasury to the extent of billions of dollars and with having unlawfully permitted and made possible the bringing into the United States of immense quantities of foreign securities, created in foreign countries for export to the United States, and with having unlawfully permitted the said foreign securities to be imported into the United States instead of gold, which was lawfully due to the United States on trade balances and otherwise, and with having unlawfully permitted and facilitated the sale of the said foreign securities in the United States in a manner prejudicial to the public welfare and inimical to the Government of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully made loans of gold and of gold values belonging to the bank depositors and the general public of the United States to foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and individuals, and the Bank for International Settlements, to the loss and detriment of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully exported gold reserves belonging to the national bank depositors and gold belonging to the general public of the United States to foreign countries, and with having converted the said gold into foreign currencies, and with having used it for the benefit of foreigners, and for speculative purposes abroad, and with having unlawfully converted to their own use and the use of others gold belonging to the United States stored or held in foreign countries, and with having unlawfully prevented the shipment to the United States of the said gold which was due to the United States, and with having permitted the importation under their supervision of false, worthless, and fictitious trade paper and foreign securities of doubtful value in lieu of it, and with having caused the United States to lose the said gold; and

Whereas I charge them, jointly and severally, with having unlawfully exported United States coins and currency for a sinister purpose, and with having deprived the people of the United States of their lawful circulating medium of exchange, and I charge them with having arbitrarily and unlawfully reduced the amount of money and currency in circulation in the United States to the lowest rate per capita in the history of the Government, so that the great mass of the people have been left without a sufficient medium of exchange, and I charge them with concealment and evasion in refusing to make known the amount of United States money in coins and paper currency exported abroad and the amount remaining in the United States, as a result of which refusal the Congress of the United States is unable to ascertain where the United States coins and issues of currency are at the present time and what amount of United States currency is now held abroad; and

Whereas I charge them, jointly and severally, with having arbitrarily and unlawfully raised and lowered the rates on money and with having arbitrarily increased and diminished the volume of currency in circulation for the benefit of private interests and foreign speculators at the expense of the Government and the people of the United States and with having unlawfully manipulated money rates, wages, salaries, and property values, both real and personal, in the United States, by unlawful operations in the open discount market and by resale and repurchase agreements unsanctioned by law; and

Whereas I charge them, jointly and severally, with having brought about the decline in prices on the New York Stock Exchange and other exchanges in October 1929 by unlawful manipulation of money rates and volume of United States money and currency in circulation; by thefts of funds from the United States Treasury; by gambling in acceptances and United States Govern-

ment securities; by services rendered to foreign and domestic speculators and politicians, and by the unlawful sale of United States gold reserves, and whereas I charge that the unconstitutional inflation law imbedded in the so-called "Farm Relief Act" by which the Federal Reserve Board and the Federal Reserve banks are given permission to buy United States Government securities to the extent of $3,000,000,000 and to draw forth currency from the people's Treasury to the extent of $3,000,000,000 is likely to result by connivance on the part of the said accused with others in the purchase by the Federal Reserve banks of United States Government securities to the extent of $3,000,000,000 with the United States Government's own credit unlawfully taken, it being obvious that the Federal Reserve Board and the Federal Reserve banks do not intend to pay anything of value to the United States Government for the said United States Government securities—no provision for payment in gold or lawful money appearing in the so-called "Farm Relief Act"—and that the United States Government will thus be placed in the position of conferring a gift of $3,000,000,000 in United States Government securities on the Federal Reserve Board and the Federal Reserve banks to enable them to pay more of their bad debts to foreign governments, foreign central banks of issue, private interests, and private and commercial banks, both foreign and domestic, and the Bank for International Settlements, and whereas the United States Government will thus go into debt to the extent of $3,000,000,000 and will then have an additional claim for $3,000,000,000 in currency unlawfully created against it and whereas no private interests should be permitted to buy United States Government securities with the Government's own credit unlawfully taken and whereas currency should not be issued for the benefit of the said private interests or any interests on United States Government securities so acquired, and whereas it has been publicly stated and not denied that the inflation amendment to the Farm Relief Act is the matter of benefit which was secured by Ramsay MacDonald, the Prime Minister of Great Britain, upon the occasion of his latest visit to the White House and the United States Treasury, and whereas there is grave danger that the accused will employ the provision creating United States Government securities to the extent of $3,000,000,000 and $3,000,000,000 in currency to be issuable thereupon for the benefit of themselves and their foreign principals, and that they will convert the currency so obtained to the uses of Great Britain by secret arrangements with the Bank of England of which they are the agents, and for which they maintain an account and perform services at the expense of the United States Treasury, and that they will likewise confer benefits upon the Bank for International Settlements for which they maintain an account and perform services at the expense of the United States Treasury; and

Whereas I charge them, jointly and severally, with having unlawfully concealed the insolvency of the Federal Reserve Board and the Federal Reserve banks and with having failed to report the insolvency of the Federal Reserve banks to the Congress and with having conspired to have the said insolvent institutions continue in operation, and with having permitted the said insolvent institutions to receive United States Government funds and other deposits, and with having permitted them to exercise control over the gold reserves of the United States and with having permitted them to transfer upward of $100,000,000,000 of their debts and losses to the general public and the Government of the United States, and with having permitted foreign debts of the Federal Reserve banks to be paid with the property, the savings, the wages, and the salaries of the people of the United States, and with the farms and homes of the American people, and whereas I charge them with forcing the bad debts of the Federal Reserve banks upon the general public covertly and dishonestly and with taking the general wealth and savings of the people of the United States under false pretenses, to pay the debts of the Federal Reserve banks to foreigners, and

