

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. FORD of California: A bill (H. R. 8949) to authorize and adopt a certain public-works project for controlling floods, improving navigation, and regulating the flow of the Colorado River; to the Committee on Flood Control.

By Mr. KVALE: A bill (H. R. 8950) to amend the act of June 4, 1920, entitled "An act to amend an act entitled 'An act for making further and more effectual provision for the national defense, and for other purposes', approved June 3, 1916, and to establish military justice", to limit its application in the case of civil educational institutions to those offering elective courses in military training; to the Committee on Military Affairs.

By Mr. LAMBETH: A bill (H. R. 8951) to amend an act entitled "An act to authorize the collection and editing of official papers of the Territories of the United States now in The National Archives", approved March 3, 1925, as amended; to the Committee on Printing.

By Mr. DIMOND: A bill (H. R. 8952) providing old-age pensions for Indians of the United States; to the Committee on Indian Affairs.

By Mr. McSWAIN: A bill (H. R. 8953) to make provision for the care and treatment of members of the National Guard, Organized Reserves, Reserve Officers' Training Corps, and citizens' military training camps who are injured or contract disease while engaged in military training, and for other purposes; to the Committee on Military Affairs.

By Mr. BEAM: A bill (H. R. 8954) to amend section 48 (b) and section 53 (a) (1) of the Revenue Act of 1934; to the Committee on Ways and Means.

By Mr. BOYLAN: A bill (H. R. 8955) authorizing the Secretary of the Treasury to make an examination of certain claims of the State of Missouri; to the Committee on the Judiciary.

By Mr. ADAIR: A bill (H. R. 8956) to authorize a preliminary examination of Spoon River, in the State of Illinois, with a view to the control of its floods; to the Committee on Flood Control.

By Mr. CLARK of Idaho: Joint resolution (H. J. Res. 366) providing for the establishment of a game-management supply depot and laboratory, and for other purposes; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ANDREWS of New York: A bill (H. R. 8957) granting a pension to Hanna M. MacClevarty; to the Committee on Pensions.

By Mr. AYERS: A bill (H. R. 8958) for the relief of the Waterton Oil, Land & Power Co.; to the Committee on Claims.

By Mr. COLE of New York: A bill (H. R. 8959) granting a pension to Isabelle Walton Prentice; to the Committee on Pensions.

By Mr. CROWTHER: A bill (H. R. 8960) granting a pension to Maude Harriman Sanford; to the Committee on Pensions.

By Mr. McSWAIN: A bill (H. R. 8961) for the relief of Mr. and Mrs. R. H. Minton; to the Committee on Claims.

By Mr. WHELCHER: A bill (H. R. 8962) for the relief of Howard Hefner; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

9191. By Mr. BUCKBEE: Petition of the Chamber of Commerce, Ottawa, Ill., calling upon Congress to adjourn sine die as soon as possible in order to remove any cause for retarding business recovery through the uncertainty of legislation; to the Committee on Rules.

9192. By Mr. CULLEN: Petition of the Eastern Fisheries Association, Inc., New York City, urging the speedy enactment of House bill 8055; to the Committee on Merchant Marine and Fisheries.

9193. Also, petition of the Advertising Men's Post, No. 209, American Legion, unequivocally and unqualifiedly opposing any amendments to the Agricultural Adjustment Act which would in any manner attempt to curtail advertising or reputable, legitimate advertisers, either through processing taxes, or by control of the Department of Agriculture or any other governmental department; to the Committee on Agriculture.

9194. By Mr. SAUTHOFF: Petition of the League of Women Voters of Oconomowoc, Wis., supporting the neutrality bills; to the Committee on Foreign Affairs.

9195. By the SPEAKER: Petition of the Polish Workers' Club "Solidarity", Milwaukee, Wis., to the Committee on Immigration and Naturalization.

SENATE

THURSDAY, JULY 25, 1935

(Legislative day of Monday, May 13, 1935)

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

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, July 24, 1935, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. BARKLEY. 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	Connally	King	Pope
Ashurst	Coolidge	La Follette	Radcliffe
Austin	Copeland	Lewis	Reynolds
Bachman	Costigan	Logan	Russell
Bailey	Davis	Louderman	Schall
Bankhead	Dickinson	McAdoo	Schwellenbach
Barbour	Donahay	McGill	Shipstead
Barkley	Duffy	McKellar	Smith
Black	Fletcher	McNary	Steiwer
Bone	Frazier	Maloney	Thomas, Okla.
Borah	George	Metcalf	Townsend
Brown	Gerry	Minton	Trammell
Bulkley	Gibson	Moore	Truman
Bulow	Glass	Murphy	Tydings
Burke	Gore	Murray	Vandenberg
Byrd	Guffey	Neely	Van Nuys
Byrnes	Hale	Norbeck	Wagner
Capper	Harrison	Norris	Walsh
Caraway	Hatch	Nye	Wheeler
Carey	Hayden	O'Mahoney	White
Chavez	Holt	Overton	
Clark	Johnson	Pittman	

Mr. LEWIS. I announce that the Senator from Mississippi [Mr. BILBO], my colleague the junior Senator from Illinois [Mr. DIETERICH], the Senator from Louisiana [Mr. LONG], the Senator from Nevada [Mr. McCARRAN], and the Senator from Arkansas [Mr. ROBINSON] are necessarily detained from the Senate. I request that this announcement stand for the day.

Mr. CONNALLY. I wish to announce that my colleague the senior Senator from Texas [Mr. SHEPPARD] is necessarily detained from the Senate. I ask that the announcement stand for the day.

Mr. AUSTIN. I desire to announce that the Senator from New Hampshire [Mr. KEYES], the Senator from Delaware [Mr. HASTINGS], and the Senator from Rhode Island [Mr. METCALF] are necessarily absent.

Mr. VANDENBERG. I repeat the announcement as to the absence of my colleague the senior Senator from Michigan [Mr. COUZENS] on account of illness.

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House

had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 8870. An act to further protect the revenue derived from distilled spirits, wine, and malt beverages, to regulate interstate and foreign commerce and enforce the postal laws with respect thereto, to enforce the twenty-first amendment, and for other purposes; and

H. R. 8875. An act to clarify section 104 of the Revised Statutes (U. S. C., title II, sec. 194).

ADMINISTRATION OF JUSTICE IN THE COURTS

Mr. VAN NUYS. I ask unanimous consent for the present consideration of Senate Resolution 170. The resolution has been reported from the Committee on the Judiciary, and is now on the calendar, being Calendar No. 1131.

The VICE PRESIDENT. Is there objection?

There being no objection, the resolution (S. Res. 170) submitted by Mr. McADOO on the 12th instant was considered and agreed to, as follows:

Resolved, That in addition to the authority conferred upon the special committee of the Senate to investigate the administration of receivership and bankruptcy proceedings in the courts of the United States, created under Senate Resolution No. 78, Seventy-third Congress, first session, agreed to June 13, 1933, and supplemented by Senate Resolution No. 72, Seventy-fourth Congress, first session, agreed to February 15, 1935, said committee shall have authority to make a full and complete investigation of the administration of justice in the courts of the United States. The Department of Justice is requested to furnish to the committee such investigators and legal assistants as the committee may require in its investigation.

PETITION

Mr. BAILEY presented the following joint resolution of the Legislature of the State of North Carolina, which was referred to the Committee on Interstate Commerce:

A joint resolution of the General Assembly of North Carolina requesting and petitioning the Congress to make no change in the long- and short-haul clause of section 4 of the Interstate Commerce Act, allowing the present provisions of law to remain in effect without change.

Whereas there is now pending in the House of Representatives of the Congress of the United States H. R. 3263, introduced by Representative PETTENGILL, of Indiana, a bill to amend paragraph (1) of section 4 of the Interstate Commerce Act, as amended February 28, 1920 (U. S. C., title 49, sec. 4), by repealing the long- and short-haul clause of said act; and

Whereas there is ample remedy in the hands of the Interstate Commerce Commission, under the present provisions of law, for relieving common carriers by railroad from the terms of said section, where, in the judgment of the Commission, it would be proper to do so; and

Whereas the agency of Congress, namely the Interstate Commerce Commission, has been exceedingly generous in the exercise of its powers in the granting of such relief to common carriers by railroad; and

Whereas if H. R. 3263 is enacted into law, it would be necessary for shippers and receivers of freight by railroad in North Carolina to resort to petitions for suspension of rates or by formal complaint under the provisions of section 3 of the said Interstate Commerce Act, in order to relieve such shippers and receivers of freight in North Carolina from unjustly discriminatory and unduly preferential rates in favor of competing shippers and receivers in other States; and

Whereas the present law requires common carriers by railroad, in order to secure relief from the provisions of the long- and short-haul clause of section 4 of the act, to first satisfy the regulating authority, namely, the Interstate Commerce Commission, that such relief should be granted: Now, therefore be it

Resolved, That the General Assembly of North Carolina hereby requests and petitions the Congress to make no change in the existing provisions of the long- and short-haul clause of section 4 of the Interstate Commerce Act, allowing the said existing provisions of law to remain in effect without change.

REPORTS OF COMMITTEES

Mr. ASHURST, from the Committee on Public Lands and Surveys, to which was referred the bill (H. R. 6703) for the relief of Joanna Forsyth, reported it without amendment and submitted a report (No. 1152) thereon.

Mr. WAGNER, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 32) to establish a national military park to commemorate the campaign and Battles of Saratoga, in the State of New York, reported it with amendments and submitted a report (No. 1154) thereon.

Mr. O'MAHONEY, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 3311) to amend an act entitled "An act to promote the mining of

coal, phosphate, oil, oil shale, gas, and sodium on the public domain", approved February 25, 1920 (41 Stat. 437; U. S. C., title 30, secs. 185, 221, 223, 226), as amended, reported it with amendments and submitted a report (No. 1158) thereon.

Mr. TRAMMELL, from the Committee on Naval Affairs, to which was referred the bill (S. 3289) to authorize the attendance of the Marine Band at the United Confederate Veterans' 1935 Reunion at Amarillo, Tex., reported it with an amendment and submitted a report (No. 1153) thereon.

Mr. WALSH, from the Committee on Education and Labor, to which was referred the bill (S. 3303) to amend the act approved March 3, 1931, relating to the rate of wages for laborers and mechanics employed by contractors and sub-contractors on public buildings, reported it with amendments and submitted a report (No. 1155) thereon.

He also, from the same committee, to which was referred the bill (S. 3055) to provide conditions for the purchase of supplies and the making of contract, loans, or grants by the United States, and for other purposes, reported it with an amendment and submitted a report (No. 1157) thereon.

Mr. COOLIDGE, from the Committee on Immigration, to which was referred the bill (S. 2969) to authorize the deportation of criminals, to guard against the separation from their families of aliens of the noncriminal classes, to provide for legalizing the residence in the United States of certain classes of aliens, and for other purposes, reported it without amendment and submitted a report (No. 1156) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

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

By Mr. GERRY:

A bill (S. 3313) for the relief of George W. Olney; to the Committee on Military Affairs.

By Mr. TRAMMELL:

A bill (S. 3314) granting an increase of pension to Augusta Coontz; to the Committee on Pensions.

By Mr. CAPPER:

A bill (S. 3315) granting a pension to Roy Joyce (with accompanying papers); to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

A bill (S. 3316) authorizing the Delaware Tribe of Indians in the State of Oklahoma to sue in the Court of Claims; to the Committee on Indian Affairs.

(Mr. HATCH introduced Senate bill 3317, which was referred to the Committee on Finance and appears under a separate heading.)

By Mr. DICKINSON:

A bill (S. 3318) for the relief of Robert W. Anderson; to the Committee on Military Affairs.

By Mr. WHEELER:

A bill (S. 3319) for the relief of the Waterton Oil, Land & Power Co.; to the Committee on Public Lands and Surveys.

By Mr. THOMAS of Oklahoma:

A joint resolution (S. J. Res. 166) authorizing the President to invite the States of the Union and foreign countries to participate in the International Petroleum Exposition at Tulsa, Okla., to be held May 16 to May 23, 1936, inclusive; to the Committee on Foreign Relations.

THE BRONSON M. CUTTING NATIONAL MEMORIAL CEMETERY

Mr. HATCH. I ask consent to introduce, for appropriate reference, a bill which is introduced pursuant to a resolution adopted by Chapter No. 1 of the Disabled American Veterans of the World War at Fort Bayard, N. Mex. I also ask that the bill and resolution may be printed in the RECORD.

The VICE PRESIDENT. Without objection, the bill will be received and appropriately referred, and, in accordance with the request of the Senator from New Mexico, the bill and resolution will be printed in the RECORD.

The bill (S. 3317) to establish a national cemetery at Fort Bayard, N. Mex., was read twice by its title and referred to the Committee on Finance, as follows:

Be it enacted, etc., That the part of the grounds of the United States Veterans' Bureau facility, at Fort Bayard, N. Mex., which

is now in use or plotted for use for cemetery purposes, is hereby transferred from the jurisdiction and control of the United States Veterans' Bureau to the jurisdiction and control of the War Department to be established and maintained as a national cemetery under the provisions of the laws governing national cemeteries. The national cemetery so established shall be known and designated as "The Bronson M. Cutting National Memorial Cemetery."

The resolution presented by Mr. HATCH was referred to the Committee on Finance, as follows:

Resolution respectfully submitted to Congress, dealing with the creation of a national cemetery at Fort Bayard, which is included in the many acres now comprising the Government reservation. There is at this point a cemetery in which many pioneer soldiers and scouts are buried, and which in our judgment would make a fitting memorial to one of America's greatest statesmen; same to be called "The Bronson M. Cutting National Memorial Cemetery"

Whereas the late Senator Bronson M. Cutting did introduce a bill in Congress to create a national cemetery at Fort Bayard, N. Mex.; and

Whereas the bill was sent to the committee having jurisdiction in such matters, and no further action taken; and

Whereas this chapter of the disabled American Veterans of the World War would like to see a fitting memorial to the late Senator Bronson M. Cutting; and

Whereas we believe that the creation of the national cemetery at Fort Bayard and bearing the name of Bronson M. Cutting National Memorial Cemetery would be a fitting way of perpetuating the noble services our Senator Bronson M. Cutting did render his country, State, and our people: Be it

Resolved, That the Fort Bayard Chapter, No. 1, of the Disabled American Veterans of the World War, assembled in regular meeting this 1st day of July 1935 go on record as favoring the creation of a national memorial at Fort Bayard, N. Mex., in memory of the late Senator Bronson M. Cutting, and that such memorial be the creation of a national cemetery to be known as "The Bronson M. Cutting National Memorial Cemetery"; and be it further

Resolved, That a copy of this resolution be attached to the resolution known as Resolution No. 8, and presented to the national organization in convention at New Haven, Conn., for action and cooperation in carrying out the provisions of this resolution as well as the provisions which are similar in nature and incorporated in Resolution No. 8: Now be it further

Resolved, That a copy of this resolution be forwarded to each of the Senators and Congressman from the State of New Mexico and other Senators who are interested, for action and pressing of a law embodying the provisions of this resolution and intention, until there has been created the memorial to our great citizen, Bronson M. Cutting.

MICHAEL A. J. DOTY,
Commander Disabled Veterans of World War,
Chapter No. 1, Fort Bayard, N. Mex.

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and referred as indicated below:

H. R. 8870. An act to further protect the revenue derived from distilled spirits, wine, and malt beverages, to regulate interstate and foreign commerce and enforce the postal laws with respect thereto, to enforce the twenty-first amendment, and for other purposes; to the Committee on Finance.

H. R. 8875. An act to clarify section 104 of the Revised Statutes (U. S. C., title II, sec. 194); to the Committee on the Judiciary.

REVISION OF COPYRIGHT ACT

Mr. DUFFY. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a statement by Mr. Thorvald Solberg, United States Register of Copyrights for 33 years, referring to Senate bill 3047, the so-called "copyright bill", which is now on the calendar of the Senate.

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

AUTHORS SHOULD INSIST UPON THE ENACTMENT OF THE COPYRIGHT BILL (S. 3047) NOW

American authors have at the present time an opportunity to secure a greater measure of direct legislative benefit than has been possible since 1909.

1. They can induce Congress to enact the copyright bill (S. 3047) and obtain new and valuable rights.

2. They can secure the ratification of the Copyright Convention of Rome (1928) and thus secure the entry of the United States into the Copyright Union, securing thereby protection without formality "automatic copyright" in more than 40 countries and many colonies and protectorates.

S. 3047 is the most practical and most carefully prepared copyright bill that has been presented to Congress since 1925. It accords to authors (besides the wide area of new international protection) a great many of the most important reforms for their benefit urged upon Congress for the last dozen years. It is not

my purpose to enumerate these; any author can discover them for himself. But in response to two specific criticisms I will state:

1. There is no grant of privilege to foreign countries without providing corresponding privileges for American authors. The American author gets protection in foreign countries and the foreign author gets protection here. American authors continue the procedure of registration and notice practiced for more than half a century and secure the practical benefits resulting. Foreign authors are definitely encouraged to register their works at the Copyright Office.

2. There is no unfair advantage for the users as opposed to the creators of copyrighted works. The remedies against infringement are ample and represent an adjustment to the needs of the present time in the light of experience under previous statutes. Authors have no reason for fear. The bill affords them as full protection as the present law.

THORVALD SOLBERG,
United States Register of Copyrights for Thirty-three Years.

FEES IN PARAMOUNT-PUBLIX REORGANIZATION PLAN

Mr. NYE. Mr. President, I ask unanimous consent to have printed in the RECORD certain articles appearing in the New York Times under date of July 12 and July 19.

In the issue of July 12 there was published under the heading "\$3,222,315 in fees asked in film plan", a story related of the reorganization costs confronted by the Paramount-Publix Corporation.

These stupendous fees were claimed for the most part by law firms in New York and I should like to call attention of the Senate to the manner in which some of those law firms have reached in and, at the expense of the stockholders in that once great corporation, have done what in some respects seem to constitute acts of legal vultures.

The articles as published reveal fees of \$700,000 going to the firm of Root, Clark, Buckner & Ballentine; fees of \$250,000 to Cook, Nathan & Lehman; fees of \$33,000 to Coverdale & Colpitts, engineers and accountants; Dr. Julius Klein, \$52,300; the law firm of Davis, Polk, Wardwell, Gardiner & Reed, \$150,000, and so on, as will be observed by those who will read the entire list, which I ask to have printed in the RECORD in connection with these remarks.

At the time this article was published, there was considerable comment upon it, some of which was quoted, which caused attorneys appearing for other attorneys before the Federal court on July 18 to rather resent what had been said regarding what some termed the looting of this corporation.

I ask unanimous consent that there may be printed following these remarks, and the article of July 12, the news account in the New York Times of July 19 of the appearance of counsel before the court seeking to justify their claims.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Times of July 12, 1935]

\$3,222,315 IN FEES ASKED IN FILM PLAN—PARAMOUNT PUBLIX LAWYERS, ACCOUNTANTS, RECEIVERS FILE CLAIMS WITH COURT—\$700,000 FOR ONE FIRM—ROOT, CLARK, BUCKNER & BALLANTINE PUT IN BILL FOR 72,113 HOURS OF WORK

Fees and charges amounting to \$3,222,315 are being claimed from the Paramount Publix Corporation by lawyers, accountants, receivers, and members of stockholders' and bondholders' committees, according to schedules that have been filed in the United States District Court in the last week. The fees, charges, and expenses will be submitted to Federal Judge Alfred C. Coxe for his approval at a hearing on next Thursday.

In addition to the amounts now sought, more than \$400,000 has been paid to law firms, accountants, and others in connection with the reorganization of the corporation now known as "Paramount Pictures, Inc."

The largest amount sought—\$700,000 plus expenses of \$7,679—is asked by Root, Clark, Buckner & Ballantine, attorneys for the receivers as well as for the trustees in bankruptcy. The firm has received interim allowances of \$250,000.

Other fees sought are \$250,000 by Cook, Nathan & Lehman, attorneys for the company and for the stockholders' protective committee, exclusive of expenses of \$3,759; \$150,000 by Davis, Polk, Wardwell, Gardiner & Reed; \$150,000 by Cravath, De Gersdorff, Swaine & Wood; \$150,000 by Malcolm Summer and Edwin L. Garvin, attorneys for petitioning creditors; \$100,000 by Stroock & Stroock, attorneys for the Paramount Broadway bondholders' committee.

LIST OF PRINCIPAL CLAIMS

The principal claims include the following:

Charles D. Hilles, as equity receiver.....	\$10,000
Charles D. Hilles, as trustee.....	118,000
Eugene W. Leake, trustee.....	118,000
C. E. Richardson, trustee.....	87,000
Adolph Zukor, equity receiver.....	18,545

Root, Clark, Buckner & Ballantine, attorneys for receivers and for trustees from January 1933 to July 1935.....	700,000
Price Waterhouse, accountants.....	10,484
Joseph P. Day and Peter Grimm, realtors.....	10,000
Cook, Nathan & Lehman, attorneys for the debtor in the reorganization from November 1934 to July 1935.....	250,000
Barney Balaban, Maurice Newton, and Gerald Brooks, stockholders' committee.....	70,000
Same—for expenses.....	57,769
Coverdale & Colpitts, engineers and accountants for reports to the stockholders' committee.....	33,116
Debenture holders' committee:	
Frank A. Vanderlip, chairman.....	70,000
Robert R. Cassatt.....	7,500
Morris L. Ernst.....	7,500
Duncan G. Harris.....	7,500
Lawrence Stern.....	7,500
For expenses.....	90,863
To Dr. Julius Klein for compensation and expenses.....	52,390
Davis, Polk, Wardwell, Gardiner & Reed, attorneys for debenture holders' committee.....	150,000
Percy H. Johnson, chairman of bank committee.....	30,000
Max D. Howell, member of bank committee.....	20,000
Beekman, Bogue & Clark, attorneys for bank committee.....	75,000
Kuhn, Loeb & Co. for services from January 1933 to December 1934.....	100,000
Cravath, De Gersdorff, Swaine & Wood, attorneys for Kuhn, Loeb & Co.....	150,000
Szold & Brandwen, attorneys for Munger debenture committee.....	75,000
Committee of general creditors (total).....	13,500
Nathan Burkan, attorney for general creditors.....	50,000
Peter Grimm and others, committee for Paramount Broadway gold bonds.....	40,000
Strook & Strook, attorneys for Grimm committee.....	100,000
Samuel Zirn, attorney for debenture holders.....	75,000
Samuel Zirn and others, attorneys for <i>R. S. Levy v. Paramount</i>	75,000
Archibald Palmer, attorney for stockholders and allied owners bondholders' committee.....	15,000

More than 20 law firms are seeking sums from the corporation in connection with the reorganization. It is estimated that more than 100 lawyers worked on the rehabilitation of the company. One firm alone—Root, Clark, Buckner & Ballantine—had 43 members of its legal staff connected with the reorganization work.

FOUR HUNDRED SUBSIDIARIES INVOLVED

In explanation of its request for an allowance of \$700,000, the latter firm, in a petition filed with the United States District Court, says members of its staff devoted 72,113 hours to the reorganization. The reorganization embraced more than 400 subsidiary companies, the petition adds.

Out of claims for \$297,000,000 that were filed against the company, \$237,000,000 were eliminated. There was a total of 6,991 claims. The reorganization, it is pointed out, resulted in a substantial reduction in the fixed charges of the company, which has total assets of approximately \$149,000,000.

The reorganization plan set aside a reserve of \$2,500,000 for estimated expenses in connection with the administration of the estate, legal fees, committee expenses, and other charges.

[From the New York Times of July 19, 1935]

PARAMOUNT COSTS DEFENDED IN COURT—ATTORNEYS SEEK TO JUSTIFY \$3,222,315 FEES IN COMPANY REORGANIZATION—COURT QUESTIONS CHARGES—JUDGE COXE SAYS ONE SEEMS "PRETTY STEEP"—LAWYERS POINT TO MILLIONS SAVED

Some of the leading corporation lawyers in New York argued at a hearing before Federal Judge Alfred C. Coxé yesterday in support of claims for fees and disbursements totaling \$3,222,315 on account of their own firms, other law firms, trustees, accountants, and others in connection with the receivership, bankruptcy, and reorganization of the Paramount Pictures Corporation.

More than \$400,000 in such payments already has been allowed, making a total of more than \$3,600,000. The reorganization plan set aside \$2,500,000 for estimated expenses of this nature.

Thomas D. Thacher, former Federal judge, of the law firm of Simpson, Thacher & Bartlett, appeared as counsel for Paramount Pictures, Inc., the reorganized company, and announced that he would oppose some claims in toto and others in part, on behalf of the company. After spending a 7-hour day in a sweltering court room hearing the presentation of claims, Judge Coxé adjourned the hearing last night until 10:30 o'clock next Thursday morning, when he announced he would hear the opposition.

INTERRUPTED BY COURT

Judge Coxé frequently interrupted the arguments to demand how they justified the size of their claims or in some cases any claims whatsoever on the basis of services actually rendered. He remarked that one claim seemed "pretty steep" to him, and said that certain others did not seem to him to have any justification under the statutes. His questions were interpreted as indicating the possibility that some claims might be disallowed altogether and some might be drastically reduced.

Alfred A. Cook, of the law firm of Cook, Nathan & Lehman, attorneys for the company during the reorganization proceedings and for the stockholders' protective committee, acted as marshal of the

20 law firms represented, and presented their advocates to the court one by one.

Arthur A. Ballantine, former Under Secretary of the Treasury, now a member of the law firm of Root, Clark, Buckner & Ballantine, attorneys for the trustees in bankruptcy and for the equity receivers, was the first speaker. He struck the keynote of all the arguments on behalf of the claims when he said that his firm regarded its claim as "eminently reasonable and fair", in view of the fact that one of the most difficult reorganizations on record had been successfully accomplished after 2½ years of hard work, resulting in the saving of millions of dollars for the stockholders, bondholders, and general creditors of the company.

LARGEST CLAIM FOR \$700,000

Mr. Ballantine's firm has asked the largest amount sought—\$700,000 in fees plus \$7,679 in expenses. It has received already interim allowances of \$250,000, making its total fee \$950,000. Its clients are asking fees as follows: Charles D. Hilles, as equity receiver and trustee, \$128,000; Eugene W. Leake, as trustee, \$118,000; and Charles E. Richardson, as trustee, \$87,000. Mr. Hilles already has received \$52,433.33, Mr. Leake \$32,433.33, and Mr. Richardson \$132,433.33.

Decrying the tendency to "belittle valuable services", Mr. Ballantine said the Paramount stockholders were beneficiaries of a highly successful reorganization, resulting in an increase of \$50,000,000 in the market value of their stock. In January 1932, he pointed out, "the biggest moving-picture company in the world" was in a very bad way. Its cash was gone, its credit had vanished, its very existence was threatened, and the outlook was exceedingly gloomy.

Trustees of unusual ability, character, and experience were needed, he said, and the trustees in turn needed experienced and able counsel with an organization large and varied enough to be able to perform legal services "on many fronts" in various parts of the country where the company, with its 450 subsidiaries and more than 1,000 theaters, had interests to be protected.

BANK LOANS PAID OFF

"As a result of the work of the trustees and their counsel", Mr. Ballantine continued, "bank loans were paid off, claims of creditors were adjusted, expenses were reduced, large amounts of money were saved, a cash reserve was accumulated, and the credit of the company was reestablished."

"Compared with a \$20,000,000 loss in 1932", he pointed out, "the company earned \$5,000,000 in 1933, \$5,400,000 in 1934, and \$2,100,000 in the first quarter of 1935. Its stock went from 12½ cents a share to \$4.50, its 5-percent bonds from 8 to 96, and its 6-percent bonds from 10 to 90."

Mr. Ballantine said that members and employees of his law firm spent 72,000 hours of work on the case. This included full-time work by 5 partners and 25 or 30 associates, and part time by 4 other partners and about 20 more associates. As an example of the great amount of work that had to be done, he said, 1,000 creditors' claims, representing \$300,000,000, had to be analyzed and reduced, and litigation had to be carried on in various parts of the country to reduce fixed charges.

As in the case of practically all the claimants, Judge Coxé asked for a more detailed itemization of all disbursements.

Grenville Clark, also of the firm of Root, Clark, Buckner & Ballantine, said that the \$950,000 total fee represented only an average of \$13.17 an hour for all the lawyers who have worked on the case from its beginning. If a fee of \$95,000 were asked in a case involving one-tenth the amount of money and work, he did not believe that it would be questioned. Judge Coxé dryly interposed that he supposed counsel did not mean to intimate that the court would not question it. Mr. Clark agreed.

REORGANIZATION HELD "UNIQUE"

Pointing out that the Paramount had a most complicated corporate structure and 37,000 stockholders, as well as several thousand bondholders, Mr. Clark characterized the reorganization as "unique" in the number of difficult questions it presented. As a veteran of important railroad reorganizations, he believed that the problems presented in a great railroad reorganization were relatively simple. "I would rather attempt to reorganize one of the great railroad systems than do this," he added.

Mr. Clark emphasized that the fixed charges had been brought down by \$11,500,000 and the cash reserve increased by many millions. The task had been the "biggest job our office ever handled", he said, tying up one-third of the staff for 2½ years.

Mr. Cook, whose firm seeks a fee of \$250,000 plus \$3,759.10 expenses and disbursements, replied to criticisms of the size of the claims made by Senator GERALD P. NYE, of North Dakota, and others. He said that he "resented undue and improper suggestions made either by legislators or the public press that this matter is in disregard of the public interest or public rights."

"This court," he added, "needs no suggestion from legislators or newspaper publishers as to the right or wrong of matters before Your Honor."

CRITICISMS ARE RESENTED

Mr. Cook said that "improper and unjust criticism" had come from persons "who knew nothing of the problem or what was done." He said that "the higher the position of the critic the more certain he should be that his criticism is founded on knowledge and not on the usual theory of the day that 'everything is wrong, and I propose to right it.'"

Reading from a newspaper clipping, Mr. Cook quoted Senator NYE as having said that the case called for a congressional inves-

tigation, and that bankruptcy proceedings took on the aspect of a "national racket." He also quoted a newspaper article which had characterized the case as a "melon" that was to be sliced for the lawyers.

"I accept the challenge," said Mr. Cook. "If it was a melon, it was one created by the counsel in this monumental reorganization, and the creditors, stockholders, and bondholders are enjoying it today. A fine job was done for the stockholders in this company, and our fee really should be more than \$250,000."

BANKERS' CLAIM PRESENTED

Robert T. Swaine, of Cravath, de Gersdorff, Swaine & Wood, as attorneys for Kuhn, Loeb & Co., former bankers of Paramount Publix, asked for \$150,000 for themselves plus \$812.15 expenses and disbursements and a \$100,000 fee and \$14,287.29 expenses and disbursements for Kuhn, Loeb. This claim was based on help in drawing up the reorganization plan. Judge Coxe asked where there was any justification in the law for such a claim, and Mr. Swaine replied that the work was done at the request of the bank service and debenture committee.

Davis, Polk, Wardwell, Gardiner & Reed, attorneys for the debenture bondholders' committee, asked a fee of \$150,000 for themselves and extra fees for members of the committee, including \$50,000 for Frank A. Vanderlip, chairman, and \$52,390.15 compensation and expenses for Dr. Julius Klein, secretary. Judge Coxe brought out that Mr. Vanderlip made a "substantial" profit in buying and selling Paramount bonds during the reorganization period, and commented: "Now he's asking \$50,000." The court also asked for more detailed information about Dr. Klein's work and expenses.

When Nathan Burkan, as attorney for a merchandise creditors' committee, asked \$50,000 for himself and additional fees for members of the committee, including \$7,500 for R. E. Anderson as chairman and \$3,000 for Hubert R. Cornish as secretary, Judge Coxe brought out that Mr. Anderson was treasurer of the Electrical Research Products Institute (referred to as Erpi) and that Mr. Burkan "believed" Mr. Cornish was employed by that concern. Mr. Burkan admitted that Erpi collected more than \$1,000,000 in claims against Paramount.

"It seems to be a strange notion," remarked Judge Coxe, "that no creditor can perform any service without being paid. Why should one of Erpi's officers be paid for pulling its own chestnuts out of the fire?"

BANKERS' FEES BRING COMMENT

Morton G. Bogue, of the firm of Beekman, Bogue & Clark, argued for a fee of \$75,000 for themselves as counsel for the bank group committee, representing 12 creditor banks; \$30,000 for Percy H. Johnson, chairman of the board of the Chemical Bank & Trust Co., as chairman of the committee; and \$20,000 for Max D. Howell, another officer of the Chemical Bank, as secretary. Judge Coxe emphasized that bank officials were asking fees in a matter where they had acted to collect loans for their own bank.

When Malcolm Sumner, for himself and Edwin L. Garvin, as counsel for certain creditors, asked \$150,000 fees, Judge Coxe brought out that these lawyers represented debenture bonds totaling only \$15,000, although Mr. Sumner insisted that it was his duty to act in the interests of all the bondholders.

Saying that he did not see anything to justify the payment of "one dollar" in this case, Judge Coxe asked why lawyers should expect fees when they "injected" themselves into a case and performed functions which the trustees and their counsel were responsible for. He also demanded what authority Messrs. Sumner and Garvin had had to spend \$23,000 for accountants and experts, who have put in separate claims for that amount.

Other attorneys who appeared included Sol Stroock, of Stroock & Stroock, asking \$100,000 as counsel for the Paramount Broadway Bondholders Committee, and \$56,914.39 fees, expenses, and disbursements for the committee; Robert Szold, of Szold & Brandwen, \$75,000 fees as counsel for the Lloyd A. Munger debenture committee and \$7,945.72 for the committee; and A. M. Frumberg, \$75,000 for attorneys for Robert S. Levy in a suit against the Paramount.

WHICH ROAD TO TAKE—ADDRESS BY J. HOWARD PEW

Mr. DAVIS. Mr. President, I ask unanimous consent to have printed in the CONGRESSIONAL RECORD a comprehensive and penetrating analysis of the relationship between government and business prepared and delivered by J. Howard Pew, prominent industrialist of Pennsylvania.

The address, which was delivered at the Institute of Public Affairs at the University of Virginia at Charlottesville, Va., July 12, is timely and gives the business man's perspective of governmental activities.

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

Our country plainly faces a decision whether it will adopt a planned economy or will continue on the course of individualism, equal opportunity, liberty of initiative, and constitutional democracy. It is amazing that such an issue should be pressed upon a people who have so prospered under economic freedom and constitutional institutions, but it is no more startling than to find that planned economy is presented to us as if it were something new, inspired, anointed, and certain to open our way to Utopia.

In recent time the "economic interpretation of history" has been something of a fad. Many writers have strained to make

their points, and as I have read them I have felt that a more satisfactory formula would be "the historical interpretation of economics." I hope my remarks will somewhat clarify the distinction.

Three thousand years of human records have given us largely the history of unsuccessful attempts to make planned economies work. Most of the race's progress in material betterment, in democratization of opportunity, and in the dissemination of educational and spiritual benefits, has been made in the few brief generations since men learned what freedom meant, how it might be attained, and how jealously it must be guarded. The masses of men made less progress in the first 4,000 years of recorded history toward realizing the highest human aspirations than in the last century and a half under the regime of economic freedom.

Planned economy is necessarily dictated economy. That has always been true, whether the dictator was an oriental despot of 3,000 years ago, a Roman emperor of 1,500 years ago, a Tudor king of 4 centuries ago, or a Mussolini, a Stalin, or a Hitler of today. And wherever you find it, under whatever name—fascism, nazi-ism, communism, or socialism—it is essentially the same thing. There is no room in it for the mere individual—for personal effort, initiative, enterprise, originality, invention, progress. Whatever of these elements enters into it must come from the top—from the dictator—and he will be too busy to bother about such things; too well entrenched in power and plenty to think them worth while. Beneath him will be just a deadly universality of dull and regimented drudgery. All the roads into dictated economy come out at the same place; some may appear a bit smoother than others, but they are all downhill roads; and they bring up at lower living standards, national decay, and the sacrifice of liberty. That is equally true whether the dictator is a usurper by force or is elected under the forms of popular government.

If our economic planners had read their Bibles more carefully they might have taken warning from the stories of Egypt in the time of Joseph. As prime minister, he took control of grain and cattle just as our A. A. A. has done; then he gathered all the money in the land "and brought the money into Pharaoh's house", just as our economic planners gathered the gold into the Treasury, and when the people complained that they had nothing left "but our bodies and our land", Pharaoh took their land in exchange for food. A little later I will show you how far our economic planners have gone toward taking over the land.

Having taken the land, Pharaoh made a free seed distribution to the people, and sent them back to cultivate that same land. He exacted one-fifth of all their produce; in which regard Pharaoh was rather easier than our economic overlords, for they are making government cost us one-third of the national income. Finally a public-works administration was set up, under which a starving people reared the monumental piles that have been the wonder of the world ever since. The tombs of the Pharaohs became the burial place of Egyptian civilization—a civilization that was a perfect type of a planned economy.

The story of planned economy in the China of Confucius is equally illuminating. The Chinese dictators were strong for price fixing, seeking to maintain an unchanging level of prices fair to both producer and consumer. One ancient writer says every shop had a superintendent set over it, and for every 20 shops there was a master merchant, to fix prices. It was decreed that even when crop failure caused famine, corn prices must not rise, and during the epidemic which followed, coffins must sell at their regular prices. An army of bureaucrats enforced all these decrees, and a government bank was set up to buy and hold the surpluses, when such existed, very much as certain financial agencies under N. R. A. have operated. The police guarded the gates to market places, and watched over the shops; and then there was so much corruption that a detective was assigned to every five shops, to see that the police, the various functionaries, were kept as honest as possible.

The scheme was supposed to protect the people against extortion, but the rich always got the better of it. They bought up the grain immediately after harvest at low prices, and later distributed it at high prices. The Government warehouses took in the surplus after the merchants had bought enough to control the market; the Government always paying high prices and always losing money on the operation. In the end the plan failed either to keep prices reasonable or to insure against famine, and the system completely collapsed.

Dropping down a thousand years nearer to our own time, let us consider economic dictatorship under the Roman Empire. Many historians believe the empire's ruin was due to the persistent efforts to enforce a planned economy. Certain it is that there is a suggestive parallel between the futile efforts of the Roman rulers to control their economic establishment, and the economic dictatorships which various occidental countries have lately attempted—among them our own country under the new deal.

The Roman emperors commanded the armies and controlled the state's revenues; the Senate gradually surrendered its authority, though not so rapidly as our Congress has done. Thus everything was increasingly centralized in the emperor. The provinces became more and more dependent on Rome, just as our States have increasingly leaned on Washington. The emperors unwisely intruded into provincial affairs and the state rights issue got to be a very live one in Rome, but unfortunately for the empire, it didn't have a supreme court to call a halt.

I have lately pawed over rather more of ancient and medieval history than is perhaps good for a plain business man. I find that during the years of Rome's decadence industry and agriculture

were organized under administrations quite like our N. R. A. codes; that the central government distributed relief to the needy provinces just as Washington does today; that the Emperor Domitian ordered half the vineyards destroyed, just as we saw our cotton plowed under; that this caused a shortage of wine, just as our birth-control for the pigs made pork a luxury. These measures brought the small farmers of Rome to ruin under their burden of mortgages, and the lands fell into the hands of capitalists, who farmed them on the tenant system—all exactly paralleled in our own recent experience. I read of how the Emperor Nerva set up a federal farm-loan system to provide cheap money for the farmers. But the money had to come through taxes on the rest of the people—they didn't call them processing taxes, though they doubtless would have done so had they been as clever as our "brain trusters"—and it got so burdensome that agriculture only went from bad to much worse.

It would be possible to go on indefinitely, developing a business man's crude interpretation of Roman history, but time doesn't permit. What the Empire needed was to give natural economic law a chance to allow competition, uncontrolled price, and free initiative to try their hand. Unfortunately for Rome, only one of the great Emperors seems to have thought of this. He was Augustus; and I cannot break away from Rome without a word about him.

Augustus didn't believe in economic planning. He didn't wish to encourage that spirit of intense nationalism that always develops under economic dictatorship and paves the way to wars. He thought the empire was plenty big enough and wanted no conquests. He was a democratic Emperor, if you get the idea. He believed natural forces encouraging competition and enterprise would get the best of results. He stuck to these simple ideas, and under him Rome dug out from the ruins that the civil wars had wrought into a prosperity that has made his name a connotation of the highest human satisfactions.

Another honorable exception to the rule of economic despotism and social decline in the ancient world was Pericles, of Athens. Historians have lauded the age of Pericles chiefly for its intellectual, artistic, and literary achievements; but a modern business man may be pardoned for noting that in fact the Athens of Pericles was a shipping, trading, and industrial metropolis; a community of merchants and enterprises whose commerce reached about all of the then known world. The Periclean Greeks developed manufacture as never before, even getting well beyond the beginnings of mass production. They skillfully adapted their products to the needs and tastes of their customers. Their merchant marine and traders won for Greece a place in the ancient world similar to that of Britain in the nineteenth century; they made it general headquarters of industry and commerce. Under Pericles the glory that was Greece flowered from institutions of political and economic freedom.

But, I repeat, Pericles and Augustus were exceptions among ancient potentates. Most rulers made the blunder of setting themselves up as economic as well as political authorities. Neither peoples nor rulers had any real conception of democracy. The little group in control of a state had things all its own way, and the economic despotism they imposed not only failed, but finally pulled down the state with it. Much more certainly, then, would economic dictatorship fail under a democracy where all interests insist on a hearing, where debate is perpetual, and laws and policies are the results of compromise. Economic dictatorship and political democracy cannot live side by side. Once set afoot economic dictatorship must reach to every detail of human activity. It is bound to destroy democracy, and after that it is bound to be itself overwhelmed in the ruins of the structures it has attempted to rear.

Leaving Rome and coming down another thousand years nearer to our own time, we find further illustration of our thesis in the mercantilist economy of the later Middle Ages. The mercantilists assumed that each State ought to be as nearly self-sufficient as possible. The rulers wanted the largest possible amount of precious metals; some of them believing that these were the only worth-while forms of wealth. The merchants wanted to expand their foreign trade but wanted to do it without surrendering to foreigners any correspondent share in their domestic market. So governments granted all manner of special privileges, monopolies, rights, and exemptions, to individuals, groups, corporations, and municipalities. Laws were passed fixing wages, prohibiting luxury, standardizing prices. One Tudor king enacted that no proprietor should have over 2,000 sheep, setting forth that some had as many as 24,000. His decree declared that the great increase in the number of sheep had made the price of mutton go up, rather than down; because the business had fallen into a very few hands, and those who controlled it exacted monopoly prices.

Monopoly, in some form or other, has always been the foundation of planned economies. Henry the Eighth granted endless monopolies, some of them giving to certain towns exclusive rights to manufacture or deal in particular articles. There was great British trade into Barbary but so many ships entered the traffic that Queen Elizabeth required all to take out licenses; then, by refusing licenses to any except a favored few, she established a fine monopoly. I recently hunted out this decree and found it so similar to the licensing provision of N. I. R. A. that I couldn't help suspecting that Queen Bess had been the real inspiration of some important parts in our new deal.

Another striking parallel between Tudor mercantilism and our new deal was the decree of Henry VIII devaluing the British coinage. It set forth that the French and Dutch moneys had

been so reduced in value that English traders were at a great disadvantage; therefore he ordered the gold and silver content of English coins reduced, and that English money should be kept just as cheap as any money of competing countries. If you will look up that old decree and compare it with the provision of law under which the new deal lopped off 40 percent of the gold content of our coinage, you will see that the two measures, and the arguments in support of them, are as much alike as two peas in the same pod.

This debasement of the English coinage resulted, as always, in the better money being driven out by the poorer; there was competition between countries in cheapening their moneys, just as in recent years; and presently the English discovered that their gold and silver were going abroad. So Henry's successor, Edward VI, enacted a measure prohibiting export of British coins; his measure being precisely parallel to the new-deal act prohibiting gold exports. Talk about a new deal! I have diligently sought for some phase of it that was less than 300 years old; I have found fragments of it scattered all down the corridors of time from 3,000 years ago to 300 years ago; I have found in every case that these ancient measures all failed in their time and caused suffering and disaster. But I have found nothing new, or even modern, in the so-called "new deal."

Now, these blunders by ancient and medieval dictators were not exclusively the doings of wicked and misguided rulers. They were partly the result of ignorance, and probably in greater degree the result of selfishness on the part of men "who had a pull" and expected to profit. The man who nowadays wants his prices fixed, and fixed high enough to insure him a profit whether he deserves it or not, wants it for exactly the same reason that the price fixers of ancient China, or ancient Egypt, or imperial Rome, or medieval England wanted their prices fixed; they were looking for the best of it. The man who today wants a license for his business but wants his competitor denied a license is actuated by exactly the same motives as were Elizabeth's traders into Barbary. The man who nowadays holds a franchise to render some public service wants it exclusive, exactly as he did 300 or 3,000 years ago. He wants a monopoly; bigger profits for less service.

Economic planners have never understood that government and business can't be mixed without harming both. The line between them ought to be sharply drawn and each ought to stay on its side. When business crowds over onto the government side it does so because it wants some special privileges that it ought not to have. When government crowds over to the business side it interferes with natural processes that government doesn't understand and is not equipped to deal with. The two will not mix any more than you can mix pure water with contaminated water and get anything but contaminated water.

During the Constitutional Convention of 1787 this question of the Federal Government's authority over business was endlessly discussed. One element would have sharply limited the "General Government's" authority over commerce, and made a strenuous fight to include in the Constitution a provision that Congress should place no restriction on trade or navigation except by a two-thirds vote of both Houses. Supporting this view, George Clymer, of Pennsylvania, declared that "the diversity of commercial interests, of necessity, creates difficulties which ought not to be increased by unnecessary restrictions." The other side would have given the Federal Government complete authority over commerce—intrastate, interstate, and foreign. In the end a compromise was reached, which has proved one of the most beneficent provisions of the great document. But even thus, some delegates felt that the General Government had been given too much power over commerce, and Elbridge Gerry, of Massachusetts, in refusing to sign the Constitution, stated as one of his reasons "that under the power over commerce, monopolies may be established."

Our "new dealers" have taken the view of the extreme Federalists who wanted to lodge all authority over commerce and industry in the General Government. That has been, plainly, the real objective of new-deal legislation. Had it succeeded it would have set up a complete economic dictatorship under which the Federal Government could have perpetrated anew the whole series of blunders that were committed in the ancient and medieval world. Fortunately, the Supreme Court has emphatically forbidden this. I am convinced that whoever will study the debates in the Constitutional Convention will agree that the Schechter decision was the salvation of one of the most important and necessary provisions of the Constitution.

But despite this decision, the "new dealers" still persist in their program of complete federalization, and of establishing authority for economic dictatorship. Some would amend the Constitution; others seek ways to circumvent Constitution and Court. Should they succeed we could only expect a continuation of projects aiming at such a complete Government control over business, industry, and enterprise as they have in Italy; and contemplating an ultimate socialization of wealth, business, industry on the precious model of Russian communism.

In the last 3 or 4 years we have heard much prophecy that the capitalistic regime is nearing its close; that democracy has failed, and that some new form, whether derived from Italy, or Germany, or Russia, or based on Marxian socialism, lay just around the corner. Most of us here in America have regarded this discussion as academic. We have observed what is happening in Europe with a certain mild wonderment, not suspecting that such things could happen here. I have talked with people who had studied the corporative and totalitarian states in Europe with-

out at all realizing how closely they resembled the organization which the new deal has sought to impose.

In my view, state socialization is even now developing on a scale so great and at a tempo so rapid as to warrant grave concern. The Government has invaded countless fields that only a few years ago were entirely without its sphere. Private business and enterprises are rapidly becoming terrorized at the Frankenstein of governmental competition and control. As these fears move to increased caution, initiative becomes paralyzed, enterprise stagnates, and the task of economic restoration is more and more shouldered over on the Government. It is a load that government cannot carry and should not attempt unless it is proposed completely to recast our social forms and go in for a socialistic state. I propose now to suggest some of the evidence that we are already well started in that direction.

Let me begin with some reflections on the new deal and the farmer. The English Labor Party is demanding nationalization of England's land, which strikes Americans as about the last word in radicalism; yet we in America have gone a long way toward that end. For the Federal land banks and other agencies have loaned roundly \$3,000,000,000 on farm mortgages or in advances to agricultural credit banks, cooperatives, etc., at low interest and for long terms. Little of this will ever be paid off; the farmer's interest becomes practically rent. Yet this is mild compared to the Bankhead bill, which creates the Farmers' Home Corporation to sell bonds and buy land for tenant farmers. Starting with a billion dollar issue, the measure obviously contemplates more loans, more purchases, in the future; straightaway nationalization. This bill has passed the Senate and is being pressed in the House.

Amendments to the A. A. A. are urged giving the Secretary of Agriculture sweeping powers over marketing farm products, power to fix prices, determine to whom and in what quantities sales should be made, etc. This measure has passed the House.

Again, the Government is rapidly becoming landlord to town and city home owners. In 1 year the Home Owners' Loan Corporation made over 840,000 loans, aggregating \$2,539,000,000. The Government has invested heavily in stocks of banks and investment companies, has loaned enormous sums to these and other financial institutions, and has, in short, become the greatest banking power in the land. Beyond all this, the administration's banking bill plans complete control over all banking credit, whereby to fix the economic dictator's grip on national business.

Along with all this the new deal has invaded the public-utility field. The Tennessee Valley Authority expended nearly \$35,000,000 in a year, and has \$29,000,000 more to spend. Boulder Canyon has cost over \$42,000,000, and has about \$23,000,000 yet to be spent. Nearly \$400,000,000 is outstanding in loans to railroads, while subsistence homesteads, emergency housing, resettlement of farmers, colonization of Alaska, the Great Plains forest belt have demanded other uncounted millions. The A. A. A. has been authorized to spend more than a billion and a half subsidizing the wheat farmers, plowing cotton under, killing off the pigs—and raising the cost of living.

The electrical and irrigation projects in the upper Missouri and Columbia Valleys will produce power nobody can use and put water on land nobody wants to farm. Three billions have been squandered on merchant marine; and our economic planners, oblivious of the ancient fable of King Canute, are about to regiment the Passamaquoddy tides in order to get more power that nobody wants.

But too much detail will only hide the forest behind a too dense growth of trees. What I would emphasize is that with all these activities the cost of Government is now absorbing about one-third of the national income, and these are activities which Government is not competent to carry on efficiently, and for which there is no need. They are merely the beginning of a grand program for centering all authority, credit, financial resources and economic direction in the Government at Washington.

And the end is not in sight. The administration demands the Guffey coal-control bill, to nationalize this essential industry; to enable our economic planners to decree where and how much coal shall be mined, where and at what prices it shall be sold. It is the baldest project of its sort yet brought forward; but it is only a forerunner to the Thomas bill, for dictatorship over the oil industry. Here, I may say with some assurance, is the most efficiently organized, the most competitive, the best able to take care of itself, of all our great industries. With \$12,000,000,000 capital it is second only to agriculture. For years it has supplied a persistently increasing demand for its products, at constantly decreasing prices. Through gasoline and other taxes it has been the greatest contributor to public revenues. It cannot be accused of extorting high prices, for its price index figure is at the bottom of the list; nor of earning excessive returns, for over 12 years its average return on capital was only 1.66 percent per annum. It has not asked for and doesn't want Government control. The only reason for proposing such a thing is that it strikes our economic planners as an inviting field for experimentation.

Whose business, then, will come next? I warn my friends of the lumber, the steel, the cement, and the textile industries to beware; the eye of economic dictatorship is on them. And after they have been gathered into the fold, the rest will be progressively easier. The railroads are already well on the way into the Government bag, and so are the banks. Uncle Sam has become the world's greatest landlord outside of Russia; the A. A. A. has practically taken over direction of farming and farm marketing; the T. V. A. and like projects are driving private enterprise out of the electrical field; and Government funds are being urged upon

municipalities to provide public utilities in competition with those already in existence.

In a word, we have already traveled a long sector of the road toward socialization. We stand today at a critical junction. To the left, marked with gaudy and alluring guideposts, lies the road of adventure into socialization and communism. Straight ahead lies the road by which we have come thus far. Its signboards are weather beaten and homely, but their directions are dictated by reason, wisdom, and experience.

Which road to take?

A NATIONAL REFERENDUM ON WAR

Mr. CAPPER. Mr. President, Dr. Charles M. Sheldon, of Topeka, minister, editor, and author, recently delivered an interesting address, advocating a national referendum before this Nation declares war. I ask unanimous consent to have his address printed in the RECORD. I desire to say that I am in hearty sympathy with the objectives outlined by Dr. Sheldon and intend to support that program.

The views of Dr. Sheldon on this subject are worthy of the careful attention of the Senate and of the country, and I urge my colleagues to read the address.

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

All the wars of history have been started by individuals or by small groups of war-minded men. Alexander the Great, Caesar, Frederick the Great, and Napoleon are examples of individual men, who for military glory or personal ambition have started wars and killed millions of young men. There was not one good reason or excuse for any of the wars that any of these war-minded men had for any one of the wars they started and carried on with the needless destruction of life and property.

The leading students of history now agree that the Great War, in which 10,000,000 young men were killed outright and 10,000,000 more crippled for life, at a cost of over \$200,000,000,000 was started by less than 50 men. Add to these 50 diplomats and militarists the munition men who have always wanted war and another group interested in war for economic reasons and compared with the mass of population of any country involved in the actual fighting and dying, the number of persons responsible for the Great War is insignificant.

There is another fact in the history of war that we should never forget. It is old men who start the wars of the world and the young men who do the fighting. It is doubtful if at any time in history any group of young men ever started a war. A few individuals and a small group of diplomats and munition makers get the wars started and then they create a false spirit of patriotism and say to your boy and mine, "Do your bit. Get over the top and die for your country."

But a remarkable change has come over the world since the wholesale murder of 10,000,000 young men and the crippling of 10,000,000 more for life, all brought about by less than 50 militarists and diplomats.

Young men all over the world, and especially the student group, are now beginning to say to the old men, "You started this war; how about you fighting it? We have died long enough for our country. We want to live for it."

This feeling has been caught up and summarized for millions of the youth of the world in an address made by James Frederick Green, a representative of the National Disarmament Council of the United States, delivered at the World Disarmament Conference held at Geneva February 2, 1932. This young man at the time was a junior in Yale University. Speaking for the entire body of students represented by the council, the young student said:

"After contemplating the events preceding the catastrophe of 1914, we remain unconvinced as to the wisdom of our predecessors. We respect the noble dead, but we question the judgment of those responsible for their death.

"Organized slaughter does not settle a dispute. It merely silences an argument.

"The other speakers have much at stake. We have even more, for we young men are literally fighting for our lives. It is my generation that will be called upon to surrender all we consider worth while in life in order to become targets for machine-gun bullets and victims of the latest poisonous gas. It is the young men and women of my age who will be commanded to commit suicide. We have thus lost all interest in being prepared for cannon fodder. For, behind your deliberations stands staring down at us the specter of death, and we desire to live, and to live in peace."

This statement made to a group of diplomats and war lords is a fair statement that would be made by millions of young men today, young men who have awakened to the fact that they have been made the pawns of the war game by the old men. A friend of mine who sat at the conference and heard this address of Green writes me that it created a sensation among the diplomats and war lords who heard it, but the address was suppressed as far as possible and given small publicity. Nevertheless that address of the young student is going around the world, and the war lords will have to listen to it, for it is the voice of protest against militarism and a false patriotism.

The time has come in America for a Nation-wide referendum on war. This Government of ours in a solemn treaty, the Kellogg

Fact, has condemned war and renounced it as a national policy and promises to settle all international disputes by pacific means. War is no longer a sign of patriotism, it is a sign of stupidity and of treason to the supreme law of the land, which a treaty signed by the Senate always is. There is no more opportune time for this referendum than right now. Great Britain has recently held such a referendum with a result of tremendous popular demand for reduction of war armament and a protest against militarism as a national policy and practice. Also there are joint resolutions before the Congress calling for referendums on different phases of war, calling for a vote of the people before the Congress can declare war. Senator CAPPER has cooperated for the last 4 years in securing passage of these resolutions and they have his hearty approval, together with that of many of his colleagues.

I am asking this audience to vote at this time their approval of a Nation-wide referendum on war, and I submit here a series of questions that may be used in the vote submitted to the people:

(1) Do you believe war is the best way to settle international disputes?

(2) The United States in a solemn treaty has condemned war and outlawed it. Why, then, is our war budget the most tremendous in our national history?

(3) If the United States should disarm without waiting for any other nation, would any other nation attack us, and what for?

(4) If our Congress should declare war against any European power or promise military and financial help, what would you do?

(5) Do you think the people should be permitted to vote on the question of being drafted?

(6) Are you in favor of having the old men who start the wars do the actual fighting?

(7) Do you believe that preparedness for war prevents war or provokes it?

(8) If a European war should break out, would you favor our getting into it and helping it financially, and why?

(9) Why are all the powers, our own included, spending more money for war stuff than ever before in human history?

(10) Do you favor militarism as a human habit?

I call on all the churches of all creeds, on our friends in the Jewish and Catholic communities, on the press, and on the American Legion, on the school and college teachers and instructors, on the whole community to take a stand together against war and militarism as a human habit. War is no respecter of persons. It destroys all together in one common destruction, contrary to all the decent and kindly instincts of humanity. I do not believe that the mass of people want to go out and kill other people. I call on you all to make your protest felt against this enemy of man's progress and happiness, so that we may live together as friends and not as wild beasts that prey on one another. God save the world from this century-old curse! If the people of the world after all these centuries of what we call civilization cannot put an end to war then we might as well confess that civilization is a failure and future happiness and progress are impossible. It is time to take this old god Mars down off his bloody throne and put in his place the Prince of Peace.

Let us shake hands, and not fists, across the international tables of the world.

GEORGE III AND FRANKLIN I—LETTER TO NEW YORK HERALD TRIBUNE

Mr. BARBOUR. Mr. President, I ask unanimous consent to have inserted in full in the RECORD the letter entitled "George III and Franklin I", addressed by Mrs. George A. Wyeth, of Riverdale on Hudson, N. Y., under date of July 18, 1935, to the New York Herald Tribune.

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

[From the New York Herald Tribune of July 21, 1935]

GEORGE III AND FRANKLIN I—A FEW RARE COINCIDENCES FROM 1776 AND 1935 THAT MERIT SERIOUS COMPARISON

To the NEW YORK HERALD TRIBUNE:

For generations Americans had no immediate experience of tyranny. Official encroachment on the rights of the citizen came to be something remote, if not impossible—something told of only in old books.

One must turn to the Declaration of Independence itself to learn just what were those acts of King George III which, in the opinion of Thomas Jefferson and his great contemporaries, made his rule intolerable to freemen.

Let us note a few items from that long list of

And a few items from the still growing list of

1776

"He has refused to pass * * * Laws for the accommodation of large districts of people, unless those people would relinquish the right of representation in the legislature, a right inestimable to them and formidable to tyrants only."

1935

President Roosevelt's advisers, chosen by himself, draw up bills for submission to and passage by State legislatures, whose members are permitted only the briefest discussion of their provisions. Penalty for failure to enact these measures without amendment is the withdrawal of public moneys voted for public works and works relief.

1776

"He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance."

"He has made judges dependent on his will alone, for the tenure of their offices and the amount and payment of their salaries."

"For cutting off our trade with all parts of the world."

"For imposing taxes on us without our consent."

"In every stage of these oppressions, we have petitioned for redress in the most humble terms. Our repeated petitions have been answered by repeated injury."

"For taking away our charters, abolishing our most valuable laws, and altering fundamentally the forms of our government." (Mr. Jefferson here referred to the individual charters and governments of the several colonies.)

1935

Although the Supreme Court on May 27 directed the disbanding of the N. R. A. "swarm", enforcement officers for the A. A. A., F. E. R. A., and the others continue to "harass our people and eat out their substances."

President Roosevelt removed, without charges, William E. Humphrey, member of the quasi-judicial Federal Trade Commission, the stated reason being merely that the commissioner's mind did not meet his on the policies and administration of the Commission. The Supreme Court on May 27 rebuked the President for this act and Mr. Humphrey having passed away, directed the payment to his family a salary of which he and they illegally had been deprived.

By cutting the value of the American dollar to 59 cents President Roosevelt raised a tariff wall against imports of goods from all gold-standard countries. By arbitrarily fixing the price of cotton and other products, through loans to farmers, based on higher-than-world prices, the Roosevelt administration has tended to destroy the foreign market for American farm products.

Secretary Wallace has been given by Mr. Roosevelt power to levy processing taxes without the consent of the millions who must pay them.

Relief Administrator Hopkins has been given power to control the tax systems of States by the giving or withholding of public moneys voted for relief.

Although the Supreme Court has put an end to the N. R. A., citizens have no means to recover the many millions of dollars illegally collected from them.

Repeated petitions to President Roosevelt from his fellow citizens have been answered by repeated levity. Over one protest from men and women of both political parties the President was reported as saying he had laughed for 10 minutes. When a delegation of Governors, Senators, Congressmen, and leading industrialists from New England waited on the President and the Secretary of Agriculture to pray for a lifting of the burden of N. R. A. wage interference in textile mills and the burden of processing taxes on cotton, they were admonished to stop whining. Mr. Wallace suggested they might make prefabricated houses if the making of cotton cloth were no longer profitable.

Today the Executive attack is on the one charter of our traditional American liberties: the American Constitution. President Roosevelt has insisted on the passage of laws which in many details, and according to informed opinion, were unconstitutional. He has appeared reluctant to have these new laws brought before the highest tribunal in the land. Responsible newspaper correspondents assert that this follows the advice of "new dealers" who urge that no ruling be permitted until the laws "build up a solid background of achievement." The President's mocking comments on the Court's unanimous decli-

1776

1935

sions against the administration claims indicate his resentful determination to proceed as he began.

WAKE UP, AMERICANS!
It is later than you think.

"A prince, whose character is thus marked by every act that may define a tyrant, is unfit to be the ruler of a free people."

Mrs. GEORGE A. WYETH.

RIVERDALE ON HUDSON, N. Y., July 18, 1935.

WHAT'S IN AN OATH?

Mr. DICKINSON. Mr. President, I ask unanimous consent to have inserted in the RECORD an editorial appearing in the Mason City (Iowa) Globe-Gazette on July 23, 1935, entitled "What's in an Oath?"

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

[From the Mason City (Iowa) Globe-Gazette of July 23, 1935]

WHAT'S IN AN OATH?

Paragraph 7 of section I, article II of the Constitution of the United States provides:

"Before he (the President) enter on the execution of his office, he shall take the following oath or affirmation: 'I do solemnly swear (or affirm) that I will faithfully execute the office of President of the United States, and will, to the best of my ability, preserve, protect, and defend the Constitution of the United States. So help me God.'"

Every President of the United States, of course, has taken this oath. Always, we think, the oath is administered by the Chief Justice of the United States Supreme Court. Usually, the Chief Justice reads the oath to the President-elect, who, on the conclusion of the reading, says "I do."

On March 4, 1933, tens of millions of people "listened in" on the inaugural ceremonies and heard Franklin Delano Roosevelt repeat that oath after the Chief Justice. He seemed to wish to emphasize his intention to keep the oath inviolable no matter what happened.

It is difficult to understand Franklin Delano Roosevelt. He said, during the campaign, that he accepted the Democratic platform absolutely. The record to date is that this administration has repudiated all the major planks of that platform with the exception of the one which called for repeal of the eighteenth amendment.

During the more than 2 years that this administration has been in power it has passed new and strange laws, many of them clearly in contravention of the Constitution of the United States. These laws have not originated in Congress; they have been prepared by men who have never been elected to any office, who have no responsibility, and who, for the most part, belong to no political party. They call themselves "independents", or "forward-looking men", or something of that sort.

Recently the Supreme Court clearly indicated that not a little of the legislation already enacted, and practically all of the legislation on the "must program" with the exception of the tax measure, will be nullified by the Supreme Court when the issues come before the court.

One of these measures is the Guffey-Snyder coal bill. In effect, it proposes to put the coal-mining industry under control of the National Government, relying upon the commerce clause of the Constitution for its authority. Now, the Supreme Court has specifically held that mining is not interstate but intrastate. The other day President Roosevelt sent a letter to the chairman of the House subcommittee before which this bill is pending, urging the speedy passage of the bill. In this letter the President said:

"I hope your committee will not permit doubts as to its constitutionality, however reasonable, to block the suggested legislation."

Is this preserving, protecting, and defending the Constitution of the United States to the best of the President's ability? Is it a high-minded thing to "pass the buck" on a question of this kind to the Supreme Court?

Suppose we let one of Mr. Roosevelt's predecessors answer this question. William Howard Taft, later made Chief Justice of the Supreme Court, in vetoing a bill which he regarded as unconstitutional, argued:

"But it is said that this is a question with which the Executive or Members of Congress should not burden themselves to consider or decide. It is said that it should be left to the Supreme Court to say whether this proposed act violates the Constitution. I dissent utterly from this proposition. * * *

"The oath that the Chief Executive takes, and which each Member of Congress takes, does not bind him any less sacredly to observe the Constitution than the oaths which justices of the Supreme Court take. It is questionable whether the doubtful constitutionality of a bill ought not to furnish a greater reason for voting against the bill or vetoing it than for the Court to hold it invalid.

"The Court will only declare a law invalid where its unconstitutionality is clear, while the lawmakers may very well hesitate to vote for a bill of doubtful constitutionality because of the wisdom of keeping clearly within the fundamental law.

"The custom of legislators, and executives having any legislative function, to remit to the Court entire and ultimate responsibility as to the constitutionality of the measures which they take part in passing is an abuse which tends to put the Court constantly in

opposition to the Legislature and Executive, and, indeed, to the popular supporters of unconstitutional laws. If, however, the Legislature and the Executive had attempted to do their duty, this burden of popular disapproval would have been lifted from the courts, or, at least, considerably lessened."

Reader, whatever your political affiliations may be, which of these utterances appeals most to your sense of honor and fair play? If you held the office of President of the United States, which record would you rather leave? John Quincy Adams said: "I want the voice of honest praise to follow me behind." That is a laudable ambition for every man in whatsoever station of life he finds himself.

What's in an oath? Everything that savors of honesty, straightforwardness, and sincerity ought to be in an oath. And he who takes an oath should always seek to keep it, not to get around it.

THE PROPOSED DEPARTMENT OF CONSERVATION AND WORKS

Mr. GORE. Mr. President, I ask unanimous consent to have inserted in the RECORD a radio address by Mr. Fred Brenckman, Washington representative of the National Grange, on July 20, 1935, on the subject the Proposed Department of Conservation and Works.

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

Kindly allow me to call your attention to a matter which is pending in Congress and which is of first-rate importance to all the rural people of the United States. I refer to a bill which would change the name of the Department of the Interior to that of the Department of Conservation and Works. This measure was introduced in the Senate by JAMES HAMILTON LEWIS, of Illinois, and in the House by JOHN J. COCHRAN, of Missouri.

The language of the bill plainly indicates that the plan is to transfer from the Department of Agriculture to the Department of the Interior our national forests, the Soil Conservation Service, and possibly the Biological Survey. As I recently stated at hearings before the House and Senate committees that are handling this bill, in the opinion of the Grange such a move would constitute a monumental mistake.

It should be remembered that in the early years of our Forest Service, this agency of the Government was located in the Department of the Interior. For sound and practical reasons, it was transferred to the Department of Agriculture by President Theodore Roosevelt, a pioneer in the cause of conservation, and one of the best and truest friends that conservation in this country ever had.

A large part of the activities of the Department of Agriculture relates directly to conservation. These include such important phases as the maintenance and improvement of soil productivity; farm, forest, and range production; watershed maintenance and improvement; the propagation and protection of wild life, together with the prevention and control of animal diseases.

The Department of Agriculture has always been conservation-minded, and its record of achievement testifies to the soundness of its policies and the capability of its personnel.

The bill would permit the breaking down of the coordination which has been developed in the conservation of renewable resources within the Department of Agriculture.

It is worthy of note that, broadly speaking, the Department of the Interior has dealt primarily with nonrenewable resources, such as coal, oil, and other minerals. One of its chief functions in the past was to dispose of agricultural land rather than to promote its suitable use. Many are of the opinion that it was a mistake for Congress to place the administration of the Taylor grazing bill under the Department of the Interior.

TREES CLASSED AS A CROP

The question has been raised in connection with the hearings being conducted on the bill as to whether or not trees may be properly classed as a crop. The idea of considering trees in this light is not far-fetched at all. The tree crop is susceptible of renewal and management in accordance with known sciences and practices.

