the District of Columbia and the transfer of its assets.

BILLS PRESENTED TO THE PRESIDENT

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 1033. An act to suspend the effectiveness during the existing national emergency of the tariff duty on coconuts;

H. R. 2644. An act to grant additional powers to the Commissioners of the District of Columbia, and for other purposes;

H. R. 4327. An act to regulate boxing contests and exhibitions in the District of Columbia, and for other purposes;

H. R. 4867. An act to extend the health regulations of the District of Columbia to Government restaurants within the District of Columbia;

H. R. 5408. An act to amend the Mustering-Out Payment Act of 1944, to provide a method for accomplishing certain mustering-out payments on behalf of mentally disabled veterans, and for other purposes; and

H. R. 5543. An act extending the time for the release of appointment for the purposes of certain provisions of the Internal Revenue Code, and for other purposes.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

Accordingly (at 5 o'clock and 38 minutes p. m.) the House adjourned until tomorrow, Thursday, December 14, 1944, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2096. A letter from the Acting Chairman, Civil Aeronautics Board, transmitting a request that the time limit provided for by Public Law No. 416 of the Seventy-eighth Congress be extended to December 30, 1944; to the Committee on Interstate and Foreign Commerce.

2097. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 11, 1944, submitting a report, together with accompanying papers and illustrations, on a review of reports on Agate Bay Harbor, Minn., requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on August 8, 1941 (H. Doc. No. 805); to the Committee on Rivers and Harbors and ordered to be printed with three illustrations.

2098. A letter from the Deputy Director, Office of Contract Settlement, transmitting an estimate of personnel requirements for the quarter ending March 31, 1945; to the Committee on the Civil Service.

2099. A letter from the Director, Office of Economic Stabilization, transmitting a copy of the quarterly estimate of personnel requirements for the Office of Economic Stabilization for the quarter ending March 31, 1945; to the Committee on the Civil Service.

2100. A letter from the Director, Office of Defense Transportation, transmitting a copy of the quarterly estimate of personnel requirements during the quarter ending March 31, 1945; to the Committee on the Civil Service.

2101. A letter from the Secretary of War, transmitting a copy of the quarterly estimate of personnel requirements, setting forth the estimate of the number of employees required for the proper and efficient exercise of the functions of the War Department, for the quarter ending March 31, 1945; to the Committee on the Civil Service.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. JARMAN: Committee on Printing. House Resolution 676. Resolution authorizing the printing of additional copies of House Report No. 1855, current session, entitled "Economic Problems of the Reconversion Period," for the use of the Special Committee on Post-war Economic Policy and Planning; without amendment (Rept. No. 2058). Referred to the House Calendar.

Mr. WALTER: Committee on the Judiciary. House Joint Resolution 194. Joint resolution designating November 19, the anniversary of Lincoln's Gettysburg Address, as Dedication Day; without amendment (Rept. No. 2059). Referred to the House Calendar.

Mr. PETERSON of Florida: Committee on the Public Lands. S. 1819. An act to repeal the acts of August 15, 1935, and January 29, 1940, relating to the establishment of the Patrick Henry National Monument and the acquisition of the estate of Patrick Henry, in Charlotte County, Va.; without amendment (Rept. No. 2060). Referred to the Committee of the Whole House on the state of the Union.

Mr. KEFAUVER: Committee on the Judiciary. House Joint Resolution 320. Joint resolution proposing an amendment to the Constitution of the United States relative to the making of treaties; without amendment (Rept. No. 2061). Referred to the House Calendar.

Mr. ELLIOTT: Joint Committee on the Disposition of Executive Papers. House Report No. 2062. Report on the disposition of certain papers of sundry executive departments. Ordered to be printed.

Mr. ELLIOTT: Joint Committee on the Disposition of Executive Papers. House Report No. 2063. Report on the disposition of certain papers of sundry executive departments. Ordered to be printed.

Mr. HOWELL: Committee on Interstate and Foreign Commerce. S. 1159. An act creating the City of Clinton Bridge Commission and authorizing said commission and its successors to acquire by purchase or condemnation and to construct, maintain, and operate a bridge or bridges across the Mississippi River at or near Clinton, Iowa, and at or near Fulton, Ill.; without amendment (Rept. No. 2064). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

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

By Mrs. BOLTON:

H. R. 5618. A bill to provide additional pay for enlisted men of the Army assigned to the Medical Corps who are awarded the Medical Corps valor badge; to the Committee on Military Affairs.

By Mr. CANNON of Missouri:

H. R. 5619. A bill to amend section 8 of the act entitled "An act to amend the act entitled 'An act to provide that the United States shall aid the States in the construction of rural post roads, and for other purposes, approved July 11, 1916, as amended and supplemented, and for other purposes," approved July 13, 1943; to the Committee on Roads.

By Mr. DIRKSEN:

H. Con. Res. 104. Concurrent resolution expressing the thanks of Congress for the contribution to the victory effort being made by the Nation's children; to the Committee on the Library.

By Mr. O'TOOLE:

H. Res. 677. Resolution to investigate the meat situation in the city of New York; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorials of the Legislature of the Dominican Republic reaffirming the solidarity of the Dominican Republic with the United States of America; to the Committee on Foreign Affairs.

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 Alabama:

H. R. 5620. A bill for the relief of Mrs. Clara M. Fortner; to the Committee on Claims.

By Mr. HERTER:

H. R. 5621. A bill for the relief of Oscar S. Reed; 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:

6245. By Mr. BARRETT: Petition of Edna Bondurant and 24 other citizens of Torrington, Fort Laramie, and Yoder, Wyo., urging support of the Bryson dry enabling amendment, House Joint Resolution 143; to the Committee on the Judiciary.