Whereas I charge them, jointly and severally, with violations of the Federal Reserve Act and other laws; with maladministration of the Federal Reserve Act; and with evasions of Federal Reserve law and other laws, and with having unlawfully failed to report violations of law on the part of Federal Reserve banks which, if known, would have caused the said Federal Reserve banks to lose their charters, and

Whereas I charge them, jointly and severally, with failure to protect and maintain the gold reserves and the gold stock and gold coinage of the United States and with having sold the gold reserves of the United States to foreign governments, foreign central banks of issue, foreign commercial and private banks, and other foreign institutions and individuals at a profit to themselves, and I charge them with having sold gold reserves of the United States so that between 1924 and 1928 the United States gained no gold on net account, but suffered a decline in its percentage of central gold reserves from 45.9 percent in 1924 to 37.5 percent in 1928 notwithstanding the fact that the United States had a favorable balance of trade throughout that period; and

Whereas the United States was the only country which lost a considerable quantity of gold during that period, to wit, 1924 to 1928, inclusive, I charge them with the theft and sale of the said gold to their foreign principals, and I charge them with the theft and sale of 10 percent of the entire gold stock of the United States during the last 4 months of 1927 and during 1928 after crediting all importations of gold received by the United States during that period, this theft and sale of 10 percent of the gold stock of the United States occasioning the largest gold outflow from the United States that had ever theretofore occurred, and I charge them with the theft and sale of all the gold reserves exported from the United States from the year 1928 to the present time, a period during which the United States has lost gold continuously and has gained no gold on net account, notwithstanding the fact that the balance of trade and accounts throughout the entire period has been in favor of the United States; and

Whereas the United States has received no gold on net account since 1923, a period of 10 years during which the United States has had a favorable balance of trade and has had large sums due to it and payable in gold from foreign nations and has not received such sums in gold, I charge them, the said accused, with the theft of gold which was lawfully due to the United States, with the theft of gold belonging to the United States, and with the unlawful diversion of United States gold to the treasuries and central banks of foreign countries, and I charge them with concealment of the true condition and amount of the gold reserves of the United States at the present time; and

Whereas I charge them, jointly and severally, with having conspired to concentrate United States Government securities and thus the national debt of the United States in the hands of foreigners and international money lenders and with having conspired to transfer to foreigners and international money lenders title to and control of the financial resources of the United States; and

Whereas I charge them, jointly and severally, with having fictitiously paid installments on the national debt with Government credit unlawfully taken; and

Whereas I charge them, jointly and severally, with the loss of United States Government funds intrusted to their care; and

Whereas I charge them, jointly and severally, with having destroyed independent banks in the United States and with having thereby caused losses amounting to billions of dollars to the depositors of the said banks and to the general public of the United States; and

Whereas I charge them, jointly and severally, with failure to furnish true reports of the business operations and the condition of the Federal Reserve banks to the Congress and the people, and with having furnished false and misleading reports to the Congress of the United States; and

Whereas I charge them, jointly and severally, with having published false and misleading propaganda intended to deceive the American people and to cause the United States to lose its independence; and

Whereas I charge them, jointly and severally, with unlawfully allowing Great Britain to share in the profits of the Federal Reserve System at the expense of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having entered into secret agreements and illegal transactions with Montagu Norman, governor of the Bank of England; and

Whereas I charge them, jointly and severally, with swindling the United States Treasury and the people of the United States in pretending to have received payment from Great Britain of the amount due on the British war debt to the United States in December 1932; and

Whereas I charge them, jointly and severally, with having conspired with their foreign principals and others to defraud the United States Government and to prevent the people of the United States from receiving payment of the war debts due to the United States from foreign nations; and

Whereas I charge them, jointly and severally, with having robbed the United States Government and the people of the United States by their theft and sale of the gold reserve of the United States and other unlawful transactions, and with having created a deficit in the United States Treasury which has necessitated to a large extent the destruction of our national defense and the reduction of the United States Army and the United States Navy and other branches of the national defense; and

Whereas I charge them, jointly and severally, with having reduced the United States from a first-class power to one that is dependent, and with having reduced the United States from a rich and powerful Nation to one that is internationally poor; and

Whereas I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the United States, and with having treasonably conspired to destroy constitutional government in the United States: Therefore be it

Resolved, That the Committee on the Judiciary is authorized and directed, as a whole or by subcommittee, to investigate the official conduct of Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; and F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Payton, M. L. McClure, C. C. Walsh, Isaac B. Newton, Federal Reserve agents, to determine whether, in the opinion of the said committee, they have been guilty of any high crime or misdemeanor which, in the contemplation of the Constitution, requires the interposition of the constitutional powers of the House. Such committee shall report its findings to the House, together with such resolution or resolutions of impeachment or other recommendations as it deems proper.

For the purposes of this resolution the committee is authorized to sit and act during the present Congress at such times and places in the District of Columbia or elsewhere, whether or not the House is sitting, has recessed, or has adjourned, to hold such clerical, stenographic, and other assistants, to require the attendance of

such witnesses and the production of such books, papers, and documents, to take such testimony, to have such printing and binding done, and to make such expenditures as it deems necessary.

During the reading of the above the following occurred:

Mr. MAPES. Mr. Speaker, a point of order. I wish to submit the question to the Speaker as to whether or not a person who is not now in office is subject to impeachment? This resolution of the gentleman from Pennsylvania refers to several people who are no longer holding any public office. They are not now at least civil officers. The Constitution provides that the "President, Vice President, and all civil officers shall be removed from office on impeachment", and so forth. I have had no opportunity to examine the precedents since this matter came up, but it occurs to me that the resolution takes in too much territory to make it privileged.