President Franklin D. Roosevelt, in his Atlanta (Ga.) speech of October 24, 1933, recognized trees as crops when he said:

"Everyone knows that we are using up our American timber supply much faster than the annual growth of new timber. * * *

"Because we are a young nation—because apparently limitless forests have stood at our door, we have declined up to now to think of the future. Other nations whose primeval forests were cut off a thousand years ago have been growing tree crops for many hundreds of years."

Woodlands owned by farmers aggregate more than one-fourth of our 495,000,000 acres of commercial forest lands. Farm woodlands occupy more acres than any other crops on American farms. They furnish timber, fuel, fence posts, and supplemental cash incomes to 2,500,000 farmers. Effective woodland management is, therefore, a vital part of national agriculture. Federal cooperation in farm forestry is authorized under the Clark-McNary law. Besides providing for the prevention and suppression of forest fires, the forest taxation inquiry and the insurance study, the Clark-McNary law specifically provides for the distribution of forest planting stock to farmers, and for farm forestry extension, which is administered by the Department of Agriculture's Office of Co-operative Extension Work.

In some regions successful agriculture can continue only if forest management and utilization create and maintain nearby markets for farm crops. In other regions forest work and its cash incomes are necessary to tide over populations which obtain most of the family food through work on farms. In other sections, the Nation is confronted with the task of replacing, with forest crops, agricultural production on abandoned or worked-out farms.

Forest land forage is vital in many sections to agriculture. Within the continental United States some 334,000,000 acres are grazed by domestic livestock. In parts of the East this forage occurs largely on woodlands owned by farmers, and into which millions of farmers turn their livestock. In the South, not so much of the forest land on which forage occurs is owned by farmers, but it is essential just the same to the local population.

Forage on the national forests in the West is used by almost one and one-half million cattle and some 6,000,000 sheep, under permits issued to some 26,000 individuals. And these individuals own or control more than four and one-half million acres of improved farming land and 22,000,000 acres of privately owned grazing lands. National forest ranges in the West have been under administration for more than 30 years, under a system which allows only the number of stock that the amount and condition of the available forage justifies.

GRANGE MAKES COUNTER PROPOSAL

So far from favoring the transfer of the national forests, the Soil Erosion Service, or the Biological Survey to the Department of the Interior, the Grange has for years advocated that the Bureau of Reclamation should be taken from the Department of the Interior and given to the Department of Agriculture.

It is interesting to recall that during the Presidency of Warren G. Harding a commission was appointed to study the question of reorganizing and regrouping the various administrative units of the Government. Some of the members of this commission, which was headed by Walter Brown, of Ohio, who later became Postmaster General, were in favor of transferring the Bureau of Reclamation to the Department of Agriculture. This met with the hearty approval of Henry Wallace, father of the present Secretary of Agriculture, who then headed the Department. However, one of the members of the commission was the present head of the Bureau of Reclamation, who opposed the idea. When asked to explain his reasons for opposing such a logical move, he replied by saying that the Department of Agriculture would not let him do what he wanted to do. What he wanted to do was to reclaim more land to grow food for the coming millions, notwithstanding the fact that the farmers of the country have been drowning in a sea of surplus for the last 15 years.

The Department of Agriculture is better qualified to decide when and under what conditions new land should be brought under cultivation than any other department of the Government.

Our reclamation projects necessarily involve problems for soil physicists and economists, agricultural engineers, agronomists, horticulturists, livestock and dairy specialists, entomologists, forestry experts, and agricultural economists trained in the special problems of farm organization and farm management. The Department of Agriculture has such a staff while the Department of the Interior has not. But if the Department of the Interior claims that it does have such a staff, I assert with emphasis that it should not have. Every effort should be made to prevent overlapping, duplication, and unnecessary expense in the conduct of governmental activities.

Secretary of the Interior Harold L. Ickes, in repeated appearances before the House and Senate committees, has persistently advocated the bill under consideration. Among other things, he has publicly lamented the alleged fact that the Department of Agriculture is gradually absorbing the functions of the Department of the Interior, and he declares that if this process continues, the Department over which he presides might as well be liquidated and closed up.

It is interesting to learn in this connection, however, that plans have been made to construct a new and larger building to house the Department of the Interior. Besides, this session of Congress created the office of Under Secretary of the Interior, which never existed before. These two facts do not seem to bear out the contention of Secretary Ickes.

GIVE BUREAU OF ROADS TO INTERIOR

However, if Mr. Ickes desires to annex any division of the Department of Agriculture in order to maintain the importance and prestige of his department and to find something to do for his staff, I would respectfully suggest that legislation be introduced transferring the Bureau of Public Roads to the Department of the Interior.

So far as I am able to see, there is no particular reason why this bureau should be located in the Department of Agriculture. It had its origin more than 40 years ago in the division known as the "Office of Road Inquiry." The function of this office, for which we appropriated only \$10,000 a year in the beginning, was to do research and investigational work, largely for the benefit of township supervisors throughout the country.

Under the changed conditions of today, when every State has its own highway department, the reasons which led to the establishment of the Bureau of Roads in the Department of Agriculture no longer exist.

It seems to me that to retain this bureau in the Department of Agriculture is in some respects a disadvantage to the farmers of the country. Every time some newspaper editor sets out to prove

that the farmer is the pampered pet of the Government he is apt to cite the heavy appropriations made to the Department of Agriculture. Since these figures include appropriations for highways that are used by all the people of the country, this creates an unfair impression in the minds of the people who are not familiar with all the facts in the case.

From 1917 to 1933 Federal aid appropriations for highways totaled \$1,290,000,000. The appropriation for the present fiscal year is \$125,000,000. All this is charged to the Department of Agriculture.

Let Mr. Ickes have the Weather Bureau, too, if he wants it. As the Bible aptly puts it, "He sendeth rain on the just and the unjust alike." We are all interested in the weather, and there would seem to be no good reason why the Weather Bureau could not function just as efficiently in the Department of the Interior as it does in the Department of Agriculture.

But by all means let us keep our national forests, the Soil Conservation Service, and the Biological Survey in the Department of Agriculture.

UTILITY HOLDING COMPANIES—EDITORIAL FROM PHILADELPHIA RECORD

Mr. BONE. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the Philadelphia Record of July 20, dealing with the pending holding-company bill.

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

[From the Philadelphia Record of July 20, 1935]

COME OUT FROM BEHIND THE "WIDOWS AND ORPHANS"

Nothing contained in the so-called "death-sentence clause" of the Wheeler-Rayburn bill could possibly do the utilities as much damage as the utilities have done themselves.

The power utilities have been caught cheating—
Cheating on the American people, in a particularly repulsive fashion.

But if the American people are going to pay more than a million dollars for utility lobbying, through their electric, gas, and power bills, they at least have the benefit of a most convincing object lesson in the way the utilities work.

The holding companies had loudly proclaimed they were only seeking to protect the "widows and orphans" who had invested in utility holding companies' stocks.

But when it came to locating those "widows and orphans", an employee of the Associated Gas & Electric Co. had to fake hundreds of telegrams by snatching names out of the telephone book.

Messenger boys had to be paid 3 cents for each telegram they solicited against the Wheeler-Rayburn bill.

Not to mention the fact that employees of various holding companies were mobilized and held responsible for mailing a certain number of letters, or sending a certain number of telegrams, for their friends, also protesting against the bill.

These are the same sort of tactics the utilities employed in the palmy days when they subsidized school teachers, paid for padded textbooks and "persuaded" irresponsible editors to use canned editorials, written by utility propagandists, in an effort to discourage public ownership and lead the public to believe that the utilities were beneficent, kind, and generous.

Phillip Gadsden, chairman of the committee of public utility executives, deprecates the activities of the Associated Gas & Electric Co. and points out that this holding concern was not associated with the utilities his committee represents.

Mr. Gadsden is a bit late.

For years this newspaper has been urging the more responsible utility concerns to cooperate with the President, to take leadership in providing proper regulation for holding companies, to submit themselves willingly to such regulation and thereby convince the public of their sincerity.

Instead, the utilities, en masse, have fought any holding company regulation at all. They have made no effort to support legislation to curb the activities of those companies which they claim are not among the "better element" of the utility interests.

Now they all find themselves tarred with the same stick.

And if a Nation-wide demand for publicly owned power plants arises out of the present ill-smelling mess, the utilities will have only themselves to blame.

A few years hence they may look back and realize that Mr. Roosevelt was their friend, not their foe.

As the record has pointed out before, the utilities have a perfectly legitimate right to protest the Wheeler-Rayburn bill or any bill affecting them. They have equal right to engage lobbyists to carry their protests to Washington.

But they have no right to spread misinformation throughout the land—while the sending of these fake telegrams needs no comment. Such an offense is punishable by fine and imprisonment.

The Black committee's investigation is not ended by any means. Let it forge ahead, to find just how many more bogus "widows and orphans" were behind the hundreds of thousands of telegrams rained on Congress.

At the same time, let the Senate insist that the "death clause"—which is really no death clause at all—be retained in the Wheeler-Rayburn bill when it comes out of conference.

If the Committee of Public Utility Executives recognizes the best interests of its own fair-dealing companies, it, too, will want that clause retained.

After this show-up, rigid regulation is the one hope left for maintenance of our system of privately owned utilities.

The mask is off. The public can be fooled no longer—not even by men hiding behind the skirts of widows and orphans.

MESSAGE FROM THE PRESIDENT—APPROVAL OF BILLS

A message in writing from the President of the United States was communicated to the Senate by Mr. Latta, one of his secretaries, who also announced that the President had approved and signed the following acts:

On July 10, 1935:

S. 2074. An act to create a National Park Trust Fund Board, and for other purposes.

On July 12, 1935:

S. 2378. An act authorizing the Secretary of the Navy to accept on behalf of the United States a bequest of certain personal property of the late Dr. Malcolm Storer, of Boston, Mass.

On July 15, 1935:

S. 1206. An act authorizing the transfer of certain lands near Vallejo, Calif., from the United States Housing Corporation to the Navy Department for naval purposes;

S. 2230. An act to authorize the Secretary of the Navy to acquire a suitable site at Pearl Harbor, Territory of Hawaii, for a rear range light;

S. 2846. An act authorizing the Secretary of the Navy to accept on behalf of the United States the devise and bequest of real and personal property of the late Paul E. McDonnold, passed assistant surgeon with the rank of lieutenant commander, Medical Corps, United States Navy, retired; and

S. 2966. An act to empower the Legislature of the Territory of Hawaii to authorize the issuance of revenue bonds, to authorize the city and county of Honolulu to issue flood-control bonds, and for other purposes.

On July 17, 1935:

S. 377. An act to grant to the Utah Gilsonite Co. the right to use a water well on certain public lands in Utah; and
S. 883. An act directing the retirement of acting assistant surgeons of the United States Navy at the age of 70 years.

On July 18, 1935:

S. 312. An act for the relief of Lillian G. Frost.

On July 19, 1935:

S. 475. An act for the relief of Mrs. George F. Freeman;
S. 780. An act for the relief of the Standard Dredging Co.;
S. 1099. An act for the relief of Ethel G. Remington;
S. 1290. An act for the relief of Walter Motor Truck Co., Inc.;

S. 1446. An act for the relief of Knud O. Flakne;
S. 1447. An act for the relief of Mary C. Moran;
S. 1498. An act for the relief of Robert D. Baldwin;
S. 1499. An act for the relief of Robert J. Enochs;
S. 1566. An act for the relief of Carl C. Christensen;
S. 2292. An act for the relief of Emanuel Wallin; and
S. 2779. An act to authorize the conveyance of certain lands in Nome, Alaska.

On July 22, 1935:

S. 428. An act authorizing adjustment of the claim of Korber Realty, Inc.;

S. 884. An act for the relief of Lt. Comdr. G. C. Manning;

S. 1036. An act authorizing adjustment of the claim of Dr. George W. Ritchey;

S. 1054. An act authorizing adjustment of the claim of White Bros. & Co.; and

S. 2487. An act for the relief of the Western Electric Co., Inc.

On July 23, 1935:

S. 156. An act conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the city of Perth Amboy, N. J.;

S. 239. An act for the relief of the Barlow-Moore Tobacco Co.;

S. 1872. An act for the relief of Guy Clatterbuck; and
S. 3038. An act to authorize the transfer of certain lands in Rapides Parish, La., to the State of Louisiana for the

purpose of a State highway across a portion of the Federal property occupied by the Veterans' Administration facility, Alexandria, La.

On July 24, 1935:

S. 1309. An act to amend section 114 of the Judicial Code to provide for terms of district court for the western district of Wisconsin to be held at Wausau, Wis., and for other purposes;

S. 2532. An act to amend an act entitled "An act setting aside Rice Lake and contiguous lands in Minnesota for the exclusive use and benefit of the Chippewa Indians of Minnesota", approved June 23, 1926, and for other purposes; and

S. 2904. An act to prohibit the interstate transportation of prison-made products in certain cases.

THE BANKING SYSTEM

The Senate resumed the consideration of the bill (H. R. 7617) to provide for the sound, effective, and uninterrupted operation of the banking system, and for other purposes.

The VICE PRESIDENT. When the Senate adjourned last evening the Senator from Virginia [Mr. GLASS] had the floor, and had not concluded his speech on the bill. The Senator from Virginia is recognized.

Mr. GLASS. Mr. President, when the Senate recessed yesterday I was proceeding to point out that the Banking Act of 1933, in the opinion of some of us, made unnecessary title II of the pending bill; but it was finally concluded, inasmuch as this title had been considered and passed by the House, that it was desirable to cure its manifest defects here in the Senate rather than to postpone the issue, perhaps to be resumed at the next session of Congress immediately preceding the national election, with all of the wining and dining and lobbying of the persons chiefly interested in title II of the bill.

In this connection I may say that repeated references to the bill as an administration bill have no justification whatsoever. It is not an administration bill. The President of the United States has never read a word of it, unless he has done so very recently. The Secretary of the Treasury is on record in the printed hearings of the Appropriations Committee as saying that he had not read it. Every member, except one, of the Federal Reserve Board testified before the committee that he had not seen the bill until it was introduced and printed. The President, in his letter to the Chairman of the Senate Banking and Currency Committee, referred to the measure as a "tentative" bank bill and simply asked that those interested in it be summoned before the committee and be heard. So it may not accurately be called an "administration measure", as I know the President himself was perfectly willing that the bill should be considered in committee and altered as the judgment of the committee should determine, and likewise in the Senate.

I speak of it simply as the Eccles bill, because nobody, with a single exception, who appeared before the Banking and Currency Committee of the House or of the Senate has advocated this bill.

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

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

Mr. GLASS. I yield.

Mr. BULKLEY. I take it the Senator is referring to title II?

Mr. GLASS. Yes; only to title II, and that title I am discussing. I desired to correct the impression that it is an administration bill or that the administration would seek to preclude the Senate from considering the bill carefully and reaching its own conclusion.

I was pointing out yesterday when the Senate recessed that those responsible for title II of the bill, as it came from the other branch of the Congress, failed to recall, if they ever knew, that the Banking Act of 1933 completely averted the very danger which it is pretended might again beset the country if title II, as passed by the House of Representatives, were not passed by the Senate and enacted into law.

It is suggested that the chief advocate of title II is in a nervous state and has a large measure of anxiety lest we should have inflation in the country; that he wants to prevent inflation and deflation. We already have more deflation than may be remedied in the next 10 or 20 years to come. As a consequence, I am amused at the pretense that the sponsor of title II of the bill is anxious to prevent inflation, because of all the inflationists in the country he has exceeded the group in his advocacy of inflation. I repeat, however, that the Banking Act of 1933 averts all danger of a return to the frightful conditions of 1929 which brought on the collapse, due, as we all know, to excessive speculation on the stock exchange.

In the act of 1933 we required for the first time that—

Each Federal Reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions; and, in determining whether to grant or refuse advances, rediscunts, or other credit accommodations, the Federal Reserve bank shall give consideration to such information. The chairman of the Federal Reserve bank shall report to the Federal Reserve Board any such undue use of bank credit by any member bank, together with his recommendation. Whenever, in the judgment of the Federal Reserve Board, any member bank is making such undue use of bank credit, the Board may, in its discretion, after reasonable notice and an opportunity for a hearing, suspend such bank from the use of the credit facilities of the Federal Reserve System and may terminate such suspension or may renew it from time to time.

Thus in the act of 1933 we gave the Federal Reserve banks and the Federal Reserve Board a measure of control and of discipline of member banks using their facilities for speculative purposes which neither the Federal Reserve banks nor the Federal Reserve Board ever before had.

Moreover, in the Banking Act of 1933 we provided:

Upon the affirmative vote of not less than six of its members the Federal Reserve Board shall have power to fix from time to time for each Federal Reserve district the percentage of individual bank capital and surplus which may be represented by loans secured by stock or bond collateral made by member banks within such district, but no such loan shall be made by any such bank to any person in an amount in excess of 10 percent of the unimpaired capital and surplus of such bank. Any percentage so fixed by the Federal Reserve Board shall be subject to change from time to time upon 10 days' notice, and it shall be the duty of the Board to establish such percentages with a view to preventing the undue use of bank loans for the speculative carrying of securities. The Federal Reserve Board shall have power to direct any member bank to refrain from further increase of its loans secured by stock or bond collateral for any period up to 1 year under penalty of suspension of all rediscount privileges at Federal Reserve banks.

Furthermore, the Banking Act of 1933 contained this new provision:

Any Federal Reserve bank may make advances for periods not exceeding 15 days to its member banks on their promissory notes secured by the deposit or pledge of bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or by the deposit or pledge of debentures or other such obligations of Federal intermediate credit banks which are eligible for purchase by Federal Reserve banks under section 13 (a) of this act; and any Federal Reserve bank may make advances for periods not exceeding 90 days to its member banks on their promissory notes secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks under the provisions of this act. All such advances shall be made at rates to be established by such Federal Reserve banks, such rates to be subject to the review and determination of the Federal Reserve Board.

Now, note this:

If any member bank to which any such advance has been made shall, during the life or continuance of such advance, and despite an official warning of the Reserve bank of the district or of the Federal Reserve Board to the contrary, increase its outstanding loans secured by collateral in the form of stocks, bonds, debentures, or other such obligations, or loans made to members of any organized stock exchange, investment house, or dealer in securities, upon any obligation, note, or bill, secured or unsecured, for the purpose of purchasing and/or carrying stocks, bonds, or other investment securities (except obligations of the United States) such advance shall be deemed immediately due and payable, and such member bank shall be ineligible as a borrower at the Reserve bank of the district under the provisions of this paragraph for such period as the Federal Reserve Board shall determine.

Mr. President, it was under this 15-day and 90-day provision of the old act that the facilities of the Federal Reserve banks in the money centers of the country were used to an incredible extent for stock-gambling purposes; and that provision of the law was intended to put a stop to that sort of thing. Now some gentlemen would confide to the Federal Reserve Board exclusively the right of determining all these matters which the Board utterly failed to determine in 1929, and permitted itself to be challenged and defied by one of the most notorious speculators on the New York stock market, and practically was told to "go to hell", saying that, despite its order, he proposed the very next day to rediscount at the New York Federal Reserve Bank \$25,000,000 under this 15-day provision and use it for stock-speculative purposes. The Board had not even the spirit to resent this gross insult and to kick that man out of the directorate of the New York Federal Reserve Bank before the lunch hour next day; and yet we are asked to empower this Board with supreme and exclusive authority in such matters.

Not only did the Banking Act of 1933 do what I have indicated, but it required the separation of affiliates from commercial banks. Not only did it require the separation of affiliates, but we made the terms of the act so severe on banking holding companies—which seem to be in favor in contrast to industrial holding companies—as that we determined to drive them out of business within 5 years; and those who appeared before our committee when we framed the act agreed to go out of business in 5 years.

Not only that, Mr. President, but we prohibited the vicious practice of loans by others for speculative purposes on the stock market. In other words, the great corporations of this country, instead of distributing their surplus funds in the payment of dividends to the stockholders, would send them into the whirlpool of stock speculation. They did that to the extent of \$6,000,000,000. We put a stop to that, but in this bill as it came from the House of Representatives it was provided that member banks might make loans on any sound assets.

What would that mean? It would mean that member banks could speculate to their hearts' content, except for the other provisions I have read, with the funds of their depositors, because it was testified over and over again, without challenge, that brokers' loans, which approached the maximum sum of nearly \$8,000,000,000 in this speculative period, had proved to be the soundest loans that could be made.

Under the bill as it came from the House, member banks, but for the provisions of the act of 1933, and in spite of the provisions of the act of 1933, could use the deposits for their speculative purposes, because brokers' loans are regarded as sound usually. Whether for an evil purpose or for a good purpose, they were asserted to be sound. So that in considering the bill, some members, both of the subcommittee and of the full Committee on Banking and Currency, felt that it was an unnecessary attempt to create fermentation and terror in the banking community with title II. But, as I have said, the committee wisely concluded to settle the matter now rather than to postpone its settlement until the next session of Congress.

Speaking of "broadening the base" of loans, the committee embodied in the bill now pending a provision which was adopted as an emergency provision, but which expired in March 1934, which reads as follows:

Whenever any member bank has no eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal Reserve bank or any other method provided by this act other than provided by section 10 (a)—

Which is the group section—

any Federal Reserve bank, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, may make advances to such member bank on its time or demand notes secured to the satisfaction of such Federal Reserve bank. Each such note shall bear interest at a rate of not less than 1 percent per annum higher than the highest discount rate in effect at such Federal Reserve bank on the date of such note.

We propose to make that permanent law, and it seemed to all of us a wise thing to do.

I think the only other provision of the pending bill to which I have not made some reference is a provision with which I have not very much familiarity. It relates to loans by national banking associations upon real estate.

For 50 years there was not a sentence in the Federal statutes authorizing a national bank to lend a dollar to anyone on real estate of any description. In the Federal Reserve Act of 1913 we incorporated a provision authorizing national banks to make loans for a period of 5 years on real estate up to 50 percent of the actual value of real estate, but without any amortization provision at all.

Section 24 of the pending bill authorizes loans under a system of amortization for not longer than 10 years up to 60 percent of the appraised value of the real estate offered as security; and the committee, upon hearing arguments pro and con, came to the conclusion that that was a fair adjustment of the matter.

Mr. BONE. Mr. President—

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

Mr. GLASS. I yield.

Mr. BONE. The Senator, I think, has stated that the old statute which authorized these loans was confined to assessed value. There is a great distinction between the two terms, "assessed value" and "appraised value."

Mr. GLASS. "Appraised value" is the wording of the provision of the pending bill, as the Senator will see.

Mr. BONE. The Senator was referring to the act of 1913, as I understand.

Mr. GLASS. Yes.

Mr. BONE. The assessed value in my State, for instance, would be approximately 42 to 46 percent of the true market value, which probably might be the appraised value, for loan purposes.

Mr. GLASS. The act of 1913 spoke of the actual value of real estate offered as security, and this provision speaks of the appraised value.

There is another provision of the pending bill to which I might refer, but have not, because I have no reason to suppose that it will be objected to by any Senator, though as to that I do not speak definitely.

In the operations of the open-market committee, as constituted under the bill, we provide that Government bonds may be purchased by the Federal Reserve banks, but only in the open market. The wisdom of that ought to be manifest to anyone. Such bonds should not be purchased, under the mandatory provision of the bill, directly from the Treasury.

Suppose, for example, the open-market quotation for Federal Reserve bonds is 10, or 20, or 25, or 30 percent below par, as once was the case. No one can conceive of any fair reason why a Federal Reserve bank should use the reserve funds of their member banks to purchase Government bonds at par directly from the Treasury when they could go into the open market and buy them at a greatly depreciated price. Therefore, we require that the purchases shall be in the open market.

I have not referred to the reserve requirements of the bill as it came over from the House, but the committee wisely, I think, and as the committee unanimously thought, insists upon the retention of a statutory reserve, or a reserve defined and enacted into law by the Congress itself and not left to the doubtful or ignorant judgment or whim of any bureau here in Washington. Under the proposition as originally presented, the central board here could destroy any business or ruin any section of this country from Maine to California, or from the Great Lakes to Texas.

The Board was given complete control of the reserves of member banks. It could determine whether the textile business was overproduced, whether the steel or the coal business was overproduced, whether the wheat crop or flour mill products were overproduced, and if, in its view, there was overproduction, the Board could so fix the reserves of the member banks as to deny credit to such industries. No

such stupendous authority was ever granted to any central board in any civilized country on earth.

The pending bill provides that the existing reserves of 7 percent, 10 percent, and 13 percent may not be reduced—13 percent for central reserve cities, 10 percent for reserve cities, and 7 percent for country banks—and that they may not be increased beyond a certain percentage. We declined to leave to the discretion of a board here in Washington or anywhere else the determination of a matter of this sort.

As to credit being a national question, the credit of the United States Government is a national question, but your credit, Mr. President, is not a national question, nor is my credit, or the credit of this, that, or the other industry. Many elements enter into the determination of credit. Character is the basis of credit. Habits enter into the determination of credit. Conditions in various sections of the country, which vary greatly, enter into the question of credit.

The very particular vice of the so-called "Aldrich scheme" for a central bank was that it provided a uniform rate of discount throughout the Nation. To show how undesirable that is one has only to examine the rates of discount in the various sections of the country. In the State of the Senator from Michigan [Mr. VANDENBERG] the statutory limitation is 5 percent upon current discounts. In my State of Virginia the statutory rate is 6 percent. In some of the far Western States the current rate by statute is 8 percent. In some of them it is as high as 10 percent, because money there and its use are regarded as worth more than is money in the East.

The rediscount rate of New York Reserve Bank today I think is 1½ percent. Everyone knows that is ridiculous. There is no bank west of the Mississippi River which could pay the salary of its cashier, much less take care of its other overhead charges on a 1½-percent rediscount basis.

So the regional system which we have established ought not to be molested and wrecked as is proposed here. I say it ought not to be molested and wrecked. I have here a volume of letters which would take up every inch of space of a dozen issues of the CONGRESSIONAL RECORD, letters from commercial institutions, business institutions, industrial institutions of every description in this country, protesting against the banking bill which was sent over from the House of Representatives. There is not a State bankers' association in the United States which has spoken a kind word for it. There is not a group of bankers in the United States which advocates it. The single sponsor of this bill himself could not control the bankers' association of his own State, and it declared in emphatic terms against the bill.

When you wreck the banking institutions of this country you wreck the business of the country, because the credits afforded by the banking institution touch every home and every fireside; they touch every business in the country. For that reason I have always entertained an unutterable contempt for any man who would bring politics into the consideration of banking legislation.

I have been in Congress for 34 years and no man can point the accusing finger at me and say that I ever permitted a political consideration or party view to enter into my determination of banking legislation. In this file of letters, Senators, is an expression not sought by me, but voluntarily sent to me from one end of the country to the other, and from every State of the Union, protesting against this proposal to wreck our regional banking system, and to put it completely in the control of a bureau here in Washington and, without desiring to be disagreeable, but to be frank with the Senate, I say a bureau which has never had a magician in its membership, and does not have one now and, I am afraid, is not likely ever to have one. They are all just human beings like we are—somewhat. It is simply shocking, it is appalling to think that the newest member of that Board, who never had a day's association with the Federal Reserve System in his life, proceeded within less than 90 days after his nomination to propose revolutionary changes in all the fundamental provisions of the law.

I appeal to the Senate to preserve the local self-government of the Federal Reserve banks and the regional char-

acter of the Federal Reserve System, so that the respective Reserve banks may function in the interest of commerce, industry, and agriculture, as they view the situation in their own districts, not as some central board here in Washington may view it.

Mr. President, I think I have touched upon the principal provisions of title II of the bill. Now I venture to refer briefly to two provisions of title III.

I am leaving the exposition of title III to my colleague, the senior Senator from Ohio [Mr. BULKLEY], who has given title III particular attention, having had charge of the greater part of it at the last session of Congress.

I know of but two provisions of title III to which I think there may be objection. One of them is the underwriting provision. A very simple recital of the history of that problem should enable Senators to understand what has been done and why it was done. In the consideration of the Banking Act of 1933, because of the shocking abuses that immediately preceded the passage of that act, it was felt that something should be done to prevent a recurrence of anything of that sort. Therefore we prohibited outright any underwriting by a commercial bank.

We did it with the avowed hope and expectation that thereafter there would be organized in this country underwriting houses such as exist in Great Britain and continental Europe, devoting their activities exclusively to the underwriting of issues. We realized that there was then or might soon be a great demand for underwriting in the heavier-goods industries. The percentage of capital withdrawn from and the unemployment existing in the heavy-goods industries as contrasted with the sales industries is startling both in percentage and amount. However, we expected that this deficiency would be made up by the organization of underwriting houses. That did not take place; no underwriting houses have been organized; yet we were assured that there was a sharp and insistent demand, ever increasing, and which will continue ever increasing upon the recovery of this country, for credits in the heavy-goods industries.

Therefore we have incorporated in title III of this bill permission to commercial banks to underwrite to a moderate extent. We have denied them the right to sell to other banks or to retail any of the securities which they have underwritten, but have given them the right to contract to take a limited amount of any security authorized to be issued under the securities act, and if the institution in issuing the securities should fail in disposing of the entire amount, the bank is permitted to take its contractual portion. We have hedged it about severely. We have provided that not more than 10 percent of the capital of any bank may be loaned in this way to any single customer; not more than 20 percent of any one issue and not more than a hundred percent altogether to all the heavy industries of the country.

In addition to these severe restrictions, we have superimposed upon them the requirement that none of this business may be done except under rules and regulations to be prescribed by the Comptroller of the Currency. So if there should be any short cutting in the matter, any evasion of the law whatsoever, the Comptroller of the Currency would step in and put a stop to it and penalize the bankers engaged in it.

Personally I do not care enough about the provision to see this bill delayed; certainly not enough about it to see the bill defeated; but I think it is a wise provision of the proposed law.

Mr. President, there has been some objection to the provision of title III relating to interlocking directors. Under the existing law, the Clayton Act, interlocking directors are prohibited except by consent of the Federal Reserve Board, and we were advised that the Federal Reserve Board had given consent to 3,000 banks. I will ask the Senator from Ohio if that is not the number?

Mr. BULKLEY. That is the approximate number.

Mr. GLASS. Consent has been given to 3,000 banks, and there are so many applications for consent that the Federal Reserve Board long ago tired of having to deal with them and requested to be relieved of that duty. So we have provided in the bill that a commercial or private banker may

belong to the board of two banks, his own bank and one other bank. Instead of being an expansion of the privilege, we regard it as a curtailment of it. A commercial or private banker may belong to the boards of only two banks.

The gentleman who has made the most furore about this provision is a great banker whose institution engaged in more vicious and hurtful transactions than any other bank on the American continent and lost millions upon millions of dollars in the process. He seems to entertain a jealousy of one or two private bankers in his city, and through his jealousy of them and enmity toward them he has stirred up a fuss about this interlocking-director provision which permits commercial and private bankers to serve on one other bank board.

It has been suggested that a certain private banking institution, with some 8 or 10 partners, might serve on several bank boards. Well, under the existing law, with the specific permission of the Federal Reserve Board, that happens to be the case right now; the committee was not disposed to yield to that sort of apparent personal enmity, and therefore we have provided that a commercial banker and a private banker may serve on the board of one other bank.

It has been my view—and I have so often undertaken to determine constitutional questions that I am a little ashamed to repeat it again, and I know I will meet with the derision of my distinguished friend from Kentucky, who says—

Mr. BARKLEY. Mr. President, not only will it not meet with my derision but it will meet with my admiration.

Mr. GLASS. Who says that even the Supreme Court cannot render a decision that I could not better. To some extent, I confess that I might; but I have never believed that the Congress of the United States had any constitutional right to govern the activities of a private banker, and I have been somewhat astounded that private bankers concerned with that section of the existing law have not litigated it. I was told that it was because they were more patriotic than I; that they did not want to make more difficult any of the problems of the administration; and that therefore they were going to obey the law. Some of them went out of the investment business entirely, and have turned their institutions into commercial banking, much to the discomfort of the persons who wanted them put out of the investment business.

Mr. President, this is as brief a statement on the high spots of the banking bill as I think I ought to make at this time. Of course, if there is any antagonism to the bill I hope to be able to meet the criticism which may ensue.

I ask unanimous consent that the Senate consider each title of the bill separately so we may dispose of title I first, then proceed to title II, and then to title III, and not have the whole bill under consideration at the same time.

The PRESIDING OFFICER (Mr. O'MAHONEY in the chair). The Senator from Virginia asks unanimous consent that the three titles of the bill be considered separately. Is there objection? The Chair hears none, and it is so ordered.

Mr. FLETCHER. Mr. President, I have not heard any objections at all raised to title I of the bill. I believe the bill as reported by the committee, so far as title I is concerned, is the best and wisest solution we can make of the problem therein involved. Accordingly I move that the Senate agree to the amendment proposed in the report of the committee as set forth in title I, and adopt title I as reported and amended by the committee.

The PRESIDING OFFICER. The question is on the motion of the Senator from Florida to adopt the committee amendment to title I.

Mr. THOMAS of Oklahoma. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Black	Byrnes	Copeland
Ashurst	Bone	Capper	Costigan
Austin	Borah	Caraway	Davis
Bachman	Brown	Carey	Dickinson
Bailey	Bulkley	Chavez	Donahay
Bankhead	Bulow	Clark	Duffy
Barbour	Burke	Connally	Fletcher
Barkley	Byrd	Coolidge	Frazier

George	Lewis	Norbeck	Steiwer
Gerry	Logan	Norris	Thomas, Okla.
Gibson	Loneragan	Nye	Townsend
Glass	McAdoo	O'Mahoney	Trammell
Gore	McGill	Overton	Truman
Guffey	McKellar	Pittman	Tydings
Hale	McNary	Pope	Vandenberg
Harrison	Maloney	Radcliffe	Van Nuys
Hatch	Metcalf	Reynolds	Wagner
Hayden	Minton	Russell	Walsh
Holt	Moore	Schall	Wheeler
Johnson	Murphy	Schwellenbach	White
King	Murray	Shipstead	
La Follette	Neely	Smith	

Mr. LEWIS. I announce the absence of Senators for the reasons given on the previous roll call.

The PRESIDING OFFICER. Eighty-six Senators having answered to their names, a quorum is present. The question is upon the motion of the Senator from Florida [Mr. FLETCHER] to agree to the committee amendment to title I of the bill.

The committee amendment to title I is in lieu of the House provision, to insert the following:

That this act may be cited as the "Banking Act of 1935".

TITLE I—FEDERAL DEPOSIT INSURANCE

SECTION 101. Section 12B of the Federal Reserve Act, as amended (U. S. C., Supp. VII, title 12, sec. 264), is amended to read as follows:

"Sec. 12B. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the 'Corporation') which shall insure, as hereinafter provided, the deposits of all banks which are entitled to the benefits of insurance under this section, and which shall have the right to exercise all powers hereinafter granted.

"(b) The management of the Corporation shall be vested in a board of directors consisting of 3 members, 1 of whom shall be the Comptroller of the Currency, and 2 of whom shall be citizens of the United States to be appointed by the President, by and with the advice and consent of the Senate. One of the appointive members shall be the chairman of the board of directors of the Corporation and not more than two of the members of such board of directors shall be members of the same political party. Each such appointive member shall hold office for a term of 6 years and shall receive compensation at the rate of \$10,000 per annum, payable monthly out of the funds of the Corporation, but the Comptroller of the Currency shall not receive additional compensation for his services as such member. In the event of a vacancy in the office of the Comptroller of the Currency, and pending the appointment of his successor, the Acting Comptroller of the Currency shall be a member of the board of directors in the place and stead of the Comptroller. In the event of a vacancy in the office of the chairman of the board of directors, and pending the appointment of his successor, the Comptroller of the Currency shall act as chairman. The Comptroller of the Currency shall be ineligible during the time he is in office and for 2 years thereafter to hold any office, position, or employment in any insured bank. The appointive members of the board of directors shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any insured bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. No member of the board of directors shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the board of directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the secretary of the board of directors. No member of the board of directors serving on the board of directors at the effective date shall be subject to any of the provisions of the three preceding sentences until the expiration of his present term of office.

"(c) As used in this section—

"(1) The term 'State bank' means any bank, banking association, trust company, savings bank, or other banking institution which is engaged in the business of receiving deposits and which is incorporated under the laws of any State, Hawaii, Alaska, Puerto Rico, or the Virgin Islands, or which is operating under the Code of the District of Columbia (except a national bank), and includes any unincorporated bank the deposits of which are insured on the effective date under the provisions of this section.

"(2) The term 'State member bank' means any State bank which is a member of the Federal Reserve System, and the term 'State nonmember bank' means any other State bank.

"(3) The term 'District bank' means any State bank operating under the Code of the District of Columbia.

"(4) The term 'national member bank' means any national bank located in the States of the United States, the District of Columbia, Hawaii, Alaska, Puerto Rico, or the Virgin Islands, except a national nonmember bank as hereinafter defined.

"(5) The term 'national nonmember bank' means any national bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands which is not a member of the Federal Reserve System.

"(6) The term 'mutual savings bank' means a bank without capital stock transacting a savings bank business, the net earnings

of which inure wholly to the benefit of its depositors after payment of obligations for any advances by its organizers.

"(7) The term 'savings bank' means a bank, other than a mutual savings bank, transacting a strictly savings bank business under State laws imposing special requirements on such banks governing the manner of investing their funds and of conducting their business: *Provided*, That the bank maintains, until maturity date or until withdrawn, all deposits made with it, exclusive of funds held by it in a fiduciary capacity, as time savings deposits of the specific term type or of the type where the right to require written notice before permitting withdrawal is reserved: *Provided further*, That such bank to be considered a savings bank must elect to become subject to regulations of the Corporation respecting the redeposit of maturing deposits and prohibiting withdrawal of deposits by checking except in cases where such withdrawal is permitted by law on the effective date from specifically designated deposit accounts totaling not more than 15 percent of the bank's total deposits.

"(8) The term 'insured bank' means any bank the deposits of which are insured in accordance with the provisions of this section, and the term 'noninsured bank' means any other bank.

"(9) The term 'new bank' means a new national banking association organized by the Corporation to assume the insured deposits of an insured bank closed on account of inability to meet the demands of its depositors and otherwise to perform temporarily the functions prescribed in this section.

"(10) The term 'receiver' shall include a receiver, liquidating agent, conservator, commissioner, person, or other agency charged by law with the duty of winding up the affairs of a bank.

"(11) The term 'board of directors' means the board of directors of the Corporation.

"(12) The term 'deposit' means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obligated to give credit to a commercial, checking, savings, time or thrift account, or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the board of directors shall find and shall prescribe by its regulations to be deposit liabilities by general usage: *Provided*, That any obligation of a bank which is payable only at an office of the bank located outside the States of the United States, the District of Columbia, Hawaii, Alaska, Puerto Rico, and the Virgin Islands, shall not be a deposit for purposes of this section or be included as a part of total deposits or of an insured deposit: *Provided further*, That any insured bank having its principal place of business in any of the States of the United States or in the District of Columbia which maintains a branch or office in Hawaii, Alaska, Puerto Rico, or the Virgin Islands may elect to exclude its deposit obligations which are payable only at the office of such branch and upon so electing the branch or office shall be considered as a unit and it and the insured bank with respect to it shall comply with the provisions of this section applicable to the termination of insurance by nonmember banks: *Provided further*, That the bank may elect to restore the insurance to such deposits at any time its capital stock is unimpaired.

"(13) The term 'insured deposit' means such part of the net amount of money due to any depositor for deposits in an insured bank, after deducting offsets, as shall not exceed the maximum prescribed by paragraph (1) of subsection (1) of this section. Such amount shall be determined according to such regulations as the board of directors may prescribe. In determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit either in his own name or in the names of others, except trust funds which shall be insured as provided in paragraph (9) of subsection (h) of this section.

"(14) The term 'transferred deposit' means a deposit in a new bank or other insured bank made available to a depositor by the Corporation as payment of the insured deposit of such depositor in a closed bank, and assumed by such new bank or other insured bank.

"(15) The term 'effective date' means the date of enactment of the Banking Act of 1935.

"(d) 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. 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. Every Federal Reserve bank shall subscribe to shares of 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. The capital stock of the Corporation shall consist of the shares subscribed for prior to the effective date. Such stock shall be without nominal or par value, and shares issued prior to the effective date shall be exchanged and reissued at the rate of one share for each \$100 paid

into the Corporation for capital stock. The consideration received by the Corporation for the capital stock shall be allocated to capital and to surplus in such amounts as the boards of directors shall prescribe. Such stock shall have no vote and shall not be entitled to the payment of dividends.

"(e) (1) Every operating member bank, including a bank incorporated since March 10, 1933, licensed on or before the effective date by the Secretary of the Treasury shall be and continue without application or approval an insured bank and shall be subject to the provisions of this section.

"(2) After the effective date any national member bank authorized to commence or resume the business of banking, State bank converting into a national member bank, or State bank becoming a member of the Federal Reserve System shall be an insured bank from the time the certificate herein prescribed shall be issued to the Corporation by the Comptroller of the Currency in the case of such national member bank, or by the Board of Governors of the Federal Reserve System in the case of such State member bank: *Provided*, That in the case of an insured bank admitted to membership in the Federal Reserve System or insured State bank converting into a national member bank, such certificate shall not be required, and the bank shall continue as an insured bank. Such certificate shall state that the bank is authorized to transact the business of banking in the case of a national member bank, or is a member of the Federal Reserve System in the case of a State member bank, and that consideration has been given to the factors enumerated in subsection (g) of this section.

"(f) (1) Every bank not a member of the Federal Reserve System which on the effective date is a member of the temporary Federal deposit insurance fund or of the fund for mutuals created pursuant to the provisions of the Banking Act of 1933, as amended (48 Stat. 168, 969; chs. 89, 546), shall be and continue without application or approval an insured bank and shall be subject to the provisions of this section, unless in accordance with regulations to be prescribed by the board of directors such bank shall give to the Corporation, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, within 30 days after the effective date written notice of its election not to continue after August 31, 1935, as an insured bank and shall give to its depositors, by publication or by any reasonable means, as the board of directors may prescribe, not less than 20 days' notice prior to August 31, 1935, of such election: *Provided*, That any State nonmember bank which was admitted to said temporary Federal deposit insurance fund or fund for mutuals but which did not file on or before the effective date on October 1, 1934, certified statement and make the payments thereon required by law as it existed prior to the effective date, shall cease to be an insured bank on August 31, 1935: *Provided further*, That no bank admitted to the said temporary Federal deposit insurance fund or the fund for mutuals prior to the effective date shall, after August 31, 1935, be an insured bank or have its deposits insured by the Corporation, if such bank shall have permanently discontinued its banking operations prior to the effective date. Deposits of the bank giving such notice shall continue to be insured until August 31, 1935, and the rights of the bank shall be as provided by law existing prior to the effective date, and such bank shall not be insured by the Corporation beyond August 31, 1935.

"(2) Subject to the provisions of this section, any national nonmember bank, on application by the bank and certification by the Comptroller of the Currency in the manner prescribed in subsection (e) of this section, and any State nonmember bank, upon application to and examination by the Corporation and approval by the board of directors, may become an insured bank. Before approving the application of any such State nonmember bank, the board of directors shall give consideration to the factors enumerated in subsection (g) of this section and shall determine, upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all of its liabilities as shown by the books of the bank to depositors and other creditors.

"(g) The factors to be enumerated in the certificate required under subsection (e) and to be considered by the board of directors under subsection (f) shall be the following: The financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purposes of this section.

"(h) (1) The assessment rate shall be one-twelfth of 1 percent per annum. The semiannual assessment for each insured bank shall be in the amount of the product of one-half the annual assessment rate multiplied by an assessment base which shall be the average for 6 months of the differences at the end of each calendar day between the total amount of liability of the bank for deposits (according to the definition of the term 'deposit' in and pursuant to paragraph (12) of subsection (c) of this section, without any deduction for indebtedness of depositors) and the total of such uncollected items as are included in such deposits and credited subject to final payment: *Provided, however*, That the daily total of such uncollected items shall be determined according to regulations prescribed by the board of directors upon a consideration of the factors of general usage and ordinary time of availability, and for purposes of such deduction no item shall be regarded as uncollected for longer periods than those prescribed by such regulations. Each insured bank shall, as a condition to the right to deduct any specific uncollected item in determining its assessment

base, maintain such records as will readily permit verification of the correctness of the particular deduction claimed. The certified statements required to be filed with the Corporation under paragraphs (2), (3), and (4) of this subsection shall be in such form and set forth such supporting information as the board of directors shall prescribe. The assessment payments required from insured banks under paragraphs (2), (3), and (4) of this subsection shall be made in such manner and at such time or times as the board of directors shall prescribe, provided the time prescribed shall not be later than 60 days after filing the certified statement setting forth the amount of the assessment. In the event a separate fund for mutuals be established the board of directors from time to time may fix a lower assessment rate operative for such period as the board may determine applicable to insured mutual savings banks only and the remainder of this paragraph shall not be applicable to such banks. Whenever on any May 31 or November 30 the value of the assets of the Corporation, as shown by its books and records, exceeds its liabilities, other than its contingent liabilities for insured deposits in operating banks, by \$500,000,000 or more, insured banks shall be relieved of complying with the provisions of paragraph (2) of this subsection for a period (limited as hereinafter provided) beginning the first of the next succeeding July or January as the case may be: *Provided*, That no insured bank becoming such after July 1, 1935, until it has paid a number of semiannual assessments equal to the largest number of such assessments paid by any insured bank prior to the beginning of the first period during which any banks are relieved hereunder, shall be relieved by reason of this paragraph from complying with the provisions of paragraph (2) of this subsection: *Provided further*, That the period during which any banks shall be relieved, by reason of this paragraph, from complying with the provisions of paragraph (2) of this subsection shall in each case terminate on such succeeding July 1 or January 1, as is next preceded by a May 31 or November 30 on which the aforementioned excess is less than \$425,000,000.

"(2) On or before the 15th day of July of each year, each insured bank shall file with the Corporation a certified statement under oath showing for the 6 months ended on the preceding June 30 the amount of the assessment base and the amount of the semiannual assessment due to the Corporation, determined in accordance with paragraph (1) of this subsection. Each insured bank shall pay to the Corporation the amount of the semiannual assessment it is required to certify. On or before the 15th day of January of each year each insured bank shall file with the Corporation a similar certified statement for the 6 months ending on the preceding December 31 and shall pay to the Corporation the amount of the semiannual assessment it is required to certify.

"(3) Each bank which shall continue as an insured bank according to the provisions of subsection (e) or (f) of this section shall be relieved of complying with the provisions of paragraph (2) of this subsection with respect to the first certified statement due to be filed on or before July 15, 1935, but shall on or before the 15th day of August 1935 file with the Corporation a certified statement under oath showing the amount of the assessment base and the amount of the semiannual assessment due to the Corporation for the period ending December 31, 1935, determined in accordance with paragraph (1) of this subsection, except that the assessment base shall be the average for the 31 days in the month of July 1935, rather than for the 6 months ending June 30, 1935. Each such bank shall pay to the Corporation the amount of the semiannual assessment it is required to certify.

"(4) Each bank which becomes an insured bank after the effective date shall be relieved from complying with the provisions of paragraph (2) of this subsection for the period until it has operated as an insured bank for a full semiannual period ending either June 30 or December 31 as the case may be. Each such bank, on or before the forty-fifth day after it becomes an insured bank, shall file with the Corporation its first certified statement which shall be under oath and shall show the amount of the assessment base determined in accordance with paragraph (1) of this subsection, except that the assessment base shall be the average for the first 31 calendar days it operates as an insured bank. Each such certified statement shall also show as the amount of the first assessment due to the Corporation the prorated portion (for the period between the day it becomes an insured bank and the next succeeding last day of June or December, as the case may be) of an amount equal to the product of one-half the annual assessment rate multiplied by the base required to be set forth on its first certified statement and payment shall be made to the Corporation of the amount of the assessment required to be certified. Each bank becoming an insured bank after the effective date which has not operated as an insured bank for a full 6 months at the end of the next succeeding last day (either June 30 or December 31) of a semiannual period shall, on or before the 15th day of the first month thereafter, except that banks becoming insured in June or December shall have 31 additional days, file with the Corporation its second certified statement under oath showing the amount of the assessment base and the amount of the semiannual assessment due to the Corporation, determined in accordance with paragraph (1) of this subsection, except that if it became an insured bank in the month of December or June the assessment base shall be the average for the first 31 calendar days it operates as an insured bank and except that if it became an insured bank in any other month than December or June the assessment base shall be the average for the days between the day it became an insured bank and the next succeeding last day (either June 30 or December 31) of a semiannual period. Each bank obligated to file a certified statement under the preceding

sentence shall pay to the corporation the amount of the semiannual assessment the bank is required to certify.

"(5) Each bank which shall be and continue without application or approval an insured bank in accordance with the provisions of subsection (e) or (f) of this section, shall, in lieu of all right to refund, be credited with any balance to which such bank shall become entitled upon the termination of said Temporary Federal Deposit Insurance Fund or the Fund for Mutuals. The credit shall be applied by the Corporation toward the payment of the assessment next becoming due from such bank and upon succeeding assessments until the credit is exhausted.

"(6) Any insured bank which fails to file such certified statement or statements as it is lawfully required to file in connection with determining the amount of assessment or assessments due the Corporation, may be compelled to file such statement or statements by mandatory injunction or other appropriate remedy in a suit brought by the Corporation against the bank and any officer or officers thereof, for the purpose stated, in any court of the United States of competent jurisdiction in the district or territory in which such bank is located.

"(7) The Corporation, in a suit brought at law or in equity in any court of competent jurisdiction, shall be entitled to recover from any insured bank any unpaid assessment or assessments lawfully due from such insured bank to the Corporation, regardless of whether or not such bank shall have filed the certified statement or statements it is lawfully required to file, and regardless of whether or not suit shall have been brought to compel such statement or statements to be filed.

"(8) Should any national member bank now or hereafter organized, or should any national nonmember bank which is now or hereafter becomes an insured bank, omit to file any certified statement required to be filed by such bank under any provision of this section, or to pay the assessment required to be paid under any provision of this section by such bank on any certified statement filed by it, and should any such bank not correct such omission to file or to pay within 30 days after written notice has been given by the Corporation to an officer of the bank, citing this paragraph, and stating that the bank has omitted to file or pay as required by law, all the rights, privileges, and franchises of the offending bank granted to it under the National Bank Act or under the provisions of the Federal Reserve Act, as amended, shall be thereby forfeited. Whether or not the penalty provided in this paragraph has been incurred shall be determined and adjudged in the manner provided in the sixth paragraph of section 2 of this act, as amended. The remedies provided in this paragraph and in the two preceding paragraphs shall not be construed as limiting any other remedies against any bank, but shall be in addition thereto.

"(9) Trust funds held by an insured bank in a fiduciary capacity whether held in its trust or deposited in any other department or in another bank shall be insured subject to a \$5,000 limit for each trust estate and when deposited by the fiduciary bank in another insured bank shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this section, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or beneficiaries of such trust estates: *Provided*, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of any certified statement required under paragraph (2), (3), or (4) of this subsection be considered to be a deposit liability of the fiduciary bank, but shall be considered a deposit liability of the bank in which such funds are so deposited by such fiduciary bank. The board of directors shall have power by regulation to prescribe the manner of reporting and of depositing such funds.

"(1) (1) Any insured bank (except a national member bank or State member bank) may, upon not less than 90 days' written notice to the Corporation, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. Whenever the board of directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank or have knowingly or negligently permitted any of its officers or agents to violate any provision of this section or of any regulation made thereunder, or of any law or regulation made pursuant to law to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or District bank, to the authority having supervision in case of a State bank, and also to the Board of Governors of the Federal Reserve System in case of a State member bank, a statement of such violation by the bank for the purpose of securing a correction of such practices or conditions. Unless such correction shall be made within 120 days or such shorter period of time as the Comptroller of the Currency, the State authority, or Board of Governors of the Federal Reserve System, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than 30 days' written notice of intention to terminate the status of the bank as an insured bank, fixing a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the board of directors shall find that any violation specified in such notice has been estab-

lished, the board of directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to each of its depositors at his last address of record on the books of the bank, in such manner and at such time as the board of directors may find necessary and may order for the protection of depositors. After termination of the insured status of any bank under the provisions of this paragraph, the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of 2 years to be insured and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank for such period of 2 years from such termination, but no additions to any deposits or any new deposits shall be insured by the Corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall state with equal prominence that additions to deposits and new deposits made after the date of such termination, specifying such date, are not insured. Such bank shall in all other respects be subject to the duties and obligations of an insured bank for the period of 2 years from such termination and in the event of being closed on account of inability to meet the demands of its depositors within such period of 2 years, the Corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.

"(2) Whenever the insured status of a member bank shall be terminated by action of the board of directors, the Board of Governors of the Federal Reserve System in the case of a State member bank shall terminate its membership in the Federal Reserve System in accordance with the provisions of section 9 of this act and in the case of a national member bank the Comptroller of the Currency shall appoint a receiver for the bank (to be the Corporation whenever the bank shall be unable to meet the demands of its depositors). Whenever a member bank shall cease to be a member of the Federal Reserve System, its status as an insured bank shall without notice or other action by the board of directors terminate on the date of the taking effect of the termination of membership of the bank in the Federal Reserve System, with like effect as if terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection (1).

"(3) When the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection (1): *Provided*, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within 30 days after such assumption take effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the board of directors, the insurance of its deposits shall terminate at the end of 6 months from the date such assumption takes effect and such bank shall be relieved of all future obligations to the Corporation, including the obligation to pay future assessments.

"(j) Upon the date of enactment of the Banking Act of 1933, 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. All suits of a civil nature at common law or in equity to which the Federal Deposit Insurance Corporation shall be a party shall be deemed to arise under the laws of the United States: *Provided*, That any such suit to which the Corporation is a party in its capacity as receiver of a State bank and which involves only the rights or obligations of depositors, creditors, stockholders and such State bank under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court. The board of directors shall designate an agent upon whom service of process may be made in any State, Territory, or jurisdiction in which any insured bank is located.

"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.

"Eighth. To make examinations of and to require information and reports from banks, as provided in this section.

"Ninth. To act as receiver.

"Tenth. To prescribe by its board of directors such rules and regulations as it may deem necessary to carry out the provisions of this section.

"(k) (1) 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.

"(2) The board of directors shall appoint examiners, who shall have power on behalf of the Corporation (except as to a District bank) to examine any insured State nonmember bank, State nonmember bank making application to become an insured bank, or closed insured bank, whenever considered necessary. Such examiners shall have like power to examine, with the written consent of the Comptroller of the Currency, any national bank, or District bank and, with the written consent of the Board of Governors of the Federal Reserve System, any State member bank. Each examiner shall have power to make a thorough examination of all of the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of the bank to the Corporation. The board of directors in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve testimony of any persons relating to such claims. Any such examiner or claim agent in relation to any such examination, investigation, or taking of testimony may apply to any judge or clerk of any court of the United States to issue subpoenas and to compel the appearance of witnesses and the production and taking of any such testimony and to punish disobedience in like manner as provided in sections 184 to 186 of the Revised Statutes (U. S. C., title 5, secs. 94 to 96).

"(3) Each insured State nonmember bank (except a District bank) shall make to the Corporation reports of condition in such form and at such times as the board of directors may require of such bank. The board of directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, not less than 5 days, as the board of directors may require, shall be subject to a penalty of not more than \$100 for each day of such failure recoverable by the Corporation for its use.

"(4) The Corporation shall have access to reports of examinations made by and reports of condition made to the Comptroller of the Currency or any Federal Reserve bank, and may accept any report made by or to any commission, board, or authority having supervision of a State nonmember bank (except a District bank), and may furnish to the Comptroller of the Currency, or any such Federal Reserve bank, commission, board, or authority reports of examinations made on behalf of and reports of condition made to the Corporation.

"(1) (1) The temporary Federal-deposit insurance fund and the fund for mutuals are hereby consolidated into the permanent insurance fund for deposits created by this section and the assets therein shall be held by the Corporation for the uses and purposes of the Corporation: *Provided*, That the obligations to and rights of the Corporation, depositors, banks, and other persons arising out of any event or transaction prior to the effective date shall remain unimpaired. From the effective date the Corporation shall insure the deposits of all insured banks as defined and provided in this section: *Provided*, That the insurance shall apply only to deposits of insured banks which have been made available since March 10, 1933, for withdrawal in the usual course of the banking business: *Provided further*, That if any insured bank shall, without the consent of the Corporation, release or modify restrictions on or deferments of deposits which had not been made available for withdrawal in the usual course of the banking business by the effective date, such deposits shall not be insured. The maximum amount of the insured deposit of any depositor shall be \$5,000. The Corporation, in the discretion of the board of directors, may open on its books solely for the benefit of mutual savings banks and depositors therein a separate fund for mutuals. If such a fund is opened, all assessments of each mutual savings bank shall be made part of such fund and the other permanent insurance funds of the Corporation shall cease to be liable for losses sustained in mutual savings banks: *Provided*, That the capital assets of the Corporation shall be so liable and all expenses of operation of the Corporation shall be allocated on an equitable basis.

"(2) An insured bank shall for the purposes of this section be deemed to have been closed on account of inability to meet the demands of its depositors in any case where it has been closed for the purpose of liquidation without adequate provision for payment of its depositors.

"(3) Notwithstanding any other provision of law, whenever any insured national bank or insured District bank shall have been closed by action of its board of directors or 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 closed bank and no other person shall be appointed as receiver of such closed bank.

"(4) It shall be the duty of the Corporation as such receiver to realize upon the assets of such closed bank, having due regard to the condition of credit in the locality; 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 net amount available for distribution to them. With respect to such closed bank, the Corporation as such receiver shall have all the rights, powers, and privileges now possessed by or hereafter given a receiver of an insolvent national bank.

"(5) Whenever any insured State bank, except a District bank, shall have been closed by action of its board of directors or by the authority having supervision of such bank, 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 authority having supervision of such bank and be authorized or permitted by State law. With respect to such insured State bank, the Corporation shall possess the powers and privileges given by State law to a receiver of such State bank.

"(6) When an insured bank shall have been closed on account of inability to meet the demands of its depositors, payment of the insured deposits shall be made by the Corporation as soon as possible, subject to the provisions of paragraph (7) of this subsection (1), either (a) by making available to each depositor a transferred deposit in a new bank in the same community or in another insured bank in an amount equal to the insured deposit of such depositor and subject to withdrawal on demand, or (b) in accordance with any other procedure adopted by the board of directors: *Provided*, That the Corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.

"(7) In the case of a closed national bank or District bank the Corporation, upon payment of any depositor as provided in paragraph (6) of this subsection (1), shall become and be subrogated to all rights of the depositor against the closed bank to the extent of such payment. In the case of any other closed insured bank, the Corporation shall not pay any depositor until the right of the Corporation to be subrogated to the rights of such depositor on the same basis as provided in the case of a closed national bank under this section shall have been recognized, by express provisions of State law, by allowance of claims by the authority having supervision of such bank, by assignment of claims by depositors, or by any other effective method. Such subrogation in the case of any closed bank shall include the right to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to such depositor on a claim for the insured deposit, such depositor retaining his claim for any uninsured portion of his deposit: *Provided*, That the rights of depositors and other creditors of any State bank shall be determined in accordance with the applicable provisions of State law.

"(8) As soon as possible, the Corporation, if it finds that it is advisable and in the interest of the depositors of the closed bank or the public, shall organize a new bank to assume the insured deposits of such closed bank and otherwise to perform temporarily the functions provided for in this section. The new bank shall have its place of business in the same community as the closed bank.

"(9) The articles of association and the organization certificate of the new bank shall be executed by representatives designated by the Corporation. No capital stock need be paid in by the Corporation. The new bank shall not have a board of directors, but shall be managed by an executive officer appointed by the board of directors of the Corporation and who shall be subject to its directions. In other respects such bank shall be organized in accordance with the existing provisions of the law relating to the organization of national banking associations. The new bank may, with the approval of the Corporation, accept new deposits which shall be subject to withdrawal on demand and which, except where the new bank is the only bank in the community, shall not exceed \$5,000 from any depositor. The new bank, without application or approval, shall be an insured bank and shall maintain on deposit with the Federal Reserve bank of its district the reserves required by law for member banks, but shall not be required to subscribe for stock of the Federal Reserve bank. Funds of the new bank shall be kept on hand in cash, invested in securities of the Government of the United States, or in securities guaranteed as to principal and interest by the Government of the United States, or deposited with the Corporation, or with a Federal Reserve bank, or, to the extent of the insurance coverage thereon, with an insured bank. The new bank, unless otherwise authorized by the Comptroller of the Currency, shall transact no business except that authorized by this section and such business as may be incidental to its organization. Notwithstanding any other provision of law it, its franchise, property, and 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.

"(10) On the organization of a new bank, the Corporation shall promptly make available to the new bank an amount equal to the estimated insured deposit of such closed bank plus the amount of its estimated expenses of operation and shall determine as soon as possible the amount due each depositor for his insured deposit in the closed bank, and the total expenses of operation of the new bank. Upon determination thereof, the amounts so estimated and made available shall be adjusted to conform to the amounts so determined. Earnings of the new bank shall be paid over or credited to the Corporation in such adjustment. If any new bank, during the period it continues its status as such, sustains any losses with respect to which it is not effectively protected except by reason of being an insured bank, the Corporation shall furnish to it additional funds in the amount of such losses. The new bank shall assume as transferred deposits the payment of the insured deposits of such closed bank to each of its depositors. Of the amount so made available, the Corporation shall transfer to the new bank, in cash, such amount as is necessary to enable it to meet expenses and immediate cash demands on such transferred deposits and the remainder shall be subject to withdrawal by the new bank on demand.

"(11) When in the judgment of the board of directors it is desirable to do so, the Corporation shall cause capital stock of the new bank to be offered for sale on such terms and conditions as the board of directors shall deem advisable, in an amount sufficient, in the opinion of the board of directors, 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 5138 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 51), 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 any shares of common stock so offered. Upon proof that an adequate amount of capital stock in the new bank has been subscribed and paid for in cash, the Comptroller of the Currency shall require the articles of association and the organization certificate to be amended to conform to the requirements for the organization of a national bank, and thereafter, when the requirements of law with respect to the organization of a national bank have been complied with, he shall issue to the bank a certificate of authority to commence business, which shall thereupon cease to have the status of a new bank and shall be managed by directors elected by its own shareholders and may exercise all the powers granted by law and shall be subject to all of the provisions of law relating to national banks. Such bank shall thereafter be an insured national bank, without certification to or approval by the Corporation.

"(12) If the capital stock of the new bank shall not be offered for sale, or if an adequate amount of capital for such new bank is not subscribed and paid in, the board of directors may offer to transfer its business to any insured bank in the same community which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the board of directors may deem adequate; or the board of directors in its discretion may change the location of the new bank to the office of the Corporation or to some other place or may at any time wind up its affairs as herein provided. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by an insured bank, as provided above within 2 years from the date of its organization, the Corporation shall wind up its affairs, after giving such notice, if any, as the Comptroller of the Currency may require, and shall certify to the Comptroller of the Currency the termination of the new bank and thenceforth the Corporation shall be liable for its obligations and be the owner of its assets. The provisions of sections 5220 and 5221 of the Revised Statutes (U. S. C., title 12, secs. 181 and 182) shall not apply to such new banks.

"(m) (1) The Corporation as receiver of a closed national bank or District bank shall not be required to furnish bond and shall have the right to appoint an agent or agents to assist it in its duties as such receiver, and all fees, compensation, and expenses of liquidation and administration thereof shall be fixed by the Corporation, subject to the approval of the Comptroller of the Currency, and may be paid by it out of funds coming into its possession as such receiver. The Comptroller of the Currency is authorized and empowered to waive and relieve the Corporation from complying with any regulations of the Comptroller of the Currency with respect to receiverships where in his discretion such action is deemed advisable to simplify administration.

"(2) Payment of an insured deposit to any person by the Corporation shall discharge the Corporation, and payment of a transferred deposit to any person by the new bank or the other insured bank shall discharge the Corporation and such new bank or other insured bank, to the same extent that payment to such person by the closed bank would have discharged it from liability for the insured deposit.

"(3) Except as otherwise prescribed by the board of directors, neither the Corporation, such new bank, nor such other insured bank, shall be required to recognize as the owner of any portion of a deposit appearing on the records of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the records of such closed bank as part owner of said account, where such recognition would increase the aggregate amount of the insured deposits in such closed bank.

"(4) The Corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the bank, or of any liability of such depositor to the bank or its receiver, not offset against a claim due

from the bank, pending the determination and payment of such liability by such depositor or any other person liable therefor.

"(5) If, after the Corporation shall have given at least 3 months' notice to the depositor by mailing a copy thereof to his last known address appearing on the records of the closed bank, any depositor in a closed bank shall fail to claim his insured deposit from the Corporation within 18 months after the appointment of the receiver for the closed bank, or shall fail to claim or arrange to continue the transferred deposit with the new bank or other bank assuming liability therefor within such 18 months' period, all rights of the depositor against the Corporation in respect to the insured deposit or against the new bank and such other bank in respect to the transferred deposit shall be barred, and all rights of the depositor against the closed bank, its shareholders or the receivership estate to which the Corporation may have become subrogated shall thereupon revert to the depositor. The amount of any transferred deposits not claimed within such 18 months' period, shall be refunded to the Corporation.

"(n) (1) Money of the Corporation not otherwise employed shall be invested in securities of the Government of the United States or in securities guaranteed as to principal and interest by 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 depository 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 depository of public moneys and financial agent of the Government as may be required of it.

"(2) Nothing in this section 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 member 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.

"(3) Receivers or liquidators of insured banks closed on account of inability to meet the demands of depositors 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 provisions of State law in the case of insured State banks, or from the Comptroller of the Currency in the case of national banks or District 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 (U. S. C., title 12, sec. 193), 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. The Corporation, in its discretion, may make loans on the security of or may purchase and liquidate or sell any part of the assets of an insured bank which is now or may hereafter be closed on account of inability to meet the demands of its depositors. In any case where the Corporation is acting as receiver of such insured bank such loan or purchase shall not be made without approval of a court of competent jurisdiction.

"(4) Until July 1, 1936, whenever in the judgment of the board of directors such action will reduce the risk or avert a threatened loss to the Corporation and will facilitate a merger or consolidation, or facilitate the sale of the assets of an open or closed insured bank to and assumption of its liabilities by another insured bank, the Corporation may, upon such terms and conditions as it may determine, make loans secured in whole or in part by assets of such open or closed insured bank, which loans may be in subordination to the rights of depositors and other creditors, or it may purchase such assets, or may guarantee any other insured bank against loss by reason of assuming the liabilities and purchasing the assets of such open or closed insured bank. Any insured national bank or District bank or, with the approval of the Comptroller of the Currency, any receiver thereof is authorized to contract for such sales or loans and to pledge any assets of the bank to secure such loans.

"(o) (1) The Corporation is authorized and empowered to issue and to have outstanding its notes, debentures, bonds, or other such obligations, in a par amount aggregating not more than three times the amount received by the Corporation in payment of its capital stock and of the first two semiannual assessments. Notes, debentures, bonds, or other such obligations issued under this subsection shall be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and shall bear such rate or rates of interest, and shall 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.

"(2) The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation to be issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of the

sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are extended to include any purchases of the Corporation's obligations hereunder: *Provided*, That if the Reconstruction Finance Corporation fails for any reason to purchase any of the obligations of the Corporation as provided in subsection (b) of section 5e of the Reconstruction Finance Corporation Act, as amended, the Secretary of the Treasury is authorized and directed to purchase such obligations in an amount equal to the amount of such obligations the Reconstruction Finance Corporation so fails to purchase. The Secretary of the Treasury may, at any time, sell any of the obligations of the Corporation acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Corporation shall be treated as public-debt transactions of the United States.

"(p) 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.

"(q) 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.

"(r) 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.

"(s) 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 obtaining the payment of any insured deposit or transferred deposit or the allowance, approval, or payment of any claim, 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.

"(t) Whoever (1) falsely makes, forges, or counterfeits any obligation of 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.

"(u) 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 entrusted 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.

"(v) (1) No individual, association, partnership, or corporation shall use the words 'Federal Deposit Insurance Corporation', or a combination of any three of these four 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 Deposit Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no insured bank shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its deposit liabilities are insured by the Federal Deposit Insurance Corporation. Every individual, partnership, association, or corporation violating this subsection shall be punished by a fine of not exceeding \$1,000, or by imprisonment not exceeding 1 year, or both.