The SPEAKER. That is a constitutional question which the Chair cannot pass upon, but should be passed upon by the House.

Mr. BYRNS. Mr. Speaker, I move that the resolution and charge be referred to the Committee on the Judiciary.

The motion was agreed to.

REGULATION OF BANKS

The SPEAKER. The question is on the motion to recommit the bill (H.R. 5661).

The motion was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 262, noes 19.

So the bill was passed.

A motion to reconsider the vote by which the bill was passed was laid on the table.

GUARANTY OF BANK DEPOSITS

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

Mr. SPEAKER. Is there objection?

There was no objection.

Mr. DONDERO. Mr. Speaker, coming from a section of the land where bank failures and the closing of banks, State and national, have caused untold distress and hardship, I arise to speak in favor of the pending bill, H.R. 5661, with more than ordinary interest.

Living in a township in which 80,000 people reside, where every one of its seven banks closed its doors, and this within the metropolitan area of Detroit, I yield to no person the right to claim greater knowledge of the misery and deprivation to which such a situation can subject a people.

Only once before in the history of the Nation, namely in 1837, did a like situation occur in this country when all the banks of the land practically closed at one time. That was known as the "wildcat period" of our national existence. Then every bank issued its own money. The country had launched itself upon a program of expansion and the construction of internal improvements, such as canals and railroads. It was a boom time, a period of great inflation, and in its train came conditions not unlike the present.

The present economic period, caused by inflation, abnormal prices, and, also, by abnormal growth in the large populated centers of the country, has again left our people in the slough of despair and misery. Their life's earnings and savings have been swept away and have vanished like mist before the rising sun. Thousands of banks in the country have closed, not because all bankers have been dishonest or have overreached, but because of the unparalleled depreciation of the securities in which the banks have invested their money. But regardless of how or what the cause has been that has closed the banks, the result is exactly the same, viz, that the people of the country have lost all faith and confidence in our banks and in our banking system and institutions.

In addition to the enormous sums of money lost, there has also been an enormous sum of money which has gone into hiding, and I am informed that the amount is nearly $2,000,000,000, which has been withdrawn from the channels of trade and of commerce. It has been secreted in the button box, the family clock, the secret drawer, and the safety-deposit box. That money is going to remain there until this Congress passes some form of legislation to guarantee or insure to the people the safety of their hard-earned money.

The bill before the House may not be a perfect bill in its entirety, but it does contain the principle which the country is demanding, namely, that the deposits from now on in banks, whether national or State, shall be guaranteed and secured to the people. That principle has my complete and hearty endorsement. The temper and feeling of the people, in which their loss of confidence is reflected, is borne out by the fact that the Postal Savings deposits in the United States have increased more than 100 percent in the last 12 months, and today I have been informed by the Post Office Department that the amount of money now on deposit in the Postal Savings Department of the Government amounts to $1,157,651,000, bearing interest at 2 percent. There is only one answer to this tremendous increase in the deposits of the Postal Savings Department and that is that the people still have faith and confidence in the Government of the United States. It is one bank in the country that has never closed, and the depositors know they can have their money upon demand.

Let us support this bill and guarantee to all the people the same security of their deposits in banks that the people now have in the Postal Savings of the Nation. It will do much to restore the faith and confidence of the people, not only in the financial institutions and the banking system of the country but it will restore faith and hope in the people.

Idle dollars make idle men. Encourage hidden wealth to march out of its hiding places into the proper channels of commerce and industry and the wheels of business will begin to turn again. Money will be more plentiful; credit will be reestablished; funds will be available for legitimate enterprises, and upon the whole the country will be greatly benefited, and we will do much toward restoring prosperity to our people by this constructive piece of legislation. I hope the bill will pass and be enacted into law at the earliest possible date.

REORGANIZATION OF GOVERNMENT BUREAUS

Mr. BOLTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. BOLTON. Mr. Speaker, there has been so much discussion of the possibility of transferring work now done by the Corps of Engineers, United States Army, to other bureaus or departments that I believe it is the logical time to point out some of the reasons why such a transfer should not be put into effect. For perhaps 20 years there has been agitation for the consolidation of public-works activities of the Government and there is always coupled with this the suggestion that the civil duties of the Engineer Corps be taken over by some other bureau or a department of public works. This proposal was renewed in the presidential message of December 9, 1932, recommending consolidation of various governmental agencies. Broad authority has been given to the President with a view to reorganization of the Federal Government.

My purpose is to present some of the facts and considerations which should be cited in opposition to this transfer. First, however, it is useful to examine the reasons advanced by groups of civilian engineers and others who have appeared at congressional hearings in favor of this transfer. These arguments are without exception speculative generalities without statistical foundation. They fall into four general groups; namely, that (1) such a transfer would result in economy; (2) that it would bring greater efficiency; (3) that it is unfair to civilian engineers to have the work performed by the military branch of the Government; and (4) that the Engineer Corps would be benefited by the proposed transfer and national defense better served.

A. It is asserted that such a transfer would produce substantial economies in public-works expenditures, probably

from 15 to 25 percent—no particulars given. The statements generally made in support of this assertion are:

First. By consolidating all public works many overlapping functions would be eliminated; reductions in personnel and operating expenses would be achieved.

The principal civil duties of the Corps of Engineers are flood control, rivers and harbors works and allied services, and certain construction and maintenance duties in the District of Columbia and in connection with memorials. All these are specialized functions which in no sense overlap with the functions of any other branch of the Government. In instances where the facilities of other departments are of incidental use to the corps, or where it is able to render assistance to other branches, the fullest cooperation is practiced.

Second. The Engineer Corps has equipment valued at approximately $60,000,000, but only uses it in conducting less than $20,000,000 of work each year. This would represent a ruinous waste in the case of private engineering firms. Under the proposed consolidation this expensive equipment would be available for all Government works and would be of more constant public value.

These statements are inaccurate. The work done with Government plant and hired help each year is not 30 percent the value of the plant but approximately 100 percent. A large part of this plant consists of sea-going dredges with a useful life of 25 years. Much of this plant is kept at points where may arise emergencies involving great losses to commerce, and it may, therefore, be considered to serve the same purpose as a fire department, not an idle plant. Finally, this equipment enables the Engineer Corps to keep at a minimum bids for work submitted by private contractors, as it operates with hired labor all works for which the lowest bids are in excess of 25 percent more than the Army estimates of costs. Over a 5-year period the savings on work executed on which bids had been rejected amounted to 38 percent. In determining these costs the Corps of Engineers includes depreciation and carrying charges on its plant, so that comparisons with private bids are equitable.

Third. More than $2,000,000,000 have been spent through the Engineer Corps for construction and maintenance, not including the original cost of the Panama Canal. It is contended that the great works for which the Engineer Corps receives credit were actually done by civilian engineers, and that there is no evidence that these works were done with greater economy than they would have been if entirely under the direction of civilian engineers.

The burden of proof in this respect does not rest with the Corps of Engineers, as probably no other group of works of such magnitude may be cited in whose history there has never been a suspicion of graft, waste, and incompetence. In more than a century there has been but one case of an officer who has been accused of irregularity.

Fourth. The assertion is frequently made that the United States stands almost alone among civilized nations in not having all of its public works under a consolidated department of public works. This is cited as evidence of the superior economy of consolidation.

This statement is misleading; as a matter of fact, in Canada the rivers and harbors work is conducted by three different agencies; in Great Britain it is spread among many governmental and private agencies; in Germany and many other countries it is conducted by various state agencies; and in France the system practically parallels ours.

The foregoing are the chief contentions that economies would be realized by the proposed consolidation of rivers and harbors work under a public-works agency.

B. Advocates of the transfer of these functions assert that superior efficiency will be realized. The following reasons are advanced:

First. Probably, it is said, only about one third of the personnel of the Corps of Engineers could qualify as engineers in the professional meaning of the word. The training at West Point is said not to be the equivalent of a technical school. Consequently civilian engineers of established ability are frequently under the authority of untrained Army officers.

The training required in the Corps of Engineers exceeds that of civilian engineers. Four years at West Point, which is recognized as the equivalent of a bachelor of science in engineering; 2 years as student officer attached to rivers and harbors work, learning every practical detail from the ground up; a post-graduate course of a year at a leading technical institution; a special rivers and harbors course at the engineering school at Fort Humphreys; detail as assistant to district engineers. The Corps of Engineers in its conduct of the civil-construction operations has become a national institution with a most enviable heritage to maintain. Officers of the corps are permitted to assume responsible authority over public works only after a most thorough training acquired by technical and practical application under the tutelage of officers of ripe experience. Only after considerable service in this capacity may an officer be put in authority over any of the works. The fact that Army engineers are frequently offered high salaries in civilian engineering is ample evidence that they are equipped to compete with civilians in a professional capacity.

Second. The frequent transfers of officers detailed to public works from one post to another at intervals of 3 or 4 years is considered as a grave handicap, preventing continuity of policy and dividing the responsibility for the work.

Granting that an officer may need a little time to orient himself to the problems of a new post, these changes are considered highly desirable from a civil as well as a military viewpoint. They tend to stabilize standards of Army work at a high and uniform level. Change of station is also very important in that it stimulates and infuses the spirit of the local organization forces, reducing human tendency to become routine, prosaic, and self-satisfied. Change of officers not only permits a broadening of the officer's vision, but also effectively insures against a common tendency of the local force to take things for granted to the expense and disadvantage of the Government. This matter of regulated change in station is one of the very most important matters in the successful and economical conduct of Federal work and of officer personnel. Instead of preventing continuity of policy, the changes most decidedly preserve continuity of a national policy, forestalling the building-up of local detached practices in the conduct of public work which would soon become, if not controlled, both costly and detrimental to the best interests of the United States. An officer at a new post finds there an established routine which is identical with the post he has left, and he takes up his duties with the valuable knowledge of river and harbor work from a national viewpoint, free from local influence and prejudices. Thus ruts are avoided and wider experience is applied to each job.

Third. Promotions and assignments of Army engineers depend on Army politics and not upon engineering ability.

This statement was evidently published in ignorance of the fact that promotions are automatic in the Engineer Corps. Probably in no other organization, public or private, is advancement as free from politics. As for the assignments, the posts are filled by the men whose records show them to be the best fitted for them.

Fourth. No one in the War Department cares very much whether one of these civil works costs a million dollars or so more or less than it should. * * * No one seems to care as long as the papers are straight.

This opinion does not take into account the fact that the Engineer Corps has a magnificent tradition of public service, and that there is a healthy element of competition with other Government departments in seeking to produce the best possible results for the money expended. Moreover, in no other branch of the Government does each project come under the scrutiny of as many disinterested officials before it is approved.