"(2) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include in advertisements relating to deposits a statement to the effect that its deposits are insured by the Corporation. The board of directors shall prescribe by regulation the forms of such signs and the manner of display and the substance of such statements and the manner of use. For each day an insured bank continues to violate any provision of this paragraph or any lawful provision of said regulations, it shall be subject to a penalty of not more than \$100, recoverable by the Corporation for its use.

"(3) No insured bank shall pay any dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) while it remains in default in the payment of any assessment due to the Corporation; and any director or officer of any insured bank who participates in the declaration or payment of any such dividend shall, upon conviction, be fined not more than \$1,000, or imprisoned not more than 1 year, or both: *Provided*, That if such default is due to a dispute between the insured bank and the Corporation over the amount of such assessment, this paragraph shall not apply, if such bank shall deposit security satisfactory to the Corporation for payment upon final determination of the issue.

"(4) Unless, in addition to compliance with other provisions of law, it shall have the prior written consent of the Corporation, no insured bank shall enter into any consolidation or merger with any noninsured bank, or assume liability to pay any deposits made in any noninsured bank, or transfer assets to any noninsured bank in consideration of the assumption of liability for any portion of the deposits made in such insured bank, and no insured State nonmember bank (except a District bank) without such consent shall reduce the amount or retire any part of its common or preferred capital stock, or retire any part of its capital notes or debentures.

"(5) No State nonmember insured bank shall establish and operate any new branch after 30 days after the effective date unless it shall have the prior written consent of the Corporation and no branch of any State nonmember insured bank shall be moved from one location to another after 30 days after the effective date without such consent. The factors to be considered in granting or withholding the consent of the Corporation under this paragraph shall be those enumerated in subsection (g) of this section. The term 'branch' as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State of the United States or in the District of Columbia, Hawaii, Alaska, Puerto Rico, or the Virgin Islands at which deposits are received or checks paid or money lent.

"(6) The Corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement the Corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.

"(7) Whenever an insured bank, except a national bank or District bank, for a period of 120 days after written notice of the recommendations of the Corporation, based on a report of examination of such bank by an examiner of the Corporation, shall fail to comply with such recommendations, the Corporation shall have the power, and is hereby authorized, to publish only such part of such report of examination as relates to any recommendation not complied with: *Provided*, That such notice of intention to make such publication shall be given at the time such recommendations are made, or at any time thereafter and at least 90 days before such publication.

"(8) Insured State nonmember banks (other than savings banks, mutual savings banks, Morris Plan banks and other incorporated banking institutions engaged only in a business similar to that transacted by Morris Plan banks) shall be subject to all the provisions of this act and regulations thereunder relating to the withdrawal and payment of deposits, and the payment of interest thereon, which are applicable to insured member banks. For each violation of any provision of this paragraph the offending bank shall be subject to a penalty of not more than \$100, recoverable by the Corporation for its use.

"(w) 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 contract and agreements pertaining to the same.

"(x) 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.

"(y) (1) No State bank organized after the effective date shall be an insured bank or continue to have any part of its deposits insured after July 1, 1937, unless such bank shall be a member of the Federal Reserve System. No State bank organized on or before the effective date which during the calendar year 1936 or any succeeding calendar year shall have average deposits of \$1,000,000 or more shall be an insured bank or continue to have any part of its deposits insured after July 1 of the year following any such calendar year during which it shall have had such amount of average deposits, unless such bank shall be a member of the Federal Reserve System: *Provided*, That for the purposes of this paragraph the term 'State bank' shall not include a savings bank, a mutual savings bank, a

Morris Plan bank or other incorporated banking institution engaged only in a business similar to that transacted by Morris Plan banks, a State trust company doing no commercial banking business, or a bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands.

"(2) It is not the purpose of this section to discriminate, in any 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 section. 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.

"(z) The provisions of this section limiting the insurance of the deposits of any depositor to a maximum less than the full amount shall be independent and separable from each and all of the provisions of this section."

Mr. MURPHY. Mr. President, to title I, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The LEGISLATIVE CLERK. It is proposed to amend title I by striking out all of paragraph (1) in subsection (y) on page 143, lines 3 to 21, inclusive, and by striking out on page 143, line 22, "(2)" and inserting in lieu thereof "(1)."

Mr. MURPHY. Mr. President, this amendment is designed to eliminate the requirement that State banks having average deposits in excess of \$1,000,000 and which have or desire membership in F. D. I. C. shall be members of the Federal Reserve System.

The amendment is offered at the instance of the bankers of my State, who object to the obligation put upon them in the committee amendment to join an organization which they heretofore have been free to join or to stay out of, at their own election.

The banking conditions in my State may be different from those in other States, due to the striking agricultural nature of Iowa. A few figures will serve to visualize the conditions.

The number of bank towns in Iowa with a population ranging from 1,001 to 1,500 is 60.

The number with a population below 1,500 is 411.

More than one-half of 542 Iowa banking towns have a population of less than 750.

Of the 682 Iowa banks in existence June 30, 1934, more than one-half were located in towns of less than 1,000 people.

Three hundred and nine Iowa banks were located in towns of less than 750 people.

So that slightly less than one-half the total number of banks in our State are located in towns with a population of 750 people or less.

Mr. BULKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Ohio?

Mr. MURPHY. I do.

Mr. BULKLEY. Does the Senator know how many of those banks have deposits of more than a million dollars?

Mr. MURPHY. None of them have.

Mr. BULKLEY. Then, they would not be affected by the text of the bill as written.

Mr. MURPHY. That is true. The objection is to the principle of compulsion, and the condition the banks referred to may face.

Mr. GLASS. Mr. President, can the Senator conceive of any reason why a national bank should be compelled to belong to the system, if these banks are not compelled to belong to the system, in order to be insured?

Mr. MURPHY. I can conceive of this reason at the moment: One is organized under a national charter and the other is organized under a State charter.

Mr. GLASS. I cannot see that that makes any difference. Both of them are to be insured, and are to be insured largely at the expense of the national banks of the country.

Mr. MURPHY. Any small bank which is a member of the Federal Deposit Insurance Corporation pays relatively the same assessment the larger bank pays.

Mr. GLASS. Yes; but it has not paid anything to the capital fund, which now amounts to \$296,000,000.

Mr. MURPHY. To impose on these State banks at any time an obligation to assume a burden which they say they cannot fairly assume—I understand that the limitation as to

a million dollars makes a considerable difference—is something to which they object in principle.

Mr. GLASS. Does the Senator know exactly how many will be brought in under the million-dollar limitation?

Mr. MURPHY. In my State, I will say frankly to the Senator, every State bank which has deposits of over a million dollars is in the Federal Reserve System.

Mr. GLASS. Yes; I understood that the provision did not affect the banks of the Senator's State, and it does not affect the banks in many States. It will bring in only 981 State banks, and I venture to say that most of those State banks are already members of the System.

Mr. MURPHY. In my own State, of the total number of State banks, 537, there are only 25 which belong to the System. The objection stated by the Iowa Bankers' Association is to the principle. At its last State convention that association adopted resolutions in which they said:

We are still absolutely opposed to the principle of enforced Federal Reserve membership in any form.

Mr. GLASS. Then, if we should abolish the enforced membership of the State banks, the next step would be to eliminate the compulsory provision with reference to national banks, and the next thing would be the wreckage of the Federal Reserve banking system.

Mr. MURPHY. If the Senator please, as yet membership has not been enforced on the State banks. As I understand, this is the first attempt to force membership upon State banks, or am I mistaken in that?

Mr. BYRNES. Mr. President, the Senator is mistaken, because under the law as it now stands the State banks are required to be members. The purpose of this part of the House text is to eliminate that provision from the law and grant them exemption.

Mr. MURPHY. But has that provision of the law become operative as yet?

Mr. BYRNES. No; it was in the act of 1933.

Mr. MURPHY. It has not as yet become operative in that particular feature?

Mr. BYRNES. No.

Mr. MURPHY. That was my understanding.

Mr. BYRNES. I desire to say to the Senator, though, that my information is that \$139,000,000 of the insurance fund has been obtained from the Federal Reserve banks; and the State banks which ask that they be allowed to participate in the insurance of deposits without joining the Federal Reserve System would have the benefit of insurance to be paid out of this fund, \$139,000,000 of which, as I have stated, came from the Federal Reserve banks.

It is, I know, a controversial question. After considering it the committee did not believe they should exempt all State banks. They have fixed the amount so that it does not require the smaller banks in the smaller towns to come into the System—such banks as are in the State of the Senator from Iowa—and we were of the opinion that the limit should remain at a million dollars of deposits.

Mr. GLASS. Let me make a further statement to the Senator from Iowa, if he pleases, because, as I recall, I felt compelled to make it on the floor of the Senate at the time the Banking Act of 1933 was under consideration.

When it was first proposed to establish the insurance-of-deposits fund, the President of the United States and his then Secretary of the Treasury, Mr. Woodin, were very emphatically and bitterly opposed to it. They said they would not stand for it; but representations were made to both of them that this was certainly the most available, if not the only constitutional, way of bringing about approximately a desirable unified banking system in the country; that it would induce many State banks which had remained out of the System to come in; and it was upon that representation alone that the then Secretary of the Treasury and the President agreed to go along with the insurance-of-deposits proposal.

I have had some apprehensions that the President might interpose an effective disapproval of the bill we have presented, which, of the 9,660 State banks, brings in only 981. It seems to me that ought not to be objected to. They are

banks with deposits exceeding a million dollars, and exceeding in total \$3,000,000,000—as the Senator from Oklahoma says, \$3,224,000,000—and they ought not to be given advantage of the contribution of those banks which are in the Federal Reserve System.

Mr. BARKLEY. Mr. President, will the Senator from Iowa yield to me to ask the Senator from Virginia a question? Mr. MURPHY. I yield.

Mr. BARKLEY. It seems to me that we have three propositions on this question. One is to leave all of the State banks out, if they want to stay out, or bring them all in, whether they want to come in or not, or draw some arbitrary distinction between the small and the large State banks.

Mr. GLASS. That is true.

Mr. BARKLEY. The committee has done this by fixing a million dollars as a minimum of deposits in any bank which can be forced into the Federal Reserve System, and is it not true that a bank with a million or more of deposits is more able to undergo whatever obligations are involved, not only in the insurance fund but in the Federal Reserve System itself, than banks having less than that amount of deposits?

Mr. GLASS. They are very much more able to endure the obligations than hundreds of small national banks which are compelled to be members of the System.

Mr. BARKLEY. And many of them are competitive bankers in the same community.

Mr. GLASS. Yes. I think it is a fair compromise, and I hope the Senate will feel so.

Mr. VANDENBERG. Mr. President, will the Senator from Iowa yield to me?

Mr. MURPHY. I yield.

Mr. VANDENBERG. I have some familiarity with this problem, and I have heartily sympathized with the basic viewpoint which the Senator from Iowa is presenting, but I wish to make a suggestion to the Senator.

I think he will find upon inquiry that the great bulk of protests against arbitrary requirement for State bank membership in the Federal Reserve System has come from that great group of small banks which feel that the Federal Reserve System has no facilities to offer to it in its particular field of banking; therefore that membership in the System would be not only unsatisfactory but unprofitable in their particular classification.

That situation, I think the Senator will find upon inquiry, totally ceases to exist when a bank reaches the point of a million dollars of deposits. At that point it is in a bracket where it not only can use the Federal Reserve facilities but, I must confess, probably ought to be a part of the System. I think, if the Senator from Iowa would ask the Iowa bankers whom he is now quoting whether the compromise submitted by the committee was not fair and palatable and acceptable, that he would find in ninety-nine cases out of one hundred that the answer would be in the affirmative. So, as one who has always agreed with his point of view, but as one who has a desperately vivid loyalty to the success of the Federal Deposit Insurance Corporation, I take the liberty of saying to the Senator that the compromise offered by the committee ought to be sustained.

Mr. MURPHY. I thank the Senator for his interpolation.

Mr. SHIPSTEAD. Mr. President, will the Senator yield to me?

Mr. MURPHY. I yield.

Mr. SHIPSTEAD. If these banks with deposits of over a million dollars can see any advantage in joining the Federal Reserve System, under the law they can join now; they do not have to be forced in.

Mr. MURPHY. I may say, with reference to what the Senator from Michigan has just said, that, while he has made a correct statement of the facts, yet the principle sought to be served by the committee amendment is the principle of compulsion upon all banks to join the Federal Reserve in order that the dual system of banking shall eventually disappear, and that we shall have a single, unified system of banking. These State banks, notwithstanding the fact that they are not affected by the provisions of the pending committee amendment, see in this million-dollar limita-

tion an encroachment upon the principle of a dual system of banking, and they resent that, and that is the basis of the objection made.

The Senator from Virginia has said that the disposition of the President was to yield agreement only on condition that there should be service of the unified system of banking, and with that statement, of course, there can be no argument. Possibly the President took a correct position. Some have taken positions with respect to banking and guarantee of deposits which they found it necessary to yield.

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

Mr. MURPHY. I yield further to the Senator from Michigan.

Mr. VANDENBERG. I wish to offer a further observation on the subject of compulsion. Of course, the Senator understands there is no compulsion, even on the bank with deposits in excess of a million dollars, unless it wants to join the Federal Deposit Insurance Corporation, which is an exclusively Federal function and instrumentality. Therefore the old basic philosophy of abstractly compelling all banks to join the Federal Reserve System is not involved in this particular contemplation. This is to enable the banks to receive the benefit of a Federal instrumentality, and nothing else. There is no compulsion if they do not want to do it.

Mr. MURPHY. True; and the Federal instrumentality is used as a measure to induce, if not to coerce, State banks into membership in the Federal Reserve System.

Mr. VANDENBERG. The Senator must concede that the responsibility of the Federal Government for the Federal Deposit Insurance Corporation is of such a character and nature as that when a bank which does insure represents a risk in the million-dollar classification, the Government is entitled to have something more intimately to say about the way it is run.

Mr. MURPHY. It is to be said, in reply to that, if I understood the Senator's observation correctly, that the Federal Deposit Insurance Corporation, in the case of banks not members of the Federal Reserve System, conducts its own examination.

Mr. FLETCHER. Mr. President—

The PRESIDING OFFICER (Mr. POPE in the chair). Does the Senator from Iowa yield to the Senator from Florida?

Mr. MURPHY. I yield.

Mr. FLETCHER. Reference has been made to the National Bank Act of 1933. I think that was a very wise, helpful, wholesome, and a very efficacious piece of legislation. I do not know anything we have done that has been better than the act of 1933. One of the best provisions in that act is the Federal Deposit Insurance Corporation provision, for the organization of a corporation to protect the deposits in banks.

Mr. MURPHY. I share the view of the Senator in that regard.

Mr. FLETCHER. It has had a very beneficial effect all over the country, and the fact that deposits in banks have increased over \$6,000,000,000 since that law went into effect shows that it had the effect of restoring the confidence of the people in the banks. People have taken their funds out of hoarding and other places and have gone to the banks with them. It has had a splendid effect everywhere.

Mr. MURPHY. Let me interrupt the Senator there to say that it is the very virtue created by the Federal Deposit Insurance Corporation, and not by the Federal Reserve System, which makes offensive the provision making it compulsory upon banks to join the Federal Reserve System. It is not the Federal Reserve System that has imparted the virtue to F. D. I. C.; it is the Federal Deposit Insurance Corporation itself which has done that.

Mr. FLETCHER. These small banks will want to enjoy the benefits of the insurance fund. They will need to get the advantage of it. They will be benefited by it, and therefore I do not think there will be any particular complaint about them being compelled to join the System. They will want to join it. They will want the benefit of this insurance. The

assessment on the small State banks will be one-twelfth of 1 percent, whereas some of the large banks in the cities will have to pay four or five hundred thousand dollars to the fund, and the contribution of the smaller banks will be very small. The depositors will be fully protected.

Mr. MURPHY. There is no objection to the Federal deposit insurance. The objection of my correspondents is to being compelled to join the Federal Reserve System.

Mr. GLASS. Mr. President, the Senator is greatly mistaken if he thinks the Federal Reserve System had nothing to do with the establishment of the Federal deposit insurance fund. As a matter of fact, the major part of the fund was taken from the Federal Reserve Banking System.

Mr. MURPHY. I possibly did not make my meaning clear to the Senator. What I meant to say was that the virtue which attaches to the Federal Deposit Insurance Corporation attaches from the act which we passed here, and is not related to the Federal Reserve System.

Mr. BULKLEY. Mr. President, I should like to ask the Senator from Iowa a question.

Mr. MURPHY. I yield.

Mr. BULKLEY. Does not the Senator think that he should modify somewhat his use of the word "compulsory", in view of the fact that any bank is free to leave the Federal Deposit Insurance System at any time it please?

Mr. MURPHY. No bank wants to yield its membership.

Mr. BULKLEY. There are a thousand banks in the country which are not members of the Federal Deposit Insurance Corporation, and there are less than a thousand that would be affected by the text of the bill we have before us.

Mr. MURPHY. I understand the facts of the situation, and I say again to the Senator that my discussion is primarily of the principle.

Mr. BULKLEY. Let me ask the Senator whether he is acquainted with Mr. L. A. Andrew, formerly superintendent of banks of the State of Iowa.

Mr. MURPHY. Yes; I am.

Mr. BULKLEY. Mr. Andrew suggested the very plan that is adopted in the bill before us.

Mr. MURPHY. Well, if the Senator please, there seems to be a conflict of testimony, because I have here a statement by Mr. L. A. Andrew addressed to the Iowa Bankers' Association—

Mr. VANDENBERG. What was the date of it?

Mr. MURPHY. He has reference to what the Senator speaks of. I do not have the date, immediately.

Mr. BULKLEY. I should like to hear what the Senator is going to read.

Mr. MURPHY. This is a mimeographed letter, sent me by the Secretary of the Iowa State Bankers' Association, and such a letter was sent to the members of the Iowa State Bankers' Association, being a purported reproduction of a letter written by Mr. Andrew, in which he said:

It is with regret, therefore, that I must take issue with that part of the above quotation (quotation no. 2)—

To wit—

"Likewise we were represented by Mr. L. A. Andrew. He presented figures showing that there are over 7,000 State banks having insured deposits of some \$3,600,000,000, and uninsured deposits of \$1,600,000,000 and depositors to the number of nearly 13,000,000 which are not members of the Federal Reserve System. Two thousand five hundred of these banks, he said, could not qualify for membership in the system, and he questioned the desirability from the point of view of the welfare of the public thus to force these banks to close. He offered the suggestion that the amendment to the bill provides only that banks having \$1,000,000 in deposits be compelled to join the Federal Reserve System."

Mr. Andrew proceeds:

It is with regret, therefore, that I must take issue with that part of the above quotation (quotation no. 2) as underscored—

Crediting him with the authorship of this suggestion—

which purports to say that it was I who suggested to the subcommittee of the United States Senate Banking Committee that all State banks with \$1,000,000 in deposit should be compelled to join the Federal Reserve System on and after July 1, 1937, or be denied F. D. I. C. membership. This is to kindly reiterate that whoever has inadvertently made me author of that recommendation is in error.

Mr. BULKLEY. Mr. President, if the Senator will permit me right there I should like to read into the RECORD Mr. Andrew's testimony given before the Senate Committee on Banking and Currency.

Mr. MURPHY. Will the Senator permit me to conclude this quotation and then, of course, I shall have no objection to the Senator placing the testimony in the RECORD. I continue reading:

As above stated you have a copy of my testimony before the United States Senate subcommittee of which the closing two paragraphs are hereinbefore quoted.

I still stand by that testimony. When I stated before the Senate subcommittee "Some people argue that banks with deposits of \$1,000,000 or more should be members of the System", I was merely saying that it has been suggested that banks with deposits of less than \$1,000,000 should be given the privilege of joining the F. D. I. C. without first joining the Federal after July 1, 1927. A Senator interrupted and said he would be in favor of such an amendment and asked me "What do you think of such an amendment?" I replied that "Of course, that would be less harmful than to attempt to enforce Federal membership on every bank regardless of its size." I want to make it clear to my Iowa friends and friends everywhere among the independent State banks that I have not forsaken them; that I am still absolutely opposed to the principle of enforced Federal Reserve membership upon them in any shape or manner. I stand foursquare with the present officers of the Iowa Bankers' Association and with the principles which I originally expressed, namely, that every bank ought to have the unfettered right to join the Federal Reserve if it desired or the F. D. I. C., or both, depending entirely upon the option and the wishes of a bank's own officers and directors.

I yield to the Senator from Ohio.

Mr. BULKLEY. Mr. President, the record does not quite bear out Mr. Andrew's recollection of what he said. I read from the RECORD:

Senator COUZENS. You said a while ago that all banks with deposits of a million dollars ought to be members of the Federal Reserve System. That is what you said, is it not?

Mr. ANDREW. Yes.

Senator COUZENS. Would you approve of an amendment to the act requiring that?

Mr. ANDREW. Yes, sir. I think it might be a very good solution of that question. As a suggestion only, a plan might be worked out whereby insured State banks each having more than \$1,000,000 in deposits would be compelled to join the Federal Reserve System as a condition of continued insurance in the Federal Deposit Insurance Corporation.

Mr. MURPHY. I yield the floor.

Mr. FLETCHER. The motion was made by me to agree to the amendment of the committee to title I, as reported by the Senate Committee on Banking and Currency.

The PRESIDING OFFICER. The question is on the amendment to title I as reported by the committee.

Mr. FLETCHER. Of course a vote on that motion would also determine the proposal of the Senator from Iowa; but I have no objection to voting on his amendment first if it is so desired.

Mr. BAILEY. Mr. President, I am taking the floor with a great deal of hesitation and a very profound respect for the committee and the extraordinarily able men on it. I am sure we will all agree that the Committee on Banking and Currency of the United States Senate is one of the strongest, if not the very strongest committee in the Senate. I do not profess in the remotest degree to be an expert on banking or on currency. I have the profoundest regard for the chairman of the committee [Mr. FLETCHER], and I recognize in the senior Senator from Virginia, the chairman of the subcommittee, a public servant and officer who has devoted a long life to constructive legislation on banking and currency. No man would go further than I in paying tribute to him, and so far as I am concerned I realize that everything I say is subject to great deference to his judgment.

However, Mr. President, this bill has a rather unusual effect with reference to the State of North Carolina, and I think it is my duty to present the facts to the Senate. Probably it has an identical effect with reference to the State of Iowa. I have here before me, and I intend to put into the RECORD, the official statement of the number of insured State branch banks not members of the Federal Reserve System with deposits of over \$1,000,000 on December 31, 1934, and with insufficient capital to qualify for membership in the Federal Reserve System.

It is a singular fact that the State of Iowa has 15 such banks and 23 branches, with deposits of \$25,871,000, and the capital deficiency indicated is \$5,540,000; and the State of North Carolina has, according to this table, 8 such banks, with 18 branches, and deposits of \$16,129,000 and an indicated capital deficiency of \$2,422,000. These two States stand out in the number of banks in the classification which I have been describing.

California has 2 such banks with 4 branches. Indiana has 7 such banks with 10 branches. Iowa has 15 such banks with 23 branches. Kentucky has 3 such banks with 4 branches. Louisiana has one such bank. Maine has 3 such banks with 12 branches. Massachusetts has 1 such bank with 3 branches. Mississippi has 2 such banks with 4 branches. North Carolina has 8 such banks with 18 branches. Ohio has 2 such banks with 3 branches. South Carolina has 1 such bank with 1 branch. Tennessee has 2 such banks with 2 branches. Virginia has 3 such banks with 5 branches. Washington has 1 such bank with 1 branch. Wisconsin has 3 such banks with 6 branches.

It appears, therefore, that North Carolina and Iowa are involved in this matter to a very much greater extent than are the other States. I think that fact is a sufficient explanation of the concern of the junior Senator from Iowa [Mr. MURPHY] and of myself in this matter.

I send forward at this time the table I read from and ask that it be printed in this point in the RECORD.

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

The table is as follows:

Insured State branch banks not members of the Federal Reserve System with deposits over \$1,000,000 on Dec. 31, 1934, and with insufficient capital to qualify for membership in the Federal Reserve System.

[Amounts in thousands of dollars]

State	Number of banks	Number of branches	Deposits	Capital deficiency
California	2	4	2,979	685
Indiana	7	10	10,789	2,355
Iowa	15	23	25,871	5,540
Kentucky	3	4	5,449	815
Louisiana	1	1	1,189	420
Maine	3	12	11,439	300
Massachusetts	1	3	3,899	100
Mississippi	2	4	2,547	800
North Carolina	8	18	16,129	2,422
Ohio	2	3	3,324	600
South Carolina	1	1	1,678	260
Tennessee	2	2	2,458	750
Virginia	3	5	4,759	875
Washington	1	1	2,159	300
Wisconsin	3	6	3,883	94
Total, all States	54	97	98,552	17,162

Capital qualifications for membership in the Federal Reserve System were compiled according to the following provisions of the Federal Reserve Act and the National Bank Act:

(a) Section 9, Federal Reserve Act: "Any such State bank which at the date of the approval of this act¹ has established and is operating a branch or branches in conformity with the State law may retain and operate the same while remaining or upon becoming a stockholder of such Federal Reserve bank; but no such State bank may retain or acquire stock in a Federal Reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this act beyond the limits of the city, town, or village in which the parent bank is situated: *Provided, however,*² That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks."³

(b) Section 5155, part (c), Revised Statutes, National Bank Act: "A national banking association may, with the approval of the Comptroller of the Currency, establish and operate new branches: (1) Within the limits of the city, town, or village in which said association is situated if such establishment and operation are at the time expressly authorized to State banks by the law of the

¹ The act referred to above was approved Feb. 25, 1927.

² This proviso added by sec. 5 (b) of Banking Act of 1933, approved June 16, 1933.

³ For provisions governing domestic branches of national banks see sec. 5155, Rev. Stat., as amended (appendix, p. 132); for provisions governing foreign branches see sec. 25, this act, p. 93.

State in question; (2) at any point within the State in which said association is situated if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks. No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000: *Provided*, That in States with a population of less than 1,000,000, and which have no cities located therein with a population exceeding 100,000, the capital shall be not less than \$250,000: *Provided*, That in States with a population of less than one-half million, and which have no cities located therein with a population exceeding 50,000, the capital shall not be less than \$100,000."

Mr. BAILEY. I have a communication, Mr. President, from the Honorable Gurney P. Hood, the commissioner of banks of North Carolina, and, while I intend to ask to have it printed in the RECORD, as it is fairly brief, I believe it is worth while to read it at this time to the Senate. I read first the letter of transmittal, as follows:

JULY 20, 1935.

Hon. J. W. BAILEY,

United States Senator, Washington, D. C.

DEAR SIR: Attached is a statement of the reasons why I feel that compulsory membership in the Federal Reserve System as provided in the committee bill is dangerous and will have a very serious and damaging effect on banks in our State.

Sincerely yours,

GURNEY P. HOOD,

Commissioner of Banks for North Carolina.

I read the statement as follows:

The Senate committee bill in section "y" "1" and "2", on pages 143 and 144 of the printed bill, enforces Federal Reserve membership on those banks having average deposits of \$1,000,000 or more during the year of 1936 or any year thereafter.

The effect of this provision on banks having average deposits of less than that amount is to discourage growth at any time and when the average approaches that figure to refuse all new business and drive away such portion of the old business as is necessary to keep the average under it.

That appears to be an inducement to banks to remain small in order that they may avoid the force and effect of this legislation.

The effect of the provision on banks having average deposits of \$1,000,000 or more is:

a. To make such banks reduce their deposits below that figure by turning away a sufficient portion of their business and liquidating their loans and investments to that end.

b. To make such banks harden their loan and investment policy and liquidating a substantial portion of their assets (real-estate loans and certain other securities regarded unfavorably by the Federal Reserve authorities) in order to meet such standards for membership as may be set by the Federal Reserve Board under the law.

c. To make such banks having branches increase their capital where such capital is not now \$500,000 or more. In such cases, if the deposits amount to \$1,000,000, its capital must be at least \$500,000. This is an unreasonable requirement which cannot be justified. The \$500,000 minimum capital requirement for the operation of branches by Federal Reserve member banks is set out in section 9 of the Federal Reserve Act. If the requirement is insisted upon such banks must close their branches, depriving more than 33 North Carolina towns of the banking facilities which they now enjoy, and forcing 16 North Carolina banks to prepare to discontinue handling deposits of more than \$10,000,000, or else withdraw from the Federal deposit insurance fund, thus depriving their depositors of its protection and that corporation of the support which these banks have given it heartily.

The remainder of this letter is in the nature of suggested solutions, one being the defeat of the section involved, and the other an amendment postponing the effective date with regard to compulsory membership until, the writer says, July 1, 1942. I shall come to that a little later.

The facts of the situation are pretty well set forth in the data here which I have submitted. While I am not an expert on banking, and never expect to be, and I do not intend to try to cope with the committee, who have given a great deal of study to this matter, and with whom I do not think I could cope, I am satisfied to call the attention of the Senate to the peculiar situation.

My State and the State of Iowa are affected in a more peculiar way than are any other States, but, fortunately for us, there are about 15 States that are, to some degree, affected as we are.

Further, I wish to submit to the Senate a statement by the committee for North Carolina nonmember banks, which

has been lodged with me, and, I think, with the expectation that I would present it to the Senate. I quote from the statement, as follows:

We oppose compulsory membership in the Federal Reserve System for the following reasons:

1. It violates the principle of State rights upon which this Government was founded and has experienced unprecedented prosperity.

I know, of course, that there never was a nobler or more powerful exponent of State rights in the Senate than is the senior Senator from Virginia, but I can say that, of course, a State has a right to have any sort of banking system it pleases, though it does not necessarily have the right to Federal deposit insurance. I will agree with the Senator from Virginia about that. I think I can make that distinction and save my distinguished friend from making it at my expense.

Mr. GLASS. Mr. President, I had no idea of making it, because I was quite sure the Senator himself realized that.

Mr. BAILEY. Yes; but I will digress here long enough to say that in this day and time, when the State rights question seems to go in and out of an eclipse, I am glad to see it coming out of the eclipse at this point, and I do not think the senior Senator from Virginia will object to that, either.

There is a question here, Mr. President, on that very point. Of course all the banks in the United States want the benefit of the Federal deposit insurance. It is a great advertisement; it is a great source of strength and of security in the minds of the depositors, and I testify very freely to its great value. The bank denied it is likely to suffer very seriously thereby, and, while it is not compulsory, if the Federal Government gives insurance to one class of banks and does not give it to another, the class that does not receive such insurance is very likely to suffer and perhaps to die. So, in that sense, there is a compulsory feature about it.

2. Federal Reserve membership as a matter of practice will restrict the loan policy of such State member banks to the extent permitted national banks, especially as regards loans on real estate.

I think there is some point there. I am not an advocate of a generous commercial bank lending policy with respect to real estate, because I know very well that real estate is not liquid. I think the building-and-loan associations and the trust departments and the savings banks may make real-estate loans, under proper safeguards, but the commercial banking system must be liquid. I will agree as to that.

There are now in operation in the United States over 10,000 State banks, as compared with something over 5,000 national banks. Of the 10,000 State banks, only 900 are members of the Federal Reserve System. The State banks serve largely the agricultural and smaller communities.

That is peculiarly true of North Carolina. North Carolina is an agricultural and industrial State, with probably more small towns to the population than any other State in the Union. Towns of 500 to 2,500 population dot the State in all sections; and it is the State banks, with a reasonable amount of capital and deposits, that serve the people of those communities.

The reason for the nonacceptance of Federal Reserve membership by the large majority of nonmember State banks is the impracticability of the operating conditions which such membership entails. It being impossible under the restricted policy of the Federal Reserve System for member banks to make loans secured by the types of collateral common to agricultural sections, thereby making it impossible for a Federal Reserve member bank to function in a manner to meet the credit needs of the average smaller community.

I think there is that real problem in this proposed legislation, and in the banking structure with which we are now dealing fundamentally.

In addition to the restrictions referred to, membership in the Federal Reserve System will eliminate a greater portion of the revenue now received by nonmember State banks from exchange.

Nothing has been said here so far on the subject of exchange. While I do not profess to know a great deal about it, I know that in the case of the smaller banks—and that includes some of them with more than a million dollars of deposits, and it includes branch banks which have from ten

to twenty million dollars of deposits, with their agency branches scattered over a broad territory—the item of exchange is a great factor in their operations and in their profits.

It is a serious question whether such banks can make money in the present banking operations in this country by buying and selling the bonds and the securities of the United States. A bank with a very great volume of deposits may be able to get along with the discount now allowed on national securities, but the little bank cannot make its expenses on that basis, and under the peculiar circumstances of our present time they dare not loan very broadly on anything else. That is a lamentable phase of the depression at the present time, and I think it is the best evidence that we are not recovering. So long as the banks are not investing in anything except the paper of the United States, we may know there is nothing going on in this country to justify the statement that there is any considerable degree of recovery. Conditions are better, I will agree, but money is not moving.

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

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

Mr. MURPHY. A study conducted in the Chicago Federal Reserve District by a group of professors appointed by the Secretary of the Treasury discloses the conclusion of the investigators that recovery precedes by 6 months the loosening of bank credits.

Mr. BAILEY. I think that tends to corroborate my statement. I have a rather definite view about the situation, and I will not hesitate to express it here. What we need in our land at the present time is an assured public policy that will justify the lending of money on paper and capital assets in the hands of the American people. A great deal is said about the circulation of money and a great deal is said about inflation, but the moment the banks are in position, by reason of fundamental governmental assurance, that they can collect what they lend out, the moment the borrower is assured that he can make a profit on what he borrows, things will break loose, there will be no demand for inflation, and there will be no agitation by demagogues on the subject of turning loose money by way of throwing it out free-handedly, as if one were feeding chickens. We will be through with all that; but so long as the present situation exists and money does not flow in a normal way we cannot blame those who demand that abnormal means be undertaken, however fallacious and erroneous they may be.

However, I will read on:

This is especially true in those States in which the banks operate on a nonpar basis. On an average, this loss of revenue will run to an amount in each nonmember bank located in such States equal to from 3 to 5 percent annually on its capital stock.

The argument there is that local banks and branch banks, through their branches, notwithstanding their total deposits are more than a million dollars, need the income from a reasonable exchange in order to make a fair profit.

3. The amendment of the Senate Banking and Currency Committee proposes to enforce membership only on those banks whose deposits exceed \$1,000,000, or which may exceed \$1,000,000 after this date, and all State banks organized hereafter. This provision is unfair, discriminatory, and un-American.

I simply remind the Senate that these are phrases of the petitioners. I am not saying anything about this being "un-American." I do not think the Committee on Banking and Currency of the United States Senate is capable of doing anything "un-American." I wish to make that very clear.

A number of nonmember State banks are now serving more than one community where the deposits accumulated in one office or branch are less than \$1,000,000, but where the total deposits aggregate above such an amount.

I am familiar with that condition in North Carolina with respect to three branches in the agricultural portion of the State. None of the little branches have as much as \$1,000,000, but the central bank may have as much as \$10,000,000.

It is our opinion that numerous communities would be left without banking facilities in the event that nonmember banks operating branches would be forced into the Federal Reserve System, because in the subsequent operation of these branch

offices under Federal Reserve membership the revenue now received from exchange by these branch offices and which constitutes the major portion of their income, would be eliminated.

That is precisely true. This strikes down the revenue of the branch banks from exchange.

There would be no inducement to charter a new bank at the location of these branch offices because of the conditions of the bill requiring all banks organized hereafter to become members of the Federal Reserve System regardless of the amount of their deposits.

4. While admittedly there has been a deplorable number of failures of State banks within the past 10 years, the losses involved in the failures of State banks has at least been in a favorable ratio to the losses sustained in national-bank failures.

The State bank has in the past been largely the means of furnishing credit facilities to the broad areas of this country, and is responsible for the rapid development of those areas.

I think we will all agree to that. The State banking system has always reached a far larger portion of the population, and the little banks have served more people than the big banks.

The State banking system is now better prepared under the supervision of the respective States to continue to provide credit for the smaller communities, on a more intelligent and a sounder basis than a unified system of banks, or a system controlled or supervised by the Federal Government.

In North Carolina there are now in operation some 300 banks. Of this number, 33 are national banks, 10 are State banks that have membership in the Federal Reserve System.

We have only 43 banks in North Carolina which are members of the Federal Reserve System.

This leaves approximately 260 nonmember banks. There are some 25 or 30 of these nonmember banks that operate branches and serve around 100 communities. In other words, the nonmember banks are really serving, to a very large degree, the people of North Carolina, and we believe that the recovery that has recently been made in our State is largely due to the banking facilities that are now being furnished our people by our nonmember banks.

5. The North Carolina Bankers Association, and most of the other State associations, have recently gone on record as being unanimously opposed to compulsory membership in any form and we assert that it would be most unfortunate and unwelcome on the part of North Carolina bankers if any compulsory membership should be required at this time.

Respectfully submitted.

M. E. HOGAN,
R. P. HOLDING,
F. P. SPRULL,
JOHN F. MCNAIR,

Committee for North Carolina Nonmember Banks.

Mr. President, I have laid these considerations and expressions before the Senate as a matter of duty. I see in them a great deal of merit. They do not justify me in opposing the bill. I did not rise to oppose the bill.

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

Mr. BAILEY. Certainly.

Mr. BULKLEY. The Senator does not insist upon the word "compulsory", does he?

Mr. BAILEY. I defined the meaning of "compulsory" at the outset of my remarks, and I think the Senator from Ohio agrees with me in that definition. There is nothing compulsory about it in a sense, of course. There is something compulsory about it in the sense of inducement.

Mr. BULKLEY. Yes; if the banks want to take advantage of the deposit-insurance system.

Mr. BAILEY. Yes. There is an element of compulsion in it in that discrimination leaves one class of banks with insurance and another class of banks without insurance, and the banks without insurance are under the duress of the competition and under the handicap of seeking deposits without the benefit of the Federal guaranty. I do not say that is compulsion. I understand the difference, but they use the term "compulsion" in the sense in which I defined it, and it comes down to the fact that they will be compelled to join in self-defense, and it is compulsion in that sense. They can choose not to come in; they can stay out and die or they can come in and get the insurance.

Mr. BULKLEY. But the Senator agrees that to the extent they are compelled to come in they are not being more than forced into doing the same things that other banks are doing and paying their own share of the expenses and getting the benefit of money from the Federal Reserve banks.

Mr. BAILEY. The Senator will agree with me about the definition. They are forced to come in in order to get the insurance.

Mr. BULKLEY. Unquestionably they are, and they are forced to carry their own share of the burden of carrying the insurance not only directly by assessments, but by their share of what the Federal Reserve banks have been compelled to put up. There is no doubt about the compulsion there. We did not ask the Federal Reserve banks whether they wanted to subscribe to the stock of the Federal Deposit Insurance Corporation for the purpose of doing a great thing in the interest of all the banks of the country. We compelled the Federal Reserve banks to put up the money.

Mr. BAILEY. That was compulsion by way of paying the percentage required.

Mr. BULKLEY. Undoubtedly; and those people are taking their fair share of that situation.

Mr. BAILEY. We have no difficulty about that. It is an inducement, and if the little banker does not take it, he is put on the defensive and takes the risk, and reasonably he can assume the risk will be a very precarious one. I am not using the word "compulsory" in the sense that the Federal Government says to the bank, "You must come in."

Mr. BULKLEY. I understand. I thank the Senator.

Mr. BAILEY. I am using the word as I think we all understand it.

Mr. President, I am going to make a suggestion. If the amendment offered by the Senator from Iowa is put before the Senate, in view of the considerations stated, I shall deem it my duty, with due deference, to vote for it. I am going to venture the suggestion that, if it should not prevail, the committee seriously consider whether it would not be a constructive and considerate thing to give a little time to the banks which are involved, and more especially the banks in the States of Iowa and North Carolina, because there are so many more of them in those two States relatively than in any other State. Will not the committee consider favorably postponing the date to July 1, 1942, and give us a chance to work this out and adjust ourselves to it? I think that is as far as they should hope to go, and I should very greatly appreciate a concession to that extent. I do not see how that could do anyone any harm.

Mr. GLASS. Mr. President, I may say to the Senator from North Carolina, if he will permit the bill to go to conference as it is, that question will undoubtedly come up in conference and I do not think there will be any insuperable objection to deferring the date.

Mr. BAILEY. I am content with having made the suggestion, but would the Senator object if I should offer that as an amendment and submit it to the Senate?

Mr. GLASS. I wish the Senator would not do so because we do not want to go into conference with it.

Mr. BAILEY. I may say to the Senator and all who hear me that it is my judgment—it is the part of wisdom—to cooperate with the senior Senator from Virginia on all occasions so far as one can. I shall adopt his suggestion.

Mr. FRAZIER. Mr. President, I merely wish to say that the State Banking Department of North Dakota and the Association of State banks have protested against the provisions of this broad section on page 143. They seem to agree with the Senator from Iowa [Mr. MURPHY] and the Senator from North Carolina [Mr. BAILEY] that it would be a hardship on the State banks, and practically would preclude the organization of any new State banks, unless, of course, they should come in under the Federal Reserve System.

In the drought-stricken States, especially, where so many banks have closed because of hard times during the past few years, some counties have been left without any banks at all. Undoubtedly, new banks will be established as soon as conditions right themselves a little. In those cases, as I understand, according to the first sentence of section (y), they would not be allowed to have the insurance unless they should come in as members of the Federal Reserve System.

Our officials object to that provision, and also to the million-dollar-deposit provision. They seem to think it is

another attempt to strengthen the control of the Federal Reserve System over the State banks, and to put the State banks out of business. That is my personal opinion of the section, also, and I shall vote for the amendment of the Senator from Iowa.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Iowa [Mr. MURPHY] to the amendment of the committee.

The amendment to the amendment was rejected.

The PRESIDING OFFICER. The question now is on agreeing to the committee amendment to title I.

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

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Connally	King	Pope
Ashurst	Coolidge	La Follette	Radcliffe
Austin	Copeland	Lewis	Reynolds
Bachman	Costigan	Logan	Russell
Bailey	Davis	Loneragan	Schall
Bankhead	Dickinson	McAdoo	Schwellenbach
Barbour	Donahay	McGill	Shipstead
Barkley	Duffy	McKellar	Smith
Black	Fletcher	McNary	Steiwer
Bone	Frazier	Maloney	Thomas, Okla.
Borah	George	Metcalf	Townsend
Brown	Gerry	Minton	Trammell
Bulkley	Gibson	Moore	Truman
Bulow	Glass	Murphy	Tydings
Burke	Gore	Murray	Vandenberg
Byrd	Guffey	Neely	Van Nuys
Byrnes	Hale	Norbeck	Wagner
Capper	Harrison	Norris	Walsh
Caraway	Hatch	Nye	Wheeler
Carey	Hayden	O'Mahoney	White
Chavez	Holt	Overton	
Clark	Johnson	Pittman	

The PRESIDING OFFICER. Eighty-six Senators have answered to their names. A quorum is present. The question is on agreeing to the committee amendment to title I.

Mr. GEORGE. Mr. President, I desire to inquire of the Senator in charge of this title of the bill with reference to a provision in the Senate amendment on line 2, page 96.

In classifying and defining what are chartered or stock savings banks, it is provided—

That such bank to be considered a savings bank must elect to become subject to regulations of the Corporation respecting the deposit of maturing deposits and prohibiting withdrawal of deposits by checking except in cases where such withdrawal is permitted by law on the effective date from specifically designated deposit accounts—

And so forth. The House provision on the same subject is substantially the same, except that the words "on the effective date" are not included in the House provision.

If I correctly understand the meaning of this provision, a savings bank of the character here designated may pay from specifically designated accounts not more than 15 percent of the bank's total deposits on ordinary daily or periodic withdrawals; but the Senate committee amendment has the effect of restricting withdrawals.

Mr. BULKLEY. We restrict them to those now authorized by law.

Mr. GEORGE. On the effective date of the act.

Mr. BULKLEY. "The effective date" means the date on which the act goes into effect.

Mr. GEORGE. Yes; I understand. That would mean that so far as any future deposit in a savings bank was concerned there could be no withdrawals, even within the narrow limitations contained in the bill.

Mr. BULKLEY. This permits future deposits, but under the law which exists on the effective date.

Mr. GEORGE. I perhaps do not make myself clear to the Senator.

In subsection (7), found on page 4 of the House text, the term "savings bank" is defined. As I understand, this definition certainly includes chartered or stock savings banks. Withdrawals are permitted, but only from designated accounts; and only to the extent of 15 percent of the bank's total deposits. The effect of the committee's amendment, by including the words "on the effective date", would seem to place the savings bank exactly in the position that, with respect to deposit accounts on the date of the passage and

approval of the act, or the effective date of the act, withdrawals might be continued under the limitations imposed; but with respect to deposits made 2 days subsequent to the effective date of the act, or 1 day subsequent, there could be no withdrawal.

Mr. BULKLEY. I can assure the Senator that that is not the intent, nor do I think it is the fair meaning of the language. The intent is that the exceptions shall be confined to cases where such withdrawals are now permitted by law; that is, permitted by law on the effective date of the act. In line 1 page 96, it is made very clear, "where such withdrawal is permitted by law on the effective date."

Mr. GEORGE. If that is the correct interpretation of the language, it would seem to be wholly unobjectionable from the standpoint of those chartered savings banks, in my State, at least, which are responsible for my inquiry. But I ask the Senator to consider the language carefully; the entire subsection 7, of course, will be in conference; and if there is any question of the true meaning of the language, I ask that that be borne in mind when the conferees consider the bill.

Mr. BULKLEY. I am confident the conferees will be glad to consider it.

Mr. GEORGE subsequently said: Mr. President, while I am content, of course, with the explanation made by the Senator from Ohio [Mr. BULKLEY] of the feature of the banking bill to which I directed attention, and the assent which I understand the chairman of the committee to have made, I should like to read into the RECORD, so that the conferees may see the precise point, the following extract from a letter from a well-known savings bank official of my State. I read merely one paragraph:

I am in receipt of the report made by the Banking and Currency Committee of the Senate, Calendar No. 1053, Report No. 1007, to the United States Senate. I note that on pages 95 and 96 they have added to item (7), defining savings banks, the following clause: "In cases where such withdrawal is permitted by law on the effective date", and other slight changes in the wording. By the insertion of this clause they have changed the meaning of section (7) as reported by the Banking and Currency Committee of the House, Report No. 742, in a very vital respect. This change would confine any withdrawals by check to such accounts as were on the books of the capital-stock savings banks at the date of the passage of the new bill. That is, we could not grant the same privilege to any other future depositor not having it at the date of the passage of the bill.

I am merely reading this in order that the conferees may understand the exact question which I have raised.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee to title I. The amendment was agreed to.

Mr. NYE. Mr. President, are amendments to title II now in order?

The PRESIDING OFFICER. They are.

The question is on agreeing to the committee amendment to title II.

The amendment of the committee to title II is in lieu of the House provision, to insert the following:

TITLE II—AMENDMENTS TO THE FEDERAL RESERVE ACT

SECTION 201. Paragraph "Fifth" of section 4 of the Federal Reserve Act, as amended, is amended to read as follows:

"Fifth. To appoint by its board of directors a president, a vice president, and such officers and employers as are not otherwise provided for in this act, to define their duties, require bonds for them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. The president shall be the chief executive officer of the bank and shall be appointed by the board of directors, with the approval of the Board of Governors of the Federal Reserve System, for a term of 5 years; and all other executive officers and all employees of the bank shall be directly responsible to him. The vice president of the bank shall be appointed in the same manner and for the same term as the president, and shall, in the absence or disability of the president or during a vacancy in the office of president, serve as chief executive officer of the bank. Whenever a vacancy shall occur in the office of the president or vice president, it shall be filled in the manner provided for original appointments; and the person so appointed shall hold office until the expiration of the term of his predecessor."

SEC. 202. (a) Hereafter the Federal Reserve Board shall be known as the "Board of Governors of the Federal Reserve System", and the Governor and the Vice Governor of the Federal Reserve Board shall be known as the "Chairman" and the "Vice Chairman", respectively, of the Board of Governors of the Federal Reserve System.

(b) The first two paragraphs of section 10 of the Federal Reserve Act, as amended, are amended to read as follows:

"Sec. 10. The Board of Governors of the Federal Reserve System (hereinafter referred to as the 'Board') shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate, after the date of enactment of the Banking Act of 1935, for terms of 14 years except as hereinafter provided, but each appointive member of the Federal Reserve Board in office on such date shall continue to serve as a member of the Board until his successor (as designated by the President at the time of nomination) takes office, but in no event for longer than 90 days after such date, and the Secretary of the Treasury and the Comptroller of the Currency shall continue to serve as members of the Board until the expiration of 90 days after such date. In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country, and at least two of such members shall be persons of tested banking experience. Not more than four of the members of the Board shall be members of the same political party, and in making appointments members of different political parties shall be appointed alternately as nearly as may be practicable. The members of the Board shall devote their entire time to the business of the Board and shall each receive an annual salary of \$15,000, payable monthly, together with actual necessary traveling expenses.

"The members of the Board shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office on the date of enactment of the Banking Act of 1935, the President shall fix the term of the successor to such member at not to exceed 14 years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one member in any 2-year period, and thereafter each member shall hold office for a term of 14 years from the expiration of the term of his predecessor, unless sooner removed for cause by the President. Of the persons thus appointed, one shall be designated by the President as chairman and one as vice chairman of the Board, to serve as such for a term of 4 years. The chairman of the Board, subject to its supervision, shall be its active executive officer. Each member of the Board shall within 15 days after notice of appointment make and subscribe to the oath of office. Upon the expiration of their terms of office, members of the Board shall continue to serve until their successors are appointed and have qualified. Any person appointed as a member of the Board after the date of enactment of the Banking Act of 1935 shall not be eligible for reappointment as such member after he shall have served a full term of 14 years."

(c) The fourth paragraph of section 10 of the Federal Reserve Act, as amended, is amended by striking out the second, third, and fourth sentences thereof and inserting in lieu thereof the following: "At meetings of the Board the chairman shall preside, and, in his absence, the vice chairman shall preside. In the absence of the chairman and the vice chairman, the Board shall elect a member to act as chairman pro tempore."

(d) Section 10 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraph:

"The Board of Governors of the Federal Reserve System shall keep a complete record of the action taken by the Board and by the Federal Open Market Committee upon all questions of policy relating to open-market operations and shall record therein the votes taken in connection with the determination of open-market policies and the reasons underlying the action of the Board and the Committee in each instance. The Board shall keep a similar record with respect to all questions of policy determined by the Board, and shall include in its annual report to the Congress a full account of the action so taken during the preceding year with respect to open-market policies and operations and with respect to the policies determined by it and shall include in such report a copy of the records required to be kept under the provisions of this paragraph."

Sec. 203. Section 10 (b) of the Federal Reserve Act, as amended, is amended to read as follows:

"Sec. 10 (b). Whenever any member bank has no eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal Reserve bank or any other method provided by this act other than that provided by section 10 (a), any Federal Reserve bank, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, may make advances to such member bank on its time or demand notes secured to the satisfaction of such Federal Reserve bank. Each such note shall bear interest at a rate not less than 1 percent per annum higher than the highest discount rate in effect at such Federal Reserve bank on the date of such note."

Sec. 204. Effective 90 days after the date of enactment of this act, section 12A of the Federal Reserve Act, as amended, is amended to read as follows:

"Sec. 12A. (a) There is hereby created a Federal Open Market Committee (hereinafter referred to as the 'Committee'), which shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks to be selected as hereinafter provided. Four of such

representatives of the Federal Reserve banks shall be elected annually as follows: 1 by the boards of directors of the Federal Reserve Banks of Boston, New York, and Philadelphia, 1 by the boards of directors of the Federal Reserve Banks of Cleveland, Chicago, and Saint Louis, 1 by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta, and Dallas, and 1 by the boards of directors of the Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco. An alternate to serve in the absence of each such representative shall be elected annually in the same manner. The fifth representative of the Federal Reserve banks, who shall be from the country at large, and an alternate to serve in his absence, shall be elected annually by the presidents of the 12 Federal Reserve banks. The meetings of said Committee shall be held at Washington, D. C., at least four times each year upon the call of the chairman of the Board of Governors of the Federal Reserve System or at the request of any three members of the Committee.

"(b) No Federal Reserve bank shall engage or decline to engage in open-market operations under section 14 of this act except in accordance with regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks and the relations of the Federal Reserve System with foreign central or other foreign banks.

"(c) The time, character, and volume of all purchases and sales of paper described in section 14 of this act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country."

Sec. 205. (a) Subsection (b) of section 14 of the Federal Reserve Act, as amended, is amended by inserting before the semicolon at the end thereof a colon and the following: "Provided, That any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities but only in the open market."

(b) Subsection (d) of section 14 of the Federal Reserve Act, as amended, is amended by adding at the end thereof the following: "but each such bank shall establish such rates every 14 days, or oftener if deemed necessary by the Board;".

Sec. 206. The sixth paragraph of section 19 of the Federal Reserve Act, as amended, is amended to read as follows:

"Notwithstanding the other provisions of this section, the Board of Governors of the Federal Reserve System, upon the affirmative vote of not less than five of its members, in order to prevent injurious credit expansion or contraction, may by regulation change the requirements as to reserves to be maintained against demand or time deposits or both by member banks in reserve and central reserve cities or by member banks not in reserve or central reserve cities or by all member banks; but the amount of the reserves required to be maintained by any such member bank as a result of any such change shall not be less than the amount of the reserves required by law to be maintained by such bank on the date of enactment of the Banking Act of 1935 nor more than twice such amount."

Sec. 207. The first paragraph of section 24 of the Federal Reserve Act, as amended, is amended to read as follows:

"Sec. 24. Any national banking association may make real-estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties, situated within its Federal Reserve district or within a radius of 100 miles of the place in which such association is located, irrespective of district lines. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument upon real estate when the entire amount of such obligation or obligations is made or is sold to such association. The amount of any such loan hereafter made shall not exceed 50 percent of the appraised value of the real estate offered as security and no such loan shall be made for a longer term than 5 years; except that (1) any such loan may be made in an amount not to exceed 60 percent of the appraised value of the real estate offered as security and for a term not longer than 10 years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 50 percent or more of the principal of the loan within a period of not more than 10 years, and (2) the foregoing limitations and restrictions shall not prevent the renewal or extension of loans heretofore made and shall not apply to real-estate loans which are insured under the provisions of title II of the National Housing Act. No such association shall make such loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of 60 percent of the amount of its time and savings deposits, whichever is the greater."

Sec. 208. Section 325 of the Revised Statutes is amended to read as follows:

"Sec. 325. The Comptroller of the Currency shall be appointed by the President, by and with the advice and consent of the Senate, and shall hold his office for a term of 5 years unless sooner removed by the President, upon reasons to be communicated by him to the Senate; and he shall receive a salary at the rate of \$12,000 a year."

Mr. NYE. I send to the desk an amendment which I desire to propose.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 144, beginning with line 10, it is proposed to strike out all down to and including line 6, on page 154, and to insert in lieu thereof the following:

TITLE II.—TO ISSUE MONEY AND REGULATE THE VALUE THEREOF

It is the purpose of this title to restore to Congress its constitutional power to issue money and regulate the value thereof; to provide for the orderly distribution of the abundance with which a beneficent Creator has blessed us; to establish and maintain the purchasing power of money at a fixed and equitable level; to restore the values of property to just and equitable levels; to increase the prices of agricultural products to a point where they will yield the cost of production plus a fair profit to the farmer; to provide a living and just annual wage which will enable every citizen willing to work and capable of working to maintain and educate his family on an increasing level or standard of living; to repay debts with dollars of equal value; to lift in part the burden of taxation; and for other purposes.

The Constitution of the United States in article I, section 8, clause 5, provides that Congress shall have the power to coin money and regulate the value thereof and of foreign coins;

The present practice of issuing book credits by commercial banks, and transferring the title of said credits by check, provides a supplementary medium of exchange, abrogating the said constitutional provision and establishing a separate, private, and independent monetary system; and

The permanent welfare of the people and the protection of the economic life of the Nation are dependent on the establishment of a monetary system wholly subject to the control of Congress, which will promote the interests of agriculture and labor, of industry, trade, commerce, and finance for the economic well-being of all citizens by the maintenance of price levels, which will avoid excessive expansion or disastrous contraction and which will protect the national credit and currency at home and in the world's markets.

SECTION 1. There is hereby created a central bank, which shall be known as the "Bank of the United States of America", which may be abbreviated as the "Bank of the U. S. A."

SEC. 2. The Bank of the United States of America, so created, shall be the agency of the Congress of the United States to issue the money of the United States, to control the value thereof, and the value of foreign moneys, and it shall have sole jurisdiction over all monetary stocks and all moneys and shall be the custodian of the public credit of the United States. It shall be the central depository of all reserve funds of all banks, banking institutions, and banking firms under the jurisdiction of the United States. It shall be the sole fiscal agent of the United States Government. All acts of Congress providing for the issuance of circulating notes by national banks are hereby repealed.

SEC. 3. (a) There is hereby created a governing board of the Bank of the United States of America, which shall be known as the "Board of Directors of the Bank of the United States of America", which shall be the monetary authority and agent of Congress of the Government of the United States. The Board of Directors of the Bank of the United States of America shall be composed of one representative from each State, appointed by the President of the United States by and with the advice and consent of the Senate, for a period of 12 years. Immediately after they shall be assembled in consequence of the appointment and confirmation, they shall be divided by lot equally into six classes; the seats of the directors of the first class shall be vacated at the expiration of the second year; the seats of the second class at the expiration of the fourth year; the third class at the expiration of the sixth year; the fourth class at the expiration of the eighth year; the fifth class at the expiration of the tenth year; and the sixth class at the expiration of the twelfth year; so that one-sixth may be chosen every second year; and if vacancies happen by resignation or otherwise the President may make a temporary appointment subject to Senate confirmation to fill the vacancy. The Board of Directors shall choose from among their own number an executive board consisting of seven members and including a governor and a vice governor selected by a majority of the 48 directors. The salary of each director shall be the same as that of an Associate Justice of the Supreme Court of the United States, paid out of the funds of the United States Treasury not otherwise appropriated. The directors shall not during their term of office hold any direct or indirect financial interest in any bank, banking institution, banking firm, or financial institution, or any firm or corporation as stockholder, director, or officer either in the United States or in any foreign country. The Board of Directors shall assemble on the first Monday in December and remain in session at least 9 months during each year. A majority shall constitute a quorum. The Board may determine the rules for its proceedings. Congress may, by the process of impeachment, remove a director. No director shall be appointed to any civil office under the authority of the United States or of the States, Territories, or possessions, nor be a Member of either House of Congress. Any director shall be eligible for re-appointment. Upon attaining the age of 70 years, each director shall retire, with an annual pension for the rest of his natural life equal to \$1,000 per year for each year of service or major fraction thereof: *Provided*, That the maximum annual pension shall be \$12,000, which shall be paid out of the funds of the United States Treasury not otherwise appropriated.

(b) The Secretary of the Treasury and the Comptroller of the Currency shall be ex-officio members of the Executive Board of the Bank of the United States of America.

(c) The members of the Federal Reserve Board at the time of the enactment of this act shall serve as members of the Executive Board of the Bank of the United States of America until their successors are appointed and confirmed, as herein specified.

SEC. 4. (a) The Board of Directors of the Bank of the United States of America is authorized to appoint and fix the compensation of a president and vice president and such other executive officers, examiners, economists, and other experts as may be necessary to carry out its functions under this act, without regard to provisions of other laws applicable to the employment and compensation of officers and employees of the United States; and, in addition thereto, the Board may, subject to the civil-service laws, appoint such further officers and employees as in their judgment may be necessary, and fix their salaries in accordance with the Classification Act of 1923, as amended.

(b) The Board of Directors of the Bank of the United States of America shall have its principal office in Washington, D. C. It shall establish branch offices in each State of the United States and in its Territories and possessions and may establish agencies to conduct a general business of banking and to provide banking facilities in any recognized trading center of the United States which is denied adequate banking facilities by private institutions, and shall formulate policies and regulations for the management of such branch offices and agencies. Branch offices shall be designated by States, as "Maine Branch, Bank of the United States of America"; "California Branch, Bank of the United States of America", etc.

SEC. 5. (a) After the passage of this act no currency shall be issued under the authority of the United States except the notes of the Bank of the United States of America of the same size as the present Federal Reserve notes and of such denominations as may be determined by the Executive Board of the Bank of the United States of America, which said bank notes shall be full legal tender at face value for all debts, public and private, within the United States or its Territories or possessions.

(b) Within 1 year from the passage of this act all present Federal Reserve notes, Federal Reserve bank notes, national bank notes, gold certificates, silver certificates, Treasury notes of 1890, and United States notes issued and outstanding shall be recalled for redemption, and those turned in for redemption shall be retired and destroyed, and notes of the Bank of the United States of America herein provided shall be issued to exchange, it being the purpose of this act to substitute the notes of the Bank of the United States of America herein provided for all other forms of paper currency of the United States.

SEC. 6. In the exercise of its jurisdiction as agent of the Congress of the United States to issue money and to control the value thereof, the Executive Board of the Bank of the United States of America may from time to time order and direct the Secretary of the Treasury of the United States to engrave or cause to be engraved, and to print or cause to be printed, United States Bank notes as provided in this act, in such quantities and denominations as the said Board may deem necessary, and to hold the said United States Bank notes subject to further order of the said Board.

SEC. 7. The Secretary of the Treasury of the United States shall, upon receipt of directions or instructions or orders from the Executive Board, duly authenticated in such manner as may be prescribed by the Board of Directors, execute the said directions, instructions, or orders, forthwith, by engraving, printing, and disposing of the said notes of the Bank of the United States of America as specified in said duly authenticated directions, instructions, or orders, and the said duly authenticated directions, instructions, or orders shall at all times be considered and construed to be the direct acts of the Congress of the United States, through its duly authorized agent, the Bank of the United States of America.

SEC. 8. (a) Immediately upon the passage of this act, the Bank of the United States of America is hereby authorized and directed as soon as possible to purchase the capital stock of the 12 Federal Reserve banks and branches, and agencies thereof, and to pay to the owners thereof in the notes of the Bank of the United States of America the paid-in value of said stock, with 6 percent per annum interest from the last dividend date.

(b) That all member banks of the Federal Reserve System are hereby required and directed to deliver forthwith to the Bank of the United States of America all the stock of the said Federal Reserve banks owned or controlled by them, together with any and all claims of any kind or nature in and to the capital assets of the said Federal Reserve banks, it being the intention of this act to vest in the Government of the United States the absolute and unconditional ownership of the said Federal Reserve banks.

SEC. 9. Upon the purchase of the stock of any Federal Reserve bank by the Bank of the United States of America as herein provided, the said Federal Reserve bank shall immediately become a branch of the Bank of the United States of America and subject in every respect to the jurisdiction of the Board of Directors of the Bank of the United States of America herein provided for, and the terms of the officers of the Board of Governors of the said Federal Reserve bank shall immediately cease and terminate: *Provided, however*, That the chairman of the Board of Governors of the said Federal Reserve bank and all the executive officers or employees thereof shall continue to perform their customary duties and obligations in the operation of said Federal Reserve bank until their successors shall be appointed by the Board of Directors of the Bank of the United States of America.

Sec. 10. (a) All individuals, firms, associations, or corporations engaged in the business of banking as defined by law and among other things receiving deposits of money or credit from the citizens or firms, corporations, or associations of any State and transferring or transporting said money or credit or the title thereto to other banks or individuals, firms, associations, or corporations of any other State or States, Territories, and possessions of the United States, are hereby declared to be engaged in interstate commerce, and as such are subject to Federal jurisdiction and to the jurisdiction of the Bank of the United States of America and all the provisions of this act.

(b) Within 1 year after the passage of this act, all banking institutions under the jurisdiction of the Bank of the United States of America shall be required to keep on deposit with the Bank of the United States of America, or in its vaults, United States bank notes herein provided for a full 100 percent of its deposits which are subject to check and payable on demand; and, in addition thereto, it shall keep within its vaults the further sum equal to 5 percent upon all savings or investment deposits commonly known as "time" deposits. All demand deposits shall be held in trust for the benefit of the depositors and shall not be merged with or become a part of the assets of the bank, nor shall such trust deposits be liable for any debt or obligation of the said bank.

(c) For the purpose of creating the lawful money reserve hereinabove required, the Bank of the United States of America shall purchase from banks and from individuals, firms, and corporations in the United States, bonds of the United States Government, or guaranteed by the United States Government, and may purchase obligations of States or municipalities of the United States whenever necessary to carry out the purposes of this act.

Sec. 11. The Bank of the United States of America is hereby authorized to purchase or sell gold, silver, and foreign exchange in the financial markets of the United States at such times and in such quantities as in its discretion is necessary to carry out the purposes of this act, namely, to regulate the value of money of the United States and of foreign countries.

Sec. 12. (a) The Bank of the United States of America shall have jurisdiction over and shall control and supervise all banking institutions whatsoever of the United States and Territories and possessions thereof, subject to law, and shall have the power to prescribe such rules and regulations not inconsistent with the law as it may deem desirable for the safe and proper conduct of the banks and banking institutions within its jurisdiction.

(b) The Comptroller of the Currency and all officers of the Government of the United States, exercising any supervisory powers or duties over the banks of the United States, or any of them, shall carry out and perform such rules and regulations for the conduct of banks and banking institutions in the United States or Territories or possessions thereof as may, from time to time, be prescribed by the Bank of the United States of America through its duly designated officers.

Sec. 13. Directly upon the passage of this act, the Bureau of Labor Statistics of the Department of Labor shall be transferred to the Bank of the United States of America, and such Bureau shall thereafter be under the supervision of the Board of Directors of the Bank of the United States of America. The statistical department of the present Federal Reserve Board, together with the statistical departments of the Comptroller of the Currency, the Secretary of the Treasury, and of the Treasurer of the United States, together with the Bureau of Foreign and Domestic Commerce and the Bureau of Agricultural Economics, shall all be consolidated with the Bureau of Labor Statistics, and the name of the consolidated bureaus and departments shall be the "Bureau of United States Statistics." The duties of said Bureau, in addition to all those now prescribed by law for the bureaus and departments consolidated therein, shall be to collect, assemble, and analyze authentic data, for the purpose of determining the true and correct relation of the total amount of money in actual circulation, including both currency and credit money commonly called "demand deposits", to prices, wages, industry and commerce, the standard of living, employment and unemployment, to the end that the Board of Directors of the Bank of the United States of America and the Executive Board thereof may scientifically and accurately determine the rate at which progressive additions to the stock or circulating money, including coin, currency, and credit, must be made in order to maintain an even and stable purchasing power, and to promote a constantly rising standard of living for the people of this Nation, unlimited except by the extent of natural resources and the willingness of the people to work.

Sec. 14. It is hereby made mandatory upon the Board of Directors of the Bank of the United States of America and the Executive Board thereof to provide such stable purchasing power of money and equitable price levels, first, by the progressive purchase of the bonds of the United States and the creation of the 100-percent reserves behind demand deposits, and, further, if necessary, by increasing the money in circulation by paying the extraordinary and then the ordinary expenses of government by currency issue until the average commodity price level reaches the index of the Bureau of Labor Statistics for 1926. The Board of Directors of the Bank of the United States of America will determine a true and equitable commodity price level to succeed that of 1926, and it is made mandatory on the Board of Directors to provide issues of currency which will maintain this level.

Sec. 15. The Board of Directors of the Bank of the United States shall recommend to Congress the retirement through taxation of

such excesses of currency as may be necessary to keep the price level from rising above the level prescribed by section 14 of this act.

Sec. 16. All laws or parts of laws in conflict with this act are hereby repealed.

Sec. 17. If any provision of this act or the application of such provision to any person or circumstance shall be held invalid, the remainder of this act or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

Sec. 18. This act shall take effect January 1, 1936, or sooner by proclamation of the President.

Sec. 19. This act may be cited as the "National Banking and Monetary Control Act of 1935."

Mr. NYE. Mr. President, first of all, I should like to move to perfect my amendment, which has just been stated.

The perfecting amendments are directed to obtaining one lone point. The amendment in its present form provides for the election of a board of directors or a governing body of the proposed central bank. I am desirous of changing that to provide for the appointment of that board by the President, subject to confirmation by the Senate. So I desire to modify the amendment as follows:

On page 4, line 1, to strike out the following language:

Elected by the people thereof at the same time and by the same method as Representatives in Congress—

And to insert in lieu thereof:

Appointed by the President of the United States by and with the advice and consent of the Senate.