Fifth. Excessive red tape and paper work cause unnecessary delays.

No Government department, particularly the one to which the proposed transfer is to be made, is as free of red tape as a private corporation, for the obvious reason of its accountability for funds. This is the procedure for any rivers and harbors works: Upon request from Congress, a preliminary examination by the district engineer is undertaken to ascertain the probable public usefulness of his project. His report goes in turn for approval to the division engineer, the Board of Engineers, the Chief of Engineers, and the Secretary of War. If recommendations are favorable, an estimate of costs is authorized, and this follows the same route and is finally transmitted to Congress for authorization, and, if granted, an appropriation when the recommendation of the Chief of Engineers indicates the project can be advantageously carried forward. This procedure is further refutation of argument "4."

Sixth. There is insufficient inspection work to keep headquarters in Washington in touch with the progress of each project.

This decentralization of the Engineer Corps activities by which each district engineer and division engineer is responsible for the works under his supervision tends to promote efficiency and keep departmental overhead at a minimum. Each is thoroughly familiar with the problems in his locality and is relieved of the interference of a large central organization which would require a large office staff.

C. Civilian engineers assert that it is unfair to the profession to have the rivers and harbors work under the exclusive direction of military officers.

First. About 70 or 80 percent of the work administered by the Corps of Engineers, it is inaccurately stated, is actually let out to private contractors. And the work that is conducted by the Engineer Corps is largely done by the 1,000 civilian engineers it employs. Only about 150 officers are assigned to the service in supervisory capacity. Thus, while these receive all the credit they can only do at most 5 percent of the work.

Second. It is unjust to exclude the 200,000 civilian engineers of the country from the opportunity to participate in the important rivers and harbors works.

Third. The monopoly of this work by the Engineers Corps is a reflection upon the engineering schools and upon the other engineering branches of the Government. By maintaining that only the Army can do this to best public advantage, the implication is that West Point graduates are superior to all others.

These arguments are obviously of little importance. It is true that the Army officers assigned to the work are negligible in relative numbers, and that the bulk of the actual work is done by civilian engineers. But if these officers, drawing the very modest Army salaries, were to be withdrawn from these services, few engineers competent to undertake the responsibilities for supervising the expenditure of more than a hundred million dollars annually could be found who would do the work and remain in the service at salaries less than several times as high. Many officers receiving $5,000 to $6,000 a year have responsibilities commensurate with those of engineers receiving, in civil life, $50,000.

It is frequently said that the rivers and harbors work is an expensive training school for military engineers. But it would be infinitely more expensive as a sort of philanthropic institution for the benefit of the engineering profession, which has succeeded, without this help, in growing to 200,000 members. As a matter of fact, many Civil Service engineers receive training as employees of the Engineer Corps which enables them to earn salaries many times higher than those of the officers.

D. It is asserted that the Engineer Corps would benefit by the proposed transfer and that national defense would be better served.

First. Flood control and rivers and harbors work are no more a primary function of the Army than are postal and telegraph services. Therefore it would be of advantage to release the Engineer Corps from these civil duties for purely military activities.

In peace time there is little strictly military engineering work to be done which is comparable to the activities the Corps of Engineers is called upon to conduct in time of war. These civil duties are therefore invaluable training and are essential to national defense. They also enable an indispensable group of officers which would have to be maintained to render a great public service at low cost to the public.

Second. The civil-engineering works of the Corps of Engineers is regarded by most of the Army as time and energy wasted, and experience and skill in this work, instead of helping in the advancement of an officer, become a bar to his promotion.

This will be seen to be unfounded when we consider that the Engineer Corps has the pick of the graduates of West Point, and that the average age of its officers has generally been lower than that of other services, indicating more rapid advancement.

Third. With all public works consolidated under one Government agency, officers of the Corps of Engineers could put their knowledge to good use by being detailed for work under this department, and they could broaden their experience by being assigned to other types of engineering.

Such a procedure would break the morale of the Engineer Corps and destroy a magnificent tradition. Further, it is inconsistent with the argument that the rivers and harbors work is an expensive training school for the Army. Here it is proposed to replace low-salaried officers with high-salaried civilians, and then to assign officers to work in which they have not had specialized experience and in which they would be at their minimum value to the public. A better proposal would be to consolidate some of the other Government engineering activities under the Corps of Engineers, whose record for efficiency is unexcelled by any institution, public or private.

Fourth. In time of war the Army is obliged to employ a great number of civilian engineers. Therefore the more opportunity there is for them to be trained, the more will be available in time of emergency.

The obvious fallacy of this point is that if civilians were to replace the officers, man for man, there would only be 150 additional trained. And there would be left no body of engineering officers experienced in supervising civilian engineers and fitted to cooperate with them in war-time activity.

These various assertions constitute practically the entire case for the transfer, as it has been presented by various persons and agencies at various times for more than 20 years. Persons alleged to be spokesmen for a group of civilian engineers have asserted that savings of 15 to 25 percent could be effected by the consolidation, but have failed when requested to cite a single concrete instance in which this could be done.

The remainder of this report will present a few definite facts to indicate the economy and high order of efficiency of the operations of the Corps of Engineers.

STATISTICS ON OVERHEAD COSTS OF RIVER AND HARBOR WORK

The following tabulation is based on the 5-year period of 1928–32. The sums are totals and the percentages are average annual overhead.