In line 4, on the same page, to strike out the words "first election" and to insert in lieu thereof "appointment and confirmation."

In line 14, on the same page, to strike out the words "executive of the State affected" and to insert in lieu thereof "President."

In line 15, on the same page, to insert, after the word "appointment", the words "subject to Senate confirmation", and to strike out the language "until the next general election."

On page 5, in lines 8 and 9, to strike out the language "during the term for which he is elected."

In lines 12 and 13, on the same page, to strike out the word "reelection" and to insert in lieu thereof "reappointment."

On page 6, in line 2, to strike out the words "elected and qualify" and to insert in lieu thereof "appointed and confirmed."

Finally, on page 10, in line 3, to strike out the word "elected."

The PRESIDING OFFICER (Mr. BURKE in the chair). The Senator has a right to modify his amendment; and the amendment will be modified accordingly.

Mr. NYE. Mr. President, one hesitates, especially if he is lacking in position upon the Committee on Banking and Currency of this body to inject any thought that might be his concerning the banking subject in general, and I approach the task which I am making my own certainly without the spirit of one who feels that he cannot by any chance be mistaken in his conclusions, but I think day after day there comes increased evidence, certainly increased conviction, so far as I am concerned, that our present banking structure is not measuring up to the needs and is not affording that response which a people have the right to expect from a banking system.

After all is said and done, we may number our problems of the present day, and yet more or less directly those problems one and all trace back to the failure of the banking system to respond to the needs of the country.

The amendment which I am offering and which has been reported substitutes what, I dare to say, is a constitutional financial system for an unconstitutional financial system. The amendment takes the Government out of the banking business and takes the banking interests out of the governing business. It protects the public from being arbitrarily deprived of banking facilities in the event private banking interests should ignore their banking obligations to their respective communities. It will save the Government hundreds of millions of dollars in taxes and interest charges. It will

forever prevent prearranged periods of depression with the resulting destruction of billions of the people's assets.

The amendment I am offering provides for the stabilization of wages, of farm and other property values, by the application of the index number, and forever prevents an orgy of inflation, such as has been witnessed under the Federal Reserve System, in permitting the lending of bank credits in lieu of real money.

It provides for democratic administration of our financial system by the appointment by the President of a governing board, a board consisting of one member from each State, by and with the consent of the Senate. Its provisions have a universal application in that they apply to farming, to business, and to professional activities, without discrimination in favor of any special group. The amendment recognizes that the intrinsic value is in the things exchanged and not in the medium of exchange. It provides for billions of dollars for legitimate production, but not one dollar of public funds for criminal speculation.

Under the proposed system financial interests will be compelled to seek new activities for the investment of surplus funds instead of the perpetuation of their present financial scheme, which compels the American citizen to plead on bended knee for even the crumbs of financial relief that fall from the tables of their captains of industry.

While this measure may not make the failure of banks impossible in the future, it certainly will place it in the realm of the improbable. This measure does not deprive the American citizens of the convenience of the checking system, as now developed in this country. The difference between the present system of checking and that provided in the amendment which I am offering is that the Federal Reserve System permits checking against unreal money in the form of bank credit, while under the provisions of the measure I am proposing the check must be drawn against actual money and not any substitute for money.

The amendment if enacted will restore to the Congress of the United States its constitutional powers to coin money and regulate the value thereof. It will establish a monetary authority in the United States directly under the control of the President and the Congress, with every State in the Union represented on its board of directors. Every productive interest of the Nation, including labor, farming, mining, commerce, and manufacturing, will have a voice in its management, and the sovereignty of the function of money will be thus established under the control of the representatives of all the people.

In addition the bill provides that the volume of money and credit shall be at all times in correct relation to the demands of wages, industry, and commerce, so that an even standard of living may be maintained by all the people at all times, thus voiding the periods of inflation and deflation which have prevailed under the existing system. By removing the power from private hands, with the opportunity it affords for selfish gain in creating bank credit money, booms and panics may be prevented. Heretofore this power has been flagrantly abused by private Reserve bankers to the extent of billions of dollars, affecting over 90 percent of the Nation's commerce, so that at present the system of private ownership is dangerously threatened.

Only when the control of the volume of money is taken from interested selfish hands and placed in the National Board can business stability be attained.

This amendment does not provide for a government-owned banking system. Private banking is left and encouraged, but with a central bank, owned by the Government, over it all. The Federal Reserve banks would become part of the central bank.

In proposing to amend the pending banking bill by offering a substitute for the entire body of title II, I should like to call attention to the present status of the Federal Reserve law by comparison with its status upon enactment in 1913.

The original act has been dressed up in all manner of clothes since 1913. I have before me the Federal Reserve Act, as amended, and the laws relating to banking. It

affords large evidence of the constant effort extended to make the act respond to America's needs. Amendatory legislation was enacted twice in 1914, the first birthday of the Federal Reserve. Then followed an amendment in 1915, 2 in 1916, 1 in 1917, 2 in 1918, 4 in 1919, 2 in 1920, 3 in 1921, 2 the next year, 2 in 1923, 1 in 1924, 1 in 1925, 4 in 1926, 1 in 1927, 3 in 1928, and 1 in 1929. Then came the crash, the panic that the Federal Reserve was going to avert, and with the crash came wholesale amending of the law, with 9 amendments in 1930, 7 in 1932, 15 in 1933, and 16 in 1934, not to speak of those proposed by the pending bill.

In all there have been, since 1913, 79 attempts to improve our monetary and financial system, and now there is brought before us a new patch, or patches, rather, for the quiltwork of finance.

In the 21 years that have followed the widely heralded Federal Reserve Act, no one has attempted to strike at the root foundations of our economic ills by giving money and banking objective consideration.

A beneficent Providence has endowed us with every form of wealth that man can use. In the bowels of the earth is unmeasured mineral wealth. In the soil is unmeasured agricultural wealth. In the rivers is unmeasured power. In the laboratories and the shops and the factories of America is unmeasured engineering and production genius. Nature has blessed us with enough for all, including the many who are yet to come. Yet, in spite of this, 12,000,000 Americans are unemployed; hundreds of thousands of factories are idle; the American agriculturist, for his toil, is receiving less than the cost of production; the transportation system has gone to the demnition bow-wows, if I may resort to that expression; and great wealth has sought out the security of the nonproductive Government bond to escape an overburdening taxation.

We owe, individually and as a nation, more than we can pay.

We have 900,000 students in our universities and colleges, and yet there seems not one in a thousand educated men in America willing to face the fact that we will fail, and fail miserably, until that day when we shall go back to the Constitution and start here in this body to exercise the power vested in the Congress by the fathers of this Nation—the power over money, set forth in article I, section 8, clause 5, of the Constitution. Education seems to dictate that we patch up the old order and ignore this constitutional duty, which is plainly ours.

We have taken our oaths of office and have solemnly sworn to defend the Constitution, yet we are not defending the Constitution, but are violating its letter and its spirit when we continue to permit the private bankers in America to issue the money of the Nation and to regulate the value of that money which they issue, incidentally with the aid of the printing press, to which they so violently object.

The Constitution clearly provides, among the delegated powers of Congress, that Congress shall "coin money, regulate the value thereof, and of foreign coin", and the Constitution also provides that no State shall "emit bills of credit."

It should be interesting, if not informative, to the Senate to have reviewed a little of the history of banking, lest we lose sight of the fact that down through all the generations mankind has been played with in the case of the banking system and the money subject as though it were not right for men and women to know what the game of banking and the function of money really are.

Ten centuries before Christ, in the ancient Greek confederacies, it was recognized that the power over money was so great that it belonged to the federated state and not to the component member thereof.

Down through the course of history, in every age, the power over money has been recognized as one of the inherent marks of sovereignty. Introduced into the testimony before the Subcommittee on Banking and Currency, which considered the bill before us today as well as the bill which I sponsored at this session, there was the historic truth recorded that 8 years before our Congress under the Constitution met

and 6 years before there was the definite attempt to assemble a constitutional convention which drafted our fundamental law, one Pelatiah Webster made the power over money through a central bank the very reason for recasting the Government under the Articles of Confederation and building that more perfect Union which has been our boast for one-hundred-and-forty-odd years.

Upon the establishment of our Government, Congress, though authorizing a central bank, permitted the ownership of that bank to remain 80 percent in private hands. I refer, of course, to the first Bank of the United States, established in 1791 and chartered for 20 years. The same mistake was made with the second Bank of the United States, chartered in 1816 for another 20 years. The owner and controller of its destiny was the private banker in each instance.

A century ago America witnessed the wildcat issues of currency from the wildcat banks of the several States, and it was 1862 before we taxed out of existence the State-bank currency issues, which were competitive to the sovereign power of the United States in its right to coin and issue the money of this Nation.

Since 1862 down to the present day there has been the growth of a new kind of currency. I refer, of course, to the check-book currency created the length and breadth of America by the private banking interest which, by the manufacture of demand deposits, by the acceptance of the security of the borrower, sees fit to grant the right of withdrawal of any sum borrowed, by the simple process of entering upon the ledgers of the banks a credit, and by passing through the wicket a check book which permits the owner to transfer nonexisting money at will so long as the demand deposit game continues.

This new kind of currency—this check-book currency—today does perhaps 95 percent of the commercial business of the Nation. It is competitive to real money and to representative money. It is a fiction, a figment, a fiat of a banker. It is the most baseless money this world ever knew, the greenback of Lincoln's time not excepted, the continental currency of Revolutionary days not excepted, the German marks and the Russian rubles not excepted.

There is no man in this Chamber who does not know that the history of American banking has been a history of tricks and tragedies, inflation and deflation, from 1818 to the panic of 1837, from the panic of '37 to that of '57, from '57 to that of '73, from '73 to that of '93, from '93 to that of 1907, and again to 1913, and again to 1921, and lastly to the present tragedy of 1929, which has already lasted for more than 5 years.

The history of American banking has been just that—a history of tricks and tragedies. In the 70 years that have elapsed between July 1864 and June 30, 1934, in commercial banks alone \$8,778,000,000 represents the deposits in banks that suspended, and of that sum \$3,113,000,000 represents the ultimate loss to the depositors; \$1,700,000,000 represents the losses to stockholders; \$7,900,000,000 represents the losses written off in active banks; and \$1,300,000,000 represents, we are told, the losses still to be written off bank records.

A total of \$14,200,000,000 has been the cost of our consent to trickery for the last 70 years. This represents an average annual loss of \$200,000,000 because of the failure of Congress to do its plain constitutional duty with respect to banking legislation.

Mr. President, until the Congress of the United States realizes that money is not wealth, but merely a device which in the hands of the sovereign State may be used to divide wealth, to distribute wealth, to give the laborer his hire, to give the farmer his just reward for what he produces, until we distinguish between money and wealth, we can never carry out our plain constitutional duty with respect to either money or banking.

Let us go back a little in history, in the history of the empire that knew more about money than we seemingly will ever know. In the days of Henry the First, 800 years ago, the money of England was known as "tallies." These "tallies" were simply sticks of wood about 4 feet long and 1 inch square. This stick of wood was notched with a jackknife to express

pounds, shillings, and pence. The exact value was printed with ink on the sides of the stick and then it was split lengthwise. It was the Government which did the splitting. Half the stick was given to the citizen in exchange for governmental service. The other half remained in the royal treasury.

Now, it was the business of the county sheriffs in England to collect for taxes these sticks which the citizens held. It was the business of the Government to match the collected half stick with the portion already in the royal treasury. When they tallied or matched then the sticks were destroyed.

When, 600 years later, in 1694, the Bank of England was founded \$70,000,000 of these sticks were gathered together, and in their place the new bank issued paper money of a similar amount. Yet the old wooden tallies were legal tender in England until 1783, another 100 years. The accumulation of the centuries was not finally destroyed until the sticks were burned in the House of Parliament in the year 1830. England was not on the gold standard. She was on the wooden standard, and prospered.

Before the establishment of the Bank of England in 1694 there were banks in Europe where people could deposit for safekeeping their gold or their silver. Coins of all nations were brought by the sailors and the merchants to these bank vaults. It was the business of the bankers to place a proper value on these coins and then to credit the owner of the coins with his proper amount of wealth.

Of course, it was dangerous to carry gold and silver on one's person. It was better to keep it in the strong bank of deposit. When occasion demanded that one merchant transfer gold to another merchant it was the banker's business, at the request of the two parties concerned, to make the transfer without the gold ever leaving his bank.

Bear in mind, banks did not make loans originally. They did not create credit. They simply transferred the credit of others.

But with the founding of the Bank of England we begin to find this bank actually creating credit, instead of transferring it. The Bank of England received its charter to operate and to create credit—or, in other words, to coin money—when the merchants of London approached Parliament and told the members thereof that if they wanted the merchants to help them put down a revolution and loan them money with which to do it, Parliament would have to concede to these merchants the right to coin money. Thus the Bank of England began to loan what they did not possess. For every dollar, as it were, of gold the bank had it risked loaning \$10 of credit. At least nine of these dollars did not exist. And more than that, for every dollar's worth of loan money that was extended to a merchant the Bank of England had the audacity to mark on its books that it was a dollar's deposit. Here is the mystery surrounding money:

How can a loan become a deposit?

How can something which you have not be something that you have in your possession?

How can 2 minus 2 equal plus 4?

Now, everybody knows that these credit notes, or bank notes, manufactured by the Bank of England were not backed 100 percent by gold. The bank notes were seldom if ever backed by 40 percent of gold. The credit money was seldom if ever backed by more than 10 percent of gold. But between the years 1797 and 1822 the Bank of England's paper money was nothing more than paper money and could not be redeemed by gold or silver or anything else. These were days when there was no gold backing. Yet business and government carried on. That is a good point to remember when the bankers with their tenor voices of terror shriek loudly of "crackpots" who disregard the bankers' declared sound money.

But let us continue this sketch of money and its history; it is interesting to say the least. In the year 1780 the private bankers of London were without the privilege of issuing bank notes or paper currency. The Bank of England still retained this monopoly. But these private bankers hit upon a scheme by which they could compete with the Bank of England. It was this: Instead of merely accepting gold

and silver for deposit from merchants and transferring this gold on the books of the banks at the will of the merchant they gave each depositor a checkbook and permitted the depositor to transfer his own money by writing a check on his own deposit. Here then is the origin of the checkbook.

This checkbook supplied a new currency. The governors of the Bank of England protested to Parliament that this was infringing upon their monopoly. But the Parliament answering said: "The day of monopoly has gone."

The system of the London bankers in creating this checkbook money, together with the system of the Bank of England in issuing bank notes, such as our 5- and 10-dollar bills of today, and also loans, were both adopted in America when in the year 1800 the United States chartered a great number of banks which were both banks of deposit like the private banks in England, and banks of discount like the Bank of England itself. I need not repeat that the Bank of England was a privately owned corporation with its charter almost forced from the Government at the point of a gun.

So there grew up in this country a new idea of a bank. It was a place to deposit your coin or your bullion or your currency which you could check out and transfer by using a checkbook. And it was also a place for borrowing money and having your loan marked down on the banker's books as a deposit.

This kind of money, Mr. President, I want to repeat, this credit money which the bank creates, is competitive to the currency issued by the sovereign power of the United States. It was never authorized by Congress so far as I know, and it places in private hands the power to issue money in direct contravention of the letter and the spirit of the Constitution.

How dangerous this power is is found in the cycles of inflation and deflation which have marked the course of American financial history, even after the Civil War, when the currencies of State-chartered banks were taxed out of existence.

Mr. President, let us go back for a few minutes to the beginning of the history of this Government, under the Constitution, and recall that for 40 years we had two so-called "central banks" chartered, the first and the second United States Banks. Let me say that the first and second banks of the United States were not central banks owned by the people through their Government, but were 80 percent privately owned.

In the year 1832, 4 years before the expiration of the charter of the second United States Bank, the incorporators succeeded in jamming through Congress a new charter for that bank, conferring new and extortionate privileges upon their institution. Bounties or dividends of over \$7,000,000 were granted to the stockholders in a \$10,000,000 bank—a bank in which over eight millions of the stock was held by foreigners.

It was Jackson who vetoed the renewal of the charter of the second United States Bank, a privately owned institution, as is our present Federal Reserve System.

Mr. President, I quote from Andrew Jackson's veto message:

The present corporate body, denominated the president, directors, and company of the Bank of the United States, will have existed at the time this act is intended to take effect 22 years. It enjoys an exclusive privilege of banking under the authority of the general Government, a monopoly of its favor and support, and, as a necessary consequence, almost a monopoly of the foreign and domestic exchange. The powers, privileges, and favors bestowed upon it in its original charter, by increasing the value of the stock far above par value, operated as a gratuity of many millions to the stockholders.

May I quote, also, the opinion of Carl Schurz on this second Bank of the United States, a privately owned institution 20 percent of the stock of which was subscribed by the Treasury of the United States. I quote from his biography of Henry Clay:

It would have been well for Clay and his party had they recognized the fact that not only this bank of the United States could not be saved, but that no other great central bank, as the fiscal agent of the Government, could be put in its place with benefit to the country.

He went on to say:

An institution whose interests depend upon the favor of the Government is always apt to be driven into politics, be it by the exactions of its political friends or by the attacks of its political enemies. Its capacity for mischief will then be proportioned to the greatness of its power, and the power of a central bank, acting as the fiscal agent of the Government, disposing of a large capital, and controlling branch banks all over the country, must necessarily be very large. Being able to encourage or embarrass business by expanding or curtailing bank accommodations and to favor this and punish that locality by transferring its facilities, it may benefit or injure the interests of large masses of men and thereby exercise an influence upon their political conduct, not to speak of its opportunities for propitiating men in public position, as well as the press, by its substantial favors. So it was in the case of the bank of the United States. Although Jackson's denunciations of its corrupt practices went far beyond the truth—which is extremely doubtful, as even the great statesman, Daniel Webster, was on its secret pay roll—there can be no doubt that, when it last fought for the renewal of its charter and against the removal of the deposits, it did use its power for political effect.

So much for Carl Schurz.

It was John Fiske, the scientific historian, who saw the evils that must accompany the delegation to private interests of the power to issue money, which is an exclusive function of sovereignty; and Fiske writes:

It was Jackson whose sound instincts prompted him to a course of action quite in harmony with the highest political philosophy. During the administration of John Quincy Adams, there was fast growing up a tendency toward the mollycoddling, old granny theory of government, according to which the ruling powers are to take care of the people, do their banking for them, rob Peter to pay Paul for carrying on a losing business—just as the pending bill proposes—and tinker and bumble things generally. It was, of course, beyond the power of any man to override a tendency of this sort, but Jackson did much to check it; and still more would have come from his initiative if the question of slavery and secession had not so soon come to absorb men's minds and divert attention from everything else. His destruction of the bank was brought about in a way that one cannot wish to see often repeated; but there can be little doubt that it has saved us from a great deal of trouble and danger. By this time the bank, if it had lasted, would probably have become a most formidable engine of corruption.

The private banking interests of America sought their revenge at the expiration of the charter of the second United States Bank by precipitating the panic of 1837. They did this by the same methods the bankers always used and are using today; namely, by refusing credit and by calling the loans to farmers, merchants, and business men, by foreclosing mortgages, by paralyzing industrial organization, by a general shakedown in values, and by the foreknowledge of what is taking place; so they sell short their own securities, they buy in at bankrupt prices, and then reverse the process, while their nation lies paralyzed and in economic ruin. It might be pointed out that even at a time when a great nation of 120,000,000 people were engaged in a struggle to "make the world safe for democracy", engaged in a "war to end war", American bankers engaged in games of kiting and deflating values to a point where they could shake down the American public and shake them loose of their possessions of Liberty bonds for 80 and 85 cents on the dollar; then, gaining large possession of them, kite the prices upward, and thereby enhance their own wealth and their own well-being.

Thus, following the panic of 1837, a general prosperity ensued. Commerce and trade made wonderful advances. For the 10 years following our tonnage actually exceeded that of England. Agriculture was exceedingly prosperous. Prices for agricultural products were high. The masses were permitted to accumulate a surplus until a preordained day when devaluation should again be the fate of the Nation. This occurred, true to form, in 1857.

Scarcely had the Nation recovered from the panic of 1857 when the opportunity came for the banking interests of the Nation to obtain a virtual dictatorship over the Nation's finances.

Mr. President, I have said before that the issues of the State-chartered banks were taxed out of existence in 1862. The control of the money of the Nation came under the power of Congress; but no sooner had Congress assumed its constitutional prerogative than the money interests of the Nation

induced Congress to create two kinds of money, one for the bondholder in the nature of an interest-bearing coupon bond issued at 6-percent interest and the other the legal tender of the people.

These legal-tender notes were challenged as to legality, and the constitutional right of Congress to issue the greenbacks was successfully challenged in the famous case of Hepburn against Griswold. Public sentiment was absolutely against the decision of the Supreme Court. The people knew that the great majority of their fellow citizens were honest men. They knew that the debtor wanted to pay his debts. They knew, in those days, their Constitution. They knew it was the intention of the fathers to endow the Federal Government with the sovereign power to coin money. They knew that the fathers had so expressed their intention in article I, section 8, clause 5, of the Constitution. They knew that the Congress had the power to regulate the value of money independent of any financial contract made between citizen and citizen; and they knew that the unjust and untenable position of the Supreme Court of the United States in Hepburn against Griswold could not stand in a free America.

The truth was that the financial structure and the prosperity of the Nation were both at stake. The personnel of the Supreme Court of the United States was changed. Thirteen years later, 13 years after Hepburn against Griswold, came Juilliard against Greenman, and I quote the language of the Supreme Court:

Congress has the power to issue the obligations of the United States in the form of greenbacks and to impress upon them such qualities of currency for the purchase of merchandise and the payments of debts as accords with the usage of sovereign States.

The Civil War, therefore, was financed in two ways—by the interest-bearing bond and by the legal-tender note. The one was issued against the full faith and credit of the United States under the sovereign power to coin money and regulate the value thereof. The other was issued against the full faith and credit of the United States and its power to borrow money.

Superimposed upon the debt structure of the United States was the national banking system of 1863, where the stockholders of a bank were permitted to take their stock subscriptions in cash and with them trot down to the Treasury of the United States and buy interest-bearing bonds of the United States Government, and against those bonds issue currency, thus receiving not only the use of the capital stock subscribed to their banks but the return of the money at 6-percent interest.

I need not tell the Senate the result of this fiscal policy of the United States. When, for example, on July 17, 1861, an act was passed by Congress to authorize the Secretary of the Treasury to borrow \$250,000,000 at 7 percent on 20-year bonds, the taxpayer of the Nation paid \$250,000,000 in principal to the lenders, and precisely \$350,000,000 in interest, or a total of \$600,000,000.

I need not speak of the struggle between the people, on the one hand, who demanded that the Congress exercise its sovereign power in furnishing in a national emergency a sufficient and efficient medium of exchange, and the bankers, on the other hand, demanding their pound of flesh.

I need not refer to the bankers' lobby that appeared in Washington in July of 1861 and February of 1862, strong enough to take the Finance Committee of the Senate over to the office of the Secretary of the Treasury to sandbag the Government into issuing more bonds, while Government securities dropped to 60 and 75 cents on the dollar, absorbed only at a discount by the banking fraternity, while a subservient Congress wrote into the acts of July 17, 1861, and February 12, 1862, that the legal-tender properties of our national currency would not extend to the interest on the bonds and notes, which should be paid in coin, and that the duties on imported goods and the proceeds of the sale of public lands should be set apart to pay the coin interest on the debt of the United States.

May I quote Thaddeus Stevens, then chairman of the subcommittee of the Committee on Ways and Means of the

House, on the bankers' control of even the legal-tender notes or greenbacks:

It makes two classes of money, one for the bankers and brokers and another for the people. It discriminates between the rights of different classes of creditors, allowing the rich capitalist to demand gold and compelling the ordinary lender of money on individual security to receive notes which the Government had purposely discredited.

Consider the bankers' racket in the Civil War days. Here was the sovereign power of the United States to coin money and regulate its value. Here was the full faith and credit of the United States expressed both in bonds and in legal-tender notes. Here was the distinction made in the character of the legal-tender feature of the notes. These notes were not legal tender for all debts, public and private, but they had the exception that the interest on the debt of the United States must be paid in coin. Congress virtually depreciated its own currency when it distinguished between the class of creditor.

Let us assume that a man had \$35,000 in gold in the year 1864. With it he could go out and buy \$100,000 of these partial legal-tender notes. With these \$100,000 partial legal-tender notes he could buy \$150,000 worth of United States bonds, for the United States bond was selling at 65. He could deposit these United States bonds with the Treasury of the United States and by incorporating under the new National Bank Act of 1863 he could print or have printed for his new bank \$135,000 in national-bank notes. He could loan out this \$135,000 at an average rate of interest of 8 percent throughout the States, and this \$135,000 in national-bank notes would yield in interest \$10,800. He still had his \$150,000 drawing 6-percent interest in coin, or \$9,000 in gold coin. His \$35,000 in gold, therefore, yielded \$19,800 in interest, \$9,000 of which was in gold coin. That was the banker's racket while the Union of States was being saved. It might be added that, in a more recent struggle, while Americans were bleeding and dying, these banker racketeers were again taking their pound of flesh for their patriotic rallying to the financial needs of their country.

The bankers' racket of those days was not confined to America; it was international. The English Bankers Association employed a solicitor, a Mr. Hazzard. Hazzard issued a circular in 1862, a copy of which came into the possession of one Isaac Sharp, a law student employed by Thaddeus Stevens, and who afterward became Acting Governor of Kansas. This circular was addressed to the American banks and it emanated from the English Bankers Association. I quote its historic language for the solemn reflection of every thinking Member in this body. Here is the London banker talking to his fellow banker across the Atlantic. Here is the authoritative note, with respect to the banking mind, which knows no national boundaries. Here is expressed not only the attitude on money but the attitude on labor and the whole philosophy of human rights. Here is likewise expressed the philosophy of greed and exploitation; and history records no answer or protest on this side of the Atlantic from any banker who received it.

I quote from the Hazzard letter sent to American bankers:

DEAR SIR: It is advisable to do all in your power to sustain such prominent daily and weekly newspapers, especially the agricultural and religious press, as will oppose the issuing of greenback paper money, and that you also withhold patronage or favors from all applicants who are not willing to oppose the Government issue of money. Let the Government issue the coin and the banks issue the paper money of the country, for then we can better protect each other. To repeal the law creating national-bank notes, or to restore to circulation the Government issue of money, will be to provide the people with money, and will therefore seriously affect your individual profit as bankers and leaders. See your Congressman at once and engage him to support our interests that we may control legislation.

Mr. President, in these days we are mortified, we are staggered, by the knowledge of what modern interests do to accomplish the enactment of the kind of legislation they want or to prevent the enactment of legislation not to their liking; but after all, there is not much new about the modern method of lobbying against things that are being done

against the interests of the great corporations. Back in 1872 they knew how to proceed, and did proceed.

It might be noted that the panic of 1893 was a bankers' panic, and, in their interest, the ring of gambling bankers in New York sent out a circular to every bank in the United States, which I shall presently read.

Mr. President, I found the letters to which I have referred and which I am reading in the work entitled "Imperial Washington", by R. F. Pettigrew, a former Member of the United States Senate. This was the letter of 1873:

DEAR SIR: The interests of national bankers require immediately financial legislation by Congress. Silver, silver certificates, and Treasury notes must be retired and national bank notes upon a gold basis made the only money. This will require the authorization of from five hundred million to one billion of new bonds as a basis of circulation. You will at once retire one-third of your circulation and call in one-half of your loans. Be careful to make a money stringency felt among your patrons, especially among influential business men. Advocate an extra session of Congress for the repeal of the purchasing clause of the Sherman law, and act with the other banks of your city in securing a large petition to Congress for its unconditional repeal, per accompanying form. Use personal influence with Congressmen and particularly let your wishes be known to your Senators. The future life of national banks as fixed and safe investments depends upon immediate action as there is an increasing sentiment in favor of Government legal-tender notes and silver coinage.

Mr. President, I presume that had the Western Union and the Postal Telegraph been as extensively organized back in those years as they are now we should have found records of great hordes of telegrams flooding in upon Washington in those hours from people who did not know what it was all about, whom the bankers were frightening, pleading with Congress not to do a certain thing or pleading with Congress to do a certain thing, which in the end would react alone to the advantage and to the continued well-being of those favored interests.

The Senator from Wisconsin [Mr. LA FOLLETTE] in an aside suggests there might even have been telegrams from the cemeteries in those days.

Mr. President, I was referring to the Hazzard circular. I read from it:

Slavery is likely to be abolished by the war power, and chattel slavery destroyed. This I and my European friends are in favor of, for slavery is but the owning of labor and carries with it the care of the laborer, while the European plan, led on by England, is capital's control of labor by controlling wages. This can be done by controlling the money. The great debt that capitalists will see to, that is made out of the war, must be used as a measure to control the volume of money. To accomplish this, the bonds must be used as a banking basis. We are now waiting to get the Secretary of the Treasury to make this recommendation to Congress.

Mr. President, the Seventy-fourth Congress has to its credit the passage of the Wagner-Connery Labor Disputes Act, which passed both Houses with an overwhelming majority. But, I ask in all sincerity, of what avail is it to give labor the right of collective bargaining, of what avail is it to put ourselves squarely on record for a just and living annual wage to labor, when before our very eyes is evidence which reveals to us that behind the momentous battle for the manumission of the slave was the cold, calculating brain of the banker who figured out in dollars and cents that the real control lay in the control of the financial system; that modern capitalism would actually pay less for free labor by the control of wages than it did for slavery; that the burden of raising the slave child and building it to healthy maturity, and caring for it in its old age, was far more expensive than it was to hire in a free labor market the strong boy at 18, to dismiss him at 45, and to use those days only out of his 27 years of productive activity in a competitive labor market and pay for only the days when he is actually working.

The average annual wage of the industrial worker in America today is less than \$1,100. If this wage continues for a full 27 years, without lay-off, without vacation, without recreation, the total earning power of labor is \$29,700 for a lifetime. This is \$424 per year for the 70 years of the expected span of life.

To the sponsors of labor legislation, old-age security bills, unemployment-insurance measures, farm refinancing, I say frankly I will vote with you, of course. But I vote with you

with my tongue in my cheek, for I know that despite the goodness of your intentions and the seriousness of your legislation you are not touching the real problem, which is the money problem, which is the banking problem, which is the machinery that makes necessary so much suffering, so much destitution—that you are attacking merely the symptoms of a disease, unemployment, old-age destitution, low wages, low prices, insufficient return to the producers of this Nation. These are the symptoms, and the disease is a rotten monetary and banking system which concentrates wealth and power into the hands of a few exploiters of the people, and which is so rotten that it cannot stand on its own two feet in spite of the propping which we afford it by law every now and then.

It has cost the people of the United States, I repeat, \$200,000,000 a year for 70 years, or \$14,000,000,000, in direct and indirect losses in the banks chartered by the Government and the various States. The Hazzard circular is a singular document, which shows how the money power took a certain stand with regard to slavery, not because that stand was regarded as right but because it was considered expedient. The money power aided in the abolition of slavery because free labor was cheaper than slave labor.

Now, I shall continue into the panic of 1873. I wish to recall the words of Senator Morgan, of New York, respecting the demonetization of silver by an act of Congress which for treachery and deception had no precedent or parallel in the annals of representative government. I wish to recall to the Senate that President Grant himself, who signed the bill demonetizing silver, said he did not know that the act of 1873 did demonetize silver. I wish to recall Senator Morgan, of New York, who in the following words said:

It cannot even be fairly said that Congress did it. It was done at the instigation of the bondholders and the other money kings who now with upturned eyes deplore the wickedness we exhibit in asking the question even: Who did this great wrong against the tolling millions of our people?

Or I can recall Senator Beck, of Kentucky, who said:

The bill demonetizing silver was never understood by either house of Congress. Its object, of course, was to make the national debt and interest thereon payable in gold.

With all the historic information we have on the demonetization of silver in 1873, if we read the act ourselves today it must be with the closest scrutiny to recognize that hidden in an obscure sentence, hidden in endless pages of irrelevant material, is the language which restricted us to gold and debarred silver as money in our currency system.

Again in 1892 the same process of deflation was inaugurated which has marked every panic or depression this Nation ever experienced, and once again, in 1907. Then came the historic incident of 1920, an incident marking the blackest page in our modern American history.

I quote from the minutes of the conference of the Federal Reserve Board and the Federal Advisory Council with the class A directors of the Federal Reserve banks, held in Washington, D. C., on May 18, 1920. Following are some of the important statements which Governor Harding makes in his introductory address, to set the stage for the panic of 1921:

Of course, we all realize that the credit position is extended, and very considerably extended. After allowing for the normal credit expansion in a growing country, we find that since the 30th of June 1914 the expansion of bank credit in this country has amounted to about \$11,000,000,000. At the same time the expansion in the volume of currency in circulation, deducting from our starting point the currency held in the Treasury, and deducting from the present figures the amount held in the Treasury and in the Federal Reserve banks, has been about \$1,900,000,000.

Here is the Governor of the Federal Reserve System complaining that despite the fact that twenty-six billion in Government securities had been floated in the meantime, the credit and currency of this Nation had expanded less than \$13,000,000,000 in 7 years.

The next complaint of Governor Harding is that between the 1st of April 1919 and the 1st of April 1920 the expansion of bank credit was 25 percent, despite the large reduction

of Government obligations outstanding, and that during this same time there has been an advance in commodity prices of 25 percent.

Then the Governor of the Federal Reserve Board assumes for the year 1918 an index number of 100 for grain, livestock, wool, copper, petroleum, and pig iron; and shows us that the year 1919 showed a drop to 89.07. Although his figures for 1918 are based upon production and distribution and consumption, and although his figures for 1919 are presumably based upon production and distribution and consumption, his conclusion is that to all practical purposes there was a decline in production. So the distinguished Governor of the Federal Reserve Board demands a contraction of the credit. In other words, the bankers are now going to call the loans because prosperity is at hand. I use the language of Governor Harding, which is found at page 4 of the minutes of the Federal Reserve Board conference of May 18, 1920:

He said, speaking of credit contraction:

That is a drastic remedy; it is unpleasant medicine, but it may be necessary at times to take medicine of that kind. The other and better method is to restore the proper equilibrium by building up production; in other words, letting the country catch up with itself.

I quote again from the second paragraph on page 4:

Now, there is undoubtedly, however, a spirit of extravagance in this country which must be curbed. There are some indications that the people are waking up to what the consequences will be if this wild orgy of extravagance and waste should be continued indefinitely. It may be that some real personal sacrifices must be made for the general economic good.

And again, on page 5:

But we have figures to show that the extravagant spirit has not yet been checked. * * * There should be a general spirit of cooperation on the part of the Federal Reserve banks, the member banks, the nonmember banks, and the public to work out a policy which will result in greater production, less unnecessary consumption, and greater economy; all unnecessary borrowings for the purpose of pleasure and luxury should be restricted as far as possible and the liquidation of long-standing, nonessential loans should proceed.

Here was a threat. Here was the program being laid out. Here the Governor was saying to those who were controlling the destinies of the Federal Reserve System, "We have got to squeeze the wealth out of the American people", and outlining to them in this private conference just how it was to be done. Governor Harding continued:

The Federal Reserve Board is a governmental body, sitting here in Washington. It does not come, except indirectly, in contact with the member banks, and it cannot be expected to have any intimate knowledge of the details of your business. And it ought not to attempt to interfere with the details of your business. The function of the Federal Reserve Board is to deal with general conditions and principles and to keep away from the mass of details which it is impossible for any board sitting here in Washington to digest.

Despite this apology and definition of function, on page 7, Mr. Harding tells the bankers face to face how they can carry out the policies for a new deflation and a new panic—

It is going to be a matter between the individual banker and his own customer, because the individual banker, particularly at times like the present, has a very close, confidential relationship with a borrowing customer. They can talk matters over with the utmost frankness.

The individual banker is in position to give advice. He can accustom his customer to come to him in advance of seeking a loan, or of making any commitment involved, to discuss the situation with him before the commitment is made. The individual banker in many cases—of course this may not be possible in the larger cities—but the great mass of banks all over the country that do mostly a local business can very largely anticipate the legitimate and necessary credit demands which are going to be made upon them; they can estimate the fluctuation in the volume of their deposits, and they are better qualified than anyone else to give advice to a borrowing customer. They can often restrict the amount of a loan before it is made and can persuade a customer in very many cases that he really does not need the money after all.

Mr. President, this is the way the individual bank is expected to deal with its customers. On page 8 Mr. Harding explains how the Federal Reserve banks deal with the member banks. I quote:

Thus the directors of Federal Reserve banks are clearly within their rights when they say to any member bank, "You have gone far enough; we are familiar with your condition; you have got more than your share, and we want you to reduce; we cannot let you have any more."

Then, on the psychology of control, Governor Harding contributes the following classic:

When a banker understands, just as he did in the old days before we had the Federal Reserve banks that there is a limit to his borrowing—and you will remember in the old days no national bank was permitted to become indebted for borrowed money in an amount exceeding its capital stock—when a banker realizes that if he wants to expand his business he must do it more and more out of his own resources and not lean so heavily upon the Federal Reserve bank, when he understands that limitations and penalties may be imposed upon his borrowings, then if I know anything about the psychology of banking I know that the banker may be depended upon to use a wiser discretion in the matter of granting credit.

On page 9 Governor Harding reaches the case of the merchant:

There are many cases where mercantile loans are too large and ought to be reduced. There are merchants everywhere who ought to be reasoned with and who ought to be encouraged to push their stocks out and get rid of the high-priced stuff, because some of these days it may be sooner rather than later, the reign of reason is going to be restored and the man in the street is no longer going to want to pay \$25 to \$30 for a silk shirt or \$20 for a pair of shoes or \$1 for 4 pounds of sugar, and lower prices will be demanded, and trade will fall off unless lower prices prevail. It seems to me, from the standpoint of good merchandizing and good banking that the merchants should be encouraged to reduce their stocks and not tempt the passer-by by extravagant display in the windows at high prices, which under the abnormal state of mind which has prevailed may themselves help to sell the goods, because you all know cases where a customer would pass by with contempt a \$2 or \$3 article and turn his attention to something at \$25, although it may not be one whit better suited to his purpose.

Mr. President, I will not follow through the report of this Federal Reserve Board conference of May 18, 1920. I will, however, quote from the afternoon session, recorded on page 46. Dr. Miller, the Honorable Adolph C. Miller, member of the Federal Reserve Board, is speaking. He says:

Credit is the most delicate institution in the world—"opinion", as Alexander Hamilton put it in one of his great reports, "is the soul of credit"; you can very easily injure it; on the other hand, by proper treatment, you can very easily support and maintain a good condition of mind.

And, on page 47, Dr. Miller has this to say:

After all, credit is given only as somebody wants credit, and to a certain extent our problem is to restrict the appetite for credit; and it is not the banker that borrows credit, or, if he borrows it from the Reserve banks, he borrows it only as the first step in the process of lending credit to somebody else. Eventually it is the user of credit that has got to be brought into a more or less responsive and acquiescent attitude in this policy of control. There is no use attempting to evade the fact that control, if it is anything more than a process of self-deception, means actual control; that somebody has got to go without the credit he thinks he is entitled to or the credit he would like to get.

On page 50 of this report, in closing the Reserve bank conference, Governor Harding is authority for a fact that should loom very large in nationalizing the Federal Reserve System. Governor Harding says:

* * * I wish to call attention of the members of the conference to the fact that the Federal Reserve note issues outstanding are nearly \$3,100,000,000, and that in endeavoring to locate the whereabouts of those notes we failed to see where there can be more than about \$1,750,000,000 of them held in the vaults of the banks of the country, so that leaves about \$2,300,000,000 in the pockets of the people, or in circulation somewhere.

I realize that there is an error in the Governor's figures. I realize also that the error is in the amount in the banks of the country, which should have been quoted as \$750,000,000 and not \$1,750,000,000.

The circulating privilege of the Federal Reserve banks in 1920 left \$2,300,000,000 in notes which could not be accounted for. This \$2,300,000,000 was out in circulation theoretically. How much of it was lost, how much had been destroyed, no man can tell. The privilege of issuing the money of a nation is a quality of sovereignty. In America today that privilege is farmed out to a privately owned central banking system called the Federal Reserve System, and with it goes the hidden profit of money lost and destroyed.

I call the attention of Congress to this fact, for I do not believe that there is an honest man in America who can approve of this power to issue money, carrying with it the secret profit of money lost and destroyed going into the hands of private individuals.

I am informed that when France called in her currency and revalued the franc, out of some 80,000,000,000 francs in circulation, over 20,000,000,000 were never turned in to the treasury.

At the end of this discussion, on page 62, the work had been done for the panic of 1921; and with the injunction of secrecy, Governor Harding closed the meeting in the following words:

Governor HARDING. I would suggest, gentlemen, that you be careful not to give out anything about any discussion of discount rates. That is one thing there ought not to be any previous discussion about, because it disturbs everybody, and if people think rates are going to be advanced, there will be an immediate rush to get into the banks before the rates are put up, and the policy of the Reserve Board is that that is one thing we never discuss with the newspaperman. If he comes in and wants to know if the Board has considered any rates, or is likely to do anything about any rates, some remark is made about the weather or something else, and we tell him we cannot discuss rates at all, and I think we are all agreed it would be very ill-advised to give out any impression that any general overruling of rates was discussed at this conference.

We have discussed the general credit situation, and your committee, which has been appointed with plenary powers, will prepare a statement which will be given out to the press tomorrow morning, and we will all see what it is. You can go back to your banks and, of course, tell your fellow directors as frankly as you choose what happened here today, but caution them to avoid any premature discussion of rates as such.

Directors in banks had knowledge of what had been conceived in that meeting of the Federal Reserve Board on May 18; and such of those directors in private banks as had extensive holdings in industry throughout the land knew in those days what to do to protect themselves, but at the same time were cautioned, "Do not let the public know what is coming"—one of the most damnable consequences of this privately owned, privately dominated central-bank system which the Federal Reserve System is.

Governor Harding concluded his address to the conference in these words:

We have had an exceedingly interesting day, gentlemen. The suggestions which have been made have been valuable, and we have profited by your visit here. I wish to express, on behalf of the Board, our appreciation of your coming here and to thank you for the unselfish and loyal interest you have taken in the Federal Reserve bank situation throughout the country in giving this matter the careful thought and consideration that you have; and I am sure that the spirit which has manifested itself at this meeting here today will spread throughout all the country to the member and nonmember banks, and if it does, we can look the future in the face with courage and confidence.

The minutes of this meeting go on to say:

(Thereupon, at 5:03 p. m., the conference adjourned.)

And I should like to add, the conference adjourned, and millions of American people had the economic props knocked out from under them then and there.

Mr. President, we have a central bank today. It is known as the "R. F. C." That Government bank has already loaned over \$5,000,000,000, and at present has some \$3,800,000,000 outstanding. When the Federal Reserve System failed in this country, the individual banks went to the R. F. C. and were bailed out. When the railroads failed to arrange for the necessary financing with private banking in this country the railroads went to the R. F. C. and were bailed out. When the great corporations were denied banking privileges by the private banking system of this nation the corporations went to Jesse Jones and were bailed out.

There is approximately \$3,300,000,000 invested as capital in the banks of this Nation, and today practically 30 percent of the capital in the private and individual banks of this Nation, including members of the Federal Reserve and nonmembers, including national banks and State-chartered banks, including even the Morris Plan Banks, is owned by the United States Government through its agency, the Reconstruction Finance Corporation.

We are in the banking business not only with the central bank limited to the function of loans, but we are doing a type

of banking under which there is no recovery of the amount invested. There is, of course, a recovery of the loans secured by collateral with the R. F. C. But there is no recovery of the stock subscriptions, amounting to practically \$900,000,000, and representing approximately 30 percent of the total capital stock of all the banks of the country. That is not even a debt due the United States. The United States cannot even sue to collect a penny of the nine hundred millions. The United States Government has not even a creditor's status.

I maintain, and I truly believe, there are many Members of the Seventy-fourth Congress who would maintain with me, that the Government of the United States, if interested to the extent of 30 percent in the capital structure of the private banking system of this country—an interest which is nonrecoverable from a creditor's standpoint, a stockholder's interest in which the money of the taxpayer is invested—has not only a right but it has a duty to perform in the ownership of the Federal Reserve Banking System of this country.

An analysis of the testimony before the subcommittee of the Committee on Banking and Currency of the Senate shows that banker after banker, and also Mr. Morgenthau, testified in relation to the ownership of the Federal Reserve System. The bankers had a clever answer; with one voice they said, "We do not think it a question of who owns the Federal Reserve System; it is the control that is important."

If it does not make any difference who owns the Federal Reserve Banking System, I, for my part, Mr. President, desire to have that ownership placed where it belongs—in the hands of the people of the United States.

There is approximately \$140,000,000 invested in the Federal Reserve System. The Government used to take one-half the profits after 6-percent cumulative dividends had been allotted on the capital invested. We used to take this in lieu of a franchise tax for farming out the control over money and credit in America. Two years ago we gave up that interest, and permitted the Federal Reserve bank to take its 6 percent as a dividend, and then to take all the earnings to build up a surplus of the banker-owned Federal Reserve System.

There is an actual profit in the Federal Reserve System that is huge. There is a hidden profit in the Federal Reserve System which, away back in 1920, on May 18, was represented by the figures \$3,100,000,000 of notes issued, \$750,000,000 of Federal Reserve notes in the banks, and \$2,300,000,000 unaccounted for, and probably in circulation, or in hoarding, or lost, or destroyed.

Mr. BONE. Mr. President—

Mr. NYE. I yield to the Senator from Washington.

Mr. BONE. The amendment tendered by the Senator from North Dakota provides, in section 8, that immediately upon the passage of the act the Bank of the United States which is created by the amendment is—

authorized and directed as soon as possible to purchase the capital stock of the 12 Federal Reserve banks, branches, and agencies thereof, and to pay to the owners thereof in the notes of the Bank of the United States the paid-in value of said stock, with 6 percent per annum interest from the last dividend date.

Mr. NYE. Yes.

Mr. BONE. I should like to ask the Senator what the assets of the 12 Federal Reserve banks are, of what they consist.

Mr. NYE. They consist of a very elaborate set of buildings in the Federal Reserve cities of the land, for much of their profit through the years has been thus invested; and I suppose their other assets are in forms not unlike those that accumulate in the general banking structure.

Mr. BONE. I understood the Senator to say that the Federal Reserve System had invested \$140,000,000.

Mr. NYE. That is the actual capital investment.

Mr. BONE. Does that capital reflect the actual physical value of these assets, consisting of buildings and the like?

Mr. NYE. No; that is the actual money which has been paid in by the bankers in capitalizing their institution. •

Mr. BONE. What is the Senator proposing to do—buy property, or buy buildings? The reason why I ask the question is that I wish to ascertain whether the United States under this amendment is merely going to buy some kind of an intangible asset which has no physical existence, or whether we shall be buying franchise rights or something else.

Mr. NYE. No; my understanding of section 8 is that we are buying only the capital which the private bankers have invested in the Federal Reserve System.

Mr. BONE. That is precisely the reason for my question. Of what does that capital now consist?

Mr. NYE. It remains at \$140,000,000 or \$150,000,000.

Mr. BONE. I know, but the capital must be reflected in buildings or physical assets, tangible assets of some sort. I should, of course, have a very great objection to the Government buying franchise rights, or some intangible or imponderable thing.

Mr. NYE. So should I.

Mr. BONE. If we are going to buy something, I wish to be certain that we get value received for our money. That is why I hope the Senator can make plain exactly what it is proposed to acquire under that section.

Mr. NYE. My understanding of section 8 is that the purchase is limited to the physical assets of the bank and the replacement of the actual investment in dollars that the private bankers have made in capitalizing the Federal Reserve System.

Mr. BONE. Does the Senator consider it necessary or highly desirable that the Government, in the event of the adoption of this amendment, should acquire these assets; or would it not be cheaper for the Government merely to take over such buildings as were found to be suitable for this purpose, and forget these so-called "assets" of the Federal Reserve System?

Mr. NYE. I doubt very much that there would be more accommodating buildings than those which the Federal Reserve System has constructed in its day. I am sure I gather clearly the point of view of the Senator from Washington. He objects, as do I, to any program which might entail the purchase by the Government of stocks and of interest and of values which actually do not exist.

Mr. BONE. Or which are unnecessary to a program such as is contemplated by this amendment.

Mr. NYE. Quite so.

Mr. President, now let me reveal the sworn testimony of J. F. T. O'Connor, Comptroller of the Currency, before the subcommittee of the Senate Committee on Banking and Currency, which conducted hearings on the bill which is pending before us.

Most of the Members of the Senate are acquainted with the fact that we passed the Federal deposit insurance law, and we distinguished between the Federal Reserve System and the nonmember banks that came under the Federal deposit insurance law. In reply to the question of the distinguished Senator from Virginia [Mr. Glass], Mr. O'Connor, on page 146 of the printed testimony before the subcommittee, said:

My view is this: The ultimate aim of the legislation of 1933 was to establish one system in this country. The framers of the act had no objection to postponing the date of qualification to a future date when recovery was reached in the country, as well as giving an opportunity to banks to qualify for membership in the Federal Reserve System. That is a consummation devoutly to be wished. We cannot be unfair to these banks, and we must permit a reasonable time to elapse for the banks to be able to so rearrange their internal affairs, their capital structure, if they can, so as to qualify for membership in the Federal Reserve System. I believe we have made a step toward that, Senator, in title I, if it is adopted, permitting the Federal Insurance Corporation to purchase the assets of going banks, so that we can create mergers or bring about mergers all over the country, getting these banks in shape to qualify for membership in the Federal Reserve System. I think that was a wise provision of Congress, because I believe it would have been manifestly unfair on the part of Congress with respect to small banks to practically sign their death warrant because they could not qualify for membership in the Federal Reserve System; and in view of that, Congress wisely provided that it would give them an opportunity, a certain length of time in which to qualify for membership. It is the policy of the Federal Government, as expressed in that law, that at some future date all

banks in the United States must become members of the Federal Reserve System.

Senator Glass. As a matter of fact, in your capital fund there is \$150,000,000 contributed by the Federal Government and also a fund contributed from the surplus funds of the Federal Reserve banks. Is there any reason why the Federal Reserve banks should contribute \$150,000,000 toward insuring deposits of nonmember banks which refuse, after a period of 4 years, to become members of the Federal Reserve System?

Mr. O'Connor. My understanding is that the banks that are members of the insurance fund will all pay their proportionate share of the levy that is made by the Board.

Senator Glass. But nonmember banks do not pay any part of the \$150,000,000 taken from the surplus of the Reserve banks, do they?

Mr. O'Connor. No; but that is in lieu of their assessment, Senator. Is not that in lieu of their first assessment?

Senator Townsend. You mean out of the \$150,000,000?

Mr. O'Connor. Yes.

Senator Townsend. I did not understand that.

Senator Bulkley. They have to pay their assessment besides that, do they not?

Mr. O'Connor. But that was not out of the banks. That was taken out of the surplus of the Federal Reserve, was it not?

Senator Glass. That is what I am saying. It was taken out of the surplus of the Federal Reserve, and it was put in the surplus of the Federal Reserve by member banks.

Mr. O'Connor. That is true.

Senator Glass. That is what I am talking about.

Mr. O'Connor. I suggested some time ago that that be repaid.

Senator Glass. I do not think it ought to be repaid. I do not think the \$150,000,000 taken out of the Treasury, which never ought to have been in the Treasury, mulcted by law—there is such a thing as legal robbery, you know—ought to be repaid.

Mr. O'Connor. There is a very simple way to do it.

Senator Glass. I just wanted to know what your opinion was of the proposition to relieve these banks, because I very distinctly recall—and I do not disclose any secret in saying so—that the President of the United States and the then Secretary of the Treasury, Mr. Woodin, brought acquiescence in the insurance provision of the bill only upon the ground that it would seem to bring about in what most people regarded as a constitutional way an approximately unified banking system.

Mr. O'Connor. The Federal Reserve System has been repaid that money. The money that they put in has been repaid them by the Treasury. The Treasury now owns the stock—

Senator Glass. Owns what stock?

Mr. O'Connor. The money that the Federal Reserve Board put in.

Senator Glass. The Federal Reserve Board has not been repaid.

Mr. O'Connor. The Treasury purchased that stock.

Senator Glass. The Treasury put up \$150,000,000 of its own.

Mr. O'Connor. And in addition to that it purchased the stock of the Federal Reserve banks.

Senator Glass. They took \$150,000,000 of the surplus of the Federal Reserve banks.

Mr. O'Connor. And they bought that stock and repaid it.

Senator Bulkley. I did not know that. By what authority was it repaid?

Senator Glass. It never was intended to be repaid.

Senator Bulkley. But the Comptroller says it was. How was the authority given to repay that?

Mr. O'Connor. They bought that stock.

Senator Bulkley. Out of what?

Mr. O'Connor. Treasury funds.

Senator Bulkley. Under what authorization? Was that some of the relief money?

Mr. O'Connor. No; that is not relief money.

Mr. Wood. I understand that under the industrial-loan bill last year it was provided that the Treasury would make an advance to the Federal Reserve banks in an amount equal to the amount that they had subscribed for stock in the Federal Deposit Insurance Corporation.

Senator Glass. That was for a different purpose entirely.

Senator Bulkley. It is very different from repurchasing the stock, too. If they made an advance of the same amount, it is only the amount that happens to be the same. It is not a repurchase of the stock.

Senator Glass. It was to make direct loans to industry.

Senator Bulkley. It does not constitute a purchase of the stock at all, as I understand it.

Mr. O'Connor. Let us read the section—

Senator Glass. It was to make a contribution for direct loans to industry.

Mr. O'Connor. That is right.

Mr. Birdzell. The capital status of the Corporation has not been affected at all. We have \$150,000,000 subscription; we have \$139,000,000, in round numbers, from the surplus of the Federal Reserve banks for which stock has been issued, and it has not been altered a particle.

Senator Glass. That was made the basis of the contribution of the Government to industry.

Senator Bulkley. Was it not an advancement for another purpose than repayment of this amount?

Mr. Wood. Yes. Our Corporation has not repaid any of that.

Mr. O'Connor. May I read the section? This is document no. 417, relating to direct loans for Federal Reserve banks [reading]:

"In order to enable the Federal Reserve banks to make loans, discounts, advances, purchases, and commitments provided for in this section, the Secretary of the Treasury, upon the date this section takes effect, is authorized, under such rules and regulations as he shall prescribe, to pay each Federal Reserve bank not to exceed such portion of the sum of \$139,299,557 as may be represented by the par value of the holdings of each Federal Reserve bank, all Federal Deposit Insurance Corporation stock upon the execution by each Federal Reserve bank of its agreement to be endorsed on the certificate of such stock, to hold such stock unencumbered and to pay to the United States all dividends, all payments on liquidation, and all other proceeds of such stock for which dividend payments and proceeds the United States shall be secured by such stock itself up to the total amount paid to each Federal Reserve bank by the Secretary of the Treasury under this section. Each Federal Reserve bank shall agree that in the event such dividend payments and other proceeds in any calendar year do not aggregate 2 percent of the total payment made by the Secretary of the Treasury under this section, it will pay to the United States in such year such further amount, if any, up to 2 percent of the said total payment as thereby covered by the net earnings of the bank for that year derived from the use of the sum so paid by the Secretary of the Treasury, and that for such amount so due the United States shall have a first claim against such earnings, and, further, that it will continue such payments until final liquidation of said stock by the Federal Deposit Insurance Corporation. The sum so paid to each Federal Reserve bank by the Secretary of the Treasury shall become a part of the surplus fund of such Federal Reserve bank within the meaning of this section. All amounts required to be expended by the Secretary of the Treasury in order to carry out the provisions of this section shall be paid out of the miscellaneous receipts of the Treasury created by the increment resulting from the reduction of the weight of the gold dollar under the President's proclamation of January 31, 1934; and there is hereby appropriated out of such receipts such sum as shall be required for such purposes."

That is what I had in mind.

Senator GLASS. We are entirely familiar with that. That was simply the basis for an additional contribution by the Treasury.

Senator TOWNSEND. Has the Treasury paid the Federal Reserve banks this money?

Mr. O'CONNOR. My recollection is, Senator TOWNSEND, that they have. Whether it has been fully paid or not, I do not know. I can look it up and let you know.

Senator TOWNSEND. Your first assertion then was correct?

Mr. O'CONNOR. That is what I had in mind.

Senator BULKLEY. It is rather a peculiar transaction. It looks different to me, however, from a purchase of the stock.

Senator TOWNSEND. They have received the money from the Treasury.

Senator BULKLEY. Yes; but not by way of purchase of the stock.

Senator TOWNSEND. It may be or it may not be a purchase.

Senator BULKLEY. It is a most peculiar transaction.

Senator TOWNSEND. It certainly is.

Senator BYRNES. I think we should ask the Comptroller if he wants, after looking it up, to make a statement in the record as to what is the fact.

Senator BULKLEY. That would be very satisfactory; but I do not think it is very pertinent to what is before us.

Mr. President, if this testimony means anything, it means that the Federal Reserve System was not put on the percentage basis for the insurance of deposits; but in lieu of an assessment they were to pay \$150,000,000 in to the Federal Deposit Insurance Corporation as a stock subscription; and this \$150,000,000 was to come out of the surplus of the Federal Reserve System.

Then, as I understand, the last Congress passed a law, under the theory of industrial loans, to let the Federal Reserve System hock this stock with the Treasury of the United States, which issued against it \$139,299,557 in Treasury notes to the members of the Federal Reserve System in precise proportion to their subscriptions to Federal Deposit Insurance stock.

If I read the act correctly, the actual expenses of the Treasury involved in loaning money to the Federal Reserve System are not to be charged against the members of that system or the system itself, but are rather to be charged against the miscellaneous receipts of the Treasury and the accretion due to the revaluation of the gold dollar.

Mr. President, here is a central bank privately owned, called the "Federal Reserve System." There has been invested in it approximately \$140,000,000. It was required to subscribe \$150,000,000 to the Federal Deposit Insurance fund. It actually subscribed \$139,299,557. That is the closest approximation to the investment in its capital stock that any public accountant could make. It takes this \$139,000,000, the equivalent of the capital stock, but in a form representing the stock in the Federal Deposit Insurance Corporation, and hocks it with the Treasury of the United States in exchange

for currency to be loaned to industry. And there are men in this body who would protest the ownership of the Federal Reserve System by the people of this country.

The plain blunt truth is that the Treasury has the equivalent of the entire capital stock of the Federal Reserve System in its possession, and that the member banks of that system are involved with the Government of the United States through the Reconstruction Finance Corporation to practically 30 percent of their capital stock, and that practically every banker who came down to Washington to testify against title I of the so-called "Eccles bill", testified that one-half of 1 percent for Federal deposit insurance was too high, that one-fourth of 1 percent was too high, that one-eighth of 1 percent was too high, that one-sixteenth of 1 percent was the most the banks in their section of the country could pay; and that even a moratorium of 2 years ought to be granted the entire banking system of the country because there was no profit in banking.

Mr. President, I want to be perfectly clear on my position. I do not want the Government of the United States to go into the banking business, but I realize that we are going into the banking business so fast that within 5 years' time every metropolitan bank, every urban bank, and every rural bank at the crossroads of America will be owned by the Government of the United States. This situation I deplore. The one way to avoid it is for the people of the United States to own the stock in the Federal Reserve banks, and then set up an independent quasi-judicial supreme court on money and banking which will operate under the mandates of Congress, and get away from permissive legislation and the re-delegation to agencies of the Executive of the powers that the fathers placed squarely in our hands.

I do not desire the administration to have control of the banking of this country and I do not wish the private banker to have control of the money of this Nation. Dr. Adolph Miller, with his wide experience with the Federal Reserve Board, testifies that in times of inflation the New York Federal Reserve Board dictates the monetary policy of this country and that in times of deflation the Treasury of the United States dictates the monetary policies of the Nation.

I wish to say here and now that there is one constitutional authority over money, and that is the Congress of the United States. We do not need the experts, for the experts in banking have brought us where we are today.

We cannot stand private banking under any fiction of regional organization, because New York dominates the private banking of America.

We cannot stand political banking, though I would prefer it to private banking.

Paul Warburg comes down to Washington to tell the Senate of the dangers of political banking, and tells us that no administration would ever dare prevent a boom. But by the same token of his logic, every Member of this body knows in his heart that no administration would have courage enough to decree a depression. However, there is no place in politics or in private hands for the banking control of this country.

We have had our Wigginses and our Mitchells, and the Pecora investigation unfolded the actual conditions in the great metropolitan cities of this country, while Congress slept unconscious of its duty to coin money and regulate the value thereof and of foreign coins.

It is time that we set up an independent tribunal to restore to Congress its constitutional power to issue money. It is time that we provide through the device of money for the orderly distribution of the real wealth of this Nation. It is time that we establish and maintain the purchasing power of money at a fixed and equitable level and cease to have a dollar worth 65 cents in one year and \$1.65 a few months afterward. It is time to restore the values of property in this Nation to just and equitable levels and to increase the price of agricultural products to a point where they will yield the cost of production plus a fair profit to the American farmer. It is time that we follow up the Wagner-Connery Labor Disputes Act, which furnishes the machinery for a just and living annual wage, by an adequate currency which will make that wage an economic fact.

It is time that we reintroduce into this most blessed of the nations of the world an increased level in the standard of living. It is high time that the Government of the United States, through this Congress, squarely face the debt problem and permit America to pay its debts with dollars of equal value. And it is high time that we resolve, and enact our resolution into the law of the land, that we should cease having these periodic panics which are disguised under the name "depressions."

We need an agency of this Congress—and we can call it anything we wish to, but I prefer to call it "The Bank of the United States of America", as it is titled in the measure I am offering here—for the money power is our power, and we should want this agency under our direct mandate, to issue the money of the United States and to control its value. That is our bounden duty under article I, section 8, clause 5, of the Constitution; and until we face that duty, I repeat, Mr. President, we are violating our oaths.

This bank under Congress would be the fiscal agent of the United States Government, and would sweep out of existence the confusion of circulating notes of private banks, and gold certificates and silver certificates, Treasury notes and Federal reserve notes—and have a single currency, the currency of the United States of America, issued against the full faith and credit of the United States.

This bank of the United States of America, would be directed by a representative from each State; and, after deliberation I would change the language in the substitute I am offering and have the 48 directors appointed by the President by and with the advice and consent of the Senate.

The substitute would have these directors thrown into classes precisely as in the Membership of the Senate of the United States. The bill is drafted so that there would be six classes for the 48 directors, the first class holding office for 2 years and the sixth class for 12 years.

These directors would be paid and would be compelled to divorce their financial interests from any banking institution or banking firm, or industrial or commercial institution. They would be retired at 70 years with a pension equal to a thousand dollars for each year of service, with a maximum of \$12,000. They would be empowered to hire their banking experts, and they would maintain branches in each State in the Union.

The capital stock of the 12 Federal reserve banks and agencies would be purchased by the Government of the United States at par, with 6 percent interest from the last dividend date. Every commercial bank in the Nation would be compelled to become a member and to be chartered under this national banking system.

The illegal, unconstitutional, and destructive power of demand deposits secured by 10 percent of currency would be wiped out. The bonds of the United States would be converted into currency and placed behind the demand deposits with the private bankers of the country. Thus may Congress reassume its constitutional power over money.

Directly under Congress and in this bank of the United States of America would be assembled all the governmental statistical departments, so that Congress may have a true statistical bureau which now exists partially with the Federal Reserve Board, partially with the Comptroller, partially with the Secretary of the Treasury, partially with the Department of Commerce and with the Bureau of Agricultural Economics, and partially with the Labor Department—so that we could have authentic data upon which we might scientifically and accurately determine the amount of money that would give us an adequate and sound currency—and so that we could have, likewise, some key to the credit necessities of this Nation.

Given this agency of the Congress of the United States, operating under the mandates of the Congress, we could supply stable purchasing power of money and equitable price levels; we could retire bonds of the United States and replace them with currency; and we could determine an equitable and true commodity price level, with all that that phrase infers.

And lest there be still those who under the threat of confiscation of property fear and brand as inflation any ex-

pansion of our currency, the mandate of Congress would permit the Bank of the United States to retire through taxation any excess of currency as may be necessary to keep the price level from rising above the level desired under this proposal. In this provision, which is section 15, I truly think there is set forth a principle worthy of the most serious study of Congress.

The business literature of the day proves a wide-spread fear of inflation, and an even wider spread fear in the new tax measures which are interpreted as merely the confiscation of wealth.

No sane man in America can expect prosperity to ensue unless the money question is faced, and faced intelligently, courageously, and independently of the old shibboleths.

The pæons of praise for the gold standard are limited to the weakened voice of a little group of reactionaries whose only thought is the old order of things. The refusal to accept silver and permit it to do its work is likewise largely limited to the little group who love the gold standard because it has profited them most.

On the part of the great masses of our fellow citizens, there is the wide-spread disposition to recognize that the gold standard failed, and failed miserably, in any depression or panic. In fact, there is coming to the length and breadth of the land the common opinion that the bankers throughout the world are extremely satisfied with a standard which keeps the volume of money decidedly limited, so that the volume of credit may be expanded or contracted at the will of the bankers and a control exercised through credit over the destinies of the Nation. That is why there is built into the Nye-Sweeney bill, which I have offered as an amendment in the nature of a substitute, the radical reform with respect to credit money or bank-created money or checkbook money or demand-deposit money, as it is variously named.

The people know that side by side with the money of the sovereign authority of the Government there is another kind of money that does perhaps 95 percent of the actual business of the Nation. It is the pure fiat of the private banker. It is the irredeemable paper money of the present day. It is the private coinage which usurps the power of the Congress. It is the issue of money by permitting the individual and the corporation to go to a bank and to have that bank create a so-called "loan" by entering upon its ledgers a fiction of a thousand, or ten thousand, or a million dollars to the credit of the borrower. It is the practice which permits that borrower to transfer that credit by use of the check book. What the bank lends is nothing more than the right to withdraw, or the promise to furnish money on demand.

The banks of the country have little money. There is less than \$700,000,000 in actual currency in all the banks of America today. There is only \$3,300,000,000 in capital in all the banks of this country today, including the subscriptions of the R. F. C. of a little less than a billion dollars. So the banks do not lend their money, nor do they lend the depositors' money; for there is only five and a quarter billions of United States money of all forms issued today. This money, I repeat, this real money, is not found in the banks of the country except to the extent of approximately \$700,000,000.

If the banks do not loan their capital, and do not loan their depositors' money, the question arises, "What do they loan?" Certainly they do not loan their credit, for their credit is nonexistent, or they would not be running to the Public Treasury to repair their capital structures.

What the banks do loan is a pure fiat, a pure fiction. They loan a blank check, and today they even sell their blank check books. They issue this fiat money, not against gold and silver hoarded in the Treasury of the United States but against the securities of the borrower, against the home and the farm, against the stocks and the bonds, against warehouse receipts. They loan this money to any predetermined volume—sixty billion in 1929, forty billion in 1934. They expand credit when they privately assemble and decide to lower the discount rate, to encourage an expansion, to create a boom; and by the same token they contract credit when they privately meet, as on May 18, 1920, to decree a depression.

Governor Harding, of the Federal Reserve Board, saw a silk shirt in the window of some retail merchandiser, and it was priced at \$25. I know not the color of the shirt, but to the eyes of Mr. Harding it was red. Predicated upon one man's interpretation of one silk shirt, he decreed a depression. He assembled here in the city of Washington the governors of the Federal Reserve Board and its members and leading bankers all over the Nation. The orders were given to contract credit, to fail to renew loans, to talk the industrialist out of borrowing money, to deprive the farmer of the necessary credit facilities, to ruin the small industrialist, and to write down values the length and breadth of America; that caused innumerable insolvencies, dire distress, suicide, and willful murder. He threw hundreds of thousands of his fellow citizens out of employment, for it was decided that day that it was good for this Nation to suffer; that we were really too prosperous; that prosperity was reaching the masses of the people, which was bad—bad for the masses, but good for the little group that knew enough to sell short their securities, only to buy back and remain long in the market when the opinion of the Hardings of this Nation would change, and there would be decreed another credit inflation and another expansion.

All that is done by the substitute I have offered is to make certain that in a legal, constitutional, orderly, and sane method we shall cope with the problem of inflation and deflation of credit, which represents the underlying causes of booms and depressions. All that this legislative proposal does in this respect is to make sure that the purchasing power of the community is unaffected by either the creation or the withdrawal of bank credit. The device by which this is done is making demand deposits 100 percent liquid. I say "demand deposits", Mr. President. This has nothing to do with time deposits, nothing to do with money deposited in a bank to remain there 30, 60, or 90 days, or to be placed in long-term investments.

In the banks of the Nation are approximately \$18,000,000,000 of bonds of the United States Government, and other billions of State, municipal, and local government bonds.

I would not interfere with the checking privilege and the right to transfer funds at will by the draft or check on the bank of deposit. The amendment merely provides, if a bank is going to create demand deposits, that it have behind those deposits 100 percent of the currency of the United States. The bond is issued on the full faith and credit of the United States. The money or currency is issued likewise on the full faith and credit of the United States, though there may be behind it the metallic gold and silver of the Treasury.

The bond carries a rate of interest anywhere between 7 percent of the Civil War days to an average of 2.7 percent on our present \$30,000,000,000 of indebtedness. If the private banker of this Nation cares to expand credit by issuing his own fiat money, in the form of checks on demand deposits, then instead of the dishonest present 10 percent of currency behind these demand deposits the bill would simply necessitate an honest 100 percent in currency. To secure this 100 percent the banker would take his Government bonds now yielding him 2.7 percent and cash them in at the Treasury of the United States; and against the bond cashed for currency he could issue dollar for dollar in demand deposits.

In 1929 there were approximately twenty-two billion in these demand deposits, this fiction money, created by the banks of the country. Against this there was approximately \$2,200,000,000 in actual currency. The twenty billion was purely fiat money. In 1929, when the bankers decreed the present deflation, approximately seven billion of this fiat money was withdrawn from circulation, and there remained but fifteen billion of demand deposits. This marks the depression.

We can save the interest on upwards of \$18,000,000,000 worth of our debt by cashing these obligations of the central Government and compelling the banker to stop his issue of paper money and of purely fiat money, and secure his demand deposits by 100-percent currency in the vaults of his bank. If he wants to lend to industry and commerce, all he

has to do then is to redeem the bonds he holds, and which net him 2.7 percent on the average, and put the cash in his vaults, and then lend against the security of his borrower all he wants to, provided the demand deposit or the loan has behind it 100 cents of every dollar in currency.

Lending and discounting will continue to be the functions of the bank's loan department, but the money needed for loans and discounts would have to come out of the bank's own resources, with this simple, honest system in operation. There would be no runs on banks; there would be few bank failures; and the Government of the United States would save at least \$750,000,000 a year in the interest on its indebtedness.

Mr. President, I firmly believe that such a reform as this is the one means of perpetuating private banking in the United States. Without it, it seems to me, every factor in the present situation indicates that, as the bonded indebtedness of the United States continues to expand, we must some day expect the depreciation of the United States bond.

I call the attention of the Senate to the fact that when the bonded debt of the United States was less than \$26,000,000,000 the bonds depreciated down to 85. The bonded indebtedness of the United States is now over \$29,000,000,000. It is on its way to a known \$33,000,000,000. We have permitted it by resolution to go as high as \$45,000,000,000.

I repeat, the banks now own \$18,000,000,000 of our national debt, and if we can be sane enough to assume only a five-point drop in the market value of the United States bond, \$900,000,000 of the assets of our banks are automatically wiped out. There is only one way nowadays to replace the depreciated assets, and that is to run to the R. F. C. for loans or capital-stock subscriptions.

Assuming a five-point drop in the market value of the United States bonds, and assuming that the banks have only borrowed to the limit of their assets, we have the bright prospect of the R. F. C. asked to loan another \$900,000,000 to keep private banking operating in this country. When this day comes the Government of the United States will own not only the 30 percent presently owned by the R. F. C. but close to 60 percent of the capital stock of all the banks of America.

I am speaking for the protection of private banking, though this is not recognized by the majority of the bankers. I am speaking against the day when some administration will have to set up the actual ownership of all the banks of this country unless the banking and money problem is approached intelligently and courageously.

We are in the banking business now. Let me call the roll:

First. The emergency funds available for the triple A for the years 1934 and 1935 amount to \$641,950,185, exclusive of \$100,000,000, which was made available for protection of title to cotton acquired, if needed.

Second. We are in the banking business today with the Commodity Credit Corporation, essentially a lending institution, with power to buy, hold, sell, lend, or otherwise deal in such commodities as may be designated by the President. For marketing loans on cotton this Corporation obtained a commitment of \$250,000,000 from the R. F. C. and on corn \$150,000,000. The Corporation has agreed to carry the loans on these two commodities, cotton and corn, until the market reaches pre-war parity prices of 15 cents a pound and 75 cents per bushel, respectively.

Third. We are in the central banking business with the Farm Credit Administration, with its new Central Bank of Cooperatives and its 12 regional banks for cooperatives under the supervision of a Farm Credit Administration Commissioner. The Commissioner is responsible for the supervision and regulation of the 12 Federal land banks, the joint-stock land banks, and the National Farm Association, for the liquidation of joint-stock banks and receiverships, and for the administration of a fund of \$200,000,000 made available to him for the purpose of loans to farmers.

Fourth. The Farm Credit Administration has an intermediate-credit commissioner responsible for the supervision and regulation of the 12 Federal intermediate-credit banks. The Farm Credit Administration Production Credit Commissioner is responsible for the supervision of the 12 production-

credit corporations and the production-credit associations provided for under the Farm Credit Act of 1933.

Fifth. The United States is divided into 12 Federal land-bank districts. In each of these there is a Federal land bank, a Federal intermediate-credit bank, a production-credit corporation, and a bank for cooperatives—all four serving a district being located in the same city and having the same directors, but each has its own set of officers. The director is to coordinate the activities and the directors are to meet as a council of the Farm Credit Administration.

Sixth. This Farm Credit Administration has also supervision of 12 regional agricultural-credit corporations, established by the R. F. C., as well as the feed and seed loans of the Department of Agriculture.

Seventh. This Farm Credit Administration also supervises the establishment of the Federal credit unions, authorized by an act of Congress approved June 26, 1934. These are the cooperative thrift and loan organizations chartered by the Governor of the Farm Credit Administration. In this, of course, the Government does not subscribe any capital stock, nor does it provide the loanable funds. But the Federal land banks have loaned as of September 30, 1934, \$1,792,410,000. The Land Bank Commissioner has loaned \$516,276,000. The joint-stock land banks have loaned \$285,085,000. The Regional Agricultural Credit Corporation and the Production Credit Corporation have loaned \$118,402,000. And the other institutions under the Federal intermediate-credit bank have loaned \$72,989,000.

Eighth. The regional agricultural credit corporations have loaned \$106,724,000; the Production Credit Association, \$60,887,000; the emergency crop loans—1921 to 1934—\$90,551,000; the loans to cooperatives under the Agricultural Marketing Act, \$54,870,000; and the banks for the cooperatives, including their central bank, \$23,057,000.

Ninth. We have central banking in America today. The Federal Farm Mortgage Corporation was created by an act of Congress approved January 31, 1934, to aid in financing the leading operations of the Federal land banks and the Land Bank Commissioner. It was capitalized at \$200,000,000. It was authorized to issue a total of not more than two billion of bonds, guaranteed both as to principal and interest by the Government of the United States.

Tenth. Again I say we have a central bank. There is the Public Works Emergency Housing Corporation, organized as an arm of the Housing Division of the P. W. A., with a hundred million of P. W. A. funds allocated to it, and its function, of course, is to supply the necessary capital to individuals who care to repair their homes.

Eleventh. We are in the central banking business. We have the R. F. C., the greatest bank in the world, with loan agencies in 1932 of the principal cities of the country, and special agents in San Juan and Honolulu. The privately owned Federal Reserve banks are authorized to act as the depositaries, the custodians, and the fiscal agents, and these custodians hold the primary obligations of the borrowers and the collateral. The Treasury of the United States, of course, holds the funds. This is the bank of banks, with particular authority to subscribe for the preferred stock of any national bank, State bank, or trust company, to make loans secured by the stock of private banks, to purchase the capital notes or debentures of State banks and trust companies, to subscribe in like manner for preferred stock and to purchase capital notes of any insurance company and to make loans secured by them, and to allocate, as authorized by law, funds to other Federal governmental agencies.

The language of the proposed act is certainly descriptive of a central bank, when it provides that it may make loans, which shall be fully and adequately secured, to any bank, trust company, building-and-loan association, insurance company, mortgage bank company, credit union, Federal land bank, joint-stock land bank, Federal intermediate-credit bank, regional agricultural-credit corporation, or livestock-credit corporation; also to certain financial institutions closed after December 31, 1929, and prior to January 1, 1934; also to railroads and receivers thereof; also to industrial or commercial institutions direct; also to State insur-

ance funds to insure payment of compensation to injured workmen; also to nonprofit organizations to repair damages caused by floods or other catastrophes; also to receivers appointed by the Federal farm-land bank; also to financing certain activities under the triple A; also to drainage districts and the like; also to finance certain mineral and fishery agencies; also to pay public school teachers' salaries.

Twelfth. We are in the central banking business with the Federal Home Loan Bank System, a central reserve system for member home-finance institutions, with 12 regional Federal home-loan banks, operating under the supervision of a Federal Home Loan Bank Board in Washington. The function of this Federal Home Loan Bank System is to serve as a credit reserve for savings banks, insurance companies, building-and-loan associations, savings-and-loan associations, cooperative banks, Federal savings-and-loan associations, homestead associations, and other home-financing institutions.

Thirteenth. Then there is the Home Owners' Loan Corporation, owned by the Federal Home Loan Bank System, to do for the urban home owners what the Federal Farm Credit Administration was created to do for the farmers.

Fourteenth. So again we went into central banking by the Federal Government. In addition to these central banks there is the Federal Savings and Loan Insurance Corporation, created under title 4 of the National Housing Act approved June 27, 1934. Its purpose is to insure the safety of the accounts of investors and depositors in thrift and home-financing institutions.

Fifteenth. Again there are the export-import banks, with power to aid in the financing and to facilitate the exports and the imports and the exchange of commodities between the United States and other nations or agencies or nationals thereof.

Every one of these institutions marks and weighs the degree of decay and the failure of private banking in America. But we do not stop there. The Federal Deposit Insurance Corporation was set up to guarantee the deposits in the private banks of America.

Now, let us look, finally, at the condition of the banks of this Nation. There were 30,000, outside the mutuals, in 1920, and there are 13,896 in the Federal Deposit Insurance Corporation report as of June 30, 1934—and Chairman Crowley reports approximately 1,100 outside the system. So one-half of our banks are gone. There are 5,417 national banks permitted to issue the actual money of the United States—the check-book money—without one iota of control, and there are 958 State banks in the Federal Reserve System that likewise are permitted to coin the real money of the United States and to create this money which is check-book money.

There are 7,459 State banks not in the Federal Reserve system, and then there are 19 Morris Plan and industrial banks in a separate category. The capital stock of these 13,896 banks amounts to \$3,319,216,000. Of this, \$773,000,344 has been supplied, exclusive of any loans, and merely as capital investment by the R. F. C. This means that 22.6 percent of the capital of all our national banks is furnished by the R. F. C.

Of the State bank members of the Federal Reserve System, 22 percent have their capital stock owned by the R. F. C.

Over 28 percent of the capital of all State banks not members of the Federal Reserve System has been already furnished by the R. F. C. Twenty-two percent of the Morris Plan and industrial banks' capital has been supplied by the R. F. C.

So, the United States Government is directly interested as an owner of the capital stock of all types and classes of banks in the country. But the one stock that we should own and the one bank that we should own is the Federal Reserve bank which never had over \$143,000,000 of invested capital in it; and all its assets and all its increments and accruals were created by the United States of America.

Inclusive of loans against the assets of the banks, we have today invested over a billion dollars in the private-banking system of the United States, and billions more in our own Federal banking projects. We need to follow our investment

with the purchase of the Federal Reserve banks and all their assets, for by this means and by this means alone will we return to the Constitution and assume control over the money of the Nation, fulfilling the broken promise of the President of the United States. In his inaugural address he promised to drive the money changers from the temple. In his cable to the London Economic Conference he said:

Let me be frank in saying that the United States seeks the kind of dollar which a generation hence will have the same purchasing- and debt-paying power as the dollar value we hope to obtain in the near future.

In his address to the American people October 22, 1933, he said:

When we have restored the price level we shall seek to establish and maintain a dollar which will not change its purchasing- and debt-paying power during the succeeding generation. I have said that in my message to the American delegation last July, and I say it now once more.

Then he added:

Some people are putting the cart before the horse. They want a permanent revaluation of the dollar first. It is the Government's policy to restore the price level first.

The only way that America can restore the dollar of permanent purchasing power and a dollar of debt-paying ability is to take from the hands of the private bankers of this country the power to create money by merely expanding credit in the form of demand bank deposits, and the power to destroy money by contracting credit in the form of calling loans. I would place this power over money not in the hands of the selfish private banking interests of America who are responsible for every depression, nor in the hands of an administration whether it be Democratic or Republican.

The legislatures of 48 States control the destinies of the 7,459 State banks not in the Federal Reserve System. There are at least 2,000 of these men in the State legislatures legislating on a power granted to this Congress under the Constitution—the same Constitution which prohibits a State from emitting a bill of credit—and the check-book currency against demand deposits is money and must be construed as money. In the Federal Reserve System Congress has merely turned the power over to the control of the private bankers. The administration does not desire this. It desires, through the Eccles bill, the power over money to be under the control of the private banker and partisan politics.

I ask that in lieu of the 2,000 State legislators, and the 531 Members of Congress, and the 108 directors of the present Federal Reserve System, and the 12 governors, and the 8 members of the present Federal Reserve Board there be set up a central monetary and banking authority in this country of 48 men, appointed by the President, by and with the advice and consent of the Senate, one from each State, agents of the Congress of the United States.

We cannot afford to listen to the larger bankers on this subject, because obviously they want the old system of exploitation to continue; and they have proved to us that their system of private banking has cost the people of the United States directly \$200,000,000 a year for the last 70 years, since the national banking system was inaugurated on January 1, 1864.

Nor can we look, I am sorry to say, to the Executive to lead us out of our troubles. The responsibility was placed by the fathers of this country directly with us as representatives of the people, and we are answerable to them and to our oaths of office for that responsibility.

We need no Federal Deposit Insurance Corporation. We need no R. F. C., no Home Owners' Loan Corporation, no Federal Housing, no Agricultural Credit, no Federal farm land banks, no intermediate credit banks, no triple A, no N. R. A., if we have the courage and the intellect to reassert our constitutional duty and to take this money power out of the hands of those few individuals who, by reason of the power which is theirs, have so completely crushed and stifled American industry in the past.

I think it fair to commend to every liberal, on whichever side of the aisle of this Chamber he may place himself, and

I say to every conservative, that the question of controlling our banking structure deserves serious consideration. It is altogether probable that progressive thought on the money question, and courageous action on it, is the only way in which the institution of private property in America is going to be saved.

At the same time, while we might be undertaking to save that institution, we ought to be doubly interested, in the light of our present financial load as a Government, in getting away from a system which finds our Government paying toll to private bankers for the privilege of borrowing money based upon the credit of nothing other than our own Government.

The PRESIDING OFFICER (Mr. MOORE in the chair). The question is on the amendment, in the nature of a substitute for title II, offered by the Senator from North Dakota [Mr. NYE].

Mr. NYE. Mr. President, I hope there is not going to be a test of strength on this question tonight.

Mr. BARKLEY. I will say to the Senator that we had hoped to dispose of the amendment today.

Mr. NYE. Then, Mr. President, I shall be obliged to suggest the absence of a quorum.

Mr. BARKLEY. Will the Senator withhold his request for a moment? If the Senator does not wish to demand a roll call, we shall not insist upon the amendment being disposed of at this time. We do not wish to bring Members here at this late hour.

Mr. NYE. Very well.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDING OFFICER (Mr. MOORE in the chair) laid before the Senate a message from the President of the United States nominating Charles West, of Ohio, to be Under Secretary of the Interior, which was referred to the Committee on Public Lands and Surveys.

EXECUTIVE REPORTS OF COMMITTEES

Mr. KING, from the Committee on the Judiciary, reported favorably the nomination of James H. S. Morison, of Tennessee, to be district judge, division no. 2, district of Alaska.

Mr. MCKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

Mr. PITTMAN, from the Committee on Foreign Relations, reported favorably the nomination of Parker W. Buhrman, of Virginia, now a Foreign Service officer of class 4 and a consul, to be a consul general.

He also, from the same committee, reported favorably, without reservation, the following convention and treaty and submitted reports thereon:

Executive Q, Seventy-fourth Congress, first session, a supplementary extradition convention between the United States and Belgium, signed at Washington on June 20, 1935 (Exec. Rept. No. 14); and

Executive R, Seventy-fourth Congress, first session, a treaty between the United States and the United Mexican States, signed at the City of Mexico on June 13, 1935, to facilitate assistance to and salvage of vessels, public or private, of either country, in danger or shipwrecked on the coast or within the territorial waters of the other country, within specified radii (Exec. Rept. No. 15).

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state the first nomination in order on the calendar.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. MCKELLAR. I ask unanimous consent that nominations of postmasters may be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations of postmasters are confirmed en bloc. That completes the calendar.

JAMES H. S. MORISON

Mr. BARKLEY. Mr. President, the Committee on the Judiciary today reported favorably the nomination of James H. S. Morison, of Tennessee, to be Federal district judge in Alaska. The nomination has been pending for several weeks, and the Department of Justice is anxious that it be confirmed.

I ask unanimous consent for the present consideration of the nomination.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Kentucky?

Mr. McNARY. Mr. President, may I inquire if the committee report was unanimous?

Mr. BARKLEY. It was.

Mr. McNARY. I have no objection.

The PRESIDING OFFICER. The nomination will be stated.

The legislative clerk read the nomination of James H. S. Morison, of Tennessee, to be district judge, division no. 2, district of Alaska.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. McKELLAR. I ask unanimous consent that the President be notified of the confirmation of the nomination.

The PRESIDING OFFICER. Without objection, the President will be notified.

RECESS

Mr. BARKLEY. I move that the Senate take a recess until 11 o'clock a. m. tomorrow.

The motion was agreed to; and (at 5 o'clock and 22 minutes p. m.) the Senate, in legislative session, took a recess until tomorrow, Friday, July 26, 1935, at 11 o'clock a. m.

NOMINATION

Executive nomination received by the Senate July 25 (legislative day of May 13), 1935

UNDER SECRETARY OF THE INTERIOR

Charles West, of Ohio, to be Under Secretary of the Interior.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 25 (legislative day of May 13), 1935

DISTRICT JUDGE, DISTRICT OF ALASKA

James H. S. Morison, district judge, division no. 2, district of Alaska.

POSTMASTERS

ALABAMA

Lynn Sanderson Bruner, Fort Deposit.
Ernest W. Thompson, Tuskegee.
James B. Washington, Tuskegee Institute.

CONNECTICUT

Francis A. Gagnon, Danielson.
Thomas S. White, New Milford.
Joseph H. Fahey, Springdale.
George H. Tetreault, Jr., Versailles.
John P. Bridgett, Wallingford.
Samuel Berkman, Yantic.

HAWAII

Julia Smythe, Haiku.
Takeo Takashita, Hanapepe.
Daniel A. Devine, Hilo.
John H. Wilson, Honolulu.
Lemon W. Holt, Kahului.
Dick C. Pang, Kamuela.
Kenichi Masunaga, Kealia.
Hung Luke, Kohala.
Martin D. Dreier, Lihue.
Lee Loon, Pahala.

Margaret C. White, Wahiawa.
Kenichi Oumi, Waialua.
Masaru Yokotake, Waimea.

IOWA

William W. Sullivan, Algona.
Julia E. Dean, Blanchard.
George L. Lorton, Bonaparte.
George A. Crane, Dexter.
John O. Bussard, Essex.
Carl O. Roe, Garner.
Anna C. Lundvick, Gowrie.
Alice F. Fogarty, Irwin.
James A. Phelan, Larchwood.
Avis Monette Fox, Little Sioux.
Cleveland J. Long, Stanwood.

MARYLAND

James Causten Shriver, Cumberland.
Herbert C. Estep, Glen Burnie.
Cecil E. Trinkaus, Oella.
Millard H. Weer, Sykesville.
Edward F. Cavey, Woodstock.

MONTANA

Joseph W. Campbell, Absarokee.
Franklin B. Lee, Big Sandy.
Charles C. Nicholson, Bigtimber.
Howard H. Harrison, Bridger.
Margaret Huppe, Roundup.
Peter P. Brandenthaler, Terry.

NORTH DAKOTA

Nils H. Koppang, Adams.
Charles E. Fleck, Arnegard.

WEST VIRGINIA

Lillie R. Frazier, Buffalo.
Claude Anderson, East Rainelle.
Usher A. Cobb, Kimberly.
Gertie Post Rector, Lost Creek.
Hugh Dunn, Richwood.

WISCONSIN

Harley L. Newman, Bagley.
Fred Krier, Belgium.
Frank A. Buettner, Bowler.
Louis F. Reuschlein, Burlington.
William F. Dahmen, Cross Plains.
Arthur C. Smith, Durand.
Joseph M. Keuper, Genoa City.
Harris Gilbert Hanson, Iola.
William A. Christians, Jr., Johnson Creek.
Mary E. Lazars, Marshall.
Charles J. McAfee, Montello.
Arthur F. Boles, Nekoosa.
Roy C. Graham, Owen.
Frank E. O'Rourke, Reeseville.
Otto J. Petraske, Verona.
John Michels, Waunakee.

HOUSE OF REPRESENTATIVES

THURSDAY, JULY 25, 1935

The House met at 12 o'clock noon.

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

O Rose of Sharon and flower of our eternal hope, help us to find in the hour of our sacrifice the thing that belongs to our peace and rest. Our times are in Thine hands and Thou wilt never fail us. Hear us for our Speaker and the entire Congress. Give every tired heart and weary body the balm of Thy strength; let all who are carrying burdens feel the divine might. Enable them to bear the oppressiveness of the passing days. Strengthen our faith in truth, heroism, fidelity, and in the presence on earth of our Father in Heaven. Temper our souls to communion with Thee and with one another. Through Christ our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H. R. 8492. An act to amend the Agricultural Adjustment Act, and for other purposes; and

H. R. 8554. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1935, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1935, and June 30, 1936, and for other purposes.

ADJOURNMENT OVER

Mr. TAYLOR of Colorado. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

Mr. KNUTE HILL. Mr. Speaker, reserving the right to object, several of us, time and again, have asked for 4 or 5 or 10 minutes to address the House, and it seems to me if we can adjourn over 2 days every week-end we ought to be given a chance to make a few remarks here once in a while, and unless the floor leader permits some of us to have a little time once in a while, I shall have to object.

Mr. TAYLOR of Colorado. I understood the gentleman wanted to speak for 30 minutes. I have been objecting to long speeches. I have no objection to the gentleman making a short speech almost any time.

Mr. KNUTE HILL. But the gentleman has objected in the past.

Mr. TAYLOR of Colorado. Yes; but that was when we had important matters before the House, when committees are waiting to take up or finish important bills.

Mr. KNUTE HILL. The gentleman, then, will not object?

Mr. TAYLOR of Colorado. I think the gentleman can get an opportunity to address the House.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

THE "DEATH CLAUSE" LOBBY

Mr. STUBBS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. STUBBS. Mr. Speaker, I have attended several of the hearings which have been conducted lately by committees investigating the alleged lobbying activities of Government officials and public-utility agents and I am constrained to remark that it appears I am one of the few Members of the House who were not approached, either pro or con, prior to the vote on this important legislation.

My votes on what is known as the now famous "death clause" and other ballots taken during consideration of the measure were prompted by the dictates of my own conscience and what I believed was the will of the majority of the people whom I have the pleasure of representing in Congress.

Three record votes were taken during the consideration of the bill and there was the teller's count which caused so much commotion. During the teller's vote, of course, no official check was made on how Members of the House voted on the "death clause." I personally would have been pleased to go on record on my vote on the "death clause." For the information of anyone interested in the subject, I voted in favor of the "death clause" in the teller's count, believing that by doing so I was supporting my conscientious belief that the clause was proper and necessary, in keeping with the will of my people, and in compliance with an administration program which has been inaugurated in an effort to rescue a long-suffering populace from the grip of unscrupulous public-utility magnates whose topheavy and economically

inefficient structures have sucked the lifeblood of our body politic for far too long.

My votes on two motions, one to adopt a House committee bill substitute for the Senate bill, which would have killed the "death clause", and another which would have sent the bill back to committee with instructions to kill the "death clause", were "nay." These nay votes were consistent with my aye vote in favor of the "death clause." The two roll calls in question are nos. 114 and 115, respectively, and may be found on pages 10637 and 10638 of the CONGRESSIONAL RECORD for Tuesday, July 2, 1935. I voted for final passage of the bill, roll call no. 116, page 10639 of the CONGRESSIONAL RECORD for Tuesday, July 2, 1935.

I make the above statements so that, in the future, no one will be able to say that I acted in anything but an open and aboveboard fashion.

It is my personal opinion, and that of many others who have studied this question, that the title "death clause" attached to section 2 of the Senate bill is a misnomer. Actually this clause provides for the orderly dissolution of unnecessary holding companies. Enemies of the legislation, however, coined the phrase in an effort to scare holders of stock. Many persons communicated with me on the subject, but none has ever given me any facts, figures, names of companies in which they hold stock, or other data which would permit me to determine whether or not the company in which they held stock would be adversely affected by the acceptance of the so-called "death clause."

As stated before, no lobbyists attempted to influence me, but I did receive a number of letters on the subject from my people back home. They have a perfect right to express their views to me any time they so wish and I will always welcome the sentiments of my people on any subject which comes within my congressional jurisdiction. But these fine people, I am afraid, were prompted to complain, without complete knowledge of the subject, by others who used them as a medium to influence me.

They do not realize that, while there are many holding companies in California, practically all of them are exempt from the application of the dissolution clause. Most of these concerns are firms operating as intrastate companies and specifically are exempted from the application of the dissolution clause. Then there are many operating companies which are not even remotely affected by the dissolution clause. Unscrupulous men, however, apparently told stockholders in the intrastate companies and the operating companies that their stock would depreciate in value if the dissolution clause were enacted into law. On the contrary, I believe the value of stock in the intrastate firms and the operating companies would increase in value if unnecessary holding companies were dissolved, because the actual working concerns then would be rid of the superstructural holding firms which have manipulated their operations in a manner which has given them the cream of the dividends while the stockholder in the operating company and the intrastate company has been forced to take skimmed milk.

There may be one or two holding companies in California which might be affected by a dissolution clause. They are holding companies with national ramifications. They could easily escape dissolution, however, by divorcing themselves from their national affiliation and operating as an intrastate organization. After all, why should a firm operating in California be subject to the dictates of a few moneyed men in Wall Street, and pay these Wall Street operators the greater part of their earnings, and leave only the crumbs for the Californians who use the power from these concerns or hold stock in them. Such absentee directorship is unnecessary, unfair, and economically unsound.

The holding companies which would be affected by a dissolution clause do not exist by reason of any law. They exist, on the contrary, because of loopholes and technicalities in the law. This situation must be corrected sooner or later. They remind me of the time that J. P. Morgan admitted he did not pay any income tax in the United States for a couple of years. He was not legally guilty of any crime or evasion of a law, but he was able to evade the pay-

ment of an income tax because of loopholes and technicalities in the then existing law.

I personally resent the statements that those of us who voted for the "death clause" have been rubber stamps or tools in the hands of executive officials. It is equally unfair to claim that those who voted against the "death clause" were dominated by outside interests. I much prefer to believe that each of us cast his vote on this subject in a manner representative of the will of those who have delegated us to attend Congress.

State regulation of holding companies has proved very effective. I have yet to see anyone effectively challenge the statement that holding companies national in scope and operating in an interstate fashion should be regulated by Federal statutes.

NEUTRALITY LEGISLATION

Mr. SISSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an address I made on the radio on Tuesday evening of this week.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SISSON. Mr. Speaker, under the leave to extend my remarks in the RECORD I include the following address which I made over the radio on Tuesday evening of this week:

We have heard a great deal during the present session of Congress about legislation that is desirable to be passed at this session and legislation that is so vital to the welfare of our people that it is termed "must" legislation.

There is no legislation that is so vital to the welfare of the American people to be passed at this session as legislation which I shall term generally as "neutrality legislation." I mean by that, legislation passed now in time of peace declaring the policy of this country toward nations engaged in war when war comes, for it is only by the passage of such legislation that we shall be able to prevent this country from being sucked into the whirlpool of another European war if and when a conflict of any considerable magnitude breaks out across the water.

All competent observers agree that the same causes which brought about the World War in 1914 now exist in Europe. While the more enlightened and humane statesmen of such countries as England are doing their best to avert it, there is the gravest danger that they will not be able to do so and that at any time a spark may start a general conflagration. The same causes and the same policies, so far as the United States is concerned, which brought us into the World War are in full force and existence in this country now. Despite the fact that the imminence of this danger to our own peace has been in plain sight for several years and that unless we change and clearly state in time of peace, before the outbreak of war, our neutrality policy, we shall be sucked into the next war just as we were in the last war.

Not one constructive thing has been done during the present administration toward this end. Our present policy in this respect is exactly the same as it was during 1914 to 1917, when President Wilson tried in vain to keep us out of war.

What is this policy?

International law, among other things, forbids a neutral government, as such, to supply munitions to belligerents.

Recognizing the requirements of international law, the neutrality policy of the United States is aimed to do two things:

First. It is aimed to prevent this country from being thrown into foreign wars by treating all belligerents impartially.

Second. It has sought to prevent any interference with the foreign trade of American citizens by insisting upon the freedom of the seas.

It was the insistence upon the latter of these two aims, namely, the right of our citizens to carry on foreign trade without interference and the insistence upon the freedom of the seas that brought us into three wars:

The undeclared war with France in the very beginning of our national existence;

The war with Great Britain in 1812-14, through our insistence on neutral rights during the Napoleonic Wars; and

The World War, through our insistence on neutral rights during the period from 1914 to 1917.

This policy has remained unchanged, and it is officially our policy today. It will be too late to change it after another war breaks out, wherein the question of neutral rights, freedom of our citizens to trade, and the freedom of the seas are involved.

Since the close of the World War there have been two courses open to us, either of which, if followed consistently and positively, and if enforced, would have constituted the most effective insurance against our involvement in another great war.

The first of these courses was the one advocated by President Wilson and others, who believed that we should add the great moral force and influence of the United States to the other nations of the world in efforts to preserve the peace of the world by joining the League of Nations and such other institutions for securing institutional justice as might be organized for that purpose, such as the World Court. We could have joined the League of Nations

without involving ourselves in any entangling alliance through the stipulation, to which the other members of the League were willing to agree, that we should not be obligated to use our military or naval force in enforcing peace, or in any dispute between other nations. We could have joined the World Court and strengthened that institution for settling disputes by law rather than by force, without the slightest harm or danger to ourselves.

It is now too late to talk about this first course. It is water over the dam now. We have turned our backs on it.

We permitted a small minority of the Congress, a little more than one-third of the membership of the United States Senate, to block our entry into the World Court and thereby to that extent to formulate our foreign and international policy. While the Congress, by a majority vote of each of the two bodies thereof, with the approval of the President, has the undoubted power to provide for the entry of this country into the World Court, apparently no such action can or will be taken at this session; and even if it could, it would be too late to save our people from the great peril in which they are placed of being engaged in another war if one breaks out in the near future.

The other course or policy, which was clearly indicated to us, if we would save our people from another war, if we would avoid sending our boys over to fight the battles of Europe, if we would avoid the consequent suffering, poverty, and loss which was attendant upon the last war—a policy which is the logical corollary of the isolationists—of those who would have us keep out of all entangling foreign alliances, is to formulate and enforce a neutrality policy with regard to foreign trade in time of war, sale of munitions to belligerents, the right of our citizens to use the seas and bring themselves thereby into war zones and into other countries in time of war; in other words, to eliminate the causes which brought us into the World War. Such a policy will, it is true, involve some loss of trade in time of war. It will involve some loss of profits to the manufacturers of munitions and of supplies going to warring countries. It is, however, the logical consequence of the choice made by this country at the instance of those who would not permit us to join in an effort to preserve the peace of other countries. I submit that loss of profit is not so great a loss as we incurred in the loss of lives; in the suffering caused by our involvement in the last war. It is not even so great a loss, measured in dollars, as we suffered by our involvement in the last war. This policy would, of course, in addition to those that I have mentioned, forbid us from making loans to countries engaged in war. Despite our experience in making loans which were not repaid in the World War, there are many interests who are willing to do the same thing again.

Such neutrality legislation as I have indicated was advocated by President Hoover, by Secretary of State Stimson, and by many others of our leading statesmen and diplomats. Various futile efforts have been made to pass this neutrality legislation—absolutely necessary to save us from the enormous loss of participation in another world war. At the first session of the Seventy-third Congress an embargo act was passed by the House of Representatives giving the President discretion to embargo arms to the aggressor nation. This bill was open to the objection of the difficulty of determining or defining which was the aggressor nation. It did not pass the Senate.

A bill which met the objections urged against the embargo resolution of 1933 passed the Senate last year. This bill was mandatory. It not only authorized but directed the President to embargo all arms and munitions to all nations engaged in war. It was allowed to die in the House Foreign Affairs Committee last year, as was admitted a few days ago by Mr. McREYNOLDS, chairman of that committee. Why was it allowed to die? Neutrality legislation has always been opposed by the Army and Navy crowd and the Army and Navy lobby.

There is now pending in Congress, but languishing in the Senate Foreign Relations Committee and in the House Foreign Affairs Committee, several bills and resolutions clearly stating such a neutrality policy as I have set forth as necessary to keep us out of another war. I am not here to argue tonight in favor of the League of Nations or the World Court. It is too late, so far as the immediate present and the near future is concerned, for us to do anything effective to save Europe from another war. The only thing that we can do now is to save our own selfish skins. And I say that any Member of Congress or anyone in authority in the Government who falls to do now all that is necessary to save us from being sucked into another world war, any citizen who fails to do his or her part in exerting whatever pressure is necessary to secure action during this session of Congress to pass this necessary neutrality legislation, will be to that extent guilty of doing what might be done to prevent what we suffered during the last world war. Unless we do this our policy is the silliest of any nation in the world. It may be that after another war we shall learn that a policy of selfish isolation does not pay. It may be that we shall learn that we should at least help to implement the Kellogg Pact and make it effective by joining in an agreement for an economic boycott against warring nations. But if we fail to act now in securing neutrality legislation we are doing this at the instance, I say, of the Army and Navy lobby and of those who wish to profit by trade in munitions and who will not forego a little profit in foreign trade in order to save the lives of our sons. We shall be doing it at the instance of the crowd who again want to make loans to foreign countries and again leave us holding the bag. We thought we went to war in 1917 to save democracy. We actually went to war to save the bankers.

Admiral Sims, one of the few admirals with whom I find that I can agree; one of the few who is big enough so that he has some right to stick his nose into our foreign relations, recently pointed

out the choice with which the United States is now faced. He said, "It boils down to this: In case of another major war, are we going to fight for freedom of the seas, or are we going to curb the desire of certain citizens to make money out of other people's wars?"

While there are several bills and resolutions now pending in the committees of Congress, all of which have merit, such as the Kloeber resolution and the Fish resolution in the House Foreign Affairs Committee, and the Nye, Clark, and Pope resolutions in the Senate Foreign Relations Committee, there is one resolution in the House Foreign Affairs Committee which, in my opinion, most completely embodies all that is necessary as a declaration of our neutrality policy to keep us out of war. That is the resolution introduced by Representative MAVERICK, which is House Joint Resolution 259.

It is true that a resolution introduced by Representative McREYNOLDS, Chairman of the Foreign Affairs Committee, has been reported out of that committee and is likely to be passed. This resolution is all right so far as it goes, but is merely a licensing bill to enable the Government to keep a check on the sale and exportation of munitions. It is one of the things that we were bound to do as a result of a treaty which we signed 10 years ago. It contains no declaration of policy and unless accompanied by the passage of the Maverick resolution would amount to practically nothing. The Maverick resolution is being stifled in the House Foreign Affairs Committee. It should be reported out by that committee and brought upon the floor of the House and upon the floor of the Senate. If that is done there is nothing that can stop its passage. An overwhelming majority of the Members of both bodies of Congress are in favor of it. It is being stifled at the instance of the Department of State. The President controls, as he should, the Department of State. This session of Congress has already lasted nearly 7 months and there is no excuse now, after this long delay, for a failure to report out and pass the Maverick resolution.

If you wish to keep this country from being involved in another world war, write to your United States Senators and your Member of Congress at once, asking for a copy of the Maverick resolution; urge your Representatives in Congress to exert every possible effort toward the passage of the Maverick resolution at this session of Congress. Write to the President and tell him of your wishes and urge him to see to it that the Department of State lift the ban off from the Maverick resolution or else formulate some other neutrality policy which will effect the same purpose. No valid objection has yet been urged to the Maverick resolution, and I know of no way in which it could be improved.

This is not a party question. It is not a question on which men and women should divide along party lines. I have full confidence in Secretary of State Hull and I have full confidence in President Roosevelt, but you must make your wishes known to them. I have been a consistent and earnest supporter of the leadership of President Roosevelt and of the policies of the present administration, but I put the welfare of my country ahead of any party consideration.

If this session of Congress is allowed to adjourn without passing this necessary neutrality legislation, I for one shall feel a bitter disappointment in the record made by my party.

THE CONSTITUTION OF THE UNITED STATES—DEMOCRATS HOLD IT AS A SACRED DOCUMENT

Mr. SNYDER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. SNYDER. Mr. Speaker, in checking up the activities of the United States Congress we are impressed with the fact that it has been the most efficient, the most all-comprehensive, as well as the most powerful lawmaking body that ever operated in any one of the civilized nations on the earth.

The records show that since George Washington took his oath of office, some 24,000 acts of Congress have been placed upon the statute books of our Nation. Of these 24,000 acts of Congress, only 58 different acts have been declared unconstitutional by the Supreme Court of the United States, thus proving that this small percent of unconstitutional acts stamps the United States Congress as a superior body in efficiency and accuracy.

It is well to keep in mind at this point that we are informed that most of the 58 acts of Congress that have been declared unconstitutional by the Supreme Court were put on the Nation's statute books when the Democratic Party was the minority party and not the majority party in Congress. Therefore, it behooves all parties to look around and see if their house is built of glass before they throw stones.

When Washington took his oath of office, of course, there were just 10 amendments to the Constitution. On May 5, 1794, Congress submitted to the States the eleventh amendment, and on January 8, 1798, President Adams reported to

Congress that a sufficient number of States had ratified the amendment, and thus it was added, making a total of 11.

From time to time since the days of John Adams, as the social and economic needs of the country demanded, new amendments were added to the Constitution—10 in number—making a total of 21 amendments. Of course, the eighteenth amendment was repealed—the wise provision of the framers of the Constitution making it possible to add amendments to take care of the social and economic needs of the people as the Nation expands in science, invention, and discovery.

I, for one, do not believe in changing the Constitution of the United States. There is no need of changing any part of the Constitution as it now exists. Our forefathers in framing it set it up so that we do not have to change it. The Democratic Party principles always held to the fundamental interpretation, that is, if the Nation's needs demand a wider interpretation of our social and economic procedures, we should not change the Constitution, but leave it up to the people to add an amendment that would take care of the conditions as the people think they should be taken care of.

The Democratic Party has always been the party of the common people. The farmers, the laborers, and the little business men always have looked to the Democratic Party as their friend. The Democratic procedure has always been to create and keep a set-up in the business activities of the Nation that will give the laboring man an opportunity to earn a livelihood, the farmer an equal opportunity to produce and market his crops at a profit, and the little business man an opportunity to carry on his business in a way that he is not hampered by big financial powers above him.

Our Republican colleagues have been commenting quite a bit, since the Supreme Court decision on the N. R. A., about the Constitution. Every bill or measure that is about to be brought up for consideration is liable to be styled by them as unconstitutional in this respect or in that respect. They point back to different acts of Congress in the last 2 years and say that they are unconstitutional or will be so interpreted if they have a Supreme Court test.

However, this is nothing new. The records show, as well as the filed-away newspapers of the last 100 years, that the same wave of beware! beware! follows every reverse decision of the Supreme Court. The newspapers, the orators, the would-be orators, the demagogues, and all of the rest of the groups seize upon the setting following such decisions of the Supreme Court as a basis for appealing to the people's emotions and sentiments.

The records show that during the 146 years of the Nation's congressional life, in which 58 acts of Congress were declared unconstitutional by the Supreme Court—that the real builders of the Nation, the men and the women who were really interested in handing down to their children a better form of government under which to live, looked upon these decisions as steps in progress of the Nation's social and economic life. These decisions always bring out the fact that the gap between the social fabric of the people and the economic fabric of the people has widened to such an extent that adjustments should be made.

For instance, there has not been a single new sentence uttered by the opponents of the N. R. A. concerning the constitutionality of the act that was not uttered 40 years ago, 50 years ago, or 60 years ago by the opponents of the acts of Congress that were then declared unconstitutional by the Supreme Court. There has not been a single sentence or paragraph uttered on the floor of this House this session of Congress by the opponents or the proponents of the N. R. A. as to its constitutionality that was not uttered 40, 60, 80 years ago by Members of Congress when similar acts were declared unconstitutional.

Therefore, Mr. Speaker, there is nothing to be excited about, there is nothing to be worried about. Every procedure of this administration indicates that we are on the right road to stabilization and prosperity. The fact that we have ups and downs during this administration in preserving what was left of the Nation's social, economic, and finan-

cial fabric, when we took over the reins of government on March 4, 1933, is evidence that we are on the right road.

The most destructive period in our Nation's history—the most disastrous period in our Nation's history—the period in which the most dynamite was stored up to later drive millions of men from their jobs, make millions of unhappy homes, and burden other millions of farmers and little business men with unjust taxes, was the period from 1922 to 1932, when the Nation was keeping cool under Coolidge, and happy under Hoover. It was during this period when money was cheap because the administration as well as the wealth groups were lending money to the foreign powers to buy our products, with the result that in the end they never paid for their products and never paid back to our Nation the bulk of the money they borrowed. It was this period of bad management on the part of the administrations then in power and the Nation's leaders that brought about the hardships and panic of 1929, 1930, 1931, and 1933.

In conclusion, I wish to say that we think the Constitution broad enough and flexible enough at present to be interpreted to take care of all of the needs of all of the people. However, if the Supreme Court of the United States thinks that the Constitution cannot be interpreted in terms that will take care of the people of the Nation and the Nation's business, then we have the privilege of doing what Congress and the people of the Nation have done on 11 other occasions, add an amendment that can be interpreted in terms that will take care of all of the needs of all of the people all of the time.

Mr. HOEPEL. Mr. Speaker, I make the point of order there is not a quorum present.

The SPEAKER. There is a special order pending.

Mr. HOEPEL. I withhold the point of order, Mr. Speaker.

The SPEAKER. Under the special order of the House, the gentleman from New York is recognized for 10 minutes.

Mr. DICKSTEIN. Mr. Speaker, the public press within the past week has carried information that the Secretary of State, Hon. Cordell Hull, and the technical experts of the Government are now engaged in the negotiation of reciprocal trade agreements with several European governments. These are called "reciprocal agreements", on the theory that as a result of these agreements the people of the United States will receive some benefits of material value.

I have noticed that negotiations are now under way for one of these reciprocal trade agreements with the Government of Germany, and it is this proposed treaty that I wish to discuss with you this morning.

I want to call the attention of the House to the fact that the present dictator of the Reich, Adolph Hitler, is not making any agreement to which Germany is to be a party unless his country gets the lion's share of the proposed benefits of such treaty.

You are dealing with a country that today is bankrupt. You are dealing with a country that today is irresponsible. You are dealing with a country that has a dictator of dictators among the European countries today. You are dealing with a group of men in Germany today who are not responsible for any agreements or compacts that may be entered into between the United States Government and Germany. As a matter of fact, I have reliable information that the present German Government has almost raped the treasury of their pension funds and all other resources and, in substitution, has placed therein a lot of worthless bonds.

We are now negotiating a treaty with this country, a country that is controlled by a one-man organization, and I want to call the attention of the House to the fact that this one-man government of Dictator Hitler must be checked and rechecked in all negotiations relating to trade treaties.

Mr. TABER. Mr. Speaker, will the gentleman yield for a question?

Mr. DICKSTEIN. I yield for a very brief question.

Mr. TABER. Is this a treaty under the reciprocal trade agreement act?

Mr. DICKSTEIN. Yes.

Mr. TABER. I hope the gentleman did not vote for the bill authorizing such things.

Mr. DICKSTEIN. We will get to that later.

This "madman of Germany", who temporarily is in control there, is running things in Germany in such a manner as to deprive native-born citizens of Germany of their rights. He has disfranchised all persons in Germany who do not blindly adhere to his insane, Nazi theory of government. He has waged internal warfare against the German people who dare to adhere to any religion other than the one religion that he has created and in which he appointed his own god; and his own god is now dictating to all of the people in Germany how to worship this god in a Hitler way.

I am simply mentioning these things, briefly, as a Member of this House, to advise the Secretary of State and the people of the United States that this bigoted dictator of the Reich has given ample evidence that he is not to be trusted in affairs which involve human rights, and we may properly assume he is not to be trusted in trade agreements that are about to be entered into between this Government and the Government of Germany.

The Special Committee on Un-American Activities recently uncovered startling facts to show that, by direction of high officials in the Hitler regime and undoubtedly with the personal approval of Adolph Hitler himself, persons who were of German ancestry but citizens of the United States, were approached and it was established beyond question that Hitler tried with money and every other scheme of a spy system to disturb American citizens of German birth in this country and made every effort in this country through this form of propaganda to have the 20,000,000 honest-to-goodness American Germans subscribe to his philosophy that "once a German always a German", irrespective of the fact that these men and women have taken an oath of allegiance to the United States. It was his philosophy of government that these American citizens must bear allegiance to this "madman in Germany."

Are we to enter into a contract with this man because he is the only one—he is the government?

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

Mr. DICKSTEIN. I yield for a brief question.

Mr. RICH. When we consider that Hitler is a dictator that rules Germany with an iron hand, does the gentleman think we ought to continue to give support to the President of the United States where he rules in the same manner, and in the same manner tries to make reciprocal agreements of this kind? It is ridiculous.

Mr. DICKSTEIN. In the first place, I did not yield for that kind of question, but since the gentleman has asked it, do you know that if you said "boo" about Hitler you would have to make your last will and testament in Germany today.

Mr. RICH. If you do not be careful you will have to do the same thing in this country.

Mr. DICKSTEIN. Mr. Speaker, I do not want to be further interrupted.

The SPEAKER. The gentleman declines to yield.

Mr. DICKSTEIN. Do you know that if you do not subscribe to his god—religion which he has created—you will be forced into a concentration camp?

Do you know that he has confiscated property of the Jews, the Catholics, the Protestants, and all labor organizations; that he has punished decent men and women, sent them to jail for no offense whatever? I hope the gentleman from Pennsylvania would not insult the intelligence of this House by asking questions of that kind for comparisons.

Mr. RICH. Will the gentleman yield? I have an answer to that.

Mr. DICKSTEIN. I decline to yield further. I simply mention these things briefly to introduce what I want to impress upon the Members of this House, upon our Secretary of State, and upon the people of the United States. This bigoted dictator of the Reich has given ample evidence that he is not to be trusted in affairs which involve human rights,

and we may properly assume that he is not to be trusted in trade agreements which directly or indirectly involve those actions which are dependent upon fairness in human relationships.

Hitler and his agents have not been satisfied to confine their idiotic tyranny to residents of Germany, of which country he, himself, is an alien, but their hands have stretched across the sea to unlawfully meddle with internal business transactions among citizens of the United States in this country, which appears to be an effort to make these transactions here conform to his bigoted and intolerant Nazi ideas as imposed upon the people of Germany.

More than that, the recent investigation by a committee of the House disclosed that the Nazi tactics went so far as to get well-known American citizens to advise industrial firms in Germany upon the attitude of the American mind toward internal practices in Germany, and that information came back to the United States in the form of rabid anti-Semitic propaganda and very open propaganda attacking the United States part in the World War peace settlements and reparations imposed on Germany by the Versailles Treaty. These facts brought out under oath are conclusive evidence that the Hitler regime does not confine its efforts to legitimate transactions but reaches out in extralegal ways to impose its own way upon affairs in foreign countries.

How could such an official dictatorship be trusted to keep promises made in any so-called "reciprocal-trade agreement" if any of the terms happened to prove unfavorable to the Nazi philosophy of government in the Reich?

There are one or two provisions that our Secretary of State should insist upon drafting into any proposed trade agreement with Germany, and then rejecting the agreement unless Hitler agreed to these provisions. First. We should require an iron-bound provision which would insure to citizens of the United States, regardless of the religious professions or their racial origin, the identical rights and privileges while in Germany that is accorded by the Government to the most favored foreign-born persons in Germany engaged in trade, commerce, business, exercise of religious rites and worship, and travel. Second. We should insist that the Government of Germany officially undertake to prevent the sending of all kinds of Nazi propaganda to the United States designed to arouse any kind of discord in the United States based on the Nazi philosophy of government or racial or religious animosity.

Current press dispatches indicate that one of Hitler's chief lieutenants in his barbarous activity has decided upon a law to deprive all adherents of the Jewish religion of all rights in Germany—he proposes writing anti-Semitism into the national law of the Reich.

The inability of adherents of the Catholic religion to accept the Nazi decreed sterilization law has aroused the Pope to an open break with the Reich Government, as it rightly should.

The enlightened people of the present civilization of the world cannot accept the dictation of the "madman of the Reich" in personal religious matters, and a recognition of this personal freedom of religious practice and worship by American citizens in Germany should be an essential provision of any reciprocal-trade agreement which our Secretary of State negotiates with the Reich Government.

The latest news from Germany is to the effect that a German-born citizen of the United States who is a priest of the Catholic Church and who is by that church assigned to duty in Germany must leave Germany before August 1 and go to Poland by the direct order of the Nazi minister of the interior simply because this Catholic priest opposed the new Nazi paganism as decreed by Hitler or his Reich bishop.

How can we honestly believe Government officials imbued with such barbarous bigotry would honorably fulfill the provisions of a reciprocal-trade agreement unless those provisions were overwhelmingly favorable to Germany and therefore not very favorable to the people or Government of the United States? How would the United States profit from such a one-sided agreement?

I believe the United States Government has a most unusual opportunity during the course of negotiation on this proposed reciprocal-trade agreement, to take to itself the leadership among the governments of the world, and compel Adolph Hitler to recognize the principle of individual and religious and racial freedom of citizens of other nations who may be in Germany for the transaction of business, trade, study, pleasure, or travel and also the principle of nondiscrimination of German-born people residing in Germany regardless of religion or racial origin. This should be a cardinal reciprocal agreement on the part of Hitler in any trade agreement now with the United States. I trust the Secretary of State will reach this same conclusion before concluding any agreements.

This is one way this country can accomplish a most humanitarian objective through reciprocal measures in the interest of international trade from which our Government hopes to bring large benefits to the American people.

Now, Mr. Speaker, the Special Committee on un-American Activities of the last Congress developed facts under oath which showed conclusively that agents and spies of German organizations, more or less officially connected with the German Government, were coming into this country with utter disregard of our immigration and naturalization laws and smuggling on their German-controlled ships the most disgusting propaganda designed to create discord in this country among our citizens of German ancestry and their sympathizers here. When that special committee made its report to this House in February of this year, we who were members of that committee felt that our exposures of these unfriendly activities had put a stop to them.

However, there has just come to my personal attention very conclusive evidence that notwithstanding our very wide-open exposures they are still sending this Nazi propaganda from Germany to the United States, and are now using the international mail service to get it all here.

Taking advantage of the liberal laws of our country and the fact that a constitutional government guarantees to our citizens freedom of speech, thought, and word, the agents of the Hitler government of Germany are utilizing our soil for pernicious propaganda destructive of our national liberties, and which may in due course put an end to liberal government everywhere.

There has been an influx of printed matter from Germany circulated very freely throughout the Yorkville section of New York and other localities where people of German birth live, and distributing nefarious propaganda coming from Germany as well as inciting religious hatred and bigotry.

In the city of Nuremberg, Germany, one Julius Streicher, Hitler's governor of Franconia, the editor of a magazine entitled "Der Sturmer", which publishes on its pages caricatures of Jews and articles about vile doings "of all the Jewish race throughout the world", showing how Jewish men ravish gentle girls, and how the Jewish religion incites to this kind of activity. Statements are also made that Jews kill Christian children for ritualistic purposes, and an appeal is made to German people in the United States to band themselves together against this Jewish menace, and to fight the encroachment of the Jewish race on German life.

Not satisfied with this propaganda Streicher urges his followers in this country to kill, exterminate, and destroy Jews everywhere; he calls them the world's parasites, and in one of the issues which recently came to my attention, he even seeks to show how Americans should protect themselves against Jews because if they do not "the Jews will get them."

These publications come from Germany by mail and are freely distributed at news stands and to private subscribers. Anyone receiving a publication of this kind cannot fail to be impressed with its authoritative character, and the dangerous manner in which all is arranged to excite public interest, and call for measures of defense.

The gullible people will swallow these irresponsible statements without rime or reason, and if permitted to go unchecked will result in grave danger.

The joint resolution (H. J. Res. 363) which I have introduced will make matters of this type unmailable, will prevent

access to the mails to any publications which directly or indirectly incites to racial and religious bigotry, and I hope that the House will see its way clear to give this matter the attention it deserves.

It is important that something of this character be early enacted into law in the interest of international peace and international trade.

Under our Constitution and laws, every kind of religion may be freely followed by its adherents in the United States. This means Catholics, Jews, Mohammedans, sun worshipers, Mormons, Christians, Protestants, atheists, and every other religion or religious sect.

Now if the Government at present in control of the Reich really wants to enter into a reciprocal-trade agreement with this Government, those in control of their policies should recognize that trade with the people of the United States is necessarily trade with American citizens and residents of every kind of religion and of almost every race or ancestry. Hence, they could not enter whole-heartedly into the purpose of trade agreements here unless they completely stopped sending into this country newspapers, magazines, books, and other kinds of written or photographed propaganda which can only cause discord and dissension among our people on grounds of racial hatred, bigotry, and intolerance.

The public press quotes a recent issue of Reichfuierer Hitler's own official paper, the Voelkischer Beobachter, as having said, "Political Catholicism is public enemy no. 1."

The German Government cannot consistently send by mail copies of official publications containing such statements as that into the United States and really expect that the spread of that kind of propaganda among our religious-free citizens would extend the sale of German goods sent here pursuant to a reciprocal-trade agreement. Such propaganda against a religion or on racial lines is absolutely inconsistent with the spirit of reciprocal-trade activities.

So much new information is coming into my offices every day that I have been urged by many persons and organizations to seek further investigation into un-American activities, and to that end I have introduced another simple House resolution which would authorize a special committee to search into the sources of un-American propaganda and other activities designed to overthrow this Government by force and violence. This is House Resolution No. 293.

The two resolutions above referred to and which I have introduced would tend to cure the evil now rampant in this country, namely, abuse of the mail service to get into this country papers and other printed and written matter which spreads religious and racial hatred, bigotry, and intolerance and un-American theories of government, advocating force of violence being used to overthrow this United States Government; and a further investigation of these things in an effort to find out definitely the source of all this destructive foreign propaganda and this un-American domestic propaganda.

In closing I cannot too forcibly impress upon you, and to forcibly call attention of the Secretary of State, the paramount necessity that these things I have spoken about should be taken into serious consideration before any reciprocal-trade agreement is finally concluded with the present German Government.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. The gentleman from Texas asks unanimous consent to address the House for 5 minutes. Is there objection?

Mr. RICH. Reserving the right to object, it depends altogether upon whether the gentleman from Texas is going to approve of the speech delivered by the gentleman from New York, and we should try to follow that—

The SPEAKER. Is there objection?

There was no objection.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. BLANTON. Mr. Speaker, I will say to my friend from Pennsylvania [Mr. RICH] that I make my own speeches in my own way and in my own language. I do not read words that are written by somebody else, as my friend attempted to do the other day.

Mr. RICH. Will the gentleman yield?

Mr. BLANTON. I am sorry, but I cannot yield. I have only 5 minutes.

Mr. Speaker, we have a State Department to handle our business with foreign governments. That is the only authority under the provision of the Constitution, that has any right to deal with foreign governments. Such dealings must be through the Secretary of State. No Member of the House of Representatives has any voice whatever, in passing on treaties or any kind of agreements with foreign countries. Hence it does not behoove Members of the House to criticize or attack foreign countries. It might result in serious consequences.

As one Member of this House I want the foreign governments throughout the world to understand that the gentleman from New York [Mr. DICKSTEIN] speaks without authority in this forum when he attacks foreign governments. No one has given him any authority to call Hitler the "madman of Germany", whatever may be our personal feelings about the matter.

The gentleman from New York [Mr. DICKSTEIN] has no right to castigate the ruler of any foreign country. We may not like what is going on in Germany, but what goes on there is their business and not ours. We may not like what is going on in Italy, but what goes on there is their business and not ours.

We may not like what is going on in Russia. That is Mr. Stalin's business, not ours.

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

Mr. BLANTON. I am sorry; I cannot yield. What we are concerned with is what is going on in the United States.

Mr. DICKSTEIN. Mr. Speaker, will the gentleman yield for a question?

Mr. BLANTON. I did not interrupt the gentleman. Having only 5 minutes, I cannot yield, as I want those few minutes myself. So long as these countries let us alone, and keep their undesirable nationals out of our country and let us run our business, we will be satisfied. I cannot yield, I will say again to the gentleman from New York. There is plenty for the gentleman from New York to do if he does his duty. He has known for years that the Communists here from Russia have been secretly trying to undermine the institutions of the United States. It should be his work to stop it.

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

Mr. BLANTON. Not yet.

Mr. DICKSTEIN. Why can you not yield for a question on this matter?

Mr. BLANTON. Because I have not the time. He knows there is bill after bill before his committee—and he is the high chief generalissimo of it—which would stop all of this communistic activity here, which would deport every Communist in the United States, if he saw fit to report and bring the bill in here and pass it, and he could do it if he wanted to do it. He could call his committee together this very evening and report a bill that would stop it. Why does he not do it?

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

Mr. BLANTON. No; I am sorry; I have not the time. I am going to make my own speech.

Mr. DICKSTEIN. For one question.

Mr. BLANTON. Why does not the gentleman from New York [Mr. DICKSTEIN] bring in a bill here to regulate alien conditions in the United States, to put these foreigners and the unlawful aliens here out of our country, and let the jobs that they hold be given to American citizens who are without jobs?

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

Mr. BLANTON. No; I have not the time. He insists on bringing in bills here that he calls the "Kerr bill", to give all authority of Congress into the hands of a Labor Department, whose head has not been enforcing the law against Communists or against unlawful aliens in regard to deportations.

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

Mr. BLANTON. No. I am sorry, I cannot yield. I wish you gentlemen would get the official statistics and see how the deportations have been decreasing every month since the present head of the Labor Department has been in power. Why is it that they have been decreasing? Why is it and why is it necessary to put more power into the head of a department that keeps aliens here who are here unlawfully?

Oh, there is plenty for the gentleman to do if the gentleman would only do it. There is plenty here at home for him to look after, if he would protect our home folks and would attend to his own business, and let foreign governments attend to their own business.

Mr. DICKSTEIN (from his seat). Why do you not attend to your own business?

Mr. BLANTON. I am attending to mine and am performing a good job.

The SPEAKER. The gentleman from Texas will suspend. It is distinctly against the rules for a gentleman in his seat to interrupt a Member who is speaking.

Mr. BLANTON. He "can't take it", Mr. Speaker.

The SPEAKER. The rules provide that a Member must rise and address the Chair.

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

Mr. BLANTON. I am not going to yield. I want to use my time myself.

The SPEAKER. The gentleman from Texas declines to yield.

Mr. DICKSTEIN. Mr. Speaker, a parliamentary inquiry.

Mr. BLANTON. Mr. Speaker, I do not yield for a parliamentary inquiry.

The SPEAKER. The gentleman from New York cannot take the gentleman from Texas off his feet by a parliamentary inquiry without his consent.

Mr. BLANTON. Let us Representatives in Congress here see that the United States is run properly; let us see that we Representatives let our State Department attend to its own business and perform its own functions. We have one of the finest men in the Nation at the head of the State Department. [Applause.] He once served here with us in this House, and he served with distinction and honor, and he has the confidence of the people of the United States. He is performing his duties under the direction of the great President of the United States, who likewise has the confidence of the people. Let us back them and quit backbiting the foreign rulers of foreign governments. Let us let them alone.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. BLANTON. Let us attend to our business and let other countries attend to theirs. [Applause.]

Mr. HOEPEL. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. The gentleman from California asks unanimous consent to proceed for 5 minutes. Is there objection?

Mr. TAYLOR of Colorado. Mr. Speaker, if the members of the Committee on Agriculture, who have the bill under discussion in charge, do not desire to object, I feel that I should, because I feel we should get on with the business before the House.

The SPEAKER. Objection is heard.

Mr. HOEPEL. Mr. Speaker, I renew my point of order that there is no quorum present.

The SPEAKER. The gentleman from California makes the point of order that there is no quorum present. Evidently there is not a quorum present.

Mr. TAYLOR of Colorado. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 143]

Adair	DeRouen	Hennings	Rogers, Okla.
Andrew, Mass.	Dietrich	Higgins, Conn.	Rudd
Andrews, N. Y.	Disney	Higgins, Mass.	Russell
Bacon	Doutrich	Hoffman	Sanders, La.
Bankhead	Dunn, Miss.	Holmes	Sandin
Bell	Eicher	Hook	Schuetz
Binderup	Engel	Kee	Shannon
Bolton	Farley	Keller	Smith, W. Va.
Brennan	Fenerty	Kelly	Snell
Brooks	Ferguson	Kimball	Somers, N. Y.
Brown, Mich.	Fernandez	Kleberg	Sullivan
Buckley, N. Y.	Fitzpatrick	Kniffin	Sumners, Tex.
Bulwinkle	Gambrill	Knutson	Sweeney
Burnham	Gasque	Lamneck	Thomas
Cannon, Wis.	Gassaway	Lewis, Md.	Thurston
Carter	Gavagan	Lucas	Underwood
Casey	Gifford	Lundeen	Vinson, Ga.
Cavichia	Goldsborough	McGroarty	Walter
Christianson	Goodwin	McLeod	White
Claiborne	Granfield	Marshall	Wigglesworth
Clark, Idaho	Green	Miller	Wilcox
Cochran	Gregory	Montague	Withrow
Collins	Haines	Montet	Zimmerman
Corning	Hancock, N. Y.	Oliver	
Crosby	Harter	Peyster	
Dear	Hartley	Reed, N. Y.	

The SPEAKER. Three hundred and twenty-eight Members are present, a quorum.

Mr. TAYLOR of Colorado. Mr. Speaker, I move that further proceedings under the call be dispensed with.

The motion was agreed to.

LAKE B. MORRISON—VETO MESSAGE (H. DOC. NO. 252)

The SPEAKER laid before the House the following message from the President of the United States, which was read:

To the House of Representatives:

I am returning herewith, without approval, H. R. 617, entitled "An act for the relief of Lake B. Morrison."

This bill provides that, in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers, Lake B. Morrison, late of Captain Horner's company, Third Regiment Potomac Home Brigade, Maryland Cavalry, shall hereafter be held and considered to have been honorably discharged from the military service of the United States as a private of that organization on the 29th day of September 1862.

The official records show that the soldier in question deserted September 29, 1862, and that he failed to return to his regiment, which remained in service until September 9, 1864, and did not report his whereabouts or the cause of his absence to the military authorities. He failed to substantiate his claim under the provisions of the act of Congress approved March 2, 1889 (25 Stat. L. 869), for the relief of soldiers of the Civil War against whose record there was entered a charge of desertion.

Enactment of H. R. 617 into law would, in effect, constitute a legislative pardon for a man whose status is now that of a deserter and place him on a par with those who rendered service of a character which earned for them honorable discharges.

The Secretary of War strongly recommends that this bill be not favorably considered, and I find nothing in the facts in the case which would justify different action on my part.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, July 24, 1935.

The SPEAKER. The objection of the President will be spread at large upon the Journal.

Mr. McSWAIN. Mr. Speaker, I move that the message, together with the bill, be referred to the Committee on Military Affairs and printed.

The motion was agreed to.

JACK PAGE—VETO MESSAGE (H. DOC. NO. 251)

The SPEAKER laid before the House the following message from the President of the United States, which was read:

To the House of Representatives:

I return herewith, without my approval, H. R. 298, entitled "An act for the relief of Jack Page."

This bill provides that in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers, Jack Page shall hereafter be held and considered to have enlisted in Company M, First Regiment Alabama Volunteer Infantry, on May 1, 1898, and to have served until honorably discharged as a member of that organization on November 1, 1898.

The undisputed facts in this case show that Jack Page was never a member of the military forces of the United States and the enactment of this bill into law would, in effect, be a discrimination against many others who have claimed similar service and who have been denied Federal recognition. It would establish a dangerous precedent, to which I cannot subscribe.

FRANKLIN D. ROOSEVELT.

The WHITE HOUSE, July 25, 1935.

The SPEAKER. The objection of the President will be spread at large upon the Journal.

Mr. McSWAIN. Mr. Speaker, I move that the message and the accompanying bill be referred to the Committee on Military Affairs and printed.

The motion was agreed to.

AGRICULTURAL ADJUSTMENT ADMINISTRATION ACT

Mr. JONES. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 8492, an act to amend the Agricultural Adjustment Act, and for other purposes, with Senate amendments, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. MARTIN of Massachusetts. Reserving the right to object, what is this bill?

Mr. JONES. This is the Agricultural Adjustment Act.

Mr. MARTIN of Massachusetts. That is a very bad bill, Mr. Speaker. I have not had a chance to look over the many alterations made by the Senate, so I think for the present I will object.

CLASSIFICATION AND INSPECTION OF TOBACCO

Mr. FULMER. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 8026) to establish and promote the use of standards of classification for tobacco, to provide and maintain an official inspection service, 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 consideration of the bill H. R. 8026, the tobacco inspection and classification bill, with Mr. Lewis of Colorado in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Without objection, the first reading of the bill will be dispensed with.

There was no objection.

Mr. FULMER. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. Cox].

Mr. COX. Mr. Chairman, I desire to use the 5 minutes allotted to me in addressing myself particularly to my Republican friends, and I feel that I have a right to be heard. I have never sought to take any undue advantage, nor have I ever indulged in any unkind criticism of them. While I am a strict party man, I have not closed my eyes to their fine patriotism and their desire to do good to all the people. If the pending bill is defeated, it will be because the membership of this House does not understand the issue that is involved.

There is no group of people in all the country that is so victimized as the tobacco grower. He markets his crop under a system that is designed to keep him at the complete

and absolute mercy of the agricultural trader. I never go upon an auction floor but what I experience a feeling of outrage at the wholesale robbery that I see committed against a helpless people. Something in me that is better than myself always cries out against the exploitation of the poor that I am compelled to witness; the taking of the product of the labor of women and children, particularly in the South, to the extent of the enrichment of the tobacco magnates by hundreds of millions of dollars, enabling the larger companies each to spend annually in excess of \$50,000,000 in advertising, to capitalize their trade marks in excess of more than half a hundred million dollars and the selling of their output at a price that yields a handsome income upon this fictitious value.

The purpose of this legislation is simply to advise the grower of tobacco as to the quality that he has to sell. It will work toward the stripping of the tobacco buyers of a kind of lordship that they have exercised over the grower for many years. If you knew how tobacco was marketed you would understand how impossible it is for the grower, under the present system, to have any bargaining power. The people bring their tobacco to the markets; it is put in baskets upon the floors and the warehouseman, who is supposed to be his agent and to protect him, but who is of little value and in some instances of positive hurt, opens the bid which is little regarded by the company buyers, these buyers paying what they please. There is no competition as between buyers. The crops on markets are largely divided between them and at their own price. I have not the time for a detailed discussion of the measure, but it would be a crying shame to defeat this bill, thereby refusing to give this particular class of farmers the benefit of the services of his Government which the bill is intended to do. The passage of the bill will improve the situation of the grower, and I hope the House accepts it.