	Field costs of work done	Overhead costs			Overhead percentage
		Distribution and division	Departmental	Totals	
					Percent
Hired labor	$229,632,058.97	$16,696,041.94			7.27
Contract work	231,892,708.85	8,691,744.80			3.75
Total	461,524,767.02	25,387,786.74			5.50
			$970,602		0.19
				$26,358,388.74	5.69
Work plus overhead	487,883,156.86				5.40

The items included in overhead in this tabulation are: Personal services, clerical, professional, inspection, pay of officers; rents, telephone and telegraph, travel, motor-vehicle operation, speedboat operation, operation of other inspection

boats, and miscellaneous, including forms, stationery, freight and cartage, depreciation of furniture and fixtures, laundry, ice, and miscellaneous office supplies.

This tabulation shows that the departmental overhead for these works averages only 0.19 percent; the field overhead, 5.5 percent; the total overhead, 5.69 percent; and the total overhead on the total expenditures, 5.4 percent.

The salaries paid to officers assigned to rivers and harbors works, at the rate of about $205,000 a year, amount to about 0.18 percent of the total expenditures.

To state these figures in another way, for every $1,000 worth of rivers and harbors work, $54 is spent on field and office overhead, of which $1.90 sustains the office of the Chief of Engineers, and $1.80 is paid to officers assigned to these duties.

These figures may well be considered an irreducible minimum for an organization covering about 50 districts spread throughout the country.

The Engineer Corps estimates, from its commerce statistics, that the rivers and harbors works save the Nation an amount approaching $500,000,000 a year in transportation costs. This constitutes approximately a return of 500 percent on the annual expenditure of about $100,000,000 for this work.

Value and use of plant

	Book value	Cost of work done with it, 1932
Rivers and harbors:		
Floating and land plant	$35,215,466.32	$36,595,065.91
Shops, yards, including buildings	2,637,656.08	
Total	37,853,111.40	
Others, floating and land plant	11,647,001.23 2,172,172.36	12,071,867.41
Total plant (This does not include District of Columbia water works, $6,456,289.50.)	51,672,284.99	48,666,933.32

This equipment is almost entirely of long-lived type, as contrasted with the short-lived plants generally used for ordinary construction. The sea-going hopper dredges, for example, valued at $8,582,725.37, have an estimated useful life of 25 years. In 1932 dredging with these was conducted at the low average cost of 7.67 cents a cubic yard.

Thus, contrary to assertions cited, it will be seen that the equipment of the Corps of Engineers is used to unusually good advantage.

CIVIL DUTIES AND NATIONAL DEFENSE

No proposal for the transfer of the civil duties of the Corps of Engineers should be discussed without taking into consideration its influence upon national defense. In times of peace the military activities of the Engineer Corps are negligible as compared with war times. During the World War the corps handled 500 to 700 times as much military engineering as in time of peace.

These war-time activities, however, were only about 10 times the volume of the civil engineering currently supervised by the Engineer Corps, or about $1,162,000,000. That the Engineers Corps is elastic and capable of rapid expansion or contraction of activity is shown by its peace-time record. With rivers and harbors appropriations varying, from year to year, as much as 50 percent it has succeeded in adapting itself to these changes without much change in overhead expense and without disruption of its organization. In war time, as has been shown, it was capable of effecting a much greater expansion with efficiency.

It is obvious, however, that the military-engineering duties in peace time are insufficient to maintain a functioning organization which would be prepared to increase its activity, in an emergency, several hundredfold without enormous losses and inefficiencies. Even under the proposed transfer should Army officers be detailed for work in other departments, the supervisory organization of the corps would be largely wiped out. The officers might derive engineering experience, but they would lose the large value of conducting a great engineering activity upon a national scale.

Despite its enormous civil activities, the Engineer Corps is at present under its quota strength. There is therefore no question of reducing it by taking away these civil duties. On the contrary, if consolidations are to be made, it would be preferable to place other engineering services, such as road and bridge construction, under the supervision of the Army engineers and thus to profit by their unexcelled economy and efficiency while further contributing to the training of an absolutely vital branch of the Army.

In considering the entire problem, there are these three distinct points which seem to stand out most prominently:

First. The lack of morale which is bound to occur in case Army engineers, holding commissions in the United States Army and taking their orders primarily from the Chief of Engineers, are assigned to other departments of the Government.

The result would mean that engineers detailed to duty other than under their own chief would be serving two masters, so to speak, which would not only be disastrous for the esprit de corps of the Engineer officers, but further would be bound to break down the authority of the Chief of Engineers over his subordinates.

Second. The lack of outside influence which is so pronounced in work, which the Corps of Engineers is carrying on, particularly in rivers and harbors work, would give away to these influences in the event such work were detailed to a department under the supervision of one from civil life and holding an appointive office whose appointment might involve partisanship.

The record of the engineers in this respect is magnificent, and today that body has the confidence of the people throughout the country in their complete honesty and intent of purpose, irrespective of political influence. This is true not only after the various projects are authorized to be carried on by the engineers but in their consideration as to the desirability and feasibility of projects where their favorable recommendation is necessary.

Third. In the matter of economy, it would appear that a transfer of the duties of the Corps of Engineers to some other department and the severing of the Engineer Corps from any activity in civil duties which are now imposed upon them, would be an added expense to the Government due to the fact that the Engineer Corps must continue in its position as an integral part of the Army, and additional personnel would be required to carry on the work which the engineers do in peace times in case these duties were taken from them.

CHILD LABOR AMENDMENT TO THE CONSTITUTION

The SPEAKER laid before the House a communication from the secretary of state of the State of New Hampshire, announcing that the legislature of that State had ratified the proposed amendment to the Constitution to prohibit the labor of persons under 18 years of age.