[Here the gavel fell.]

Mr. HOPE. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. BOILEAU].

Mr. BOILEAU. Mr. Chairman, there is a good deal of tobacco raised in the State of Wisconsin, but there does not happen to be any tobacco produced in my own particular district. We market our tobacco through an entirely different method from that used in some of the Southern States, where they sell their tobacco at auction. That is unknown in the State of Wisconsin.

I happen to have had the privilege of serving on the subcommittee of the gentleman from South Carolina [Mr. FULMER] last year, at which time we had extensive hearings on a bill similar to the one before us. At that time a large number of farmers from the South, tobacco producers, came before our committee and explained thoroughly the manner in which their tobacco is sold. It was a revelation to me to think that the producers of any important agricultural commodity should be so at the mercy of those to whom they sell their product.

It was brought out in the testimony at that time that these farmers would bring their tobacco to a warehouse, and it would be placed in a long row together with other tobacco. The buyers would then go along in front of those piles or baskets of tobacco and at the rate of one basket or one pile every 10 seconds they would decide what the tobacco was worth; and the farmer then had his privilege either to sell or to keep his tobacco. It was brought out in the testimony at that time that on innumerable occasions, when a farmer would feel that he was not being offered a sufficiently high price for his tobacco and would not sell it at the first offer, that the next day, or sometimes even an hour later on the same day, some other agent or commission man would come along and offer him twice as much as he was originally offered.

It was brought out, and to my mind proved conclusively, that the farmers selling on auction markets are selling their tobacco entirely at the mercy of the buyers, and that they are on many occasions being paid prices which are far below the actual value of the tobacco.

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

Mr. BOILEAU. I yield.

Mr. ANDRESEN. I am sympathetic with this proposition, I may say to the gentleman from Wisconsin; but can he explain to us how this bill will help the farmer receive a higher price because it has a Government grade on it when there are only a few buyers in the market?

Mr. BOILEAU. I shall come to that.

I want to point out, Mr. Chairman, that there are between 60 and 100 types of tobacco within each grade, and there are several grades. It is humanly impossible for the average small grower of tobacco to be familiar with all these types and grades; this is the work of an expert, work that requires many years of study and experience for one to familiarize himself with all these various grades and types of tobacco. It is impossible for many of the small producers, the share-croppers, the tenant farmers, and the small farmers generally to become familiar with these various types and grades.

In each of these markets the buyers have their representatives, they have their experts, they have men who have made a lifelong study of the grading of tobacco, men who know at a glance the grade or type of a particular pile of tobacco and how much it is worth. They keep abreast of the daily prices on the market; they know exactly what the tobacco is worth. The average small farmer does not have this information; he is not able to compete in the transaction or to make a satisfactory bargain with the experts, because the cards are stacked against him.

It was brought out in the testimony before the committee that many of these growers are the greatest experts in the tobacco sections. This may be true of those men who have vast investments in tobacco, those men who grow tobacco on a large scale, those men who have had the advantage of higher education or who have taken special courses in tobacco culture, who have had special training, or in some other way gained this special information. Usually those big fellows or large growers are able to drive a pretty good bargain, because they have certain contacts with the buyers and commission men and they are sometimes given a better price. Then, in order to equalize the price on the market, the poor fellow who does not know what it is all about is exploited and given a price far below the actual value of his tobacco.

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

Mr. BOILEAU. I yield.

Mr. CHAPMAN. Will not the gentleman explain in what way the placing of figures and numbers on baskets of tobacco by representatives of the Government will influence the price offered by the buyers, or how it would affect the price received by the farmers?

Mr. BOILEAU. It would do just this much. It would give the poor tobacco farmer the advantage of expert information. His tobacco will be properly graded, and he will know what the grade of his tobacco is, and he will also have the advantage of the service that will give him the information as to the market price of the various types and grades of tobacco. It will give him some assistance. It may not eradicate all of the evils, but he will know what his crop is actually worth, and I am satisfied from the testimony of the tobacco farmers who appeared before our subcommittee that under existing circumstances many of them do not know the value of the tobacco crop they are selling.

Mr. WOODRUFF. Will the gentleman yield?

Mr. BOILEAU. I yield to the gentleman from Michigan.

Mr. WOODRUFF. The gentleman, I know, believes in this bill or he would not be speaking for it; but I have been a member of a subcommittee investigating conditions in the tobacco country and during those investigations we learned that there was one outstanding truth that always stood in the front ranks and that was that the so-called "Big Four" absolutely dominated the market. The gentleman knows to whom I refer, of course.

Mr. BOILEAU. Yes.

Mr. WOODRUFF. The Big Four absolutely dominate the market. They set the price that the farmer shall receive for his product. Now, what is there in this bill that will take away that power from them?

Mr. BOILEAU. I do not know that there is anything in this bill that would take the power from them of setting the price for certain grades and types of tobacco, but this bill provides that the Government experts shall properly grade the tobacco and the farmer will know whether it is a type of tobacco of a high value or a type of tobacco of a low value. It will give him an opportunity at least to know the value of the various types and grades of his tobacco before he sells it to the expert commission men or agents of the Big Four or the warehousemen or speculator, or whoever else it might be.

Mr. WOODRUFF. The gentleman has already stated that many of these tobacco growers are experts.

Mr. BOILEAU. A few of them are.

Mr. WOODRUFF. They know the quality of their tobacco.

Mr. BOILEAU. A few of the big fellows know that; the men who have had the opportunity to know.

Mr. WOODRUFF. But what particular value is there in having this information going out to the tobacco grower if it does not result in a better price for the tobacco?

Mr. BOILEAU. It will result in a better price, because this bill also provides for the publication of the market price of the various types and grades of tobacco. When the farmer grows tobacco of a certain type and grade and has it graded by the expert, he will find out what the market price is for his particular tobacco. He cannot have this information under present conditions. He is absolutely at the mercy of the buyer and he has nothing to say about the price he gets for his product.

Mr. WOODRUFF. Just one further question. As a matter of fact, who sets the price of tobacco now and who will set the price of tobacco after this bill is passed?

Mr. BOILEAU. I presume the gentleman is right in his belief that the Big Four will set the price for the tobacco. They will continue to say that a certain type and grade is worth so much. But this bill will let the tobacco grower know the type and grade of his tobacco, whereas at the present time he does not know, and then he will know what the price should be and he will have a fighting chance.

[Here the gavel fell.]

Mr. FULMER. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. KERR].

Mr. HOPE. Mr. Chairman, I yield 5 additional minutes to the gentleman from North Carolina [Mr. KERR].

Mr. KERR. Mr. Chairman, this bill as it was originally introduced had for its purpose the compelling of all farmers who sold their tobacco on a warehouse market to have it graded. It was not only compulsory in this respect, but as I interpreted the bill, and as it was interpreted by others, it gave the Secretary of Agriculture the power to designate what markets the tobacco should be graded and sold upon in the various marketing areas of the country and the further power to designate what warehouse should handle the tobacco. It gave the Agriculture Department absolute authority to destroy a great and legitimate business which had found a useful place in our industrial life for a hundred years—a business which has been directed by as high-toned honorable men as ever graced the industrial life of this Nation.

Mr. Chairman, I observe that the original bill has been amended and it is no longer contended that the Secretary of Agriculture shall have the power to close the markets wherever he desires or the power to close a particular warehouse in any market he wished to do so. But I observe further that the gentlemen who supported this measure when it had the absolute power vested in the Secretary of Agriculture are now supporting it, and some of them are insisting that the matter has now been turned over to the farmers themselves, and the farmers themselves have a right to determine whether they shall have compulsory grading. I hope that the proponents now of this measure will get some satisfaction out of this contention, but I know and assert

that most of them were perfectly willing when this bill was first introduced that the farmer would have no voice whatsoever in this matter.

Mr. Chairman, this bill has for its purpose, in my opinion, and I say this candidly, the breaking up of the warehouse system of marketing tobacco. If the farmers of this country, who have engaged in this manner of selling tobacco for more than 100 years, want that done, I am content to go along with them. I want to reflect, however, their attitude in this matter today before the House, and I want to tell you that this bill ought not to pass this Congress. I will try to give you in a short time my reasons for this statement.

In the first place, if there is any industry in this country that wants to be left alone and does not want to be interfered with by legislation, it is the farmers who grow tobacco. They are the ones who have profited most by the emergency laws we have passed to take care of several industries in this country. I am not going to repeat to you how successful this legislation has been in regard to their interests. Every Member of this House knows full well what the administration of the A. A. A. and the Kerr-Smith supplemental act has accomplished for the tobacco growers of this Nation. The tobacco legislation and its success is, and should be, the pride of this administration. It has cost this Government not a dollar, the consumers of tobacco products not a dollar, and it has put millions of dollars into the pockets of the manufacturers and dealers and millions into the pockets of the producers and farmers. It has wiped away the gloom of despair and brought sweet contemplation of pride and prosperity to the tobacco farmers of this Nation.

The statements I shall make, I want it understood, shall refer to the bright flue-cured area of the country; this is the area I know much about and the area in which I am particularly interested. This is the area I am discussing with you, and the benefits which this area received have been reflected as much in the other areas as in the flue-cured areas.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. KERR. Not now. If I can get the time, I will be pleased to talk with the gentleman as long as the House will permit.

Mr. VINSON of Kentucky. The gentleman has made a statement which I think he ought to check.

Mr. KERR. Then ask me about it later.

Mr. VINSON of Kentucky. Yes; after the gentleman's time has expired.

Mr. KERR. Listen to what this has done for the tobacco growers. In 1932 the crop in the flue-cured area brought the farmers \$43,000,000. When the A. A. A. Act was invoked and put into operation in 1933 it increased the price to \$112,000,000. It increased the income of the flue-cured tobacco growers \$70,000,000. This was done through the fixing of a parity price and the administration of the A. A. A. under the able and unselfish direction of Chester C. Davis and J. B. Hutson; the fidelity and intelligence of these two public officials stands forth preeminently and is deeply appreciated by a grateful people.

In 1934 there was a further increase over the 1932 crop, and with a crop of 200,000,000 pounds less than we made in 1933 the price to the tobacco growers in the flue-cured bright area brought \$150,000,000. In 2 years, by the operation of these acts and through the administration of the A. A. A. and other supplemental acts, the income of these farmers was increased more than \$175,000,000. This puts them on their feet again. It brought prosperity to their homes and they have been benefited more than any other industry in this country by reason of this legislation.

The farmers want to be left alone. They have not asked for this measure. Two hundred and fifty of as fine farmers as ever came out of any State came from North Carolina and equally as many came from the State of Kentucky, and asked the committee not to favorably report this bill. They told the committee that this law had been tried out in these States and that the farmers did not want it, and I will give you some of the record as to what it has meant in North Carolina.

Almost every section of the tobacco area in North Carolina has had set up upon the markets a Government grading system.

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

Mr. KERR. No; not now. Wait until I get through, and then I shall yield.

This question of grading tobacco is not a new matter. Do not think this is anything new that is being undertaken or proposed. Do not think this for a minute. For 5 years in North Carolina we have had upon our markets the Government grading system, and in the 5 years not more than 10 or 15 percent of the farmers on any market in North Carolina have ever availed themselves of the privilege of having their tobacco graded according to Government standards. And I want to resent right here any statement or insinuation that the tobacco grower is a fool and that he is not competent to attend to his business. If grading his tobacco by Government standards had been worth one penny to him he would have gladly welcomed this method.

Where tobacco has been graded I want this Committee to understand it has not increased the price of the farmers' product.

In 1933 all the tobacco was Government graded on the markets of Oxford and Henderson, N. C. This is a compact area and within 20 miles of each town there are many warehouses and four or five big tobacco sales markets. The average price for the tobacco, all of it graded, on the market where my distinguished young friend, HANCOCK, lives—Oxford, N. C.—in 1933 was \$17.26 a hundred. The average price on the Henderson market, which area is represented in this Congress by my distinguished young friend, COOLEY, brought \$17.84; and on the Durham market, where they had no grading and which is within 25 miles of the Oxford market and 35 miles of the Henderson market, and in the same area, growing the same type of tobacco, the Durham market brought \$18.67 per hundred, or more than \$1 a hundred more for the tobacco that was sold on the market that had no grading than the tobacco sold on the markets where the tobacco was graded by Government regulations and rules. Yet they come here and tell you that the grading of tobacco under the supervision of the Government and under the direction of the Department of Agriculture will help the farmer, when here is the record that nobody will dare to deny in this House or anywhere else.

In 1933 grading was tried in three other markets in North Carolina. On the Washington market, which area is represented by the gentleman from North Carolina [Mr. WARREN]—

[Here the gavel fell.]

Mr. KERR. On the Farmville market, which is also in my distinguished friend WARREN's district, and the average prices, respectively, on these markets was \$14.30 per hundred for Washington and \$16.54 for Farmville; and within the same area, growing the same type of tobacco, where there was no Government grading, tobacco sold for an average of \$16.82 per hundred on the Wilson market and at an average of \$16.82 on the Greenville market.

And also on the Smithfield (N. C.) market—this market is also in Mr. COOLEY's district—the average price paid the farmer per hundred on this market was \$14.86. This was the lowest price the farmer received for his tobacco in the bright belt of this State, with the exception of one market, in an area in which there were 9 large markets and about 50 warehouses operating.

In the Tennessee burley markets in 1934 there was one market—Knoxville, Tenn.—at which all tobacco was graded according to Government standards; in this area there were 13 markets, no grading on any save the one at Knoxville, and in 11 of these markets tobacco brought the farmers a higher average than that made on the Knoxville market; one market was lower than the Government-graded market at Knoxville.

Several years ago the State of Maryland passed a compulsory tobacco-grading law; it was tested and had the sym-

pathetic support of farmers and dealers; it proved a failure; and this law was repealed by the last Legislature of Maryland.

I have personally observed the grading method and followed the sale of Government-graded tobacco; my observation is that the buyer pays no attention whatsoever to it, and it is a matter of utter indifference to him whether it is graded by the Government expert or the farmer himself.

To enforce the method of grading and sampling and weighing tobacco as provided in this bill will, in my opinion, cost the Government \$2,000,000; it is no time to spend money unnecessarily and uselessly; and I repeat, this bill should not be enacted into law; it will not help the farmer, he does not want it, and, in my opinion, as evidence that it is intended to destroy the present marketing system, it only compels tobacco which is sold on these markets to be graded; the pinhooker, the dealer, and anyone else who wishes to deal in the farmer's tobacco can buy it directly from the farmer and outside of the warehouse, and not one leaf or pound of it has to be graded by a Government expert or novice.

Mr. FULMER. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. HANCOCK].

Mr. HANCOCK of North Carolina. Mr. Chairman, I regret sincerely that I cannot see eye to eye with some of my colleagues about this bill. By way of preliminary remarks let me say that I cannot agree with my friend Judge KERR or my friend Judge CLARK or any other member of the North Carolina delegation who is opposing this bill or advocating the so-called "Umstead amendment."

I am supporting this bill in its present form as reported by the committee without reservations or any weakening amendment, because I am satisfied it is designed to aid the welfare of the growers of tobacco, and particularly the tenant growers. No one can deny that such is its true purpose. I plan to discuss the merits of the bill later at considerable length.

Judge KERR has stated that we have had in North Carolina compulsory grading of tobacco. He is mistaken. We have never had anything but optional grading and usually at the grower's expense and with many of the buyers' condemnation.

Judge KERR has further stated here in this well that the primary purpose of this bill is to do away with the auction system. I know that is not a correct statement. This bill will strengthen the loose-leaf warehouse auction system by eliminating its greatest evils and thus perpetuate it for generations to come. The record is clear and convincing on this important point.

Judge KERR has undertaken to show that where tobacco was not graded it brought a higher price than where it was graded. Actual authentic figures of the Bureau of Agricultural Economics prove conclusively the contrary result. However, if this comparison is fair, to my mind this is an additional reason why we need this legislation, and need it badly, especially if we are to protect the grower who sells on the smaller markets, which all of us, I am certain, want to do.

I think I can qualify as an expert on this question, but I do not mean to infer that I know it all. I recognize that this bill will not remedy all the defects of the present system. Mr. Chairman, I represent thousands of tobacco growers and two of the largest manufacturers in the United States. I was born within five blocks of a tobacco warehouse. I well know the way they are operated. I watched the process from my boyhood days up to the present period. I have visited sales hundreds of times. I have sold thousands of pounds myself. I am intimately acquainted with many warehousemen and many buyers, and I like to count them all as my friends. I cannot, however, conscientiously agree with any of them who do not feel that this is a sound, meritorious, and constructive measure. I predict, though, that in the near future they will be glad that this bill became a law. [Applause.]

Remember this bill comes to you supported by the tobacco growers' advisory committee, every member's views having been polled by my distinguished colleague, Hon.

HAROLD COOLEY, during their last meeting here to discuss the 1935 tobacco program. Also remember a similar bill was approved by the tobacco warehouse associations of all the tobacco States during the last session of Congress, which was much more drastic than this bill. Why their sudden desertion will always remain somewhat of an enigma.

Again, remember this bill had practically a unanimous report by the great Committee on Agriculture, which has handled so admirably the A. A. A. program. Before proceeding with my argument I want to call your attention to a dangerous proposal in the offing.

My good colleague from North Carolina, Judge CLARK, referred on yesterday to the so-called "Umstead amendment." I know what it is, and I tell you that if you want to slaughter this bill you will vote for that amendment. I hope to have the opportunity of proving to you my reasons for making this positive assertion later on in the debate, after it has been offered and when we proceed under the 5-minute rule.

Mr. Chairman, no group of farmers in the United States has a better claim upon the Congress for assistance in solving its marketing problems than the tobacco growers. They are the producers of the only agricultural commodity which provides a basis for revenue to the Government. It is an astounding fact that the Federal Government derives more money in the form of an excise tax on manufactured tobacco products than the growers receive for the raw tobacco itself. Eighty to eighty-five percent of the tobacco produced in this country is sold by what is known as the "loose-leaf auction", which had its first development over a hundred years ago and in which there has been no fundamental change in all that time.

The auction system, as now operated, Mr. Chairman, represents a marketing method wherein the buyers must make snap judgment on the price they will pay for the tobacco and the grower is almost completely unprotected. It is a system by which a basket lot of tobacco on which the grower has labored throughout a year is auctioned off in the incredibly short space of 10 seconds. The conditions surrounding this somewhat archaic system of selling tobacco are such that the farmers are practically at the mercy of buyers and speculators, and it is to remedy this situation that H. R. 8026, the tobacco inspection bill, was introduced and is now before the House for consideration. A bill of similar import was introduced in the House last session by the distinguished Speaker, the Honorable JOE BYRNS, who is wholeheartedly supporting this bill and wants to see it enacted into law in its present form. My purpose today is to discuss in some detail the actual procedure on a market of this kind, the specific faults of the system, and show how this bill would tend to eliminate the existing faults and defects and thus operate to protect the grower.

Tobacco sales are conducted in auction warehouses, one-story buildings with large floor space, low roofs studded with skylights, and drive-ins so the farmer can run his wagon or truck into the building for unloading. The tobacco, tied in hands or bundles, is unloaded and arranged neatly in square shallow trays, or "baskets", as they are known, weighed, and placed in long rows extending the full length of the warehouse. On each basket is placed a ticket on which is recorded the serial number of the basket, the grower's name, and the weight of the tobacco. Spaces are provided to record later the selling price, the name of the buyer, and the buyer's private grade mark. The farmer sorts the tobacco into lots according to his judgment of quality, allowing one or more baskets to each grade. In my district a basket of tobacco will weigh around a hundred pounds net on the average, although many baskets, especially the better grades, weigh much less. A basket of particularly fine wrappers, by which we mean certain choice grades such as may be used on the outside of plug tobacco, for instance, may weigh as little as 25 pounds and may sell for as high as 60 cents to a dollar a pound.

Tobacco is judged according to certain well-defined characteristics, among which are the following: Body, quality, color, maturity, elasticity or stretch, injury, ripeness, and so forth. All buyers are trained judges of tobacco according

to these characteristics. The body, which in general means the thickness, is one of the most important elements of grade and largely determines the class of products into which the tobacco will ultimately go. It is the key factor in determining the grade. The bottom leaves of a stalk of flue-cured tobacco and the first to be removed during harvesting are known as "lugs." Being heavily shaded by the upper leaves and very thin, lugs are lacking in the oil, finish, and elasticity of the leaves higher up on the stalk. Also, the tips of the leaves through frequent contact with the ground are rough and somewhat ragged in appearance.

Next above the lugs come the thin-leaf grades, often referred to as "cigarette cutters." Above the cutters are the leaf grades, which are thicker and have more body. This grouping is used as a basis for the Government standards of grade. Each group is subdivided into five or more qualities, and these are further subdivided according to color. All in all, there are about 75 grades of tobacco, and their differentiation involves a technical knowledge far beyond the capacity of the grower or, for that matter, anyone not long trained in judging tobacco.

Flue-cured tobacco, which comprises 50 to 60 percent of all the tobacco produced in the United States, is used for a wide range of purposes. Besides entering into exports to the extent of three hundred to four hundred million pounds a year, it is used in the domestic manufacture of cigarettes, smoking and chewing tobacco. Its most important use in this country is in cigarettes. More than half of the American-grown tobacco used for this purpose is flue-cured tobacco produced mainly in North Carolina, but also in Virginia, South Carolina, Georgia, and Florida. The loose-leaf auction system by which it is sold, however, prevails as to all American types except cigar tobacco and Maryland air-cured tobacco.

The defects of the auction system center around the rapidity with which sales are conducted and the fact that the growers have only their own imperfect knowledge of values to guide them in accepting or rejecting a sale.

The buyers at an auction sale are expert judges of tobacco. They comprise buyers for the large cigarette manufacturers, the large foreign and domestic companies who purchase for export, dealers who have both domestic and foreign customers, and small speculators who have no established place of business, but derive a profit, sometimes a handsome profit, from picking up tobacco which the farmer in his ignorance has let go too cheaply and reselling it almost immediately to the other buyers as farmer-owned tobacco. In the aggregate, speculators draw down each year many hundred thousand dollars in profits that should have gone to the producers.

The buying of tobacco is a highly organized business, and is highly competitive only in the sense that leaf costs must be kept at a minimum to safeguard their competitive position as manufacturers and to build up profits as dealers. It is true of the buyers for the large cigarette manufacturers that each restricts his daily purchases to a fixed percentage of the offerings, and it has been stated that the companies vary their respective percentages from year to year. It is an open question, therefore, whether this does not represent a covert form of price manipulation and control; whether the practice does not constitute a restriction on competition.

Buyers are not sent out on a market with unlimited authority as to price. On the contrary, each buyer is instructed as to the grades he shall buy and the average price he shall pay each day. This is an exceedingly important point, and I call particular attention to it, for it is a fruitful source of discrimination and inequality in the treatment accorded different growers. We will say that a buyer has instructions to buy a certain grade of tobacco at an average of 20 cents per pound. It makes no difference to his company if he pays 40 cents for some lots, provided he bids in enough other lots at a price low enough to maintain his average at 20 cents. For example, here are a few bona fide illustrations:

On a single day, in the same market, the prices paid by one buyer showed the following variations:

For one of his own company grades he varied the price all the way from 20 cents to 32 cents per pound; for a second

grade, 16½ cents to 26 cents; for a third grade, 28 cents to 45 cents; a fourth grade, 23 cents to 45 cents; a fifth grade, 37 cents to 47 cents; and a sixth grade, 48 cents to 65 cents.

On the same day and same market another buyer, representing a different company, was paying all the way from 27 cents to 40 cents for one grade according to his own company's standards. Later in the same week he paid as low as 25 cents and as high as 42 cents for the same identical grade; for another grade he varied his prices on the first day from 26 cents to 33 cents, and the next day from 22 cents to 30 cents; for a third grade he ranged from 32 cents to 44 cents; and for his best grade on one marketing day he varied his price all the way from 41 cents to 75 cents a pound.

On the same market, during the same period, a buyer for still a third company varied his prices on individual company grades as follows, 25 cents to 32 cents on one; 32 cents to 44 cents on a second; 17 cents to 25 cents on a third; 48 cents to 56 cents on another, and so on.

One farmer had two baskets of tobacco in the same row, bought by the same buyer and put in the same company grade. One of them brought 15 cents, the other 28 cents. Another farmer sold two baskets to one buyer of another company who placed them both in his grade F. For one basket he paid 30 cents a pound, for the other 40 cents a pound.

Instances like these are not exceptional, they are common on auction markets, and one can easily understand why a farmer, looking over the sales, should be at a loss to know what his tobacco is worth.

This situation paves the way for paying fancy prices to influential growers—the well-known "market pets." All that is necessary is to take it out of some poor tenant farmer or any farmer who does not happen to bask in the sunshine of the buyer's solicitude. I can present actual warehouse tickets to prove this statement.

Not all of the wide variations can be traced to the evils of favoritism. Many of them relate to the uncertainties of bona fide competition for individual lots of tobacco. But competition of this sort is not as full and complete as might be inferred from the number of buyers present. Each buyer is looking for certain specific grades of tobacco, and the actual competition depends upon the extent to which these grades coincide, restrained, I repeat, by the thoughtful provision that no company buyer may purchase more than his prescribed share of the market. Rarely does any buyer cover the market; that is, purchase or bid on tobacco of any and all grades.

The rapidity of sales produces many errors in judgment on the part of buyers and, combined with the conditions just described, enormously increases the frequency of inequality of prices by which growers may lose in this great game of selling tobacco. The rate of selling allowed by the warehouse code is 360 baskets per hour. This means that every 10 seconds a basket of tobacco has been knocked down to the highest bidder and the sale has moved on to the next basket. The buyers form their judgment by drawing a generous sample of tobacco and making a hasty inspection, provided they are close enough to do so. They are ranged single file on one side of the row being sold, and only those close to the basket can make this kind of an inspection. The others scan it from a distance of several feet.

The best that can be said is that the inspection is too hasty to be thorough and errors of judgment are very numerous. Perhaps some growers are the beneficiaries, but many more are tragic losers. The buyers are protected by their averages. And in case all the company buyers are mistaken and underestimate the real value of the tobacco, the speculator, the pinhooker, as he is known on all tobacco markets, is there to buy up the bargain and resell it at the price the grower should have gotten in the first place.

Of course, the farmer always has the privilege of rejecting the sale and of reoffering the tobacco, and the privilege is frequently exercised, sometimes wisely, sometimes unwisely. The rejection of a sale is filled with uncertainties. To begin with the only prices published by a tobacco market are the averages of all sales with all grades lumped together. In

the second place few farmers know the company grades. Knowing no grades and having no means of sifting out the prices paid for different qualities of tobacco, he has no definite criterion of values. He may be justified in his conviction that the price he received was too low. But on the other hand, since a farmer's own tobacco usually looks better to him than it does to anyone else, he may be mistaken. Therefore, in order to improve his returns by reselling he must incur the possibility of a direct loss. In this dilemma one might think the grower could seek the advice of the warehouseman, who stands in the relationship to him of a commission merchant; but such is not the case. The buyers and warehousemen on every market must be members of the local tobacco board of trade and they are governed by rigid rules. Under these rules no member may make a seller dissatisfied with a sale.

This very questionable rule estops the warehouseman from telling the grower what he may know, that he did not receive a fair price. If the grower is too dissatisfied and there is danger he may remove his tobacco and his patronage to another house, the warehouseman may buy the tobacco himself at a price above that bid in the sale. The cost will be charged to the warehouseman's leaf account, and the tobacco will be sold later as farmer-owned, possibly at a profit, possibly at a loss. As a rule, warehouseman's leaf accounts are operated at a loss and are considered a necessary part of the cost of retaining patronage. Occasionally, however, unscrupulous warehousemen operate in conjunction with speculators and share in the profits, at the expense of their farmer customers.

When a warehouseman gets that low, and I want to say the vast majority of them do not, there are ways they can skin the farmer without his knowing it. For example, he can do it by making the opening bid too low. The warehouseman always makes the first bid, and the way a bid is started has a great deal to do with the final price. If he thinks a certain basket of tobacco is worth 40 cents a pound all he has to do is start it at about 10 cents. The buyers may think there is something wrong with it and the bidding may never get above 20 cents. Then the speculator buys it in for the warehouseman and they can put it up later, starting the bid at 20 or 25 cents and run it up to 40 or more.

The practice of rejecting a sale is frowned upon by warehousemen and buyers alike. Sometimes when a farmer has several lots of tobacco on the floor, and he rejects the sale of one of these because of the unsatisfactory price, the buyer may refuse to take any of the tobacco. This has the effect of clubbing the grower into accepting the low sale in order not to lose the entire sale. In formulating the warehouse code a rule was incorporated to stop this malodorous practice. Warehousemen do not like rejections because it means they must render additional service without extra compensation. Therefore many of them oppose tobacco inspection service because it promotes an intelligent use of the rejection privilege, and since they stand in a peculiarly close and influential position with growers, a few of the more selfish and less broad-minded warehousemen have been active in opposing tobacco inspection service.

I have tried in this brief outline of the auction market, Mr. Chairman, to show the conditions under which the tobacco growers have been selling their tobacco for generations, and some of the reasons why they need the assistance of government to lift them out of the rut. They are in the hands of a system operated under rules in which they have no voice and which affords them very little protection against certain vicious practices which are possible on an auction market. The governing body on a tobacco market is the tobacco board of trade, and farmers are not eligible to membership and are not represented.

House bill No. 8026, the tobacco inspection bill, is designed to ameliorate some of the adverse conditions I have just described and give some measure of protection to growers in the sale of their tobacco. The most important features of the bill are that it would provide, first, an inspection serv-

ice by which all the tobacco offered for sale on a market would be inspected by competent judges of tobacco in Government employ and graded according to United States standards of quality; second, a market news service which would analyze sales daily and issue price reports to show the current average market price for each grade of tobacco. This statement perhaps sounds simple, and yet a moment's reflection will show that these two services, inspection and market news, penetrate to the very heart of the deficiencies of the auction marketing system. For whereas under existing conditions the grower is without criteria as to either the quality or the value of his tobacco, these services furnish him impartial, disinterested information on both grade and value.

The operation, briefly, is as follows: Government inspectors go out on the floor before the sale is scheduled to begin and examine each basket of tobacco. By the use of an adequate number of inspectors they are able to make a more leisurely and thorough examination of the tobacco than is possible to buyers during the rapid sales. The inspectors mark on each ticket the symbol of the Federal grade of the tobacco. Later when the tobacco has been sold the farmer must decide whether to accept or reject the sale. Whereas, under the old conditions, he had no grade or price information to guide him and no one to whom he could turn for advice, he now has specific information. The grade mark on his ticket tells him the quality of his tobacco. Let us say the grade is C2L, in other words, a second quality cutter, lemon color. On consulting the Government price report in his hand he finds that the average price on C2L the previous day was 45 cents. Perhaps he received only 20 cents, or even less, for his tobacco. Here is a clear cut, definite indication that the buyers underestimated the value of his tobacco. The chances are better than even that this grower would get a higher price by reoffering the lot. Experience shows that almost invariably when the bid price on a lot of tobacco is materially below the published average for the grade, an improved price is obtained by rejecting the sale and reoffering.

Here is a different situation. The farmer's tobacco has been sold and he feels that the price was too low. However, the price report shows that his bid price was equal to or greater than the published average for the grade. If the farmer is wise, therefore, he will accept the sale. Experience shows that the chances are better than even that in such cases the second sale will be less than the first. The effect of the service in this case is to counsel the grower to accept the sale instead of incurring the risk of loss by resale.

Inspection service operates in a further way to benefit not only the growers but the buyers. At the time the auction on a basket of tobacco is in progress the official grade is announced to the buyers. It is true that the official grades do not coincide with company grades, and there is no expectation that the companies will adopt Government grades in preference to their own. As a matter of fact, the company grades more nearly represent the particular quality each is interested in than could the Government grades, and if all company grades were alike there might be no need for an official standard. However, it has been found that the buyers quickly familiarize themselves with the Government grades and are able to correlate them with their own. Therefore when the Government grade on a lot of tobacco is announced they are able to interpret it in terms of their own system of grading.

It is not anticipated that the announcement of a Government grade will obviate the need of personal inspection of tobacco by the buyer or that it will supplant in any way the auction system. The grade is announced merely for the information of the buyer and for such use of it as he may wish to make. It affords him the benefit of the grader's judgment of the tobacco to supplement the result of his own examination. This may operate in several different ways. The buyer may find that the Government grade confirms his own opinion of the tobacco, either that the tobacco is suitable for his use or that it is not suitable for his use. In the former case it serves to strengthen his determination to buy the tobacco. In the other case the result is just the opposite.

In still a different situation the buyer may find that his judgment is in conflict with the grader's judgment. For example, the buyer may have reached the conclusion that the tobacco is not suitable for his use, whereas if the Government grade is correct, it would appear to be in line with the tobacco he wishes to buy. In this case it must be assumed that the buyer would make a further examination of the tobacco either to confirm his first opinion or to revise it. The result might be that he would bid on the tobacco, whereas he had not intended to do so.

In the opposite situation the Government grade may indicate that the tobacco is not suitable for his use, whereas the first conclusion was that it was suitable for his use. Again he would normally make a further examination. He might remain of the same opinion after a second examination, although, on the other hand, he might conclude that the Government grade was correct and that he could not use this tobacco. In this case the buyer would have been saved a mistake and the loss involved in a bad purchase. It is not to be argued from this that, because in some instances the Government grade may have restricted bidding on individual lots, the system has operated to the detriment of the growers. As a matter of fact what I am endeavoring to point out is that the grading, if intelligently used, performs a constructive service to the buyers on the market and thereby promotes a better market.

The tobacco-inspection service has been in operation on a very restricted basis during the past 8 years. Only during the past 6 years has the Department of Agriculture had an appropriation for the work and this appropriation has been grossly inadequate. Nevertheless the Department of Agriculture, operating in conjunction with State agencies, has increased the amount of tobacco inspected from a half million pounds to more than 100,000,000 pounds per annum. Most of the work has been done on the basis of a fee charged to the growers. On some markets, however, the warehousemen or other agencies have contributed to the cost of the service. The purpose of the present bill is to place the grading service on a sound financial basis and through its wider application endeavor to promote greater uniformity of prices for tobacco of equivalent quality and value. It has been designed to render constructive service to the auction marketing system. The Federal Trade Commission has characterized the inspection service as the most important development in auction marketing during the past 50 years.

The Department of Agriculture has conducted careful studies to determine the effect of inspection service on the price of tobacco. Accordingly the sales of several million pounds of tobacco on three fairly large markets in the flue-cured district, one of them in my home town, were analyzed during the past marketing season to arrive at an accurate comparison of prices paid for tobacco of the same grade, that sold under Government grade, and that not sold under Government grade. I am giving you below the actual comparison, grade by grade, of the tobacco sold in my own market.

Statement showing grade price comparisons for officially and unofficially graded tobacco on the Oxford, N. C., market, as compiled by the Tobacco Section, United States Department of Agriculture, at the Tobacco Market News Office, Raleigh, N. C. Season through Dec. 15, 1934

TYPE 11 (B)—CROP OF 1934

(NOTE.—Prices shown as "official" represent sales of tobacco officially graded, the grades being plainly marked on the basket tickets and announced to the buyers during the sale.)

Prices shown as "unofficial" represent sales of tobacco graded in code, the grades not being announced to the buyers. Each price shown is the average of not less than 20 lots.

The object of the study was to determine the effect of the tobacco-grading service on prices paid to growers.

Grade	Official	Unofficial
Leaf:		
B1F.....	\$48.20	\$43.40
B2L.....	42.70	41.00
B2F.....	43.60	41.30
B2R.....	41.90	38.90
B3L.....	34.20	32.50
B3F.....	34.70	31.00

Grade	Official	Unofficial
Leaf—Continued.		
B3R.....	\$32.60	\$27.70
B4L.....	26.50	24.30
B4F.....	24.70	23.70
B4R.....	23.20	18.80
B4D.....	22.20	16.30
B4G.....	21.90	21.10
B5F.....	17.20	14.30
B5R.....	14.80	12.70
B5D.....	13.40	11.50
B5G.....	15.70	14.30
B6F.....	11.10	10.00
B6R.....	9.90	8.60
B6D.....	8.80	8.00
B6G.....	9.80	9.40
Smoking leaf:		
H2F.....	41.90	39.90
H2R.....	39.60	31.30
H3F.....	35.80	31.70
H3R.....	32.80	25.80
H4F.....	27.70	22.80
H4R.....	23.00	20.20
H5F.....	17.60	14.20
H5R.....	14.80	13.30
H6F.....	12.50	10.70
H6R.....	10.80	10.00
Cutters:		
C2L.....	45.70	45.50
C2F.....	46.50	44.90
C3L.....	44.30	43.00
C3F.....	45.00	41.10
C4L.....	42.20	40.20
C4F.....	43.00	41.20
C5L.....	39.60	38.20
C5F.....	40.40	40.40
Lugs:		
X1L.....	39.50	37.00
X1F.....	39.60	35.40
X2L.....	34.40	30.10
X2F.....	33.40	29.60
X3L.....	25.60	20.00
X3F.....	25.10	20.90
X4L.....	17.20	13.50
X4F.....	16.70	14.50
X5F.....	12.40	10.60
Priming lugs:		
P1L.....	35.40	35.40
P1F.....	36.30	33.40
P2L.....	29.60	31.30
P2F.....	29.60	24.40
P3L.....	23.00	21.60
P3F.....	24.00	21.20
P4L.....	14.10	15.00
P4F.....	14.80	14.20
P5L.....	11.00	10.90
P5F.....	9.90	9.50
Nondescript:		
Non.....	6.10	4.90
Total.....	1,578.00	1,436.50
Average.....	27.20	24.70

Mr. Chairman, this bill is not without opposition, most of which on the part of the growers is due to a lack of knowledge of its true purposes. Many ridiculously misleading and false statements have been made about it. A highly organized campaign was put on in my State by some of the warehousemen in an effort to thwart the passage of this wholesome and constructive measure. It has been my personal experience, however, that with few exceptions whenever and wherever a grower thoroughly understood this measure he has enthusiastically advocated its enactment into law. It is extremely difficult for me to understand how any fair-minded person could oppose this bill, especially since it has been amended to provide for a referendum and arrangements have been made whereby the entire cost of this service to the growers will be borne by the Government. From the beginning I advocated these two amendments, for I could not believe that the bill could be effectively administered unless it had the affirmative approval of those whose interests it aimed to serve. I also felt that no additional burden should be put on the buyers. Of course, we all recognize that it will take considerable time within which to perfect this improved system; but the sooner it can be inaugurated the sooner we may hope to bring about the reforms in the present system which are so greatly needed for the protection of the tobacco grower. With the whole-hearted cooperation of the warehousemen, who are supposed to stand between the grower and the buyer and secure for the grower the true market worth of his tobacco, the success of the measure will soon be realized.

If, on the other hand, some of the warehousemen and buyers should continue to deprecate and assault the purposes of the measure, there can be no doubt but that its

effectiveness will be frustrated and long delayed. It is also highly important that those in charge of the administration of this act will take every precaution and apply every safeguard to the end that the smaller markets may not be discriminated against in favor of the larger markets. I would not advocate this measure if I felt for a minute that the smallest markets in the tobacco districts would not be adequately protected, for nothing could be more calamitous to the smaller communities than to see these markets injured. Under the section of the bill providing for the referendum, the possibility of injuring the smaller markets would seem to have been fully removed.

As may be readily inferred from conditions which prevail on an auction market as already described, a system by which the farmer can be reasonably assured of a fair price for his tobacco may not coincide with the plans and wishes of some of the tobacco buyers. While it is true that many of the buyers have the best of motives and a real sympathetic attitude toward the tobacco farmers, it is also true that to many of them a tobacco market is a sort of happy hunting ground, and any measures for the protection of the growers will meet with their disapproval. It is not surprising therefore that intensive propaganda has been started by some of the tobacco trade to defeat this bill, or that growers were influenced to come up here and oppose it. Many such farmers belong to the class known as "market pets", who are usually well taken care of by their buyer friends and who do not need the protection of the tobacco inspection bill. Many others who have had no experience with it or have not learned to make an intelligent use of the facilities which the inspection service and market-news service afford are being persuaded that the tobacco inspection bill is not meritorious and would really operate to their detriment.

Many of the Members of this body will recall that when the Cotton Warehouse Act providing for Government inspection of cotton was before the Congress a similar situation arose, and the opposition to the bill was intense. That opposition, as most of the opposition to this bill, was based on misunderstanding and on the propaganda of those who for reasons of their own opposed this measure. I fully appreciate the fact that some honest warehousemen have conscientiously raised objections to the original bill, believing that it was impractical and would operate against the welfare of the grower and adversely affect their own businesses. Since the bill has been amended, however, to meet practically all of their objections, I have not personally received a word of opposition.

One of the most important sections of the bill would authorize the Secretary of Agriculture to designate markets for tobacco-inspection purposes, the constitutional authority being related to the interstate commerce character of trade in tobacco and tobacco products. When a market has been so designated by the Secretary and after a lapse of 30 days, it would be unlawful to sell tobacco at auction on that market until it had been officially inspected and certified as to grade by the Department; except, however, that the Secretary is authorized to suspend the requirement of grading if due to the exigencies of the service insufficient graders are available. The purpose of this exception is to insure that the requirement of grading will not operate to suspend or delay sales.

The present bill includes a committee amendment which clarifies the original language and provides that nothing contained in the act shall be construed to effect transactions in tobacco at markets not designated by the Secretary or at designated markets where the Secretary has suspended the requirement of inspection, or to authorize the Secretary to close any market. This amendment would seem to meet a very serious and perhaps justified objection under present conditions which was raised to the bill by many warehousemen.

Mr. Chairman and members of the Committee, without impugning the motives of anyone who may differ with me about this measure, I give it as my sincere conviction that there can hardly be any well-founded opposition to the bill in its present form except from those who do not want the farmer

to have accurate and reliable information as to the quality and value of his product, which he does not have under the present system, and which would unquestionably place him in a better bargaining position for the product of his labor.

No one can deny that under the present system there is an element of guess and gambling in the marketing of tobacco which affords an opportunity for great loss to the growers. Of course, this measure will not entirely eliminate these elements, but it will greatly reduce them. All of us who have studied this important question know that tobacco has too long been a crop sold in confusion, out of which a few have grown very rich and many have been left struggling for the barest existence. Therefore, any sound plan which is made toward the elimination of this confusion and which will aid in an equitable distribution of the wealth which has flowed to the few from this crop would be a blessing to a large majority of the hundreds of thousands of families dependent upon this crop for their economic welfare. With great benefits to themselves they have trusted their Government in a program of control of production, and I therefore feel that they should welcome the assistance of Government which this bill affords in the problem of marketing their tobacco. I invite all of you to read carefully the able and intelligently prepared letter in support of this measure addressed to the Honorable MARVIN JONES, chairman of the committee, by the Honorable Henry A. Wallace, Secretary of Agriculture.

Mr. Chairman, as the able, fair, and comprehensive report filed with this bill so clearly shows, this measure has been carefully considered, and in the opinion of a majority of unbiased students it is one of the most constructive measures ever introduced in this House for the benefit of growers. Though its primary purpose is to aid the grower, it is my considered judgment that if properly administered it will be helpful to the entire industry. As a matter of justice to the grower and as a matter of sound economic policy it deserves the hearty approval of every Member of this House, and it would make me very happy if not a single vote were cast against it. [Applause.]

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, this bill, if it becomes law substantially in the form here presented, will, in my opinion, be one of the most direct steps taken by this House at any time within the past 15 years, to place the farmers growing tobacco in a position to maintain their self-respect, provide for their families, and maintain that degree of decency, self-reliance, and independence the raw food producers of this country are entitled to enjoy under the American form of government.

What is the American farmers' problem? Is it one of production? Most emphatically I say that it is not. Is it one of marketing—just as emphatically I say that it is a marketing problem. Problem for marketing what? Why, bless your soul, it is a problem of marketing his labor in the form of the products which he grows on his farm and takes to the organized market.

When the grower of tobacco, cotton, wheat, wool, beef, corn and hogs, sugarcane and sugar beets, and all the other growers, whether of fruits, vegetables, or some other crop, arrive at the place of market, he butts up against an organized technically trained army of commission men, warehousemen, brokers, and buyers of every kind and description. This organization has for years been bleeding the very life out of the farm folk of this Nation, and the information I have secured in connection with this proposal to deal with the tobacco crop leads me to believe these growers should be classed as "exhibit A", who are being deliberately and maliciously scalped by the organized machine through which they must sell their labor.

These tobacco growers go into the field and toil and sweat and produce this weed which so much appeals to the teeming millions of our people—men and women, young and old, the rich, the middle class, and the poor alike. An unfortunate, hungry, shiftless, shambling, wasted form of a man, walking the streets in the wee hours of the morning, picking from the gutter his cigar stubs and cigarette butts, has the same kind

of a longing for the satisfaction which comes from the weed as does the millionaire who smokes his \$1 cigars, or the lady in pink who takes from her solid-gold cigarette case her daintily initialed and perfumed cigaretts and smokes them in her boudoir or in the salon of the glittering hotel.

When this tobacco is brought to the warehouse by the grower who has so toiled and gathered, he places it in the care of the great warehouseman who is supposed to act as the representative of the tobacco grower. This grower places his labor—and that of his wife and children—all in the form of tobacco, into the hands of the warehouseman and leaves it to his trusteeship to sell and make returns on, less the "de-ducts" the warehouseman trustee may see opportune to make under the customs and practices which prevail. This farmer tobacco grower, trained to subserviency from childhood and taught down through the years to respect the rights and power of capital and organized business, with a simple trust and faith of a child, places his lifeblood and that of his loved ones in the hands of the warehouseman trustee. He knows no other way in which to dispose of his tobacco labor. There is no other plan through which he can convert his tobacco labor into consumer goods which he and his family so badly need under our standard of living. He must conform to the organized scheme of things and do business with the crowd or go into some other line of work to eke out an existence under the marketing scheme which governs in that field.

Here we are discussing the marketing problems involved in a protected crop. When this Congress votes protection against the importation of tobaccos from other parts of the world, the votes cast in favor of protection are justified on the grounds that the American tobacco grower is to receive the benefits of the protection. How can he receive that protection, or any part of it, if he must dispose of his tobacco labor in a manner and under a scheme which is so organized and operated that all the benefits of protection go to the processors, the warehousemen, the speculating pinhookers, and other breeds of scalpers who have organized themselves in a manner as to perfectly skin the life out of the farmers who grow this most popular weed. During the past 15 years, this House has gathered information which has so enlightened those who desire to be informed, that we can no longer square ourselves with the farm folk of this Nation simply by voting "protection" and then never taking any steps to see where the benefits of that protection ultimately go. If in the passing of all of these bills supposedly in favor of the agricultural workers, we continually ignore the fundamental problem—I say to you Members of this House, our sins will eventually be found out by the farmers of this Nation, and others will occupy the space which we now fill. If I may be critical for a moment, I shall direct my criticism against those leaders engaged in our different protected industries first, and, secondly, I shall criticize every man or woman, a Member here, who boasts that he or she is a high protectionist and at the same time is never in favor of going the necessary length to see that the benefits of protection go to those in whose name the prayer has been prayed. No Member of this House can successfully deny the thoroughness of the enslavement of the American farm folk. To every student of agriculture, transportation, and the organized machine through which farm products are bought, processed, and distributed this fact is self-evident. It needs no proof. Certainly the process has been slow in development.

Beginning at the time all of our people were living on a piece of land and with practically everyone producing what he consumed, and coming on down to this highly technicalized age where farm operators must sell their labor under the disadvantage which prevails and operates against them in the market places of this country, we find the development has been sure in its results and operation. On this floor we listen to many speeches with reference to protecting the funds which have been accumulated by the tax gatherer. No valid objection can be found against this. However, Mr. Chairman, I wish to point out that it is more necessary to protect the source from which tax funds flow than it is to protect the

fund itself. Certainly we should protect the fund, but the point I make is the source is the most important of the two. How can organized business be maintained if there is to be imposed upon the agricultural class such capitalistic burdens as to take away everything this class has in the way of purchasing power. That is exactly what is going on now, yesterday, last year, and the past 15 years. You do not have to be smart to discover this. It is simply a question of admitting the facts which are self-evident. The farmer has no marketing machinery through which he can sell his labor for what it is worth. If he is deprived of purchasing power, where shall the industrialist sell his goods and how shall the city dweller live, except through the exploitation of the farm worker?

Mr. Chairman, it is only necessary for one to study the operating statements and the balance sheets and capital structure of the tobacco industry to see what has been going on with reference to the marketing of this crop. Such a study will convince any fair-minded man that the processors and others linked up with them have not been satisfied with the wages of necessary and efficiently executed service in the tobacco-exchange machine, but that the organized exchange machine has gone further and has not stopped short of sheer looting. That is a fact statement which I now challenge any man to refute. The economic and social conditions surrounding the average tobacco grower is the other side of the proof sheet and there is a perfect balance.

Mr. Chairman, business should be conducted on a plane and as something more than an opportunity to make people—tobacco, corn, hog, wheat, cotton, sugar-beet and sugar-cane, vegetable, potato, and rice growers—poorer, for and on behalf of the business man. By experience I for one know that it is unsound to conduct business on a sheer loot basis. Some day, Mr. Chairman, the business men of this country are going to be forced to accept the responsibility of conducting business on a basis which leads to making people happier and more prosperous—and profits will flow as a reward for the accomplishment of that purpose.

For years business has enjoyed certain rights. Now and then, and mostly now, we hear great complaint from business against any invasion of those rights by Government edict. Where there is much smoke we can often find fire.

I am one who appreciates the necessity of an exchange machine to be used by this highly technicalized age and people we have about us today. I understand how to use transportation, warehouses, manufacturing plants, selling forces, and financial machinery. In no way do I contend these agencies are unnecessary or that they should be done away with. Appreciating the value of all of this, I do not agree with the demand too often made that there shall be unbridled power given to the organized machine which, having obtained that power, uses it only for their own enrichment, without regard to law, Government, the primary producer, and the final consumer. It is very difficult for business to appreciate its duties and responsibilities. Upon the honesty and efficiency and fitness for his place in the business machine, the business man will have much to do with the prosperity of the entire populace.

Why is it necessary for this House to be forced to deliberate on steps necessary to take, to see that tobacco growers receive a just share of the total price paid by the consumer? Only because the leaders in the tobacco industry, the processors, warehousemen, buyers, pinhookers, and others, deliberately plan and scheme how to bleed white the man who grows the tobacco. That is the only reason. This is a highly concentrated industry. There are only a few tobacco concerns. Perhaps some five or six large companies control directly or indirectly 75 percent to 85 percent of the total crop. Should it be necessary for us to take steps to make that small group tote fair with the tobacco growers of this Nation? Should this protected industry have at its head leaders who have no wider vision than this? Should this monopolized industry which, through its billboard advertising, radio broadcasting, and full-page advertisements, reaches into every home in the Nation which has enough

ready cash to purchase chewing, or cigarettes, or cigars, or roll your own be forced to have a little consideration for the tobacco grower?

If it is necessary to use force, then if a way can be found under the Constitution, let us proceed to find that way. Then having found a way of correction in this field, let us spread that remedy until we have covered every farm crop grown in this great country and through helping these farmers find a way to market their labor, bring to them the economic independence to which they are so justly entitled. [Applause.]

Mr. FULMER. Mr. Chairman, I yield 5 minutes to the gentleman from Kentucky [Mr. VINSON].

Mr. VINSON of Kentucky. Mr. Chairman, in the final analysis, I do not believe that the gentlemen who have spoken in opposition to the bill today hope to defeat directly the passage of this bill. I think the speeches that have been made in opposition to it are smoke screens thrown out to assist in the passage of an amendment which if adopted, in my judgment, would practically defeat the purpose of the bill.

No one acquainted in the tobacco country and with the methods used in the auction sales of tobacco, who believes that the farmer is entitled to get the full worth of his product, can vote against this bill. Because when the farmer brings to the auction floor his crop of tobacco, which took him 13 months to raise, he does not sell his tobacco—he takes it on the auction floor where the tobacco is sold in a jargon that is liken to unknown tongues. He actually does not sell his tobacco—the buyers pay him what they want to pay him for it. Ofttimes the tobacco farmer has no information relative to the price he has received for his tobacco until he receives his check in payment thereof.

Who buys the tobacco? In the main it is a representative of the tobacco manufacturer or at times a speculator who buys it for the purpose of resale at a profit.

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

Mr. VINSON of Kentucky. Yes.

Mr. FOCHT. What is this interference with the open competition in competing for the tobacco? That question is suggested by the fact that in Pennsylvania the competition in purchasing tobacco is so keen that they give a down payment on tobacco that is only half matured.

Mr. VINSON of Kentucky. My understanding is that the auction system is not used in Pennsylvania. I cannot speak for Pennsylvania, but I know about Kentucky. Eighteen of my 20 counties grow tobacco. I know that when the farmer takes his tobacco into the warehouse and they buy it at the rate of one basket in each 10 seconds, that they take his crop away from him at the price they want to pay.

Let me say to you in the few seconds I have left that the buyer of the tobacco represents the manufacturers of the tobacco. He is their paid employee. If he is not, he should be loyal to them. He will resolve every doubt as to the worth of the tobacco in favor of his employer, and he does that. The more cheaply he buys the farmer's tobacco, the more money he makes for his employer and the better grace he stands with them. Tell me that a man who is paid by the tobacco manufacturer to buy tobacco will give the farmer a break? Never. The farmer does not sell his tobacco; they take it away from him. It is the most natural thing on earth for the buyer to resolve every doubt in favor of his employer.

Gentlemen ask how this bill will help. If Federal grades are written on the ticket it is bound to have an effect. The farmer will know what his tobacco is bringing, not only on that market but on the markets in the surrounding country. Then he can either accept or reject the offer made.

There is only one side to this question. The man or woman who believes that the farmer ought to get the full value of his tobacco should support this bill. If you believe that somebody else ought to get a part of the value of that tobacco, whether he be a speculator or a dealer, then oppose the bill.

I grant there may be large markets who oppose this bill, that would like to centralize the sales in the large markets

and destroy the smaller markets. If you believe in that centralization, if you believe the farmer ought to carry his tobacco 50, 75, and 100 miles away from the smaller markets, you should be against this bill.

The man on the small market is entitled to get as much for the same grade of tobacco as one who sells on the larger market. It may cost the manufacturer who buys the tobacco a little more to go around to the several markets, but the man who sells his tobacco on the small market ought to get just as much per pound for the same grade as the man who sells it on the larger market.

We have inspection of grain, inspection of cotton, inspection of wheat, and many other things. Give the tobacco farmer, who is instrumental in bringing \$500,000,000 annually into the Treasury of the United States, a fair deal. [Applause.]

[Here the gavel fell.]

Mr. HOPE. Mr. Chairman, I yield 10 minutes to the gentleman from Kentucky [Mr. CHAPMAN].

Mr. CHAPMAN. Mr. Chairman and ladies—

Mr. MICHENER. Will the gentleman yield for a question? Mr. CHAPMAN. Briefly.

Mr. MICHENER. Does this bill attempt to require compulsory grading before the farmer attempts to sell at the auction?

Mr. CHAPMAN. This bill does require that, provided that in the referendum a majority of the growers on a given market so vote. It makes it compulsory on every other grower, unless the amendment that will be offered by the gentleman from North Carolina [Mr. UMSTEAD] is adopted. I shall support that amendment, and with that amendment in the bill removing the compulsory features, there should be no serious objections to the bill.

Mr. MICHENER. The gentleman then feels, as a matter of fact, that the bill is unconstitutional?

Mr. CHAPMAN. I am sure of that, and I will discuss that in a minute.

Mr. Chairman, this bill to some of the members from non-tobacco-producing sections of the country may appear to be a trivial matter but to some of us who represent important tobacco-producing districts it is one of the most important bills that has come before this House. I am a rather small producer and extensive consumer of the aromatic weed which gives solace and comfort to countless millions. I represent one of the largest tobacco districts in the world; in fact, the largest burley-producing district in the world. Burley is the body of the popular brands of cigarettes which manufactured by the blending of the burley and the flue-cured leaf of North Carolina pay nearly half a billion dollars of revenue annually into the Federal Treasury. My own county produces more tobacco than the entire district of the author of this bill, the gentleman from Virginia [Mr. FLANNAGAN]. The market in my home town sells more tobacco than is sold in the gentleman's entire district. There is one market in my district where 10 times as much tobacco is sold annually as is sold in the district represented by the gentleman from Virginia [Mr. FLANNAGAN]. There is only one Member of this body today, the gentleman who has just spoken, Mr. VINSON, whose district produces even half as much burley tobacco as the district which I have the honor to represent.

Although in that district tens of millions of dollars are invested in thoroughbred breeding establishments; although a farm income of millions is derived from the sale of lambs, grass seed, and other farm products, yet burley is the principal money crop, and its production and sale constitute our basic industry. The banker, the merchant, the lawyer, the butcher, the baker, the candlestick maker all are largely dependent for their prosperity upon the prosperity of tobacco growers. The amount received for our tobacco crop determines in large measure the buying power of our people.

I have been in the thick of every fight since reaching maturity for the welfare of tobacco growers. Fourteen years ago when the burley growers undertook to form a cooperative association for the marketing of tobacco, I traveled more miles and made more speeches in their behalf than

any other man, living or dead. The gentleman from Kentucky [Mr. VINSON] and I spent weeks here in the fall of 1933, when the Congress was not in session, helping to work out a plan whereby the Agricultural Adjustment Administration would benefit the burley growers.

Before that, when the Agricultural Adjustment Act was pending, it would not have been operative on burley at all except for the amendment changing the base period on tobacco from a 5-year pre-war period to a 10-year post-war period, which the gentleman from Kentucky [Mr. VINSON] and I sponsored and which, with the generous support of the distinguished Chairman of the Committee on Agriculture [Mr. JONES] and other members, was written into the law. Without that amendment there would have been no A. A. A. tobacco program in Kentucky. That program has already added millions to the income of burley growers.

I received from Dr. Hutson, chief of the A. A. A. tobacco section, one of the first contracts that came from the printing press, and upon the invitation of the Kentucky growers I opened and led the speaking campaign for the signing by more than 90 percent of the growers of the agricultural-adjustment agreements for the reduction of tobacco acreage. So I think I can qualify to speak for tobacco growers as well as some of the other gentlemen.

We appreciate the solicitude of the venerable gentleman from Chicago [Mr. SABATH] for our tobacco growers, as his soul seems to be wrung with anguish in contemplation of their pitiful plight and he proposes to amend the Constitution to make such a bill constitutional. Also our hearts are touched by the plaintive tones of the distinguished gentleman from Georgia [Mr. COX], where tobacco is grown in small quantities and is still in the experimental stage.

My friends, the auction system is not perfect by any means, but no substitute has been offered, and until a substitute that is better is offered, then and not till then will I follow the leadership of these gentlemen. They use the word "warehouseman" as if it were a term of reproach, opprobrium, and disgrace. Who are those men? In my country 90 percent of them are bona fide tobacco growers, forward-looking, public-spirited citizens.

The gentleman from Virginia would convince you, if he could, that this bill would eliminate the speculator. Why, Mr. Chairman, speculation will cease whenever the time comes that there is no commodity to sell or purchaser to buy. Human nature does not change. You cannot change it by legislation. There seems to be a prevailing obsession that if there is an ill that needs a cure, all that is necessary is a legislative panacea; that the way to remedy the evil is by enacting a law upon the subject, and we proceed to resolve ourselves into a sort of legislative cure-all.

We have had enough laws affecting the marketing of tobacco. Let the A. A. A. continue its good work. That is not compulsory. It is a voluntary agreement entered into by the growers with their Government. That is enough. Do not force this grading on them, do not rock the boat, let the present law work, and do not legislate any more on marketing methods.

Mr. Chairman, it requires 5 years for tobacco companies to train a man so they will let him buy tobacco for them. How can the Government by holding a grading school for a few weeks put out men competent to grade tobacco? The best tobacco graders in Kentucky are the men who have grown tobacco from boyhood, who learned from their fathers how to grow and grade tobacco. They know best how to meet the market. I resent the charge that they are ignorant and incapable of grading their own crops and preparing them for market. I say they know more about it than these agents who would be sent out by the Government to tear up a basket of tobacco before it is sold.

How do the Government graders grade it? They use numbers and letters. Imagine some farmers meeting and one asking the other, "George, what did you get for your AIF, or for your B3R?" They sell tobacco and they buy tobacco according to color and quality and not according to a conglomeration of A B C's and figures. They mean nothing. These men do not contend that the buyers would be gov-

erned by the grades put on it. It would have no effect on the price. The good tobacco grower in Kentucky knows his tobacco. He prepares that basket with the same meticulous care with which he or his neighbor prepares a thoroughbred yearling when he ships it to Saratoga Springs, N. Y., for the August sales. He does not want a Government inspector coming along before he sells it and tearing that basket to pieces and writing numbers and letters on it. That is like kicking his dog, it is almost like striking his child. He takes pride in his tobacco and he does not want this Government grading forced upon him. There is nothing compulsory about wheat grading or cotton grading. Why make this compulsory?

With this amendment, which Mr. UMSTEAD will offer, the bill will provide that when a sufficient number of growers who sold on a given market during the preceding season vote for Government grading at that market the graders will be provided by the Government for those who desire to avail themselves of such a system for whatever benefit they may receive or hope to receive. That is all right, but for God's sake do not force this thing on every other man who does not want this done to his tobacco.

Mr. DICKSTEIN. Will the gentleman yield?

Mr. CHAPMAN. I am sorry, I cannot yield.

Mr. Chairman, this bill flouts the recent unanimous decision of the Supreme Court in the Schechter case. It is based on the commerce clause of the Constitution. Placing numbers and figures on tobacco is no more interstate commerce than killing and picking chickens. The Schechter chickens had ceased to be in interstate commerce. This tobacco never has been in interstate commerce and much of it never will be. There is no method of determining when any of it will be, because they redry it and store it in hogsheds and warehouses before it is shipped, even if it goes later to North Carolina to be manufactured. It is clearly unconstitutional. Mr. Chairman, I am one Member who believes that my oath to support and uphold the Constitution is just as solemn and sacred as the oath of any occupant of a judicial tribunal in this land. [Applause.] We cannot, in good conscience, abdicate this responsibility because men would pass a law for the sake of saying they had passed it even with a decision of the Supreme Court staring them in the face, saying: "This far and no farther shall you go."

My friends, you will never receive any benefit, if there is any in it, by passing it in this form. By adopting the Umstead amendment eliminating the compulsory features you remove the threat of fines and prison sentences to farmers who decline to submit to the meddling of autocratic bureaucrats, and thereby obviate the likelihood of a court decision knocking it into a cocked hat. Then those who want it can have it. If it is a good thing, their neighbors will soon find it out and want it too, but it will leave it to the option of the growers. It will prevent bad feeling among farmers now satisfied, but who are outraged by the suggestion that Government agents will come and grade their tobacco without their consent and against their will. Let the A. A. A. program continue for the prosperity of tobacco growers, but protect the rights of a minority, the rights of every individual, by removing the vicious despotic compulsion from this bill. Do not make it a force bill. [Applause.]

Mr. CHAPMAN. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein some excerpts from editorials in the Lexington Herald of Lexington, Ky., which, for many years has been the principal editorial champion of the tobacco growers of Kentucky.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. RICH. Mr. Chairman, reserving the right to object, I would like to inquire from the gentleman—

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. RICH. Under reservation of objection.

The CHAIRMAN. Objection was not made.

Mr. RICH. I tried to interrogate the speaker, but there was so much applause I had to wait until it subsided.

The CHAIRMAN. The objection comes too late.

Mr. RICH. If the Membership of the House wants these editorials placed in the RECORD, I am perfectly satisfied.

Mr. FULMER. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, I am one of the few Members of this House actually engaged in farming. I believe on account of this I ought to be in a position to speak for farmers.

During the Sixty-seventh Congress I introduced a bill to bring about the grading of cotton. Prior to that time, as a general merchant, I bought thousands and thousands of bales of cotton from farmers, and I knew at the time of buying the cotton that these farmers were not receiving proper grading for the reason I had to buy so as to deliver to the large buyers, who had the last word on the grading of my cotton.

At the time I introduced the cotton-grading bill we had practically every handler of cotton, the large cotton merchants and importers, fighting the cotton-grading bill, yet they stated that they were speaking in behalf of cotton farmers.

Most of the people appearing before our committee speaking against this bill were deeply interested in farmers. Many gentlemen on the floor of the House speaking against this bill claim that they represent the views of tobacco farmers, telling us just what this bill will do to the farmers. This is always the case in trying to pass real farm legislation. My State, South Carolina, is a very large tobacco-growing State. I have had the privilege of visiting a number of tobacco markets and observing the auctioneer going along from pile to pile of tobacco using language that the farmer did not understand, and after the price had been made the farmer had to ask somebody, "What did I receive for my tobacco?" Tobacco farmers have not any chance on the face of the earth to bargain with the buyer. I visited Haiti on one occasion and observed the transactions between the natives selling and trading their products and wares. They had an opportunity to talk to each other and bargain with each other with the hope of securing fair values. Not so with tobacco farmers.

I want to tell you that the farmers of North Carolina, South Carolina, and Kentucky selling on an auction market at the time of the sale of their tobacco might just as well be on the chain gang as far as being of any service to themselves in seeing to it that they get a fair price for their tobacco. They have on these markets what are called "pinhookers." These pinhookers will go along and pick up tobacco and resell to buyers and make a large sum during the tobacco season, while the farmer who has been working for 13 months growing his tobacco is unable to secure a price for his tobacco that will enable him to pay his taxes and buy the real necessities of life.

Now, Mr. Chairman, something was said here about petitions signed by farmers against this bill. I want to tell you that the tobacco warehousemen and the tobacco buyers and the association represented by Mr. Kerrigan, who speaks for the Big Four, are largely responsible for circulating and securing those signatures. Mr. Kerrigan stated his association received contributions from large manufacturers for no other purpose than to fight legislation that would be against the interest of manufacturers.

[Here the gavel fell.]

Mr. FULMER. Mr. Chairman, I yield myself 2 additional minutes.

Mr. Chairman, the warehousemen or the buyers did not testify before our committee and protest against this bill. We tried to get them to testify, but they refused. They had a few picked farmers, who were among the favored class, appear before our committee, claiming to speak for farmers, stating that the farmers were against the bill. These favored few wanted to continue without grading at the expense of many farmers who do not get proper grading, small farmers and tenant farmers. It is very interesting to look these petitions over. Here are some of the petitions and they were all written, as I understand, in the office of the board of trade at Winston-Salem, N. C., and carried out by representatives of the warehousemen, tobacco buyers, and manufacturers to secure the signatures of the farmers. They told the farmers that it would cost them 5 cents a

pound to grade their tobacco, and this statement was carried in the North Carolina press.

Mr. CRAWFORD. Will the gentleman yield?

Mr. FULMER. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Can the gentleman, with his experience in the committee, tell us why the farmers are always put to the front in connection with these presentations, while the processor always stays in the background and never gives the committee a chance to get at him and ask him questions why?

Mr. FULMER. I have always wondered myself. Of course, the farmers are unorganized. Many are unable to keep posted in reference to these matters and cannot speak for themselves. The processor is always able to secure certain favored farmers to speak for them. I want to say to the Members who represent tobacco States and tobacco farmers in this country that you know these farmers have been robbed out of their graves; and that it is up to you to represent this great unorganized class of citizens who are unable to do for themselves that which other well-organized groups are able to do without legislation. Someone said tobacco farmers were perfectly satisfied with what is going on now under the present tobacco program. How long are you going to continue to deny to those farmers that which they are entitled to in line with what the well-organized groups are now receiving; that is, proper grading and proper prices for their tobacco?

Mr. Chairman, I hope the Members will give this bill their hearty support and that we will have no trouble in passing this bill, which gives to the tobacco farmers that which they are clearly entitled to; that is, protection from the wholesale undergrading of their tobacco.

[Here the gavel fell.]

Mr. FULMER. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. FLANNAGAN].

Mr. FLANNAGAN. Mr. Chairman, this is one piece of legislation against which I did not think constitutional objections would be raised. For over 2 years we have fought for this legislation, and the only reason it did not go through last session was on account of lack of time. We have held hearing after hearing and not a single constitutional objection has been raised until this late hour. The gentleman from Kentucky who raises the constitutional objection admits that he voted for the A. A. A. He tells you he was one of the leading spirits behind the Smith-Kerr Tobacco Act. Both of those acts were compulsory. They did not provide for a referendum until a year after they went into effect. Yet he could find no constitutional objection to those acts. This act cannot go into effect until after a referendum has been held and the majority of the growers of that particular market vote in favor of putting it into operation.

Mr. MICHENER. Will the gentleman yield?

Mr. FLANNAGAN. I decline to yield right now.

Mr. MICHENER. The Schechter case had not been decided at that time.

Mr. FLANNAGAN. Mr. Chairman, may I say to the Membership of the House that there is just as much sense forcing the farmer to sell his cattle without knowing whether they are poor or fat, without knowing how much they weight, whether they are light or heavy, and without knowing whether they are thoroughbreds or "pennyriles", as there is in forcing a tobacco grower to put his tobacco on the market without knowing what quality of tobacco he has and without knowing what that particular quality of tobacco is bringing upon other markets.

I want to ask the opposition just one question. What objection can be raised to letting the farmer know before he offers his tobacco for sale the type and grade of tobacco which he has to offer for sale and furnishing him with information showing what that particular type and grade is bringing on the other warehouse floors of the country? Deny him that right and you deny him the opportunity to make an honest and a fair trade.

We had here tobacco men, and I am talking about real tobacco growers, who are interested to the point of using their own money to come here to testify in favor of this bill.

They came from practically every tobacco State. The New England Tobacco Growers Association, organized throughout Massachusetts and Connecticut, got together and passed resolutions approving this bill, and sent their own representatives here at their own expense. They stayed here for 5 or 6 days in behalf of this bill. The tobacco growers from Tennessee, from Kentucky, from North and South Carolina, and from Georgia and from Virginia were here; and who has been here in opposition? Let me tell you the opposition. The opposition originated with the manufacturers' associations, led by Mr. Carrington, of Richmond. Why, they had growers from my district here against this bill when I did not know a single grower in my district against it; and what did they admit? They admitted they had been lied to by agents of the tobacco representatives and induced to come here, and stated that their expenses were paid by the tobacco interests fighting this bill.

Now, that is what has been going on.

Mr. VINSON of Kentucky. And were they not informed that it was going to cost the tobacco grower as much as 8 cents a pound?

Mr. FLANNAGAN. From 5 to 8 cents a pound; and when they heard the truth about it every one of them walked into my office and signed a petition in favor of this bill.

[Here the gavel fell.]

The CHAIRMAN. The Clerk read the bill for amendment. The Clerk read as follows:

Be it enacted, etc., That when used in this act—

(a) "Person" includes partnerships, associations, and corporations, as well as individuals.

(b) "Secretary" means the Secretary of Agriculture of the United States.

(c) "Inspector" means any person employed, licensed, or authorized by the Secretary to determine and certify the type, grade, condition, or other characteristics of tobacco.

(d) "Sampler" means any person employed, licensed, or authorized by the Secretary to select, tag, and seal official samples of tobacco.

(e) "Weigher" means any person employed, licensed, or authorized by the Secretary to weigh and certify the weight of tobacco.

(f) "Tobacco" means tobacco in its unmanufactured form.

(g) "Auction market" means a market or place to which tobacco is delivered by the producers thereof, or their agents, for sale at auction through a warehouseman or commission merchant.

(h) Words in the singular form shall be deemed to import the plural form when necessary.

(i) "Commerce" means commerce between any State, Territory, or possession, or the District of Columbia, and any place outside thereof; or between points within the same State, Territory, or possession, or the District of Columbia, but through any place outside thereof; or within any Territory or possession, or the District of Columbia. For the purposes of this act (but not in any wise limiting the foregoing definition) a transaction in respect to tobacco shall be considered to be in commerce if such tobacco is part of that current of commerce usual in the tobacco industry whereby tobacco or products manufactured therefrom are sent from one State with the expectation that they will end their transit, after purchase, in another, including, in addition to cases within the above general description, all cases where purchase or sale is either for shipment to another State or for manufacture within the State and the shipment outside the State of the products resulting from such manufacture. Tobacco normally in such current of commerce shall not be considered out of such current through resort being had to any means or device intended to remove transactions in respect thereto from the provisions of this act. For the purpose of this paragraph the word "State" includes Territory, the District of Columbia, possession of the United States, and foreign nations.

Mr. MITCHELL of Tennessee. Mr. Chairman, I move to strike out the last word.

I am interested in this legislation. Originally I was opposed to the bill. I live in the adjoining district to our distinguished Speaker. There is not a very great deal of tobacco grown in my district. There are some three or four counties out of the 18, that grow and sell tobacco, and in Smith County, in my district, a great quantity of very fine burley tobacco is grown.

I may say to the membership of the House that the messages I have had from my people have been in opposition to the bill, but I know my people and I think I know conditions in my district and in my State, and let me say to the Membership of the House that, ordinarily, I do not believe in Government interference in business and I do not believe in the Federal Government interfering with State sov-

eignty or State rights, but in considering this legislation I know you want to vote for the best interests of all America. What are the unusual conditions surrounding the tobacco industry?

To begin with, Mr. Chairman, it is the only crop grown out of the ground that is sold at public auction. This is proposition no. 1. Secondly, it is the only commodity grown out of the ground by the farmer that brings a greater tax to the Government than any other commodity and the revenue turned into the Federal Treasury brings more in taxes to the Government than the farmer gets for the tobacco after he grows it.

This is an unusual situation that confronts us, and on analyzing the bill let us see if we ought not to be for it.

Gentlemen came here and told me they did not think this legislation was needed and thought it would disturb conditions, and I would be pleased to reflect their preference if I could conscientiously do so, but what is the situation when you have the warehouse doors thrown open and hundreds of tobacco growers have brought their baskets and set them alongside of each other.

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

Mr. MITCHELL of Tennessee. In just a moment I will be delighted to answer your question, Judge.

Let us picture the scene. I do not want you to vote for this bill if you do not think it is right. If you do not think it will help the forgotten men in this country, do not support it. You have standing by at the warehouse the representatives of the Big Four tobacco manufacturers in America and what type of man is it that is going to do the buying? He is an expert, trained and skilled in the art of buying tobacco, and here is the farmer who has brought his alms and laid them down at the mercy of the corporate interest who will bid at the lowest possible price. They will buy in one county today and journey across to a neighboring county the next day, and I am telling you gentlemen just what occurs in my section. They will buy so many thousand pounds of tobacco today on the market at one county seat and then he will agree that his colleague may buy a certain number of thousands of pounds on the next market the next day, and they will parcel it out in this way and also fix the price in private and secret.

Let us see what we want to do here by this proposed legislation. We are trying to help the man who has grown this crop.

This bill applies to tobacco sold on what is known as auction markets. It has for its object, the grading of the grower's tobacco by Government graders before sale so they will know what grades they are offering on the market. It is to be graded without cost to the farmer. The bill further provides for furnishing the growers or farmers with daily and weekly market news service so they will know what the different grades of tobacco are bringing on other markets and thus put them in position to intelligently accept or reject bids on their crop. Under the auction system of selling tobacco, it is sold in baskets. These baskets are placed in the warehouse in long rows and the tobacco is sold to the highest bidder at auction by the warehouseman or auctioneer, who sells on a commission basis and who is supposed to represent the growers. The sales are made without the grades of the different baskets being determined and without the grower knowing what the same grades are bringing. The sales are conducted rapidly on the floor, at the rate of one basket every 10 seconds. The buyers are the representatives of the tobacco companies and speculators, commonly referred to as "pinhookers", who are experts in the grades of tobacco. It is said there are between 60 and 100 grades in a single type of tobacco and of course it is not practical for a farmer to familiarize himself with the technical factors on which their grades are based, or to be informed as to market prices, unless he can be afforded a Government system of grading or have some standard.

Without any particular guide, our farmers assort their tobacco for market as best they can into lots of like quality, color, and length, which they refer to as grading. The grower has no definite system of grades of his own, and the

private-grading systems used by the buyers are kept confidential by them so that without Government standards the farmer is handicapped and largely at the mercy of the buyer. Without any definite standard of grading tobacco farmers are necessarily unable to classify their tobacco correctly so as to meet the trade's demands.

Buyers sometimes refuse to bid on the farmers' tobacco due to the fact that it is not properly graded or because it is improperly assorted. Tobacco which is uniform in size and color commands a better price than that which is not uniform and poorly arranged in the baskets. Much of the tobacco which is bought is resorted by the buyer into some two or three different grades.

The possession of grade and price information by the buyers, and the lack of it on the part of the growers, places the growers under a severe handicap in the marketing of their crop and opens the door to abuses and practices by which our farmers are victimized. He is oftentimes forced to sell his crop at less than the cost of production and frequently at less than one-half its value. He is faced by an expert on the floor who is in possession of all available information with respect to quality and price, and he is left in the dark to speculate as to whether to accept the offer made or reject the sale. If there was a standard established by a grader and the farmer knew of the real worth of his product it would aid him very materially in knowing whether to sell or refuse to sell.

I do not favor compulsory grading and would not support this bill if the farmer was required to have his tobacco graded by the Federal Government, but the bill is optional on the part of the growers as to whether their crops shall be graded or not until two-thirds of the farmers vote in favor of having Government graders and inspectors to classify their tobacco. It involves no expense on the part of the farmer, but this bill provides that the Government will pay the expense of the graders and thus the growers are, for the first time, about to receive the free advice of experts to be of assistance to them in knowing the value of their crops, which produces more revenue than any other crop grown.

The revenue alone turned in to the Federal Treasury by the growers of tobacco produces \$500,000,000 annually. This is more than the farmer actually sells the crop for, although he spends about 13 months of his time in producing it. This bill will not interfere with the sale of tobacco in any market where the growers do not desire it. It will not interfere in any way with any warehouse or warehouseman whose growers do not favor, by a two-thirds vote, coming under the provisions of this law. There is too great a variation in the prices paid on the same day, on the same market, and for the same grade of tobacco by the same buyers. This would be largely cured if the tobacco was graded before the sales and the grower was advised of just what value his crop has, so far as classification goes. If the price offered him was not in line with the current average for the grade, then he would reject the sale. Under the present system speculators and "pinhookers" often deprive the farmer of legitimate profit to which he is entitled. They take advantage of opportunity to buy tobacco at less than its real value. They then resell in the same warehouse the same tobacco at a later date for a handsome profit. This is done because the grower does not know the grades. The profit made by the speculators and oftentimes by the warehouseman rightfully belongs to the farmer. In my judgment, the grading of the grower's crop will practically eliminate this class of speculators.

There are oftentimes large growers of tobacco and men of influence on every market who receive favored treatment at the expense of the less fortunate farmer and the tenant grower. That is, these pets stand in with the buyers and usually receive prices for their tobacco in excess of the prevailing price level and higher than their neighbors can sell for. Then, when the small grower or tenant farmer's tobacco is offered for sale the price is hammered down and the small grower receives a lesser price, all because he is required to pay the pet or large grower's profit so as to maintain the average level.

These evils will be stopped, or largely so, if this bill is passed.

The benefits to be derived from this bill are apparent. Tobacco inspection will bring about a more uniform class for tobacco of like quality and classification. It will cut out the possibility of speculators making large profits by buying tobacco in the auction and reselling it to the buyers later at a profit.

Buyers are not so likely to overlook a basket of good tobacco in the auction sale if the standard grade is announced at the time of the sale. The daily and weekly price reports would furnish the farmers a guide by which they could go in determining whether or not to accept bids. The farmer is not likely to accept a bid which is below the market price. The auctioneer or warehouseman, by having the standard grade and market quotations before him, would be better able to name an opening bid, which would result in a better and a more uniform price to the farmer.

Standard grades would serve as a guide to farmers in classifying their tobacco for market. They would be instructed from year to year in the foundation principles of classifying their tobacco and would know with more accuracy the price that they should receive for their product. Education in any industry, and information, is always helpful. If the farmer knows he is selling a pedigreed animal, he expects a better price than when he sells a mixed breed. It has been well said that "in a multitude of counsel there is wisdom." Then, if the farmer is paying one-half billion dollars per year into the Treasury, why seek to keep him uninformed longer of the value of the crop that he is producing by his own sweat and toil. He is the man who should have the profit made out of tobacco, instead of the manufacturers, who made over a hundred million dollars per year even during the depression on manufacturing the farmers' tobacco crops in this country.

Another reason for grading tobacco is that there will be less likelihood of any damaged tobacco appearing during a sale, which causes apprehension that other baskets are similarly affected, and this has a tendency to keep down the price. If there was damaged tobacco, it would be so officially graded and made known to the buyer. This is only fair to all concerned. The fact that the grade was fixed by a disinterested Government official should not harm anyone. It should help both the buyer and the seller. When a standard grade would be announced at auction, the buyer would have some accurate information upon which to base a bid. He would be safe in placing his bid regardless of the speed of the auctioneer, and certainly the seller would be better off than he now is. The graders would have time and opportunity to more accurately grade and classify tobacco under proper lighting conditions than do the buyers when the baskets are sold hurriedly on the market in crowded conditions.

The farmers, by virtue of statistics and reports which this bill proposes to furnish them, would know better when to haul his tobacco to the warehouse than now and whether or not he was willing to sell at the current prices being paid on other markets during any particular season.

The Secretary of Agriculture, who has no interest in this bill in his report to our committee, made the following statement:

The inspection of tobacco by disinterested official inspectors on the basis of uniform standards at the time it is offered for sale is a service which the tobacco grower has long needed. As your committee is aware, specific legislation has been in effect for many years, providing for the establishment by this Department, of standards for grain and cotton, and the inspection and classification of those commodities. The Bureau of Agricultural Economics has also been conducting for many years an extensive inspection and grading service for fruits and vegetables, meats, butter, cheese, poultry, eggs, beans, hay, and several other farm products. Although one of our important farm products, it was not until the fiscal year beginning July 1, 1929, that the Agriculture Appropriation Act was amended and a small appropriation made for that Bureau to inaugurate a similar grading service for tobacco. Like all such services, it has had to pass through a trial period during which technical and administrative problems could be worked out and during which time its usefulness could be determined. Satisfactory progress has been made and the positive value of the service to the growers has been demonstrated.

In view of this statement and in view of the abuses which have long existed that have worked a hardship on the farmers in my State and district, and throughout the Nation, I hope this bill will be passed. I do not doubt that the Members of this House want to help the men in this country who have been so long neglected and whose profit has been cut short by the manufacturers and the big interests, who have all too long controlled the price and the grade of the farmer's products. Let us pass this bill and thus bring much needed relief to the tobacco growers who toil so long and work so hard to produce this crop. They are subject to droughts and to the uncertainties of climatic conditions, which they have to bear from year to year. They are truly the forgotten men in this country and should have the benefit of this legislation. It will be helpful. It will cost them nothing. It will enable the farmer to know more as to the value of his crop and what he should receive for it. There ought to be no objection to this bill from either side of the House. Certainly none should come from the ranks of the Democratic Party, for we have boasted, and let us now prove, that we are friends to the farmer and expect to pass this beneficial piece of legislation to give him the relief to which he has been entitled for the past quarter of a century.

I thank you for your time.

[Here the gavel fell.]

Mr. MITCHELL of Tennessee. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein a portion of the report that has been filed by the committee on this bill.

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

There was no objection.

Mr. HANCOCK of North Carolina. Mr. Chairman and members of the Committee, when this bill was under consideration by the Committee on Agriculture three serious objections were raised to it by the organized opposition. One was that it would place an additional burden on the buyer and ultimately the growers; another was that it would require compulsory grading, and still another was that under one section the warehouses might be closed by order of the Secretary of Agriculture.

Each one of these objections has been completely eliminated. Practically all of us entrusted in the bill favored amendments ridding the bill of these objectionable features.

As I said awhile ago, the Byrns bill, of similar import and requiring compulsory inspection without a referendum, was unanimously endorsed by the warehousemen's associations in the various States affected.

It so happens today that we are able to trace the continued fountain source of opposition to this bill. It confirms suspicious which some of us have long held about where the powerful opposition was coming from.

A Member of the House showed me a telegram a few moments ago which he received today from a man who has in his official capacity as representative of the warehousemen done more to try and defeat this constructive legislation than perhaps any man in the South. Vigorously protesting the passage of this bill without the Umstead amendment or Clark amendment. I refer to Mr. J. C. Lanier, of Greenville, N. C., who, not many weeks ago, was tobacco specialist under Mr. Hutson, chief of the tobacco section of the A. A. A., the agency which has done more for the tobacco growers in 2 years than any other governmental agency has done in 25 years all put together.

Not long ago I discussed the bill with Mr. Lanier, who was then code administrator of the warehousemen's association under the N. R. A. on a salary, I am told, of \$7,500 per annum.

If my memory serves me correctly he stated to me that with the elimination of the compulsory sections and with a provision providing for a referendum and another putting the cost on the Government, the warehouseman would not object to the passage of this bill.

Now, he, Mr. Lanier, who represents certain warehouse interests, wires today asking that Members oppose the bill, saying that it is a bad bill and that the farmers in his area

do not want it. Everybody knows that Mr. Lanier is mistaken so far as the farmers attitude toward this measure in its present amended form is concerned. I doubt whether a single farmer has expressed to any Member a single word of opposition to the bill we are now considering. Lanier is a friend of mine and of course I recognize he has a right to express his honest opinion as he sees fit, but all of you realize that he is voicing also his master's views.

Thousands of farmers came here when the hearings were held, and I want to say that I do not believe that 10 percent of those who came thoroughly understood the bill or that they came of their own free will. Some of us understand how some of these trips are worked up. So much for that. Take it for what it may be worth.

My friend from North Carolina, Judge CLARK, who is an able and astute lawyer, inadvertently, I am sure, said yesterday that under the terms of this bill that any farmer who refused to grade his tobacco was liable to be put in jail. I give it as my opinion that a correct interpretation of the language of the bill carries no such liability as to the grower. The grower takes his tobacco to the warehouseman, and the warehouseman sells the tobacco, and if anybody is liable under that provision it is the warehouseman and not the grower. The warehouseman is, of course, the seller under section 5. For violations under section 10 the grower would be liable, which is now existing law in many of the States.

My good friend, Judge CLARK, also refers to the fact that the bill is the most unconstitutional of any that we have considered. The Solicitor of the Department says that it is constitutional. I assume that he has studied it more carefully than any of us have had time to do. I call the attention of the House to this fact—and I am no constitutional lawyer—that under the facts before the Court in the Schechter case everybody knows that the poultry had landed in New York and its further use would be intrastate. Under the provisions of this bill, however, when the farmer delivers his tobacco to the warehouseman for sale, it is the first step into the stream of interstate commerce, which presents an entirely different question in every respect, so far as constitutionality is concerned.

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

Mr. HANCOCK of North Carolina. Yes.

Mr. CHAPMAN. Is the gentleman familiar with the line of decisions holding in effect that there is no difference between an article that has never entered into interstate commerce and one that has come to a standstill and ceased to be in interstate commerce?

Mr. HANCOCK of North Carolina. I am reasonably familiar with the general principle in the cases to which the gentleman refers. To refresh your recollection I am also familiar with the fact that in the gentleman's own State there is a statute passed by the Legislature of Kentucky requiring the commissioner of agriculture to see that every pound of tobacco is graded before it is sold.

Mr. PIERCE. Mr. Chairman, I rise in opposition to the pro forma amendment. It is almost 20 years since I introduced in the Oregon Legislature the grain-grading law. A few years after that I became Governor and it was my pleasure to put that law into effect. The arguments made here by the brilliant men from North Carolina and Kentucky are very familiar to me. We heard those arguments in Oregon years ago. The constitutionality of this pending act on tobacco grading is already settled. I cannot give you the citation, but in the cases that have been carried to the Supreme Court testing the grain-grading act and the grain-futures act the question of constitutionality was fully presented, and the Supreme Court has held that the Federal Government may establish grades made on grain and that said grades may be enforced. The decisions settle the constitutionality of tobacco grading.

I was much surprised yesterday when my colleague and associate on the Agricultural Committee said that there was great opposition to the grain-grading law in the States of the Middle West. I was surprised at that, because I cannot understand how in any farming community there can be any opposition or great discontent over that law. The grading

of grain is largely a mathematical calculation. The graders weigh the grain, they take the moisture, they ascertain the amount of protein, and after the decision is made it is all subject to appeal. I cannot conceive how, if the people get anything like reasonable administration of the law, there can be any opposition to the grain-grading act in any of the West.

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

Mr. PIERCE. Yes.

Mr. ANDRESEN. The opposition comes from the fact that after the State inspectors have established the grade, on an appeal to the Federal inspectors, the Federal inspectors invariably lower the grade, acting contrary to the best interest of the farmer.

Mr. PIERCE. I cannot believe it.

Mr. ANDRESEN. That is the fact.

Mr. PIERCE. I cannot believe that on appeal that is true. I am very well acquainted with Mr. Nelson who now has charge of the big Chicago district. He was formerly a grain grader in Portland, Oreg. I cannot understand how anything materially wrong gets by the Board of Appeals.

Mr. ANDRESEN. That is correct.

Mr. PIERCE. And while there may be complaint, I think it is unjustifiable. I cannot conceive how there can be any real opposition to this bill. I do not live in a tobacco country, no one raises any in my district, but I am for this bill. I am for the bill because it means something for the farmer. Where can the opposition come from? Only the manufacturers, only the warehousemen. It cannot come from the farmer. He is getting all the advantage of it. Someone has said here that they cannot find experts enough to grade the tobacco. That is foolishness. They said the same thing about grain. They came from everywhere, we had them in no time, and the Government can get the expert graders for grading tobacco. It may be more a matter of judgment in tobacco, because, as I understand it, there are many different grades and shades. It will require a keener eye perhaps and more experience to grade tobacco than to grade grain, but it can be done, and it should be done. This is just one of the entering wedges to control the Big Four, so much talked about. I sympathize fully with the men who press this legislation. I am asking my colleagues on the floor to give it a good strong vote. Do not vote to amend by making it optional, because that will kill the bill absolutely.

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

Mr. TREADWAY. Mr. Chairman, I move to strike out the last two words. I am very much interested in any legislation having to do with the subject matter of the sale or grading of tobacco. I represent a tobacco-growing section extending up through the Connecticut Valley into the section of the State of Massachusetts which I represent. I realize that tobacco conditions in Massachusetts and Connecticut are probably very different from those in the Southern States, and that this bill is aimed to care for conditions of growth, inspection, and sale in the Southern States, where much more tobacco, of course, is grown than in our area.

But it seems to me that the measure is based very largely on the fact of it being assumed that tobacco is sold at auction. The section which I represent does not have that kind of sales. Therefore, I am particularly anxious to know from the gentleman from Virginia [Mr. FLANNAGAN] as to whether or not the provisions of this bill will apply to tobacco raised in the Connecticut Valley; and, further, whether we will be subject to an inspection. Then this is the particular question I wish to address to the gentleman: What information has the gentleman from the Tobacco Association of New England, either the growers themselves or the officials, as to their attitude toward this bill? My position upon the bill, of course, will depend upon the attitude of my constituents. While as a rule they communicate with me very freely, it happens that on this particular measure I have received no word from the tobacco growers of my district. Therefore I should be glad if the gentleman from Virginia [Mr. FLANNAGAN], having some information from them and a representative from that

association having testified before his subcommittee, would be good enough to place in the RECORD such communications as he may have along that line for my information and government.

Mr. FLANNAGAN. I had the pleasure year before last of addressing the New England Tobacco Association at its annual meeting at Hartford, Conn. They were particularly interested in the Agricultural Adjustment Act at that time as it applied to tobacco. When the grading bill came up the Tobacco Association of New England, which is composed of Connecticut and Massachusetts growers, endorsed this bill. I will attempt to find that endorsement and place it in the RECORD. They sent their representatives to Washington when the hearings were being held and at least one of them, Mr. Griffin, of Hartford, testified in favor of the bill. I think he made an excellent statement.

Mr. TREADWAY. May I ask if it would be agreeable to the gentleman to extend his remarks by inserting Mr. Griffin's testimony before the committee?

Mr. FLANNAGAN. I shall be glad to do that with the permission of the House.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The CHAIRMAN. The time of the gentleman from Massachusetts [Mr. TREADWAY] has expired.

Mr. FLANNAGAN. I will insert at this point the testimony of Mr. Griffin and a telegram received from Mr. King, commissioner of agriculture of Connecticut.

STATEMENT OF FRED B. GRIFFIN, PRESIDENT OF THE CONNECTICUT VALLEY SHADE GROWERS ASSOCIATION

Mr. FULMER. Give your full name and address.

Mr. GRIFFIN. My name is Fred B. Griffin. I am president of the Connecticut Valley Shade Growers Association.

Mr. Chairman and gentlemen, I feel about like a flea when I hear about these numbers of acres; and, of course, I know all of the gentlemen grow around 1,700,000 acres, when this country was at the height of its prosperity, and with 40,000 of that I am not much of a toad in this puddle.

However, I can say a little bit about grading: A year ago, in the 1933 crop, we fellows who grow this shade tobacco, which is grown under cloth, which costs to produce and pack and get ready to sell just \$1,000 an acre, so that it is a kind of expensive job, especially if you have a bad storm. We got organized under the A. A. A. like the rest of you, had a few fellows who wanted to do to us the same thing as they did to all cooperative marketing. I was in an old association up home—I did not organize it, but I worked in it—and the fellow on the outside made life miserable for us because the buyers helped him, telling him he was a good enough grower, so that he did not need any association, and he kicked us in the slats, the same as the fellow down south got kicked.

If we had a Kerr-Smith bill to control acreage, that is all right. That is at the bottom of the thing.

We went to Secretary Wallace and got them to slap a license on the thing, and the boys who were out had to comply anyhow, and we have a control board in a case of that kind, and the ones who are outside the association can be recognized on the control board if they have acres enough and pounds enough.

As it turned out, those who had to be trained a little bit are in the association and at the moment we are all in one nest.

We, of course, do not get in this grading proposition. I do not think it has been made clear by Mr. Gage how he selects graders. In our country they send up somebody who knows something about tobacco, but not shade tobacco. Shade tobacco has many more grades than your tobacco. It has a very fine wrapper, and that is the higher priced and the highest quality tobacco grown anywhere in this country. It is a wrapper tobacco, and many of you, we hope, smoke our cigars.

The graders came there and they conducted examination. We took tobacco, and we gave notice we wanted to hire graders. We had a great many fellows, some of whom had worked in warehouses and some who thought they knew all about the tobacco business, and some who had been dealers and some brokers, and about 20 showed up to select a number from. We had four when we finished. We had a lot of tobacco there and they graded it and filled out their papers like a school test. We filled out the grades as to it and classified everything, and the same tobacco was given the next day and that proceeded for 4 days, and the tobacco was all mixed up and started over again. The more consistent you were, the better judge of tobacco you were.

I have been in the tobacco business a long time. I do not look, maybe, as old as I am, but I started in 1896 in the tobacco business, and I have been right there in it every day since. I have grown plenty and I have packed plenty, and I have done plenty of things, and I know a little bit about tobacco. You cannot learn shade tobacco in a minute but must learn slowly. All these boys had worked in tobacco, and one of them had worked in my house as an inspector and another had worked in another house, and that is where our men come from.

It is not necessarily the buyer who is a good grader of tobacco. He has to be conversant with it, and especially so on your auction floor. He cannot tell much about grading a pile of tobacco, no more than you can anything. If you see a pile of tobacco which looks good, you buy and you guess at it. I have a very good friend of mine who served on the Danville floor, Mr. Phil Israel, who was a buyer of the American Tobacco Co. I understand something about grading in a big way and I have been interested in it a long time. In fact, we adopted some of these grades as long ago as 1922, when we had the broadleaf and Habana tobacco. Our broadleaf is somewhat like burley, but is all yellow and does not bring as much money sometimes as a cigarette tobacco, but it is a high-quality tobacco used in cigars.

We adopted this grading system and went ahead with grading. We had advice from everybody. The buyers said, "There will be a common use and we will buy more of the tobacco. You have got to take this or take nothing. We will show your tobacco on any grade mark you want, and can have the Government grade mark, but we are going to sell the tobacco." We worked out last year pretty good. This year we are working 100 percent. Our men are better trained, and, as I told Mr. Gage today, we have had hardly any complaints, even from the buyers. We sell our dealers a good deal of tobacco, and a number of the buyers have said to us this year, one fellow particularly said to me: "I will take a certain grade of your tobacco and I will take it at the Government gradings and at your prices you have against the Government marks."

The buyers up there are forgetting about the tag price.

Grading tobacco is a guidepost to anybody, I do not care how efficient he is. I have bought plenty of tobacco. I have to have something to lean against, to have something for comparison. The buyer before me says, "You have high and low sides, and you have high and low sides of any grade of tobacco", and everyone sees the high side and takes the high side, and that will pay more, and if you take the low side it will pay less.

We fellows got this bill up there and we thought this a pretty good thing, so much so that we have taken it up with the New England Tobacco Growers' Association, which takes in a lot of fellows, and that is one thing I was up here to talk about, to get fellows to grade more tobacco, to give the farmer some idea of what he had to sell.

A farmer like me who grows tobacco and packs it, does not need any guidepost about what he should get. You fellows spoke about dirt farmers. If a farmer followed a mule and got manure on his feet, that fellow does not get the chance for education like us fellows who stand there and watch our man, and we do not need any guidepost, possibly. But we can standardize with Government grades, and our shade has been standardized, and it is the most difficult tobacco in the United States to grade.

They also grade a lot of Florida shade-grown tobacco, which is not as difficult as ours, but it is difficult, and has many grades. It has been very satisfactory, and they have made markets against the other packages. Anything that is graded by the Government, people have confidence in to aid them, whether they are a buyer or a seller. I think, myself—and I am rather surprised that there would be opposition from farmers to having them set up a guidepost.

There is just as much sense in saying you could take all the signs off of the streets in Washington and take all the marks off your streets in North Carolina and South Carolina, and all the road signs, wherever you are going, and say that you will get there anyhow because you know the general direction of the place.

Anything which helps you will be an aid to you. I think this would be an aid to those fellows, but still it is a good deal for me to say about that, being a flea from Connecticut.

Mr. COOLEY. How much did you say it cost to produce an acre in Connecticut?

Mr. GRIFFIN. \$1,000, and it will cost more this year. We take cotton from 11 acres for tobacco.

Mr. FLANNAGAN. How much does it involve?

Mr. GRIFFIN. We sell it from 75 cents a pound to \$5.

We do not have much \$5 tobacco, and if we had much, we could not sell it. The limitation is the 5-cent and 2-for-5 cents cigars. Eighty percent of the cigars manufactured are 5-cent, and we have about 40 percent in 5-cent stuff and 42 or 43 percent in 2 for 5, and the 10-cent business is out of the window, and 15 percent only for the other.

We must sell it for 5-cent and 2-for-5 cents cigars, and, therefore, it makes the skyline limit for your shade tobacco.

Mr. COOLEY. Is it all Government inspected?

Mr. GRIFFIN. Every pound.

Mr. COOLEY. It is not sold at auction?

Mr. GRIFFIN. We sell at private sales. We do not have auction sales. Another thing about our tobacco which is hard to explain is this, gentlemen, and you and I may be on the floor and we see that pile of tobacco. That half-leaf texture suits him, and we do not want it. He buys it. I see another pile he does not want, and which is a little thinner, and we want it.

I grew 100 acres of cigarette tobacco in Quincy, Fla., and got into the cigarette business. We grew it in Florida and sold it on an auction floor. It was a show place in that country, so much so that a dealer offered us as much as it cost us for a half interest in it. We were dumb enough to sell it to him, and the whole of it never brought more than what he paid for half of it. So that I got out with my whole skin from the cigarette business.

Mr. COOLEY. You come from New England?

Mr. GRIFFIN. I am a Yankee, half Scotch.

HARTFORD, CONN.

Mr. J. H. MEEK,

House Agricultural Committee Room:

Can't be present; say for us New England growers favor bill.

OLCOTT F. KING,

Commissioner of Agriculture.

Mr. TREADWAY. Mr. Chairman, I ask unanimous consent to proceed for three additional minutes in order that the gentleman from Virginia [Mr. FLANNAGAN] may complete his answer to my inquiry.

The CHAIRMAN. Without objection, the gentleman is recognized for three additional minutes.

There was no objection.

Mr. TREADWAY. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. They have been using the Federal grading system in Connecticut and Massachusetts for something over a year. It is a voluntary arrangement. They have been calling upon the Secretary of Agriculture to furnish them graders. They pay the expense at this time. The New England tobacco growers are selling a lot of their tobacco now on Government grades. They are getting the Government graders to go there and inspect their tobacco and grade it and put the Government stamp upon it, and they are selling according to grade. I think Mr. Griffin so testified before the committee, and that those grades were being accepted by the buyers.

Mr. TREADWAY. Then the gentleman feels very confident that the bill, while really intended for the tobacco growers of the South, is acceptable in its terms to those whom the gentleman knows I am interested in?

Mr. FLANNAGAN. Yes; I know that and I shall be glad to put this testimony in the RECORD.

Mr. HAINES. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. HAINES. This bill applies only to tobacco sold at auction.

Mr. TREADWAY. I think there is some confusion about that and I suggest that it be cleared up. If it is solely on auctioned tobacco, I do not think the language quite shows it. I would suggest to the gentleman to consider section 6, for instance. That seems to have nothing whatever to do with auction sales.

Mr. FLANNAGAN. May I say to the gentleman that section 6 does not cover sales upon auction floors. It covers just such inspection as the New England tobacco grower is demanding.

Mr. TREADWAY. It is a voluntary inspection, is it not, and asked for by the growers themselves?

Mr. FLANNAGAN. It is a voluntary inspection that the grower can call upon the Secretary of Agriculture to furnish.

Mr. TREADWAY. I thank the gentlemen for his courtesy.

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

Mr. Chairman, I feel that, regardless of the constitutionality of this bill, the bill without the Umstead amendment is undesirable purely as a matter of governmental philosophy in this country for this reason: It is an unnecessary interference by the Federal Government in questions of government that are purely local. With the Umstead amendment included that objection would be removed, because it would not be an interference. It would be a voluntary offer of assistance by the Federal Government to the individual and the locality.

Now, it has been said here that this is voluntary. The gentleman from North Carolina [Mr. CLARK], I think, made the converse of that very clear. After a referendum has been taken and a district is set out after a majority of those growers have voted in favor of the inspection, then it is forced on the rest of the growers in that district, and to that extent it is not voluntary to the minority of the growers.

Mr. FLANNAGAN. Will the gentleman yield?

Mr. HARLAN. I wish I could, but I cannot.

If we make this voluntary as to the individual, if it is a good thing, if it helps the farmers—they are human beings, they know their own good, these men who you say do not know their own crops, do not know how to grade their crops,

yet they can see that it is helping their neighbors and then can go in and take the benefit of Federal assistance. If it is not a good thing, they will not have to take that service, and they will not be subject to any penalty if they do not.

Why is this a local question? It is purely a local question because the growth of tobacco in this country is spotty. Shade is grown one place, perique in another, Spanish in another, broad leaf in another, and each particular type of tobacco is indigenous to that particular section, and these sections are almost all included in a small area in one State or in a few border counties of States that are very close together. Those different types of tobacco have little in common. They are no more alike than cabbage and cauliflower. There is no similarity in the grading problems. There is no need of a national grading system. It is purely a local problem. It is unlike grading wheat or cotton, which are uniform crops. Now, if it is advisable to make this grading compulsory, then it ought to be done by the States and not by the Federal Government. Entirely aside from the Constitution, if we had no Constitution, it ought not to be done by this great Federal Government for the Federal Government is not designed to be interested from a governmental viewpoint in that local problem if it is compulsory. Now, if we want to make it voluntary, as we do the cotton grading, then it is a proposition of helping the citizen, of protecting the citizen. I think we would all agree that it would probably be a beneficial law. But if we are going to compel these people to come under this law we are violating every principle on which our Government has been formed, even if we throw out of consideration the Constitution, because we as a people believe in having local problems solved by local authority to the greatest extent possible. [Applause.]

[Here the gavel fell.]

The Clerk read as follows:

SEC. 2. That transactions in tobacco involving the sale thereof at auction as commonly conducted at auction markets are affected with a public interest; that such transactions are carried on by tobacco producers generally and by persons engaged in the business of buying and selling tobacco in commerce; that the classification of tobacco according to type, grade, and other characteristics affects the prices received therefor by producers; that without uniform standards of classification and inspection the evaluation of tobacco is susceptible to speculation, manipulation, and control, and unreasonable fluctuations in prices and quality determinations occur which are detrimental to producers and persons handling tobacco in commerce; that such fluctuations constitute a burden upon commerce and make the use of uniform standards of classification and inspection imperative for the protection of producers and others engaged in commerce and the public interest therein.

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

Mr. Chairman, during the Seventy-third Congress, in June of 1933, I introduced an amendment to the Kerr-Smith bill, which was under consideration at that time. This amendment appears on page 10660 of the RECORD of June 6, 1933. I notice that nearly a page and three-quarters of discussion took place on the point of order made against the amendment. I want to call the attention of the committee to two or three statements that were made while the point of order was under discussion. The gentleman from Tennessee [Mr. BYRNS], at that time floor leader, said:

I am in favor of the idea of the gentleman from Georgia [Mr. DEEN] with reference to the grading of tobacco.

I want to call attention to these words of the chairman of the committee, the gentleman from Virginia [Mr. FLANNAGAN], who said:

I agree with the statement made by the gentleman from Kentucky—

Who was Mr. BROWN; and, by the way, he was for my amendment.

Continuing, Mr. FLANNAGAN said:

I am in sympathy with it, but there is now pending what is known as the "Byrns bill", a bill which has been carefully prepared, and which provides for the grading of tobacco. I believe we could deal with this question by passing that bill, for it has been considered by experts and those who know something about the tobacco question.

It is interesting to read the various statements made in the discussion on the point of order, but time will not permit further quotation.

Now, Mr. Chairman, I should like to say two or three things about the bill we are now considering, for a number of reasons: First, more than half the tobacco grown in Georgia is grown in my congressional district. We usually grow around 50,000,000 pounds. Last year we grew a little more than 33,000,000 pounds. The average price was 18.75 cents per pound. I called on the Internal Revenue Bureau the other day for figures showing the amount of revenue received annually from taxes on tobacco, including cigarettes, smoking tobacco, cigars, and so forth. They answered me by saying that it amounted to \$452,366,438.

[Here the gavel fell.]

Mr. PALMISANO. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes.

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

There was no objection.

Mr. DEEN. Mr. Chairman, since tobacco produces this great amount of revenue, I think it fair that the Federal Government should provide a satisfactory grading system of tobaccos. There are three outstanding benefits in this bill. First, it will relieve the present unfair and unsatisfactory system of marketing tobacco. Time and again, year after year, I have been on the floor of tobacco warehouses with my relatives and friends who were selling tobacco and have seen a pile of tobacco sell in the morning in one warehouse for 8 cents a pound and in the afternoon of the same day in another warehouse, under the auction system, the same pile of tobacco brought 17 cents a pound. There was either something wrong with the buyers, the manufacturers, or there was a deliberate attempt on the part of tobacco companies to take the tobacco away from the farmers.

The second benefit, in my opinion, is that it will remove what we call in Georgia the "pinhookers." The pinhooker is a person who goes through the warehouses and buys tobacco from a few unsuspecting farmers who do not understand grading and then in turn resell the tobacco the same day for a large and enormous profit.

The third benefit will be derived by every tobacco-growing farmer receiving the same consideration when his tobacco is placed on the floor of a warehouse. Special consideration is frequently given the big grower. The grading system will eliminate favoritism.

Mr. MITCHELL of Tennessee. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I endorse fully what has been said by my colleague from Georgia, and further supplementing the statement I made a few moments ago, may I call the attention of the Members of the House, and stress the fact, that the growing of tobacco is perhaps, so far as labor is concerned, the hardest work that the farmer is called upon to do in the South. He is compelled to grow this crop during the hottest season of the year. The average man who grows the tobacco is the tenant farmer. Those of you who are not familiar with tobacco-growing conditions will not appreciate what I am about to state.

The landowner or the landlord frequently subleases or rents his land or plantation to the tenant—who cultivates the crop, and he is the kind of farmer that needs the help of the Government in getting an adequate and a decent price for this commodity.

Mr. TAYLOR of Tennessee. Will the gentleman yield?

Mr. MITCHELL of Tennessee. I yield to the gentleman from Tennessee.

Mr. TAYLOR of Tennessee. May I ask the gentleman if during the hearings on this legislation there was evidence of favoritism shown by the buyers to certain preferred producers; those who were able to take the buyers out and entertain them sumptuously were granted special consideration in the sale of their tobacco?

Mr. MITCHELL of Tennessee. Absolutely. The record is full of favoritism, where men with influence around the warehouse, and perhaps the bigger growers, can so manipulate and ingratiate themselves with the buyer as to get sometimes 33⅓ to 50 percent more for their crop of tobacco than their neighbor across the road is able to sell his particular crop for.

Mr. Chairman, let us see if we are not all interested in this matter. This is the greatest revenue-producing crop grown. Congress is interested in doing what? Trying to foster this crop, trying to produce it, and have it properly classified, and to have the man who sweats and toils to produce it get a proper and legitimate price for his work. It is not fair to say about this proposition that you do not want to educate the producers in this country. How can this man know the value of his tobacco if he is untrained and unskilled? Here is the buyer, who has had years of experience in buying this tobacco. If the farmer does not accept what he is offered in 10 seconds, and it is rejected, then the pinhooker standing back in the rear is prepared to rob him. He gets the grower off to one side and buys the basket or two baskets of tobacco, then transfers it to another part of the warehouse, and in the afternoon of the same day the pinhooker will resell it at a profit of \$25 to \$50 more than the producer was offered in the morning.

[Here the gavel fell.]

The Clerk read as follows:

SEC. 3. That the Secretary is authorized to investigate the sorting, handling, conditioning, inspection, and marketing of tobacco from time to time, and to establish standards for tobacco by which its type, grade, size, condition, or other characteristics may be determined, which standards shall be the official standards of the United States, and shall become effective immediately or upon a date specified by the Secretary: *Provided*, That the Secretary may issue tentative standards for tobacco prior to the establishment of official standards therefor, and he may modify any standards established under authority of this act whenever, in his judgment, such action is advisable.

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

Mr. Chairman, I come from New York, and, of course, no tobacco is grown in that State. I am a user of tobacco, and most of the people in my district use tobacco. As far as I can gather from a reading of the bill, and from the report filed in connection therewith, as well as from what I have heard on the floor today, I believe this is a good bill. Even if the bill will go so far as to increase slightly the cost of cigarettes in my district, I willingly subscribe to that and will vote for it; if it will at the same time aid the farmers in all these tobacco States—the tobacco growers in the States of North Carolina, South Carolina, Georgia, Florida, West Virginia, Maryland, Tennessee, Kentucky, Ohio, Indiana, Missouri, and the tobacco growers in the Connecticut Valley, I am in favor of it. It will be a small price to pay for its great benefits.

Mr. Chairman, certainly we in the city would be making a very, very small, minimum sacrifice, if we vote for this bill, and it will have that great beneficent result indicated to the many, many thousands of tobacco growers in the various States just enumerated. We of New York willingly come forward and will give you every ounce of support on this bill, and particularly do we say that if it will give the farmers greater protection against speculators or pinhookers, as they have been called this morning. Certainly grading of tobacco and the giving of necessary technical information to farmers should commend themselves to all of us. Of course, it may be that those who manufacture cigars and cigarettes, the so-called "Big Four", headed by the Dukes and the Reynolds, might object, but they do so for very, very selfish reasons. I want to say that I shall willingly vote for this bill and will induce as many of my colleagues from New York as I can to follow my lead.

Mr. HANCOCK of North Carolina. Will the gentleman yield?

Mr. CELLER. I yield to the gentleman from North Carolina.

Mr. HANCOCK of North Carolina. In connection with the reference which my colleague made to two of the big buyers of tobacco, may I say for his benefit and for the benefit of the Membership of the House that two of the big buyers, the American Tobacco Co. and the Reynolds Tobacco Co. are located in my district, and, up to this good hour, I have never received one word of opposition from any official connected with either of those two companies to this bill. They evidently take the position that this is strictly a growers' problem.

Mr. CELLER. I am very happy to receive that information. I did not intend to cast any aspersion on anyone in the gentleman's district.

Mr. HANCOCK of North Carolina. I know you did not. [Here the gavel fell.]

Mr. RANKIN. Mr. Chairman, on tobacco legislation I usually follow the lead of those men who represent tobacco districts. I am one of the few men in the House who does not use tobacco in any form. I am not in the Tobacco Belt. The territory I represent is not in the Tobacco Belt and was not in the original Tobacco Belt. The use of tobacco seems to have been unknown to the Indians of that section of the country at the time of the advent of the white man.

In 1539, when De Soto made his famous expedition through the Southern States, he landed in Florida and came up through Georgia, South Carolina, southern Tennessee, back down through Alabama, across Mississippi, and across the Mississippi River, into the interior of Arkansas and possibly as far west as Texas.

There were three reports of that expedition written by men who were members of it. One of them was written by a man named Biedma, who was called the King's Factor. Another one was a man by the name of Rangel, who was De Soto's secretary, and the third one was written by a highly educated man who called himself the Gentleman from Elvas. They went into details in describing the life of the Indian from the time they landed in Florida until they got back to Mexico, and to my surprise, not a single one of them mentioned ever having seen tobacco or having seen a single Indian smoking. Yet we have been taught in American history, or at least I have been led to believe, that all the Indians in this country were users of tobacco.

So tobacco evidently originated, so far as this country is concerned, in Virginia. I was never more surprised in all my study of the history of the early expeditions into this country and its early settlements than I was when I found that the men who wrote the reports of the De Soto expedition mentioned everything else of importance and many, many things of unimportance, and never a single time mentioned having seen a single Indian smoking or having seen tobacco in any form.

So I say I am outside the original Tobacco Belt. My constituents, of course, use tobacco—a great many of them—but I am willing to go along with these gentlemen who do represent tobacco farmers if I know what they want.

I have always supported legislation since I have been in the House which I thought was for the best interests of the men who produce the raw materials in all the agricultural sections of this country. I have supported legislation to raise the price of wheat, to raise the price of corn and of cattle and of hogs, as well as cotton, and if this legislation will do your people who produce tobacco any good, I shall be pleased to go along and support it. [Applause.]

Mr. HOPE. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I am not directly interested in this bill. I do not represent a tobacco-producing district, and my knowledge and information concerning the measure and the situation which it attempts to correct are derived principally from hearings which were held by the committee.

I do not believe anyone can read these hearings without being convinced that there is something radically wrong with the system under which the tobacco farmer sells his products. I do not believe there is any agricultural commodity today

in the disposal of which the seller is more at the mercy of the buyer than in the case of tobacco; and I feel convinced, if this legislation is passed, it will at least give the seller an opportunity to compete on more nearly even terms with the man who buys his product.

This is not an innovation so far as legislation is concerned, because we already have what amounts to compulsory inspection and grading of wheat and cotton and we have provisions for voluntary grading of many other agricultural commodities. It is true that the method which is used in the grading of wheat and cotton is not exactly the same as is provided in this bill, for the reason that the methods by which the commodities are handled in the course of their sale and distribution are different. The principle is the same.

I am sure the wheat producers of this country would not for 1 minute consider going back to a system of selling their product without Federal grading and inspection. I do not think the cotton producer would think of doing this for a single instant, and if they did do it there would be chaos so far as the marketing of either of these commodities is concerned.

This bill was very carefully considered by the committee. There were numerous objections made to it in the beginning and the committee made a sincere effort to meet every sound objection.

One of the objections was that many producers of tobacco did not want to have their tobacco graded; that the producers on certain markets were entirely satisfied with the system which is in effect and it would be an imposition on them to force them to have their tobacco graded. I cannot conceive how it would hurt any producer of tobacco to know the grade and character of his tobacco any more than it could hurt any producer of wheat to know whether his wheat is No. 1 or No. 2 or what its protein content may be; but assuming that some producers do not want this information they have the opportunity under the terms of this bill, by a majority vote of the producers in any marketing area to decide they do not want it. This is a democratic method of deciding the matter. It gives the producer a chance to decide whether or not he wants to come within the plan, and if he does not, it is not going to affect him in any way. My own judgment is that if this plan goes into effect there will ultimately be very, very few markets which will not have this grading system in operation. [Applause.]

[Here the gavel fell.]

The Clerk read as follows:

SEC. 4. That the Secretary is authorized to demonstrate the official standards; to prepare and distribute, upon request, samples, illustrations, or sets thereof; and to make reasonable charges therefor.

Mr. TRUAX. Mr. Chairman, I move to strike out the last word. Mr. Chairman and members of the committee, following a hasty perusal of this bill, H. R. 8026, last night, I concluded that I should oppose the bill. The bill will establish and promote the use of standards of classification for tobacco, to provide and maintain an official tobacco-inspection service, and for other purposes. After reading the bill carefully, and carefully reading the report, I want to say to you that I have changed my mind somewhat. [Applause.] I say this to you after 6 years' experience in directing, under a cooperative arrangement with the Federal Government of the grading of apples and other fruit, and the grading of onions and other vegetables in Ohio.

My only regret is that this measure does not make provision for a cooperative working arrangement between the Federal Government and the State departments, for the reason that practically all other projects of a similar nature are administered in that manner.

For instance, the eradication of bovine tuberculosis.

Back in 1926 we started in Ohio, under what is known as the "area method" and proceeded for some time, when we discovered that to carry the work to a successful conclusion we must have needed legislation. That needed legislation was obtained.

In the first 2 years we had one-half of the counties of the State accredited, and now they are all accredited, which

means that all of Ohio has less than 3 percent of infection of that sort.

I say that this should be cooperative, because I do not believe in centralizing such work in Washington, far removed from the scene of activities. Bureaucrats in Washington know far less than those in the field of the tobacco-growing States.

We have in the southwestern part of Ohio 10 or 11 tobacco-growing counties. I understand this bill will have no effect on those growers. In the southern fields it will eliminate a large part of the abuses in the auction market. It will enable the grower to have an accurate daily market information which he does not have under existing conditions.

Tobacco growers today are living in the same age that the cattle and hog growers were living in in the horse and buggy days, in the days of the old mud roads, when they did not have a market once a week and were entirely at the mercy of the buyer who had them completely in his power.

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

Mr. TRUAX. Mr. Chairman, I ask unanimous consent to proceed for 3 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. TRUAX. So this bill will, to a great extent, eliminate these great disadvantages that now exist. I do not believe that the enactment of the bill will raise the price of tobacco products to the consumer a single penny. I believe in the end it will lower them, because it will educate the large consuming public to the enormous profits made by the Tobacco Trust and the tobacco barons. We had testimony before our Committee on Labor that the Big Four, the Cigarette Trust, had a labor cost on a thousand cigarettes of only 2 cents. That is how they accumulated a net profit of \$759,000,000 over a 10-year period.

Mr. Chairman, it has been said many times on the floor of this House during the discussion of this bill that the Tobacco Trust has repeatedly and persistently plundered and robbed tobacco growers. That is true. For a long period, which only ended about a year ago, growers were receiving an average of 8 cents a pound for tobacco—a figure considerably lower than the cost of production. This Tobacco Trust, composed of the Dukes, Reynolds, and others, exploited both growers and workers by unfair buying methods and by brutal monopoly that squeezed out the last drop of blood from the tobacco farmers. By starvation wages, by ruthless opposition to labor unions, they stifled cooperative effort among their workers to a point that resulted in more than half of their employees receiving a meager average weekly wage of \$12. Many employees, known as the "common-labor group", received even less than that, with the inevitable result that these workers were forced on Federal relief doles to eke out a mere existence.

During the 10-year period before mentioned, during which these tobacco barons and modern bluebeards crushed growers, employees, and consumers to the tune of \$759,000,000, they reduced their working personnel from 40,000 to 20,000 employees.

I am not idealist enough to fondly hope that the enactment of this bill into law will accomplish the millenium and restore economic balance between the tobacco grower and the Tobacco Trust. I feel sure that the only remedy for these superracketeers and these blue-blooded and rich oppressors of the poor is the adoption of a drastic tax-the-rich program commonly known as "share the wealth."

Therefore I heartily commend the courage and initiative of President Franklin D. Roosevelt in urging the Congress to enact such a program into law before this session adjourns. I know full well that this contemplated program meets with displeasure from some Members and arouses the ire of many who complain about being sick, who complain about the terrific heat now prevailing in Washington, and who pray that Congress should adjourn so that they may go home.

Personally I do not subscribe to this doctrine. I think we should heed the call of duty, and that duty bids us not only to "soak the rich", but to scale down the immense

fortunes by a capital-tax levy and to make it impossible for the accumulation of huge fortunes in the future.

I read in the daily newspapers that the tentative plan agreed upon by the Committee on Ways and Means would grant a \$50,000 exemption for blood kin with a tax starting at 4 percent on the next \$10,000. It would run up to "almost confiscatory figures" at \$10,000,000 or more, so the paper states. That proposed plan is entirely too liberal for me. For the past 8 years I have advocated a capital-tax levy that would scale down every swollen fortune to \$1,000,000. If any man or woman in this country cannot live comfortably, decently, and respectably upon a million dollars, then they should leave this country and go where they can live in that manner on that amount.

I urge an inheritance-tax plan that would tax 100 percent of all inheritances in excess of \$1,000,000; I would limit all annual incomes to \$50,000 per year, and I believe that that is \$40,000 too much.

It is understood that the administration wants the new tax plan to become effective as of September 1, 1935. If this report is true, and I hope it is, then I say more power to the President. May we all doff our hats to him in admiration for his courage to tax the rich properly and adequately and for his humanitarian motives.

I believe that this bill should be made uniform along with our other agricultural control bills. I understand that the gentleman from North Carolina [Mr. WARREN] will offer an amendment that will require a voluntary agreement of 66 $\frac{2}{3}$ percent of the growers participating to make it effective upon them. That is exactly the plan under which we operate for the eradication of bovine tuberculosis in cattle. We must secure the signatures of 75 percent of our cattle owners. Then, when their herds have been tested, it is compulsory for the remaining 25 percent to have their herds tested also, so that the freedom from disease must be uniform in all of our herds. I think that the amendment about to be offered by the gentleman from North Carolina is a salutary amendment, one that will not impose any hardship upon a great majority of the tobacco growers, and I think with such an amendment to this bill it is one bill that we can all support whole-heartedly, freely, without any restraint upon our consciences, secure in the knowledge that we are rendering real service to one great class of agrarians in this country. [Applause.]

The CHAIRMAN. The time of the gentleman from Ohio has again expired.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Page 4, line 21, after the word "therefore", strike out the period, insert a colon, and add: "Provided, That in no event shall charges be in excess of the cost of said samples, illustrations, and services so rendered."

Mr. FULMER. Mr. Chairman, the amendment is perfectly satisfactory to the committee. The committee will accept the amendment.

Mr. CRAWFORD. I thank the gentleman. While I have the floor may I ask the gentleman from North Carolina, Judge KERR, a question? In the event that the triple A, which, I understand, includes the Kerr-Smith Tobacco Act, is held unconstitutional, where, then, would the tobacco people be insofar as their satisfactory situation is at the present time? In other words, assume that the law you referred to a while ago is entirely wiped out by the Supreme Court.

Mr. KERR. Then the tobacco interests would be left alone to work out their own method of cooperation and reduction.

Mr. CRAWFORD. Is it not a fact that while working out their own method of operation these people will starve to death?

Mr. KERR. What people?

Mr. CRAWFORD. The people who are growing tobacco.

Mr. KERR. If there is proper cooperation among them, which would bring about the very condition brought about by this legislation, then they would be in a finer status than they ever were.

Mr. CRAWFORD. If proper cooperation were brought about between the growers and the buyers? In other words, if the buyers would hand the proper price over to the growers, it would be satisfactory?

Mr. KERR. I think proper cooperation among the growers in respect to the amount of tobacco they make would bring them satisfactory prices.

Mr. FULMER. And I would state to the gentleman that prior to the passage of the Kerr-Smith Act, for years and years these tobacco growers had tried to cooperate. They never have been able to do so, and never will, if the matter is left to farmers. When the Smith-Kerr bill was offered they objected to it, but after it was put into operation and real benefits came along they were tickled to death, and as the gentleman states, if this program is wiped out by the courts, tobacco farmers will have to go back to poverty bases.

Mr. CRAWFORD. Is it not true that they are staking the claim that they are now entirely satisfied solely on the benefits brought about by previous legislation?

Mr. FULMER. The gentleman is correct.

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

Mr. CRAWFORD. Yes.

Mr. FIESINGER. I heard during the debate that in these warehouses where they have the auction, a certain grade of tobacco may sell in the morning for 5 cents and in the afternoon for as much as 17 cents—that is, the same grade.

Mr. CRAWFORD. That is in accordance with the testimony.

Mr. FIESINGER. Is not that due somewhat to the law of supply and demand? In that particular instance was there not a shortage of tobacco, and you could not blame the thing altogether on the grading proposition?

Mr. CRAWFORD. I do not think the law of supply and demand has any more to do with it than I did or than some fellow in South Africa had to do with it. It is a case of where the exchange machinery as between the primary producer and you, the consumer, is so organized that the primary producer is being required every day to contribute loot to the highly organized exchange machine.

Mr. FIESINGER. Another question: I am trying to clear up these points in my own mind. It was said in debate that the farmer may offer his tobacco and it would not be sold and then the pinhookers, so called, come along and buy that tobacco and sell it for \$25 or \$50 more in the same afternoon.

Mr. CRAWFORD. Yes. If the farmer rejects the bid.

Mr. FIESINGER. Why could he not hold it until the afternoon and sell it himself?

[Here the gavel fell.]

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

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FIESINGER. Why could not the farmer hold the tobacco and sell it as well as the pinhooker?

Mr. CRAWFORD. Because of that highly organized machine to which I referred. The farmer has no chance. There is absolutely no chance for him to operate.

Mr. FIESINGER. Then the gentleman says that the law of supply and demand does not operate under the peculiar conditions of this bill?

Mr. CRAWFORD. That is correct.

Now, may I ask the Chairman of the Committee on Agriculture a question? Assuming the grower of tobacco desires to take his tobacco to another place for sale, other than to the warehouse auction sale, does he come within the provisions of this act?

Mr. FULMER. He is at liberty to take it to any market for sale.

Mr. CRAWFORD. In other words, it is a case of conforming to the warehouse rules and the general procedure, as set forth in this law and in the warehouse rules, if he takes his tobacco to the warehouse auction sale?

Mr. FULMER. That is right.

Mr. CRAWFORD. I thank the gentleman.

[Here the gavel fell.]

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Michigan [Mr. CRAWFORD].

The amendment was agreed to.

The Clerk read as follows:

SEC. 5. That the Secretary is authorized to designate those auction markets where tobacco bought and sold thereon at auction, or the products customarily manufactured therefrom, moves in commerce. Before any market is designated by the Secretary under this section he shall determine by referendum the desire of tobacco growers who sold tobacco at auction on such market during the preceding marketing season. The Secretary may at his discretion hold one referendum for two or more markets or for all markets in a type area. No market or group of markets shall be designated by the Secretary unless a majority of the growers voting favor it. The Secretary shall have access to the tobacco records of the collector of internal revenue and of the several collectors of internal revenue for the purpose of obtaining the names and addresses of growers who sold tobacco on any auction market, and the Secretary shall determine from said records the eligibility of such grower to vote in such referendum, and no grower shall be eligible to vote in more than one referendum. After public notice of not less than 30 days that any auction market has been so designated by the Secretary, no tobacco shall be offered for sale at auction on such market until it shall have been inspected and certified by an authorized representative of the Secretary according to the standards established under this act, except that the Secretary may temporarily suspend the requirement of inspection and certification at any designated market whenever he finds it impracticable to provide for such inspection and certification because competent inspectors are not obtainable or because the quantity of tobacco available for inspection is insufficient to justify the cost of such service: *Provided*, That, in the event competent inspectors are not available, or for other reasons, the Secretary is unable to provide for such inspection and certification at all auction markets within a type area, he shall first designate those auction markets where the greatest number of growers may be served with the facilities available to him. No fee or charge shall be imposed or collected for inspection or certification under this section at any designated auction market. Nothing contained in this act shall be construed to prevent transactions in tobacco at markets not designated by the Secretary or at designated markets where the Secretary has suspended the requirement of inspection or to authorize the Secretary to close any market.

Mr. WARREN. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. WARREN: On page 5, line 7, strike out the words "a majority" and insert in lieu thereof the word "two-thirds."

Mr. WARREN. Mr. Chairman, there seems to be great confusion of opinion on this bill among the brethren from North Carolina and other tobacco-growing States. My very close friend and colleague, Mr. HANCOCK of North Carolina, referred in a speech made a short while ago to Mr. J. C. Lanier, of Greenville, N. C. I was unable to hear all the gentleman said, and I hope that he cast no reflections on Mr. Lanier, and knowing the gentleman from North Carolina [Mr. HANCOCK] as I do, I am sure that he did not. I know nothing of any conversations that he might have had with Mr. Lanier, who is well within his rights in opposing this measure if he sees fit.

Immediately after the Kerr-Smith bill became law, and upon my recommendation and, indeed, upon the recommendation of many from the tobacco-growing sections, Mr. Lanier was made Assistant Tobacco Administrator under Mr. Hutson. In my opinion, he knows more on the subject than any other man today in the United States. To him is due outstanding credit for the success of the tobacco program. He was given the high honor of being furloughed from the Department to become administrator of the tobacco warehouse code under the N. R. A., and after the death of the N. R. A. he then voluntarily organized all of the warehousemen to carry on the high standards that were formerly imposed upon them under the code. I regard him as one of the ablest and finest and squarest men I have ever known, and he is a man of the highest character and integrity.

The amendment that I have offered merely brings this proposed bill in conformity with all other control programs. In fact, it sets a lower standard of conformity than does the referendum on the Kerr-Smith bill. On the Bankhead bill, as you will recall, before it becomes effective it requires the vote of two-thirds of the participating growers. On the Kerr-Smith bill it requires a vote of three-fourths of the

participating growers before the program can be continued for another year. In a third program that has been proposed to the Congress, to wit, the potato-control bill, which has already passed the Senate, a two-thirds vote of all growers is required. This bill, as now presented, only requires a majority. It would force the will of 51 percent upon 49 percent who may not wish to come in. This amendment therefore brings this act in conformity with other programs.

When this bill was first introduced it had my most unalterable opposition. I know that I am conservative when I state that I received approximately 10,000 letters and petitions in opposition to the measure, with approximately 100 letters in favor of same. It was understood and argued at the time the opposition arose that the farmers desired to express themselves on it before it became effective. Since the committee has incorporated a referendum provision, and if the committee will accept this amendment that I am offering to make it conform with other control programs, then I am willing to go along with the bill.

I wish I could share the enthusiasm of some of the proponents of this bill in thinking that this measure will really accomplish something worthwhile. It has been my observation that farmers cared nothing about Government grading which at times has been offered them absolutely free. Only a very small percentage of them have availed themselves of this opportunity. Since I understand that the gentleman from South Carolina [Mr. FULMER] is willing to accept my amendment which provides that two-thirds of the growers must first vote in favor of grading, then I see no objection to giving them this right. Unless there should be a great change in sentiment in eastern Carolina, I doubt if there will be a favorable vote.

Mr. HANCOCK of North Carolina. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I will be brief. I see no serious objection to the amendment offered by my distinguished friend from North Carolina, Mr. WARREN, but we all realize that when you raise the percentage of votes required it makes it somewhat more difficult for the growers to organize and thereby get the benefit of this service. A majority has always been the basis of our system of control and regulation in this country. If we do not adhere to the majority rule, I do not know to what rule we can adhere for future guidance in determining questions of this kind. Of course there may be justified exceptions.

In a few moments the gentleman from North Carolina [Mr. UMSTEAD] will probably come forward with his amendment. Under that amendment, even after a majority of the growers in a particular area have voted for Federal grading and inspection, my understanding of the amendment is that it would still not bind those who did not vote for it.

I am wondering which of the Members of this House would like to invoke that rule with respect to their election as Members? In other words, if 51 percent of your constituents favored you and 49 percent did not favor you, do you think the 49 percent ought to have somebody else up here to represent them? Of course, some of us may, before this session is over, need a substitute.

Seriously speaking, however, those who understand the problem involved in this legislation must admit that the odds are all against the growers when it comes to the referendum. I know intimately the buyers and warehousemen on many markets. I give them and the warehousemen, too, a word of praise. Nearly everyone of them is an honorable man. I am not criticizing or attacking any individual, but merely the system in which they operate. I know, however, that all of them are afflicted with human weaknesses, I know they are naturally primarily interested in the prosperity and welfare of their business. They see their side of this problem and that quite frequently is different from the growers' problem. Listen to me, please. Here is farmer John Smith who comes into a warehouse with his tobacco.

A big, influential buyer happens to be around and sees him. This buyer, who is bent upon breaking up Federal grading, says to John: "Look here, old fellow, don't fool with that damned grading business; haven't I been buying

your tobacco and looking after you? If you fool with that mess don't look to me to help you." They are the boys who hold the purse strings, and that is the most powerful coercive influence the average grower faces. How long could any system last in the face of that kind of intimidation and opposition? When the day of the referendum comes it is going to be extremely difficult for 51 percent to have a free, uninfluenced will at the polls. You do not know the powerful influence of the tobacco combination in North Carolina composed of buyers, warehousemen, and the market pets. You have no idea how hard it is going to be for the growers in a particular area to get by ballot this splendid and constructive service which their Government is offering them free. Finally, do not forget this: The tobacco growers have trusted their Government with great benefits to control their production. Shall they now turn their backs on that same Government which is willing to give them free of charge a service that will better enable them to market the product of their months of labor? If left to their own will, I have no fear but that they will throughout every belt continue their loyal cooperation with an administration that has and will continue to be their defender and protector and see to the limits of its power that they shall receive a fair price for the fruit of their labor.

[Here the gavel fell.]

Mr. FULMER. Mr. Chairman, I appreciate the remarks of the gentleman from North Carolina, my friend, Mr. HANCOCK; but the amendment offered by the gentleman from North Carolina [Mr. WARREN] is in line with certain clauses carried in other pieces of legislation in connection with the agricultural program and apparently is very fair. The committee is inclined to accept the gentleman's amendment.

Mr. BARDEN. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, if this bill will do 30 percent of the good that is claimed for it, then the man ought to be shot who would vote against it. I come from a tobacco section, and when I say tobacco section I do not mean that they grow 2 or 3 acres of tobacco. In 1934 my district raised 63,119,000 pounds of tobacco. From this tobacco the Government realized approximately \$63,000,000 in revenue. So I say that the people of my district are entitled to have something to say when legislation of this type is being passed on.

As for the amendment of the gentleman from North Carolina [Mr. WARREN] I cannot see one reason on earth for any opposition to it. I am for it and expect to support it.

I do not like to see statements broadcast that seem to refer to the farmers as being poor, ignorant farmers or referring to the warehousemen as being crooks, thugs, and thieves; I do not like such statements. I think they are unfair. The farmers in my district are intelligent, law-abiding, hard-working men, and they have had a hard row to weed. The warehousemen in North Carolina, when the Governor of that State called for the warehouses to close, closed them 100 percent for the triple A movement to get under way.

My farmers are for the triple A. They are delighted with the tobacco movement, and I expect to stand with them in supporting the program, and may I add that I sincerely hope this bill will not have the effect on the North Carolina farmers and the farmers of my district that it has had on the North Carolina delegation. I am serious in this, and it makes me a little leery about the bill. My farmers are satisfied with the situation as it exists under the tobacco program, and I sincerely hope that this will not disturb their peace of mind.

I know that the present method of selling tobacco is bad. It has been bad, and I know where most of the scalpers live in North Carolina. I think their headquarters are in the district of the gentleman from Winston-Salem who referred to them as "scalpers."

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

Mr. BARDEN. I yield.

Mr. HANCOCK of North Carolina. I do not think that is a fair statement for the gentleman to make. I have made no such reference to them.

Mr. BARDEN. I am not making that as an accusation against the gentleman from Winston-Salem, N. C., but I say that if the gentleman refers to the tobacco companies and the tobacco buyers as "scalpers", their headquarters are in the gentleman's district.

Mr. HANCOCK of North Carolina. The gentleman is mindful of the fact that there are a number of large companies whose buyers operate in North Carolina. Why the gentleman should direct his remarks on Winston-Salem I do not know. I would really like to know what the gentleman means. May I also say again I have not referred to them as "scalpers" or any other such names.

Mr. BARDEN. I thought that was mild.