J. PIERPONT MORGAN

Mr. JOHNSON of Oklahoma. Mr. Speaker, inasmuch as this body has been considering a banking bill of far-reaching importance for the past several days, a bill to guarantee bank deposits, it occurs to me that it would not be altogether out of order but entirely fitting to call attention of the House at this time to the fact that the world's richest banker has "honored" this Capital City with his august presence. He condescended to come to Washington last evening, so I am advised, at the urgent invitation of a congressional committee before which he testified somewhat reluctantly today.

As J. Pierpont Morgan sallied forth from his palatial hotel in this city, where he is said to be occupying one entire floor, he was flanked by private guards on every side bearing artillery and sidearms that resembled a whole regiment ready for combat. This world-renowned banker strode forth like a real general armed to the belt and prepared to do battle.

When the "general" and his army arrived at the Capitol a mad rush was made, not only by newspaper reporters, movietone representatives and photographers, but by Members of Congress in a frantic effort to catch a glimpse of the world's richest and most powerful banker.

Mr. Morgan proceeded to give the Senate Banking and Currency Committee a very carefully prepared lecture on private banking and he evidently did not want to be disturbed by being asked annoying and, of course, insignificant questions. But the youthful Senate counsel was unkind enough to insist on asking the great head of the House of Morgan some rather personal questions. One of the first asked Mr. Morgan by this inquisitive and rather persistent young attorney was, "How much income tax did you personally pay during the years of 1930, 1931, and 1932?" To the astonishment of the committee and the public this great financier reluctantly but gravely admitted that he paid no income taxes to his Government for the past 3 years.

This ultrarich man is able to employ high-powered legal and financial experts and by some hook or crook, mostly "crook", I judge, this great world-famed international banker, whose firm lends money by the hundreds of millions of dollars, has escaped all his income taxes during the past 3 dark years while Congress has been making a desperate effort to balance the Budget and place this Government on an even keel. Remember, too, that while this and other sessions of Congress have been heaping additional tax burdens upon the farmer, the laborer, and small business man, this man Morgan has made no contribution to maintain the Government that has been so good and generous to him.

The revelation the world has received today of income-tax evasion by this outstanding international banker is not only a result of the work of high-powered, trained financial experts, who are paid for the purpose of outfiguring officials of the Government but it is also the result of permitting the rendering of secret income-tax returns. That practice ought to be stopped by this Congress and stopped now. [Applause.]

Is there any wonder, Mr. Speaker that there are discontent and riots among our people, many of whom have been driven from their homes because they were unable to pay their taxes or the interest on their loans, when they learn that the richest and most powerful banker in all the world admits under oath that he has somehow managed to escape all his income taxes during the years of 1930, 1931, and 1932?

Al Capone is serving a sentence in the penitentiary for income-tax evasion. Should I desire to be harsh or unkind, I might suggest that a financial racketeer from Wall Street is no less reprehensible than a gangster from Chicago. I will not say that, although the suggestion might be food for thought. I do submit, however, if the House of Morgan and other Wall Street manipulators and tax evaders paid their just share of the burdens of government that we would now have a surplus in the Treasury instead of a deficit, big business as well as little business would have more respect for this Congress and Government of the whole, and we would not now be faced with the serious and perplexing problems of raising additional revenues to finance the increasing activities of the Federal Government. [Applause.]

PUBLIC WORKS BILL

Mr. DOUGHTON. Mr. Speaker, the public works bill, and a copy of the report, will be available to Members of the House in the document room in the morning. I ask unanimous consent that the committee have until midnight tonight to file its report.

Mr. GOSS. Mr. Speaker, reserving the right to object, is there to be any minority report; and if so, will the gentleman incorporate that with the main report?

Mr. DOUGHTON. I shall if there is any, but I understand there is not to be any.

Mr. BLANCHARD. Mr. Speaker, when will this bill be taken up?

Mr. DOUGHTON. Not until the day after tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

VETERANS OF THE WORLD WAR

Mr. ROGERS of Oklahoma. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. ROGERS of Oklahoma. Mr. Speaker, on May 2 of this session the Honorable JED JOHNSON, of Oklahoma, introduced into the House Concurrent Resolution 17, giving preference to veterans who are disabled and unemployed in the reforestation program. This resolution provides that veterans be given preference, first, those who are disabled and whose benefits will be stopped or substantially reduced under the provisions of the Economy Act; second, to veterans who are now unemployed and have dependents, and, third, to those not coming within the above two classes. I want the RECORD to show that I am whole-heartedly in favor of that resolution.

I do not desire to criticize those who labored for the passage of the economy bill nor do I wish to condemn those who voted for the measure. I voted against the bill for I thought then that the provisions were too drastic and severe and that disabled veterans would be unable to receive fair, just, and equitable treatment. I know now, since the regulations have been put into effect, that my fears for the veterans were justified. I am convinced that many injustices have resulted from the passage of the Economy Act, and this resolution, sponsored by the Honorable JED JOHNSON of Oklahoma, will, in a measure, alleviate some of the suffering and go a long way toward restoring to the needy veteran his chance of subsistence. I join the disabled veterans of Oklahoma in endorsing House Concurrent Resolution 17.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. KEMP, indefinitely, on account of illness.

To Mr. DOWELL, at the request of Mr. THURSTON, indefinitely, on account of illness.

To Mr. REED of New York, at the request of Mr. FISH, for the balance of the week, on account of illness.

SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S.J.Res. 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; to the Committee on Military Affairs.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 11 minutes p.m.) the House adjourned until tomorrow, Wednesday, May 24, 1933, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DOUGHTON: Committee on Ways and Means. 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; without amendment (Rept. No. 159). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DOUGHTON: A 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; to the Committee on Ways and Means.

By Mr. CONNERY: Resolution (H.Res. 157) providing for the consideration of H.R. 4559; to the Committee on Rules.

By Mr. McFADDEN: Resolution (H.Res. 158) relative to the impeachment of certain members of the Federal Reserve Board and certain Federal Reserve agents; to the Committee on the Judiciary.

By Mr. CONNERY: Resolution (H.Res. 159) authorizing the Committee on Labor to have printed for its use additional copies of hearings on 30-hour work week; to the Committee on Printing.

By Mr. MORAN: Joint resolution (H.J.Res. 188) to authorize the Reconstruction Finance Corporation to make loans for refinancing the repair and reconstruction of buildings damaged by conflagration in 1933; to the Committee on Banking and Currency.

By Mr. CELLER: Joint resolution (H.J.Res. 189) authorizing the President to present in the name of Congress a Medal of Honor to Walter Sweet; to the Committee on Naval Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHAPMAN: A bill (H.R. 5756) granting a pension to Lucy Leach; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5757) granting a pension to Emily Cecil; to the Committee on Invalid Pensions.

By Mr. KLOEB: A bill (H.R. 5758) granting a pension to Clifford Lamer Otto; to the Committee on Invalid Pensions.

By Mr. MILLIGAN: A bill (H.R. 5759) granting a pension to Frankie E. Ligon; to the Committee on Invalid Pensions.

By Mr. RANDOLPH: A bill (H.R. 5760) for the relief of Andrew Boyd Rogers; to the Committee on Claims.

By Mr. REECE: A bill (H.R. 5761) for the relief of Prentice Mead Handlon; to the Committee on Military Affairs.

By Mr. SUMNERS of Texas: A bill (H.R. 5762) for the relief of Charlie Chapman Fryer; to the Committee on Military Affairs.

By Mr. SWANK: A bill (H.R. 5763) for the relief of Frederick E. Dixon; to the Committee on the Post Office and Post Roads.

By Mr. TINKHAM: A bill (H.R. 5764) granting a pension to Addie E. Kittredge; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1163. By Mr. BRUMM: Petition of B'Nai Israel Congregation, of Shamokin, Pa., requesting the Government of the United States to make official protest against the treatment of Jewish citizens in Germany; to the Committee on Foreign Affairs.

1164. By Mr. JOHNSON of Texas: Resolutions adopted by Hearne Chamber of Commerce, Hearne, Tex., and Buffalo Chamber of Commerce, Buffalo, Tex., endorsing President Roosevelt's public works bill; to the Committee on Ways and Means.

1165. By Mr. LINDSAY: Petition of American Fruit & Vegetable Shippers Association, Chicago, Ill., urging support of Senate bill 1406; to the Committee on Banking and Currency.

1166. By Mr. McFADDEN: Petition of the mayor and Council of the City of Pittsburgh, Pa., relative to the liberalization of the laws regulating the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

1167. Also, petition of the Khaki Shirts of America, Inc., being their demands as presented by Art J. Smith, commander in chief, and J. E. Monaghan, adjutant general; to the Committee on the Judiciary.

1168. By Mr. MURDOCK: Petition of the State Legislature of Utah, urging creation of national monument in Wayne County, Utah; to the Committee on Public Buildings and Grounds.

1169. By Mr. O'MALLEY: Petition of more than 200 members and families of the Pride of Milwaukee Lodge, urging legislation condemning discrimination against Jews in Germany; to the Committee on Rules.

1170. By Mr. WATSON: Resolution passed by the Doylestown Council, No. 40, Sons and Daughters of Liberty, favoring House bill 4114; to the Committee on Immigration and Naturalization.

1171. By Mr. WHITE: Memorial of the Legislature of the State of Idaho, memorializing Congress to enact into law Senate Joint Memorial No. 3 of the State of Idaho, calling a world conference for the immediate consideration of remonetization or stabilization of silver; to the Committee on Coinage, Weights, and Measures.

1172. By Mr. WITHROW: 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.

SENATE

WEDNESDAY, MAY 24, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will make proclamation of the session of the Senate sitting as a Court of Impeachment.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The legislative clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Tuesday, May 23, when, on motion of Mr. ASHURST, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

DIVISION OF TIME FOR ARGUMENT

Mr. ASHURST. Mr. President, I am assuming that the honorable managers on the part of the House and the honorable attorneys for the respondent have agreed among themselves as to how their time shall be distributed when the Senate is ready to hear argument.

Mr. Manager PERKINS. Mr. President, the managers on the part of the House have agreed among themselves as to how their time shall be distributed.

The VICE PRESIDENT. Have counsel for the respondent agreed as to the division of their time?

Mr. LINFORTH. Mr. President, my associate has graciously permitted me to occupy his time.

CALL OF THE ROLL

Mr. ASHURST. 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	Keyes	Robinson, Ark.
Ashurst	Dickinson	King	Robinson, Ind.
Bailey	Duffy	Logan	Russell
Bankhead	Erickson	Long	Sheppard
Bone	Fletcher	McCarran	Stephens
Bratton	George	McGill	Thomas, Utah
Brown	Goldsborough	McKellar	Trammell
Bulow	Gore	McNary	Vandenberg
Carey	Hale	Nye	Van Nuys
Clark	Hayden	Patterson	White
Connally	Kean	Pope	