Mr. HANCOCK of North Carolina. It may be for the gentleman, but I have not used any such terms toward anyone connected with the tobacco industry, for I do not think they deserve such characterizations.

Mr. BARDEN. Then I must be wrong. I heard so many complimentary things said with reverse English on them that I am a little confused perhaps. I have no personal fight to pick with them. I say that they have built up a monopoly that is beyond the control of the farmer. I say that the Government, and we as representatives of the people, should step in and help control this monopoly. I am delighted to see this love for the farmer. It tickles me very much. I hope it is not a temporary thing, but will be permanent.

[Here the gavel fell.]

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

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

There was no objection.

Mr. BARDEN. Mr. Chairman, may I say in this connection that there is a lot of talk at this time about the tobacco program being declared unconstitutional. If it is, then may I say it would be a fine time for us to begin to go to work and see if we cannot devise a method whereby at least a part of this \$1.08 per pound extracted by the Federal Government on a pound of tobacco can in some equitable way be distributed among the tobacco growers. The idea of a tobacco grower getting from 9 to 17 cents a pound for a product that the Federal Government gets \$1.08 tax on is ridiculous. I sincerely hope that all of these demonstrations of love and affection for the farmer will not be temporary. I want to see the attitude prevail permanently if the tobacco growers are hampered in any way.

Mr. FIESINGER. Will the gentleman yield?

Mr. BARDEN. I yield to the gentleman from Ohio.

Mr. FIESINGER. There is no tobacco raised in my district and I think very little in the State of Ohio. We are one of the parts of the country that pays the freight. I want to ask the gentleman a question. His State is one of the great tobacco-producing States of the country as well as one in which a great deal of the tobacco is manufactured. Why has not the State of North Carolina passed a law which would protect those people down there if the hardship does exist as it has been portrayed in this debate?

Mr. BARDEN. May I say to the gentleman from Ohio that I think the legislature down there has tried to deal with these problems as presented. I served in that body and the legislature has been somewhat confused as to how to meet the situation. In the last year or so the tobacco business in North Carolina from the farmers' standpoint has been very satisfactory.

Mr. Chairman, with the Warren amendment adopted, I think I shall vote for this bill. I am going to vote for it because when two-thirds of the farmers in my district say they want this program, then I believe they should have it, and I am going to vote for the bill for the reasons indicated. The tobacco farmers are entitled to every possible aid and service that can be rendered by the Federal Government, and as long as I am here I shall not hesitate to fight for their cause.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. WARREN]. The amendment was agreed to.

Mr. UMSTEAD. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. UMSTEAD: On page 5, line 15, after the word "referendum", strike out the period and the language thereafter down to and including the word "service", in line 2, on page 6.

Mr. UMSTEAD. Mr. Chairman, I ask unanimous consent to proceed for seven additional minutes.

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

Mr. FULMER. Mr. Chairman, reserving the right to object, may I see if we cannot arrange the time to be devoted to this amendment. I should like to make a unanimous-consent request that all debate on this section and all amendments thereto close in 20 minutes.

Mr. BOILEAU. Is this the amendment referred to known as the "Umstead amendment"?

Mr. FULMER. Yes.

Mr. BOILEAU. I should like to have 5 minutes to discuss that amendment.

Mr. FULMER. Mr. Chairman, I shall amend the request by adding 5 minutes for the gentleman from Wisconsin, making it 25 minutes in all.

Mr. KERR. Mr. Chairman, reserving the right to object, may I ask the chairman of the committee who is in charge of this matter a question. I desire to offer an amendment on this section. Does he limit debate to the pending amendment?

Mr. FULMER. No; to the section. The gentleman may offer his amendment within that time.

Mr. UMSTEAD. Mr. Chairman, I should like to know if my unanimous-consent request is granted? I have not had any time to speak on this bill, and, coming from the section of North Carolina that I do, I felt compelled to ask for the additional time, and I hope it may be granted.

Mr. FULMER. Mr. Chairman, I will modify my request, and make it 30 minutes, and give the gentleman from North Carolina [Mr. UMSTEAD] 15 minutes of that time.

Mr. WADSWORTH. Mr. Chairman, in view of the understanding that the gentleman from North Carolina is to have 15 of the 30 minutes, which would make it possible for only three other members of the committee to speak on the amendment, and it being a very important one, I am constrained to object.

Mr. FULMER. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 30 minutes.

Mr. WOODRUM. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WOODRUM. The gentleman from North Carolina [Mr. UMSTEAD] obtained recognition from the Chair and propounded a unanimous-consent request. He has the floor and is entitled to have action taken on his request.

Mr. FULMER. Mr. Chairman, I withdraw my motion for the moment.

Mr. UMSTEAD. Mr. Chairman, I asked unanimous consent that I may be permitted to proceed for 7 additional minutes. I modify the request and ask unanimous consent to proceed for 5 additional minutes.

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

There was no objection.

Mr. UMSTEAD. Mr. Chairman, there has been much said during the consideration of this bill on the questions of the production and the sale of tobacco. Some have qualified as experts by study, some have qualified as experts by listening to witnesses, and others have qualified as experts by reading the record. Mr. Chairman, I have no hesitancy in saying that although I do not claim to know all there is about tobacco, I am one man on the floor of this House who has engaged in growing tobacco and grading it with my hands. I feel therefore that having engaged in the production of this commodity until I was 21 years old, and having paid most of my school expenses with the money I made out of it, perhaps I ought to be entitled at least to make a few observations in regard to tobacco.

Let no man understand that I am against anything which is calculated or intended to help the producer of tobacco. Since becoming a Member of Congress I have at all times and in connection with every matter which has been presented to this Congress endeavored to aid in every way I could the producers of tobacco. I expect to vote for this bill, but I am asking this committee to hear me a moment on this amendment which I have offered, in good faith, for your consideration.

I defy any man in this Congress, although it has been stated here, to take 10 minutes of your time and prove to you that any law which has been heretofore enacted in connection with the tobacco program is a compulsory law. I am not questioning the motives of any man who has discussed this bill. I would not do that. I am thankful that so much has been said in behalf of the tobacco growers. If this bill accomplishes no other purpose, Mr. Chairman, it will have brought to the Members of the Congress more information about tobacco than they have ever had before in their lives, although I cannot subscribe to all that has been said here. I do not believe that any man on the floor of this House would have any selfish motive about this bill. I do not subscribe to the doctrine of jumping on the warehousemen, of criticizing the farmers or anyone else who has opposed this bill. I live in a country that makes tobacco, manufactures tobacco, and uses tobacco. Not a single soul connected with a manufacturing company has ever spoken to me about this measure. Only three of the many men engaged in the warehouse auction business in my district have ever mentioned this bill to me, so far as I now recall. I have received very few letters about the bill. I am speaking to you about something that I know, not from anybody or anything except my own experience.

North Carolina has a big stake in the tobacco production industry. In 1934, 1,000,000,000 pounds of tobacco were produced in the United States and North Carolina produced 420,000,000 pounds of it. The whole 1,000,000,000 pounds brought about \$240,000,000 and North Carolina received about \$120,000,000 for her share. Sections of our State have been changed from places of despair to places of hope and joy by what has been done in the tobacco-adjustment program. But, Mr. Chairman, there is an element in this bill that I do not like.

In my home county of Durham there is a large tobacco market. We sell on that market about 25,000,000 pounds, five times or more as much tobacco as is produced in that county. There are men and women in that county who have sold tobacco on the Durham market all their lives, and their fathers before them sold tobacco on that market. It is not a large-farm area; it is a small-farm area of one-horse and two-horse farms. I was reared on a small tobacco farm.

Someone has stated here that these little growers do not know how to grade tobacco. I deny that. Someone has put into the report the statement that the growers of tobacco have no system of grading. I deny that this is true in my section. There is the skill and science that has been passed from generation to generation in the veins of tobacco growers in Piedmont, N. C. Many men and women are experts, and grade tobacco with the accuracy that is acquired only by experience.

Now, this bill, if it is passed without this amendment, says, in effect, to the man who does not want his tobacco graded by a Government grader, "You cannot sell where your forefathers sold. You cannot sell where you have sold all your life. If you do, you have got to pay a fine or go to jail."

I cannot agree with my distinguished colleague, my next-door neighbor, Mr. HANCOCK, about this. Every pile of tobacco sold on the warehouse floor bears the name of the owner. The check is written to him. The warehouse furnishes a place to sell it. The check and the proceeds go to the man who owns the tobacco. I have sold tobacco, Mr. Chairman, and I know.

If Government grading is good, the tobacco farmers will use it. The proponents of this measure are basing their advocacy of this bill on the experience of Government grading. Do they stand by it? If they do, then why are they not

willing to leave it to those who will voluntarily use the services furnished free by the Government, and not ram it down the throat of a grower who is an expert himself, whose wife and children with their hands prepare tobacco with the care that would be used in nursing a baby, and who places it on the market in the finest condition, expertly graded, straight, orderly, and well arranged in the basket?

Many of such growers will not want to be compelled to subject their tobacco to the action of any Government grader anywhere. I am for the bill; I am going to vote for it whether you adopt my amendment or not, but let us not deprive any grower of the right to sell his tobacco on any market without having it Government graded.

That is all that is involved in this amendment. It will not emasculate the bill. If it is a good bill, there is no need for compulsion, and if it is a bad bill, there ought not to be any compulsion. I hope you will support the amendment. [Applause.]

Mr. VINSON of Kentucky. Mr. Chairman, I rise in opposition to the amendment. Mr. Chairman and members of the Committee, I was happy to hear my distinguished friend from North Carolina, Mr. UMSTEAD, tell this House that he was going to support this measure whether his amendment was adopted or not. He realizes that this measure will do much good to the tobacco growers of his section and the country. The tobacco sections of this country are the brightest spots in the A. A. A. program. North Carolina is the brightest spot of the entire area in part because of its export situation. Their average last year was 27 or 28 cents a pound. Burley tobacco and dark-fired and other grades of tobacco are not so fortunate. But while that is true, I would state that the tobacco growers generally have received many added millions of dollars because of the A. A. A. program.

I am speaking for the tobacco growers who need protection, tobacco growers who in 1931 only received an average of 8½ cents a pound for burley. In that year the Federal Government secured to the Treasury more than three times what the entire tobacco crop brought the farmers of the United States.

I could not help smiling when my friend talked about compulsion. I should like to know what he thinks of the Kerr-Smith bill passed by Congress, in which those out of the program pay 25-percent tax on the tobacco sold by them. Nobody knows better than the gentleman from North Carolina that a 25-percent tax or a 33⅓-percent tax called for this year is as compelling to the tobacco grower as any provision here contemplated.

I would not be misunderstood. I fought here for the Kerr-Smith bill. It has been of great benefit to tobacco growers, but it would be difficult to prove to a farmer that there is no compulsion in his reduction of acreage.

Why, my friends, if you adopt the amendment of the gentleman from North Carolina [Mr. UMSTEAD] you are sticking a dagger into the heart of this measure. This is a splendid measure, admitted to be so by him. No one knows more than he that it is for the welfare of the tobacco grower.

I am asking you in the name of the tobacco grower who may not be as fortunate as the gentleman from North Carolina, who is skilled in grading tobacco, who may not be as fortunate as the neighbors of the gentleman from North Carolina who have graded their tobacco—I am asking you in the name of the small tobacco grower, the man who is not the pet of the warehouseman, the man who is not in a position to favor the buyer so that he may get an increased price for his tobacco—to protect him from the buyer on the auction floor grading his tobacco, for that is what it amounts to. The buyer of the tobacco of the farmers of this country is the man who actually grades it. He grades it when he tells him the price that he will give, and he gives him the price that he wants to give him.

I repeat that in my opinion this bill without the Umstead amendment will mean added millions of dollars for the tobacco growers of this country. They are entitled to get what their tobacco is worth. No speculator, no pinhooker, no manufacturer of tobacco products is entitled under the law

and in the name of justice to get any portion of the value of the tobacco growers' product. The grower is entitled to it all. [Applause.]

Mr. FLANNAGAN. Mr. Chairman, I move to strike out the last word. In my opinion, this amendment, if adopted, will absolutely destroy the bill. We may just as well quit trying to help the small grower of tobacco in this country if we pass this amendment. Let me give you a little of the history of this legislation. I know that the tobacco interests have been trying to defeat this legislation. I know that they have spent thousands upon thousands of dollars bringing people here to Washington, sending their representatives through the tobacco districts, spreading false propaganda, and what was it? Five cents a pound to grade their tobacco, and this, that, and the other, and then they told the farmers we were using compulsion; that we were going to force it on them. The farmers were not making that argument. It was being made by the tobacco interests for the farmer. Let us see what has happened. We adopted the referendum. We said, "All right; we will give it to you", and we have gone farther and said that we will provide for a two-thirds vote in the referendum. What does this amendment do? It says that although two-thirds of the tobacco growers on a particular market want Federal grading, they cannot have it, but that grading shall be optional. You could, under the amendment, have Federal grading on the floor or you need not have it. Adopt this amendment and what will happen? You know and I know that the tobacco buyers of this country, in order to discredit the system, would pay more for the tobacco that had not been graded than they would for the tobacco that had been graded, in order to discredit grading and get rid of the whole grading system. That is what they are trying to do. They are trying to destroy the whole grading system. If you give them an opportunity, they will do it; and if you vote for this amendment, that is what you are doing; you are placing the farmer, the tobacco grower of this country, at the mercy of the "Big Four" tobacco companies in America. Are you going to do it?

I never heard of this amendment until 3 days ago, when a representative of the tobacco interests was here. That is the first time I heard of it.

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

Mr. FLANNAGAN. Yes.

Mr. UMSTEAD. Does not the gentleman recall that I appeared before the Committee on Agriculture at a hearing in the New House Office Building and stated to you and to all members of that committee that I was not opposed to the Government grading, that there never had been any in my district, and that I wanted to ask the committee not to ram it down the throats of those who never tried it and did not know whether they favored it or not?

Mr. FLANNAGAN. I am sorry that I do not recall the statement.

Mr. VINSON of Kentucky. And does not this bill protect his interest?

Mr. FLANNAGAN. If your growers do not want Federal grading in your district, they need not have it, because two-thirds of them have to vote in favor of it before you get it. I know that the gentleman will be satisfied if two-thirds of the growers in his district speak on this subject and say they want Federal grading.

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

Mr. FLANNAGAN. How can Federal grading hurt any tobacco grower; how can any tobacco grower be hurt or his crop injured by a Federal expert in tobacco grading his tobacco? I yield to the gentleman from North Carolina.

Mr. HANCOCK of North Carolina. Is not the serious danger connected with the Umstead amendment this, and nothing else, that if a portion of them are out of the system and a portion of them in, the companies will pay more for the tobacco of those not in the system than for those in the system, thereby breaking it up?

Mr. FLANNAGAN. In order to discredit the system. I made that statement, and that is what this amendment will

result in. If we adopt this amendment, we may just as well kill the bill. [Applause.]

Mr. WADSWORTH. Mr. Chairman, I move to strike out the last two words. It is with a good deal of hesitation that I ask the indulgence of the committee for a few moments to discuss a feature of this so-called "tobacco-grading bill." I confess, at the outset, that I know nothing whatsoever about the tobacco business and I announce, at the outset, that I shall not endeavor to teach the members of the committee anything about it. But the gentleman who has offered the pending amendment has, in my judgment, hit upon something that deserves very, very careful thought on the part of the Members of the Congress. He has referred to the introduction of the element of compulsion—compulsion to be exercised by a stated proportion of persons engaged in a business, and imposed upon a smaller proportion of persons engaged in the same business.

I note, Mr. Chairman, that this thing is making its appearance in many of the bills that are passing this Congress or that are being urged for our favorable consideration. We find, for example, in the proposed marketing agreements in the Agricultural Adjustment Act amendment bill, according to which a majority of persons or two-thirds of the number of persons engaged in the raising of a certain crop, upon agreeing to the marketing agreement, thereupon are put in the position of compelling the minority of persons who may not agree to the provisions of the agreement, to conduct their business in accordance with the will of the majority. We find the same thing in the so-called "Wagner labor-disputes bill." Its provisions provide that a minority of workmen in a plant, if outvoted by a majority in the matter of organization, may, from that time on, have no representation with the employer in their negotiations. This theory of majority rule or two-thirds rule in the conduct of business is a new theory; but it is working its way into our legislation.

Mr. FULMER. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. FULMER. Is it not a fact that industry, in all well-organized groups of business in this country, have even gone to the extent of making trade-practice rules and securing the endorsement of the Federal Commission in order to bring about uniformity in price?

Mr. WADSWORTH. True; but the force of law is not behind them. There is the difference. We are now putting the force of law behind the will of a majority of persons engaged in a business as against the will of a minority of persons engaged in the same business. There is no analogy in that situation and the election of a Congressman by a majority of the voters. That has to do with the conduct of government and, of course, we must, in the last analysis, conduct government in accordance with the will of the majority. The Declaration of Independence says something about every individual being entitled to life, liberty, and the pursuit of happiness.

[Here the gavel fell.]

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

The CHAIRMAN. Is there objection?

There was no objection.

Mr. WADSWORTH. Pursuit of happiness is nothing more nor less than the earning of one's living. We now propose in bill after bill to restrict the pursuit of happiness; take away the right to pursue happiness on the part of an individual, and subject him to the will of the majority. Where is liberty when that theory prevails?

Mr. UMSTEAD. Will the gentleman yield?

Mr. WADSWORTH. I yield briefly.

Mr. UMSTEAD. I should like to call attention in the RECORD to the statement that on the Oxford market last year, where they had Government grading voluntarily, the part graded by Government graders brought \$2 more than that which was not graded.

Mr. WADSWORTH. I do not yield further. I am not talking about the marketing of tobacco. I am not talking about the tobacco business. I am trying to reach a fundamental question here. Are we going to establish it as an

accepted doctrine in America that a majority of persons engaged in a business may tell a minority of persons engaged in the same business how they shall earn their living? [Applause.]

[Here the gavel fell.]

Mr. GEHRMANN. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I had no intention of entering into this fight, but since this amendment was offered, and due to experience I have had as an actual farmer in the first place, and being connected all my life with farm organizations and the fight with big business for the farmer, I know that this amendment will absolutely kill the intent and purpose of this bill. [Applause.]

I have for years been connected with, I believe, the best organized tobacco group in the State of Wisconsin, the North Wisconsin Tobacco Pool, and I know the history of the fight that brought about the organization, until they are now at a point where they can practically control their own grading.

Within the last few years I was appointed by our Governor as a member of the board of so-called "fair price committee" in the grading or establishing a fair price on cheese. That is the major product of Wisconsin, but it is identical with the fight that the tobacco farmers here are waging for a bare living or a bare existence. In Wisconsin we tried in every conceivable way to get justice for the farmer, until we finally passed a law which established a grading system. We thought then that we had something. The trouble was that we had a voluntary grading system, and we found that after a year or two those dealers, through the manipulation of the cheese-factory operator—in this case it will be the tobacco grader and the tobacco warehouse manager—would say, "Now here is a good-sized farmer and he refused to come under this compulsory provision." He is a good fellow and either by raising the grade or giving him a better price he will soon be found opposed to the grading system.

It will not be long until they go through the country and tell the farmers "You are a fool to enter this grading system, because you are on the outside and can get a better price and better grade than you will if you join the grading system." Finally, but not until 1931, our State installed a compulsory grading system, and we had the biggest fight of our lives, but not directly from the dealers. They were always in the background. They did not appear before the committee. I was chairman of the committee on agriculture of the lower house of our legislature. They never appeared, but they were always able to get some farmers who would sell their birthrights for a mess of pottage to appear before the committee. While they spoke as farmers they were in reality nothing but cat's-paws and tools of these big buyers. That is exactly what happened.

Mr. KERR. Mr. Chairman, will the gentleman yield for a question?

Mr. GEHRMANN. I yield.

Mr. KERR. Is there a warehouse system in the gentleman's State for the selling of tobacco?

Mr. GEHRMANN. No; they have a tobacco pool.

Mr. KERR. Does the gentleman understand the pending bill applies only to warehouse sales?

Mr. GEHRMANN. I do.

Mr. KERR. And that every pound of tobacco in North Carolina, South Carolina, Virginia, and Georgia could be sold at the farmers' barns without anybody having to grade it?

Mr. GEHRMANN. They can do it if they want to, certainly; there is no compulsion.

[Here the gavel fell.]

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 2 additional minutes.

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

There was no objection.

Mr. FULMER. Mr. Chairman, will the gentleman yield that I may submit a unanimous-consent request?

Mr. GEHRMANN. I yield.

Mr. FULMER. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto do close in 2 minutes.

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

There was no objection.

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

Mr. GEHRMANN. I yield.

Mr. CRAWFORD. I am very anxious to have this point cleared up in my mind. If, as the gentleman has just said, a person does not have to conform to this law unless he sells his tobacco through a warehouse auction, where is there anything in this bill to prevent a man's selling tobacco to anyone he pleases at any price he pleases and without its being graded?

Mr. GEHRMANN. That is exactly the way I interpret this bill.

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

Mr. GEHRMANN. I yield.

Mr. BOILEAU. I understood the gentleman to say that before we had compulsory grading of cheese there was all this confusion, but now that we have compulsory grading of cheese, it is approved by all the farmers and they are perfectly satisfied; there is no objection.

Mr. GEHRMANN. Everyone approves it.

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

Mr. GEHRMANN. I yield.

Mr. HANCOCK of North Carolina. Can anyone find anything in this bill compulsory except in respect to receiving expert disinterested information? And then after a grower has received such information, is it not true that he is not obliged to sell his tobacco according to that grade, and the buyer does not have to buy the tobacco according to the Government gradation? It serves merely as a helpful guide to the grower.

Mr. GEHRMANN. The same thing is true of cheese in Wisconsin. The State graders have three grades. The farmer knows what grade his cheese is, and when he produces a no. 1 cheese a dealer cannot "gyp" him by calling it a no. 2 or no. 3. It is up to him then, of course, to take the price offered or leave it.

It must be remembered that Wisconsin produced 92 percent of all the Swiss and foreign cheeses and that the foreign element refused to come under the compulsory law; but this last year they appeared before the legislature and begged to come under it. So now the entire industry is under the compulsory law—not 75 percent or 51 percent. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. KERR) there were—ayes 55, noes 70.

So the amendment was rejected.

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

The Clerk read as follows:

Amendment offered by Mr. KERR: Page 4, after the period in line 25, insert the following:

"No market shall be designated under this section—

"(1) In case of any area not included in paragraph (2), unless the Secretary of Agriculture finds that two-thirds of the tobacco growers who sold tobacco at auction on such market during the preceding marketing season favor the designation of such market under this act. Such finding, in the discretion of the Secretary, may include two or more or all undesignated markets in a type area. In arriving at any such finding, the Secretary shall not consider the opinion or vote of any person who is not such a grower, and shall not consider the opinion or vote of the same grower in more than one such finding.

"(2) In case of the flue-cured tobacco area embraced within the Second Congressional District in the State of North Carolina, unless the Secretary of Agriculture finds that two-thirds of the votes cast by the bona fide growers in the said tobacco area who cultivated tobacco in such area during the year 1935 or in the year during which the Secretary makes his finding, favor the designation of such markets in such area under this act."

Mr. FULMER. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto do close in 10 minutes.

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

There was no objection.

Mr. KERR. Mr. Chairman, this amendment, though it appears to be a long one is simple and easy to understand.

My congressional district is by far the largest producer of bright flue-cured tobacco in the United States. We not only raise in the eight counties that constitute my congressional district almost one-fifth of the bright flue-cured tobacco of the earth, but we sell in that district almost one-fourth of it that is raised in the world. The farmers in my district that raise this quantity of tobacco, which contributes so much to the welfare and the revenues of this country, are opposed to this bill. I am one Congressman who is bold enough to assert that I am opposed to this bill from the first letter in it to the last one, for the simple reason I do not think it will mean anything whatever for the interest of the American tobacco growers. I feel that what the farmers of my district think about this bill ought to be seriously considered by the Congress. I am sent here to represent them and reflect their feelings about this matter. I am here to represent their viewpoint. I know that 22,000 farmers from my district, who raise almost one-fifth of the tobacco raised of this type on this earth, sent messages and petitions to the committee urging against the passage of the bill. I know that 250 of as fine farmers that ever lived anywhere came here and protested against the passage of this bill because they have time after time tested the validity and the value of having tobacco graded by Government graders or State officials.

Mr. Chairman, I have recited here, and it has not been denied upon the floor, that where these graders have operated and graded the tobacco that was sold on certain markets in North Carolina, it had nothing to do with raising the price; in fact, it tended to lower the average price received by the farmer; that time and again markets 30 miles away where the same type of tobacco was sold, the tobacco graded and handled by the farmer himself, brought a better price. The farmers of my section protest against this because they do not want anybody to interfere with their tobacco after they have put it in shape and made it ready for the market. They are so jealous about it that if you walk upon the warehouse floor and put your foot on their pile of tobacco they will reprimand you.

Mr. Chairman, I have all my life been familiar with the growth and sale of tobacco; no man ever sat in this Congress who has had a more intimate knowledge of this industry than I have; I know the sentiment which surrounds a farmer when he cultivates and grows and cures the tobacco plant. I assert here today that the farmer himself is more competent to grade and class his product than anyone else; there is an expert grader or two on every farm which produces tobacco; he will not stand for the Government sending some "brain trust" expert who has had probably 15 days' training to the warehouse and having him touse his tobacco which has been prepared for the market; certainly in view of the fact that he knows from experience that Government grading will not add one penny to the sales price.

The tobacco buyer is not asking that the Government undertake to grade tobacco; he has to grade the tobacco when it is passed into his product and the Government does not undertake to grade it in accordance to the method he wishes; and the statement that the manufacturer is opposed to this bill has no foundation whatsoever and is not correct, in my opinion. Why should he be interested in it?

Mr. Chairman, I introduced this amendment for the purpose of giving the tobacco growers of my district and those within the area embraced in my district an opportunity as a separate unit to pass upon the matter of having their tobacco sold within said district upon markets where Government grading is compulsory; I think they are entitled to this, rather than have the Secretary of Agriculture designate a voting area; no one can tell under the provisions of this bill who will be allowed to vote or how the referendum will be conducted. It is left to the discretion of the Secretary

of Agriculture. This is not right and is in contravention to every principle of representative government. If this is allowed, my constituents as well as myself will be satisfied.

A few years ago 85 percent of the miscellaneous taxes of this country were raised through the tobacco tax. I represent a large percent of the men who raise this tobacco, and I have a right to come here and insist that you adopt my amendment and let the people of my district pass on this matter as a unit and not leave it to the Secretary of Agriculture to say what area shall constitute a voting area and who shall be entitled to vote therein.

And right here I want to resent the imputation which has been cast about in the discussion of this bill, that the tobacco farmer is ignorant and incompetent to grade and sell his tobacco. It is not true; he is as high type of the American farmer as exists and is ever alert to his interests and cannot be fooled or cheated by anyone; he needs no guardian, and the less you fool with his business the better it suits him. And I want to also resent any imputations that the warehousemen and tobacco dealers and buyers are crooks, thieves, and tricksters; on the contrary, they constitute as fine element in our life as there is—they are with very few exceptions upright gentlemen and would not do a dishonest or unjust thing for any earthly prize or motive; men who think to the contrary are densely ignorant and know but little about the tobacco industry and the men who have made it possible for the American farmer to sell his product throughout the four corners of this earth.

[Here the gavel fell.]

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

Mr. Chairman, the amendment that the gentleman from North Carolina [Mr. KERR] has offered to the committee was presented to the Agricultural Committee and thoroughly considered. I think it was unanimously voted down. He is trying to make an exception as to his congressional district.

Mr. Chairman, in the first place, we have to have a uniform system. In addition, I think the amendment offered by the gentleman would probably be declared unconstitutional. It would be making an exception in the case of his particular district which cannot be done.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. Do I understand that the amendment offered by the gentleman from North Carolina [Mr. KERR] seeks to exempt his congressional district from the operation of the law?

Mr. FLANNAGAN. No; it seeks to make his congressional district a marketing district.

Mr. KERR. And a voting area.

Mr. VINSON of Kentucky. As a lawyer, does the gentleman from North Carolina think that can be done?

Mr. KERR. Does the gentleman ask me to answer that question?

Mr. VINSON of Kentucky. Yes.

Mr. KERR. I will tell you that, as a lawyer, I think it can be done.

Mr. FLANNAGAN. Leaving out the legal aspect, it is not practical and not fair. The gentleman has in his district several tobacco markets. Suppose the growers in one of the markets or in two of the markets want Federal grading and inspection. Would it be right to let the voters in the other part of the district deny them the right to have Federal grading and inspection? That is what the gentleman's amendment provides for. This brings up the question again of whether the growers of a particular market have the right to say how their market shall be operated. It is not right, for example, for growers in the far end of a congressional district, where they have a market, to say what the growers at the other end of the district, where they also have a market, shall do and whether they shall have Federal grading or not.

Mr. Chairman, I wanted to help the gentleman from North Carolina [Mr. KERR] with his amendment. I went so far as to submit his amendment to the Agricultural De-

partment, because I wanted to cooperate with him. They turned it down because they said they could not operate under his amendment. The gentleman says he wants his growers to say whether they shall have Federal grading or not.

Under the bill, two-thirds of the growers on each market will have to vote in favor of grading before Federal grading on any market in his district can be had. Is not this fair, and is this not all that he can ask for?

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

Mr. FLANNAGAN. I cannot yield, as I do not have the time.

Now, we leave this to the marketing areas. If you have a market, Mr. HAINES, in your district, is it not right and is it not fair that those who patronize that market shall have a say-so as to how some other market is conducted?

Mr. HAINES. You are asking me, Mr. FLANNAGAN?

Mr. FLANNAGAN. I beg the gentleman's pardon. I remember now that you do not have the warehouse system in your district.

Mr. HAINES. No; we do not have it in our district.

Mr. FLANNAGAN. Although I know you have tobacco in your district.

The bill, as drafted, leaves the question to each particular marketing area, and two-thirds of the growers in that particular marketing area have to vote in favor of it before it is adopted.

Mr. Chairman, I ask that the amendment be voted down.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. KERR].

The question was taken; and on a division (demanded by Mr. KERR) there were—ayes 15, noes 47.

So the amendment was rejected.

The Clerk read as follows:

SEC. 6. That the Secretary, independently or in cooperation with other branches of the Government, State agencies, or persons, whether operating in one or more jurisdictions, is authorized to employ and/or license competent persons as samplers to take official samples of tobacco, or as weighers to weigh and certify the weight of tobacco, or as inspectors of tobacco to determine and certify, upon the request of the owner or other financially interested person, the type, grade, weight, condition, and/or such other facts as the Secretary may deem necessary.

The Secretary is authorized to fix and collect such fees or charges in the administration of this section as he may deem reasonable, and the moneys collected, except as provided in this section, shall be deposited in the Treasury of the United States to the credit of miscellaneous receipts. Fees or charges collected under an agreement with a State, municipality, or person, or by an individual licensed to inspect or weigh or sample tobacco under this act, may be disposed of in accordance with the terms of such agreement or license. Charges for expenses for travel and subsistence incurred by inspectors or weighers or samplers employed by the Secretary, when required to be paid by the applicant for service, may be credited to the appropriation, or any other funds authorized in this act from which they were paid.

This section is intended merely to provide for the furnishing of services upon request of the owner or other person financially interested in tobacco to be sampled, inspected, or weighed, and shall not be construed otherwise.

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

The Clerk read as follows:

Amendment offered by Mr. RICH: Page 7, line 2, after the word "as", strike out the words "he may deem reasonable" and insert in lieu thereof, "Congress may approve."

Mr. RICH. Mr. Chairman, I offer this amendment because I believe the Congress should approve all tax measures. Under the Constitution, all measures levying taxes should originate in the House of Representatives; and when we, as Members of the Congress, delegate such authority, as we have in the past, to the Secretary of Agriculture, we are enacting an unconstitutional act.

I have just picked up the evening paper, and I read this news item from Florida:

CIGARMAKERS WIN STAY ON A. A. A. TAX

JACKSONVILLE, Fla., July 25.—Twelve Florida cigar manufacturers have obtained a temporary restraining order against collection of the A. A. A. processing taxes on leaf tobacco. Plaintiff's attorneys argued before Federal Judge Louie Strum that the tax was unconstitutional because the A. A. A. act unlawfully delegated power to the Secretary of Agriculture.

We have notice this very day of a restraining order issued in the courts of Florida prohibiting the Congress of the United States from granting power to the Secretary of Agriculture to regulate or collect taxes on any commodity.

The Members of the House know that they have taken an oath and an obligation to support the Constitution, and every man who is elected to any public office of trust in Washington also must realize this fact, and yet we have restraining orders being issued at the very moment we are endeavoring to give such additional power to the Secretary of Agriculture. I think we should realize the responsibility of the obligation we have taken to support the Constitution.

When we first initiated the policy of the A. A. A. program, it was figured that we would have a processing tax on tobacco, cotton, wheat, and hogs. It was not very long until we included various other farm commodities and authorized the Secretary of Agriculture to levy taxes upon them. We are now giving the Secretary of Agriculture additional power to levy such taxes, although it has been only a few weeks since the Supreme Court rendered its decision on a very similar proposal involved in the N. R. A.

In view of the decisions that have been handed down by the Supreme Court, I cannot understand why we should continue to enact these measures that are clearly unlawful and unconstitutional.

As has been stated on the floor of the House, the Democratic platform is a very fine document, and we would do well, as Republicans and Democrats, to follow that platform instead of being content to go along with a socialistic platform that is contrary to the Constitution of the United States.

Mr. FULMER. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 5 minutes.

The motion was agreed to.

Mr. FOCHT. Mr. Chairman and Members of the Committee, I rise in support of the amendment offered by the gentleman from Pennsylvania [Mr. RICH]. I do so on the theory that Pennsylvania has a population of over 10,000,000 people, and it is claimed that during a period of depression the people of Pennsylvania and elsewhere chew and smoke more tobacco than during any other time and under any other conditions. Therefore, Pennsylvania is a great contributor to the raisers of tobacco, and also we are interested in their welfare.

From the many brilliant arguments over this bill we learn there is something wrong about the marketing of tobacco. But there is one thing you forgot to mention in the debate here today, and that is to apprise the country of how much alfalfa you put into the tobacco that you sell consumers. [Laughter.] I am informed that the State of Nebraska sends to North Carolina more alfalfa than they raise tobacco in the latter State.

Mr. HANCOCK of North Carolina. If the gentleman will yield, I want to state to the gentleman that we do not put alfalfa into the tobacco.

Mr. FOCHT. I am sure that the gentleman is in error. I understand they put more alfalfa into the tobacco than they raise tobacco in North Carolina. What I cannot understand is this: You are trying to get something done, yet you do not make any understandable proposals that will afford relief to the people in the tobacco country. I have a right to ask this question, because we raise tobacco in Pennsylvania, and pay vast sums in taxes and for what we buy from the outside.

Mr. STEFAN. Will the gentleman yield?

Mr. FOCHT. The gentleman is from Nebraska?

Mr. STEFAN. Yes; and I want to tell the gentleman that there is no tax on alfalfa.

Mr. FOCHT. Then you do not get any benefit from selling it.

Mr. HAINES. Will the gentleman yield?

Mr. FOCHT. For a question.

Mr. HAINES. I hope the gentleman does not mean to intimate that they put alfalfa in the Pennsylvania cigars?

Mr. FOCHT. Oh, no; they do not do that. I do not know which part of the Democratic Party this bill came

from, but the fact remains that I cannot understand the economic principle, why it is in the South you have this complication, this confusion, this misunderstanding about the collecting of the tax on tobacco and grading tobacco, so that you have to have some one that has nothing to do with the ownership fix the price.

In Pennsylvania where they do not claim to be experts they have common sense enough to know their tobacco. It is of such a quality that there is not any reason for putting alfalfa in it. The cigars made in Pennsylvania are of fine quality, including the product of Red Lion, York County, the home of my colleague, Mr. HAINES. To the interrogatory offered by my able colleague, Mr. STEFAN, it is only fair to say that he is always alive to the interests of his State, and particularly the growers of alfalfa hay, so much used as a reducer in smoking tobacco mixture. The quality of Nebraska alfalfa seems so superior and helpful to the tobacco situation in North Carolina that the State is entitled to a tax, and my colleague, Mr. STEFAN, should have credit for the suggestion, and this I heartily accord him.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. RICH].

The amendment was rejected.

The Clerk read as follows:

Sec. 9. That the Secretary is authorized to collect, publish, and distribute, by telegraph, mail, or otherwise, timely information on the market supply and demand, location, disposition, quality, condition, and market prices for tobacco.

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

The Clerk read as follows:

Amendment by Mr. CRAWFORD: Page 8, line 14, after the word "otherwise", insert the words "without cost to the grower."

Mr. FULMER. Mr. Chairman, the committee accepts that amendment.

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

The amendment was agreed to.

The Clerk read as follows:

Sec. 14. That the Secretary is authorized to make such rules and regulations and hold such hearings as he may deem necessary to effectuate the purposes of this act and may cooperate with any other Department or agency of the Government; any State, Territory, district, or possession, or department, agency, or political subdivision thereof; purchasing and consuming organizations, boards of trade, chambers of commerce, or other associations of businessmen or trade organizations; or any person, whether operating in one or more jurisdictions in carrying on the work herein authorized; and he shall have the power to appoint, suspend, remove, and fix the compensation of all officers, employees, and licensees not in conflict with existing law, except that inspectors and supervisors employed hereunder on a seasonal basis and working for periods of 6 months or less during any 12-month period may be appointed without reference to the provisions of the Classification Act of 1923, as amended. The Secretary is authorized to make such expenditures for rent outside of the District of Columbia, printing, binding, telegrams, telephones, books of reference, publications, furniture, stationery, office and laboratory equipment, travel, tobacco for use in preparing and demonstrating standards, and other supplies and expenses, including reporting services, as shall be necessary to the administration of this act in the District of Columbia and elsewhere, and as may be appropriated for by Congress; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for administering this act.

Mr. STEFAN. Mr. Chairman, we raise about the best crop of alfalfa in the Third Congressional District of Nebraska that is raised in the entire world. The gentleman from Pennsylvania [Mr. FOCHT] made mention of the fact that a certain amount of alfalfa is being used in the manufacture of Duke's Mixture tobacco. I asked him a little while ago if he could tell me how much alfalfa is being used in the manufacture of this widely advertised tobacco, and he told me about 60 percent. A little while ago somebody said on the floor of the House that about \$50,000,000 is being spent in advertising cigarettes and tobacco. If it is true that 60 percent of the wonderful Nebraska alfalfa hay is being used in the manufacture of Duke's Mixture tobacco, and if it is true so much money is being spent in advertising this tobacco, then I want the gentleman to tell us why it is that

Nebraska alfalfa hay is being neglected in the advertising of this product. I wonder if the gentleman from Pennsylvania would verify the statement that 60 percent of alfalfa hay is being used in the manufacture of Duke's Mixture tobacco.

Mr. FOCHT. The gentleman will observe the fact that in these wonderful advertisements of Duke's Mixture they are very careful not to mention anything about tobacco.

Mr. STEFAN. I understand much has been hidden in recent years in the advertising of a certain mixture of tobacco.

I want to repeat that I am serious when I tell you that in my opinion the best alfalfa hay in the world is raised in the Third District of Nebraska—a district which I have the honor to represent in this House. I am glad that the gentleman from Pennsylvania [Mr. Focht] brought up this subject. The gentleman from Pennsylvania is a very distinguished gentleman and is continually on the alert to work for the interests of the constituents in his district and his State. He is considered a very valuable man in the National House of Representatives. But I cannot allow mention of "alfalfa" and "Nebraska" to go unchallenged.

It is my understanding that the gentleman from Pennsylvania stated that 60 percent alfalfa hay goes into the manufacture of Duke's Mixture tobacco. Now, this is a very fine tobacco. It is widely advertised. I have traveled all over the world, and I have found Duke's Mixture tobacco extensively used by the most discriminating smokers, who became extremely fond of Duke's Mixture tobacco because of its mildness and excellent flavor. To learn suddenly that this tobacco contains 60 percent alfalfa hay comes as a great surprise to me, and I know it will come as a great surprise to many of the alfalfa farmers of my district and my State.

During this debate someone stated that only about 2 cents goes toward labor in the manufacture of a thousand cigarettes. We know the tremendous amount of money which is being paid in tobacco taxes. If there is any alfalfa hay in this tobacco, as is now claimed, certainly the Nebraska farmers who raise alfalfa hay are not given any credit for these taxes. Neither do they receive any reward for these high taxes.

It would be of great interest to the Nebraska alfalfa farmers to know that their product is so valuable and that so much advertising is given and that so great an amount of tax is being collected from their product. At least, if it be true that a larger percentage of alfalfa is used in this mixture, the largest percentage of the product should be featured and the larger portion of the mixture should be given the credit for its value.

This bill which we are about to pass for the protection of the tobacco farmer is based on the claim that the tobacco farmer will be able to secure a larger and fairer value for his product. It is claimed that these tobacco farmers are being taken advantage of by experts. It is claimed that the tobacco of the Southern States is sold at auction in warehouses. The tobacco is brought to the warehouses and laid in baskets and piles, and a sale is made at the rate of 1 every 10 seconds. One basket or pile of tobacco is sold every 10 seconds. The bids are made by "experts" who know every grade of tobacco, and it is stated here that there are from 60 to 100 different grades of tobacco. The tobacco farmer is credited with knowing only about 4 or 6 grades, and when bids are made he either has to take the bid or take his tobacco home. Frequently it is claimed the "experts" buy the tobacco and sell it again for twice what they paid the farmer. It is proposed to set up a new bureau at the expense of about \$750,000 per year, which would result in compulsory Government free grading of the tobacco. Each basket or pile of tobacco would be stamped with its correct grade by Government experts. The tobacco farmers would be furnished with publications giving the grades and prices paid in other parts of the country. In that manner the tobacco farmer would be protected, and it is hoped will get a better price for his product. I am glad that some help will be given the farmer of the South, and I hope when the farmer from Nebraska comes here for similar help this House will give him the same chance to be protected against danger of getting less for his product than it is worth.

Now, this is a question of grading tobacco. A question of grading the farmer's products. Alfalfa hay is graded in my State of Nebraska, but it does not bring anywhere near what tobacco brings. We sell it by the ton and not by the pound. If what the gentleman from Pennsylvania states is true, that 60 percent of alfalfa is used in a certain smoking mixture which is sold to the public at the rate of 5 cents for about 2 ounces, then there must be some real value in alfalfa hay. This alfalfa hay used as tobacco should also be given the same grading as tobacco. At the price it is sold to the public the alfalfa farmer is not getting what the alfalfa is worth when it is used as a tobacco.

Certainly the alfalfa farmer should know what his alfalfa is worth. I am making these inquiries because I believe in the future of alfalfa. I am not even criticizing its use in the mixture of any tobacco or for smoking purposes or for a tobacco substitute. We used all kinds of grains for a coffee substitute. Why not use alfalfa hay as a tobacco substitute? We gather three wonderful crops of alfalfa hay in the Third District of Nebraska. Sometimes there are four crops with plenty of rain and an early spring. This alfalfa is ground into all kinds of feed for poultry and animals, and some experts have stated that in some cases it is good for human beings. It has untold value. It is a great builder for animals and is said to have brought renewed vigor and health to human beings when used as alfalfa tea. It is a hardy plant and its roots reach many feet into the ground seeking moisture. It has been the godsend for many farmers.

So it is with great joy that this Representative of the Third District, Nebraska, alfalfa farmers comes before you today, Mr. Speaker, to advance the cause of alfalfa hay. If Nebraska alfalfa hay has been the means of making a tobacco mixture such as Duke's Mixture so popular all over the world, then it must be reasonable to assume that Nebraska farmers should know its worth. It would be reasonable, too, Mr. Speaker, that the Agriculture Department of our Government, which is spending so much money and so much time in seeking information about all kinds of farm crops, give our Nebraska farmers the real information about alfalfa hay and Duke's Mixture tobacco.

It is my purpose to give this matter further study in order to gain more information about the use of alfalfa hay as a mixture for tobacco, a blend or a substitute for tobacco, in order to give to this valuable Nebraska crop its full importance, and eventually gain for Nebraska more importance, and especially to give to Nebraska alfalfa hay all of the credit it deserves. Certainly nothing should be hidden here in the House of the people's Representatives which would eventually result in giving Nebraska alfalfa hay its just due. To say that a certain tobacco contains 60 percent alfalfa hay would at first bring distrust to those who usually think they are smoking tobacco. But when one is informed as to the great health value of alfalfa hay, this discrimination against this wonderful Nebraska product should be immediately dispelled. I hope that those responsible for the failure of giving Nebraska alfalfa hay its just credit as a great tobacco blend or substitute will give this Nebraska Representative their support in his efforts to place Nebraska alfalfa in its proper high place as one of America's great farm products.

I ask unanimous consent to extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

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

The Clerk read as follows:

Amendment offered by Mr. HOEPEL: Page 12, line 13, after the word "amended", strike out the period, add a colon and the following: "Provided, That mandatory preference in appointment of inspectors and supervisors shall be given to disabled individuals or to persons 45 years of age or more who are otherwise qualified."

Mr. FULMER. Mr. Chairman, I make the point of order against the amendment, and will reserve it.

Mr. HOEPEL. Mr. Chairman, if the gentleman will note from the reading of this section, it provides for a large number of individuals to be employed for a period of 6 months or less. I am not conversant with the peculiar requirements of the tobacco business, but I assume that some

of these individuals may be employed for only a month or two.

I am interested in anything which will help the man in the lower strata of life, and I will oppose every piece of legislation for the overprivileged group until the common man has a chance to live.

May I call attention to S. 1404, the so-called "officers' promotion bill", which, if properly named, would be designated as a "pork-barrel measure" of the first magnitude? I cannot believe that any Congressman who is concerned for the interest of the people could vote at this time to increase the pay and retirement benefits of officers of the Army, who are already adequately compensated and who have profited from the depression because of the increased purchasing power of the steady, regular pay they have received.

Under the provisions of the proposed bill, 9,073 officers would receive from a minimum of \$379 to a maximum of \$536 cash each month, plus palatial residences in which to live, plus free light and electricity, plus free ground service, plus servants at low cost in the person of enlisted men, plus free medical and dental care for themselves and families, plus unlimited sick leave, and 1 month's annual leave, with the further benefit of buying from Army stores at from 10 to 40 percent less than can a civilian.

In other words, if this bill is enacted into law, nine-elevenths of our entire Army officer personnel will be receiving much more pay, including the free allowances, than does a Congressman or the average bureau chief here in Washington. The duties they perform should be compared with the duties of a Congressman or a bureau chief, who carry the utmost of responsibility while the duty of a field officer of the Army, in time of peace, is primarily supervisory or clerical in nature.

In this bill, which I oppose, it is provided that able-bodied officers, after 15 years' service, may be retired at high pay for the balance of their lives. It should be borne in mind that these individuals have a life expectancy of at least 30 years after retirement, which means that the taxpayers will be forced to carry an added burden of from \$9,000,000 to \$12,000,000 annually for the next 30 years while many of the beneficiaries of this handsome gratuity will enter civil life and compete in the job market, thus denying a livelihood to civilians equally qualified, while they themselves will have a double income.

Congressmen should compare these overprivileged men with the unfortunate unemployed in their own districts. They should compare them with disabled Spanish-American War Veterans who still suffer a 25-percent deduction in their pay. They should compare them with World War veterans 75 percent disabled who have had their pensions taken from them entirely. Can any Representative look these disabled veterans and the unemployed in the face, and be honest and sincere with himself if he votes to increase the benefits of this already overprivileged Army group of officers?

Now referring to the bill under discussion again, the amendment which I offer seeks to give employment to disabled individuals and to those beyond the age of 45 who cannot find work in other industry.

Mr. COX. Will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. COX. They would not be worth a cent unless they had some expert knowledge of the commodity.

Mr. HOEPEL. That is provided for in the amendment, which reads "if otherwise qualified."

Mr. BOILEAU. Will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. BOILEAU. One of the objections raised against the bill is that there is not now a sufficient number of qualified graders available, so that if the gentleman knows of any old people or cripples who are competent, they will certainly have a job without the gentleman's amendment.

Mr. HOEPEL. As I have stated, I am not familiar with the particular problems and needs of the tobacco industry, but I am supporting this bill because I believe a majority of the Members from the tobacco districts are in favor of its

enactment into law. In matters of concern to California industry, I hope the Members from other sections will similarly defer to the knowledge and understanding of the Members of the California delegation.

Furthermore, if the Army promotion bill reaches the floor for action, I hope the Members will consider my argument in opposition to the passage of that measure, based on a thorough knowledge and understanding of the problems of the Army as a result of 37 years of actual military and retired service, and if they are convinced by the facts, which I shall present, that the Army promotion bill is, as I have termed it, nothing other than a Treasury raid for an overprivileged class which is already more than adequately provided for, I hope the Members of the House will support me in my opposition to its enactment.

This so-called "officers' promotion bill" entails a potential cost to the taxpayers of from \$9,000,000 to \$12,000,000 annually. I am determined, if possible, to save the taxpayers from this additional burden which I consider unnecessary and absolutely unjustifiable at this time. It is for that reason that I am appealing to each and every one of you to consider the facts which I have presented in reference to this measure, which may be found in the CONGRESSIONAL RECORD of June 28 and July 10, 18, 22, and 23, and when you are called upon to vote on the Army promotion bill, vote to save the taxpayers from this Treasury raid!

If the gentleman wishes to raise his point of order, I will not contest it, but I would like to have the amendment printed in the RECORD.

Mr. FULMER. Mr. Chairman, in order to expedite the passage of the bill I will withdraw the point of order.

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

The amendment was rejected.

The Clerk concluded the reading of the bill.

The CHAIRMAN. Under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LEWIS of Colorado, 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. 8026, pursuant to House Resolution 294, he reported the same back to the House with sundry amendments adopted in Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded upon any amendment? If not, the Chair will put them en gros.

The question is on agreeing to the amendments.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

On motion by Mr. FULMER, a motion to reconsider the vote by which the bill was passed was laid on the table.

Mr. FULMER. Mr. Speaker, I ask unanimous consent that all Members who have spoken on the bill may have 5 legislative days in which to revise and extend their remarks.

The SPEAKER. Is there objection?

There was no objection.

PUBLIC WORKS, CORDOVA, ALASKA

Mr. DIMOND. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H. R. 8845) to authorize the incorporated town of Cordova, Alaska, to construct, reconstruct, enlarge, extend, improve, renew, and repair certain municipal public structures, utilities, works, and improvements, and for such purposes to issue bonds in any amount not exceeding \$50,000, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alaska?

Mr. MARTIN of Massachusetts. Reserving the right to object, will the gentleman explain the bill and also the necessity for its urgency?

Mr. DIMOND. In answer to the question of the gentleman from Massachusetts [Mr. MARTIN], this bill is simply designed to authorize the incorporation of the town of Cordova, Alaska, to undertake certain public works, and for that purpose to issue bonds in any sum not exceeding \$50,000.

The urgency arises in the fact that the conditions with respect to unemployment in this city as well as in other parts of Alaska are very unhappy.

In order to get this work under way and thus relieve unemployment it is necessary to pass this bill at this time. Summers in Alaska are not quite as long as they are in other parts of the country.

I will say in further explanation of the bill that it does not enlarge the authority of the city to issue bonds. As a matter of fact it repeals an act passed in 1930 authorizing the city to issue bonds in the sum of \$50,000.

Mr. MARTIN of Massachusetts. Is this a Senate bill?

Mr. DIMOND. No; this is a House bill and we must get it through so that it can be considered by the Senate.

Mr. MARTIN of Massachusetts. And that is one reason why it should be passed immediately.

Mr. DIMOND. Yes; it is.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the incorporated town of Cordova, in the Territory of Alaska, is hereby authorized and empowered to construct, reconstruct, enlarge, extend, improve, and repair all or any part of the municipal public structures, utilities, works, and improvements in said town hereinafter mentioned, to wit: (a) School buildings; (b) wharf; (c) sewers; (d) city hall, offices, and fire-department house; and (e) such other municipal public structures, utilities, works, and improvements as may be selected and approved by the common council of said town of Cordova; and for such purposes to issue bonds in any amount not exceeding \$50,000.

Sec. 2. Before said bonds shall be issued a special election shall be ordered by the common council of the said town of Cordova, Alaska, at which election the question of whether such bonds shall be issued in the amount above specified for the purpose hereinbefore set forth shall be submitted to the qualified electors of said town of Cordova, Alaska, whose names appear on the last assessment roll of said town for purposes of municipal taxation. The form of the ballot shall be such that the electors may vote for or against the issuance of bonds for the purposes herein specified up to the amount herein authorized. Not less than 20 days' notice of such election shall be given to the public by posting notices of same in three conspicuous places within the corporate limits of the town of Cordova, Alaska, one of which shall be at the front door of the United States post office at Cordova, Alaska. The election notice shall specifically state the amount of bonds proposed to be issued for the purposes herein specified. The registration for such election, the manner of conducting the same, and the canvass of the returns of said election shall be, as nearly as practicable, in accordance with the requirements of law in general or special elections in said municipality; and such bonds shall be issued for the purposes herein authorized only upon condition that not less than a majority of the votes cast at such election in said municipality shall be in favor of the issuance of said bonds for such purpose.

Sec. 3. The bonds herein authorized shall be coupon in form and shall mature in not to exceed 30 years from the date thereof. Such bonds may bear such date or dates, may be in such denomination or denominations, may mature in such amounts and at such time or times, not exceeding 30 years from the date thereof, may be payable in such medium of payment and at such place or places, may be sold at either public or private sale, may be nonredeemable or redeemable (either with or without premium), and may carry such registration privilege as to either principal and interest, or principal only, as shall be prescribed by the common council of said town of Cordova. The bonds shall bear the signatures of the mayor and of the clerk of the town of Cordova, and shall have impressed thereon the official seal of said municipality. The coupons to be annexed to such bonds shall bear the facsimile signatures of the mayor and of the clerk of said municipality. In case of any of the officers whose signatures or countersignatures appear on the bonds shall cease to be such officers before delivery of such bonds, said signatures or countersignatures, whether manual or facsimile, shall nevertheless be valid and sufficient for all purposes, the same as if said officers had remained in office until such delivery. Said bonds shall bear interest at a rate to be fixed by the common council of the town of Cordova, not to exceed, however, 6 percent per annum, payable semiannually, and said bonds shall be sold at not less than the principal amount plus accrued interest.

Sec. 4. The bonds herein authorized to be issued shall be general obligations of the town of Cordova, Territory of Alaska, payable as to both interest and principal from ad valorem taxes which shall be levied upon all of the taxable property within the corporate limits of such municipality in an amount sufficient to pay the interest on and the principal of such bonds as and when the same become due and payable.

Sec. 5. No part of the funds arising from the sale of said bonds shall be used for any purpose or purposes other than those specified in this act. Said bonds shall be sold only when and in such amounts as the common council of the town of Cordova shall direct; and the proceeds thereof shall be distributed only for the purposes hereinbefore mentioned and under the orders and direction of said common council from time to time as such proceeds may be required for said purposes.

Sec. 6. The town of Cordova is hereby authorized to enter into contracts with the United States of America or any agency or instrumentality thereof under the provisions of the National Industrial Recovery Act and acts amendatory thereof and acts supplemental thereto, and revisions thereof, and the regulations made in pursuance thereof, and under any further acts of the Congress of the United States to encourage public works, for the relief of unemployment, or for any other public purpose, including the Emergency Relief Appropriation Act of 1935, for the sale of bonds issued in accordance with the provisions of this act, or for the acceptance of a grant of money to aid said municipality in financing any public works; or to enter into contracts with any persons or corporations, public or private, for the sale of such bonds; and such contracts may contain such terms and conditions as may be agreed upon by and between the common council of said town of Cordova and the United States of America or any agency or instrumentality thereof, or any such purchaser.

Sec. 7. The act approved April 12, 1930, to authorize the incorporated town of Cordova, Alaska, to issue bonds for the construction of a trunk-sewer system and a bulkhead or retaining wall, and for other purposes (Public, No. 18, 71st Cong., 2d sess., 46 Stat. 161), is hereby repealed.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

M'NEIL ISLAND

Mr. LLOYD. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3059) to authorize the acquisition of land on McNeil Island.

The Clerk read the title of the bill.

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman explain the bill to the House?

Mr. LLOYD. Yes. The United States Government at the present time owns a little more than half of McNeil Island, which is used for penitentiary purposes. The Government's holdings are scattered over the island, which is an unhappy situation for both the Government and the other owners. The Attorney General has concluded that by the acquisition and ownership of the balance of the island the penitentiary can be much more cheaply operated, and that it will be a good investment for the Government.

Mr. MARTIN of Massachusetts. Mr. Speaker, I have no objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Attorney General is hereby authorized to acquire by condemnation proceedings all of that portion of McNeil Island which is not now owned by the United States, Gertrudis Island, and Pitt Island, all in the State of Washington, at a total cost of not to exceed \$300,000.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider and a similar House bill (H. R. 8480) were laid on the table.

CHARWOMEN

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 5375) relating to the compensation of certain charwomen.

The Clerk read the title of the bill.

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman explain the bill to the House?

Mr. RAMSPECK. The bill covers about 3,000 charwomen who are not now paid for holidays as other per diem employees are. There are 70,000 employees of the Government who work on a piece rate or per diem who get paid for their holidays. For some reasons these charwomen have

not been paid for holidays, yet they are the lowest-paid group of employees in the Government service.

Mr. MARTIN of Massachusetts. Is this the only group discriminated against?

Mr. RAMSPECK. As far as I know, yes.

Mr. MARTIN of Massachusetts. Mr. Speaker, I have no objection.

Mr. KVALE. Mr. Speaker, reserving the right to object, I wish to thank the gentleman from Georgia for bringing up this bill.

Mr. RAMSPECK. I will say to the gentleman from Minnesota that the gentleman from Massachusetts [Mr. McCormack] is the author of the bill and deserves the thanks.

Mr. DUNN of Pennsylvania. Mr. Speaker, reserving the right to object, I want to tell the gentleman this is a mighty fine bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the fifth paragraph under the heading "Custodial Service" in section 13 of the Classification Act of 1923, as amended (U. S. C., title 5, sec. 873), is amended by inserting at the end thereof the following new sentence: "Charwomen and head charwomen shall receive for each holiday (except Sunday) upon which under existing law no work is performed by them an amount equal to the amount they would receive had they performed the same number of hours of work on such holiday as the average number of hours of work performed by them during the days in the week in which such holiday occurs."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

ENFORCEMENT OF THE TWENTY-FIRST AMENDMENT

Mr. SUMNERS of Texas. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 8368) to enforce the twenty-first amendment.

The Clerk read the title of the bill.

The SPEAKER. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman explain the bill?

Mr. SUMNERS of Texas. Mr. Speaker, this is a bill which has been fully considered by the Committee on the Judiciary and unanimously reported by that committee. It supplements a bill which the House passed day before yesterday and proposes further to make provision for the enforcement of the twenty-first amendment.

Mr. MARTIN of Massachusetts. Just what does it do in that respect?

Mr. SUMNERS of Texas. I want to make a very brief statement. If there is any objection we will withdraw the matter and present it at another time.

Mr. MARTIN of Massachusetts. I think the House ought to know what it is going to be called upon to pass.

Mr. SUMNERS of Texas. I appreciate that. This bill classifies as dry States all States that prohibit the sale of liquor above 4 percent.

Mr. MARTIN of Massachusetts. Mr. Speaker, I think the gentleman has gone far enough to show that this is a very important bill and should have more consideration than could be given to it by calling the bill up by unanimous consent; therefore I object.

Mr. SUMNERS of Texas. Mr. Speaker, I withdraw the request.

RELIEF OF CERTAIN DISBURSING OFFICERS OF THE ARMY

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 556) for the relief of certain disbursing officers of the Army of the United States and for the settlement of individual claims approved by the War Department.

The Clerk read the title of the bill.

The SPEAKER. Is there objection?

Mr. TRUAX. Mr. Speaker, reserving the right to object, what is this bill about?

Mr. PITTENGER. Mr. Speaker, this is an accounting proposition. The bill is requested by the Secretary of War.

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I have no personal interest in it. When it was on the calendar the gentleman from Kansas [Mr. HOPE] objected. He has made some investigation, and I will yield to him to explain the matter.

Mr. HOPE. Mr. Speaker, I may say to the gentleman from Ohio that this bill is a War Department bill having for its purpose the clearing of certain books of accounts and the disbursements of certain officers. There are a number of small accounts involved and some of the officers are now out of the service. There are some other matters which are involved in a dispute between the Comptroller General and the Department. At the time the House bill came up for consideration I objected because I wanted to look a little further into some of the matters which were in dispute between the Comptroller General's Office and the War Department. I have made some further investigation and I find that some of these matters have been cleared up by court decisions. I feel that the bill is a fair one and should be passed. It will result in clearing up a great many accounts.

Mr. TRUAX. I think this bill should wait until we consider the Private Calendar.

Mr. HOPE. This is a Senate bill. If it goes on the Private Calendar now, it will be at the foot of the calendar and probably not reached during this session. I may say to the gentleman that this bill has passed the House on at least one occasion and has passed the Senate on one or two occasions. It has been pending for 3 or 4 years. I can see no possible objection to it, and I am sure if the gentleman had given it the consideration I have he would agree with me.

Mr. TRUAX. Mr. Speaker, several of us have complete reports on all of these bills. I want the opportunity to consult that report again; therefore, I object.

ADJOURNMENT

Mr. TAYLOR of Colorado. Mr. Speaker, I move the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 3 minutes p. m.), pursuant to the order heretofore made, the House adjourned until Monday, July 29, 1935, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mrs. NORTON: Committee on the District of Columbia. House Report 1646. A report on the investigation of crime in the District of Columbia, pursuant to House Resolution 94 (74th Cong.). Referred to the Committee of the Whole House on the state of the Union.

Mr. FADDIS: Committee on Military Affairs. H. R. 4292. A bill to authorize the Secretary of War to grant a right-of-way to the Arlington & Fairfax Railway Co. across the Fort Myer Reservation, Va.; with amendment (Rept. No. 1647). Referred to the Committee of the Whole House on the state of the Union.

Mr. HILL of Alabama: Committee on Military Affairs. S. 1726. An act to authorize the Secretary of War to grant a right-of-way for street purposes upon and across the San Antonio Arsenal in the State of Texas; without amendment (Rept. No. 1648). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CITRON: A bill (H. R. 8963) granting the consent of Congress to the State of Connecticut and Middlesex County to construct, maintain, and operate a free highway bridge across the Connecticut River at or near Middletown, Conn.; to the Committee on Interstate and Foreign Commerce.

By Mr. CLARK of North Carolina: A bill (H. R. 8964) to authorize the erection of a Veterans' Administration hospital in the State of North Carolina; to the Committee on World War Veterans' Legislation.

By Mr. McSWAIN (by request): A bill (H. R. 8965) to readjust the pay of warrant officers; to the Committee on Military Affairs.

By Mr. SUTPHIN: A bill (H. R. 8966) for the relief of World War soldiers who were discharged from the Army because of minority or misrepresentation of age; to the Committee on Military Affairs.

By Mr. MOTT: A bill (H. R. 8967) authorizing a preliminary examination of the Nehalem River and tributaries, in Clatsop, Columbia, and Washington Counties, Oreg., with a view to the controlling of floods; to the Committee on Flood Control.

By Mr. ROMJUE: A bill (H. R. 8968) to reduce the interest rate on Federal farm loans, and for other purposes; to the Committee on Agriculture.

By Mr. SOMERS of New York: A bill (H. R. 8969) to provide for the striking of medals in lieu of commemorative coins, and to provide for the coinage of fractional minor coins, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. WOLCOTT: A bill (H. R. 8970) authorizing the State of Michigan to construct, maintain, and operate a toll bridge across the St. Clair River at or near Port Huron, Mich.; to the Committee on Interstate and Foreign Commerce.

By Mr. JOHNSON of Texas: Joint resolution (H. J. Res. 367) to amend the public resolution approved June 28, 1935, entitled "Joint resolution providing for the participation of the United States in the Texas Centennial Exposition and celebrations to be held in the State of Texas during the years 1935 and 1936, and authorizing the President to invite foreign countries and nations to participate therein, and for other purposes"; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the Province of Puerto Rico supporting S. 1842; to the Committee on the Judiciary.

Also, memorial of the Legislature of the Province of Puerto Rico; to the Committee on Insular Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. HEALEY: A bill (H. R. 8971) for the relief of Marvin C. Ellsworth; to the Committee on Military Affairs.

By Mr. SECREST: A bill (H. R. 8972) to place on the emergency officers' retirement list the name of Harry S. Dyar; to the Committee on Military Affairs.

Also, a bill (H. R. 8973) to place the name of Harry S. Dyar on the emergency officers' retirement roll; to the Committee on World War Veterans' Legislation.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

9196. By Mr. BOYLAN: Resolution unanimously adopted by the Advertising Men's Post, No. 209, of the American Legion, opposing any amendments to the Agricultural Adjustment Administration Act, etc.; to the Committee on Agriculture.

9197. Also, resolution unanimously adopted by the New York Local Master Mechanics and Foremen Association, in re 30-year-optional-retirement bills (S. 2483 and H. R. 135); to the Committee on the Civil Service.

9198. By Mr. KRAMER: Resolution of Lincoln Heights-El Sereno Post, No. 394, Ltd., the American Legion, department of California, Los Angeles, Calif., relative to House bill 8605, to abolish interest on loans to veterans secured by adjusted-compensation certificates, etc.; to the Committee on Ways and Means.

9199. By Mr. MERRITT of New York: Resolution of the members of Ridgewood Council, Knights of Columbus, Fresh

Pond Road and Catalpa Avenue, Brooklyn, N. Y., adopted on the 27th day of June 1935, objecting to the Pierce amendment, to eliminate from the existing Federal obscenity statutes any reference to contraceptives, and expressing their approval and encouragement in the enactment of the Hayden-Higgins amendment, etc.; to the Committee on the Judiciary.

9200. Also, petition of St. Leo's Holy Name Society, One Hundred and Fourth Street at Forty-ninth Avenue, Corona, N. Y., expressing its disapproval of the policy of the present administration in Washington in disregarding "repeated protests of millions of American citizens against the condition of intolerance in Mexico", etc.; to the Committee on Foreign Affairs.

9201. Also, petition of the national board of officers of the Catholic War Veterans, Inc., 22-45 Thirty-first Street, Long Island City, N. Y., opposing communism; to the Committee on Foreign Affairs.

9202. Also, petition of the Federal Council of the Churches of Christ in America, 105 East Twenty-second Street, New York City, N. Y., asking the Judiciary Committee of the Senate to make an investigation of the infringement of civil liberties in the United States, etc.; to the Committee on the Judiciary.

9203. Also, resolution of the Order of Benefit Association of Railway Employees, Buffalo Division, No. 84, Buffalo, N. Y., endorsing the Pettengill long- and short-haul bill (H. R. 3263) and urging Congress to pass favorably upon this legislation; to the Committee on Interstate and Foreign Commerce.

9204. By Mr. TRUAX: Petition of the Brotherhood of Locomotive Engineers, Division 735, by their secretary, F. G. Bieri, Alliance, Ohio, urging support of House bill 8651, providing for a retirement system for railroad employees; to the Committee on Interstate and Foreign Commerce.

9205. Also, petition of the Italian Democratic Political Club, Steubenville, Ohio, by their secretary, Antonio De Marco, urging support of the Kerr immigration bill (H. R. 8163); to the Committee on Immigration and Naturalization.

9206. Also, petition of the Ohio Unemployed League, Muskingum County, Local No. 1, by their protest committee, headed by Harry Flowers, Zanesville, Ohio, urging that the present wage scale of the Public Works Administration be changed; to the Committee on Labor.

9207. Also, petition of the Brotherhood of Locomotive Engineers, Alliance, Ohio, by their State legislative board chairman, S. W. McKee, urging passage of House bill 8651, which provides for a retirement system for railroad employees; to the Committee on Interstate and Foreign Commerce.

SENATE

FRIDAY, JULY 26, 1935

(Legislative day of Monday, May 13, 1935)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, July 25, 1935, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed without amendment the bill (S. 3059) to authorize the acquisition of land on McNeil Island.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 5375. An act relating to the compensation of certain charwomen;

H. R. 8026. An act to establish and promote the use of standards of classification for tobacco, to provide and main-