6246. By Mr. GWYNNE: Petition signed by 66 residents of Marshall County, Iowa, urging the enactment of House bill 2052 to prohibit the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

6247. By Mr. ROLPH: Resolution of California Society, Sons of the American Revolution, dated November 13, 1944, endorsing House bill 5081; to the Committee on the Judiciary.

6248 By the SPEAKER: Petition of various employees of Grand Central Annex post office, New York, N. Y., petitioning consideration of their resolution with reference to urging immediate passage of House bill 4715; to the Committee on the Post Office and Post Roads.

# SENATE

## THURSDAY, DECEMBER 14, 1944

*(Legislative day of Tuesday, November 21, 1944)*

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

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Our Father God, in bewilderment and deep need we come, bitterly conscious that what the world prepares to celebrate with merriment and light is so largely as yet a memory and a hope. We confess that this birthday of the Child finds more children orphaned and home-

less than ever since the Christ Child was born; that this oratorio of songs finds more sobs than in all the long years since the angels' chorus; that this festival of the home finds more homes broken and in blackened ruins than ever since the rude inn became the dwelling place of the Divine. Our hearts cry, "O Lord, how long, how long!" And yet we thank Thee for the faith which glorifies all children and songs and homes, and which, battling with a sword bathed in heaven, refuses to cry peace, peace, when there is no peace.

With desires no words can utter, we pray as we bow at a manger, for our valiant sons scattered over all the earth, for our Nation's leaders that they may contribute worthily to mankind's abiding peace; and that out of today's agony there may emerge as gold refined by fire an ordered society of nations that shall give substance and hope to Bethlehem's starry dream. In the dear Redeemer's name. Amen.

### THE JOURNAL

On request of Mr. HILL, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, December 13, 1944, was dispensed with, and the Journal was approved.

### MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on December 13, 1944, the President had approved and signed the following acts:

S. 218. An act to authorize relief of disbursing officers of the Army on account of loss or deficiency of Government funds, vouchers, records, or papers in their charge;

S. 267. An act relating to marriage and divorce among members of the Klamath and Modoc Tribes and Yahooskin Band of Snake Indians;

S. 556. An act for the relief of Pedro Jose Arrecoechea;

S. 616. An act for the relief of Mrs. Mary Vullo;

S. 1274. An act for the relief of Vodie Jackson;

S. 1462. An act for the relief of Solomon and Marie Theriault;

S. 1557. An act for the relief of Joel A. Hart;

S. 1590. An act for the relief of the State of Tennessee;

S. 1645. An act relating to the administration of the Glacier National Park fish hatchery, at Creston, Mont., and for other purposes;

S. 1710. An act to authorize the sale and conveyance of certain property of the estate of Jackson Barnett, deceased Creek Indian;

S. 1732. An act for the relief of Arthur M. Sellers;

S. 1756. An act for the relief of William Luther Thaxton, Jr., and William Luther Thaxton, Sr.;

S. 1853. An act for the relief of Dr. Frank K. Boland, Sr.;

S. 1869. An act for the relief of Mrs. Mamie Dutch Vaughn;

S. 1877. An act to transfer Georgetown County, S. C., from the Florence division to the Charleston division of the eastern judicial district of South Carolina;

S. 1897. An act for the relief of Mrs. Sophia Tannenbaum;

S. 1942. An act for the relief of Dr. E. S. Axtell;

S. 1958. An act for the relief of fire district No. 1 of the town of Colchester, Vt.;

S. 1960. An act for the relief of Clifford E. Long and Laura C. Long;

S. 1968. An act for the relief of Elizabeth A. Becker;

S. 1987. An act for the relief of Gordon Lewis Coppage;

S. 1993. An act for the relief of the estates of Joseph B. Gowen and Ruth V. Gowen;

S. 2006. An act for the relief of J. A. Davis;

S. 2008. An act for the relief of Herman Philyaw;

S. 2042. An act for the relief of the legal guardian of Nancy Frassrand, a minor;

S. 2064. An act for the relief of Richard A. Beall; and

S. 2168. An act for the relief of certain disbursing officers of the Army of the United States, and for other purposes.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had passed a bill (H. R. 3690) to safeguard the admission of evidence in certain cases, in which it requested the concurrence of the Senate.

### ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 2874. An act for the relief of Robert Will Starks; and

H. R. 3791. An act for the relief of the estate of Charles Noah Shipp, deceased.

### CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

| | | |
|---|---|---|
| Aiken | Green | Radcliffe |
| Austin | Guffey | Reed |
| Bailey | Gurney | Revercomb |
| Bankhead | Hall | Reynolds |
| Bilbo | Hatch | Robertson |
| Brewster | Hawkes | Russell |
| Brooks | Hayden | Shipstead |
| Buck | Hill | Smith |
| Burton | Holman | Stewart |
| Bushfield | Jenner | Taft |
| Butler | Johnson, Calif. | Thomas, Idaho |
| Byrd | Johnson, Colo. | Thomas, Okla. |
| Capper | La Follette | Thomas, Utah |
| Caraway | Langer | Truman |
| Chandler | Lucas | Tunnell |
| Chavez | McCarran | Tydings |
| Clark, Mo. | McClellan | Vandenberg |
| Connally | McFarland | Walsh |
| Cordon | McKellar | Weeks |
| Danaher | Maloney | Wheeler |
| Davis | Maybank | Wherry |
| Downey | Mead | White |
| Ellender | Millikin | Wiley |
| Ferguson | Murray | Willis |
| George | O'Daniel | Wilson |
| Gerry | O'Mahoney | |
| Gillette | Pepper | |

Mr. HILL. I announce that the Senator from Kentucky [Mr. BARKLEY] and the Senator from Virginia [Mr. GLASS] are absent from the Senate because of illness.

The Senator from Utah [Mr. MURDOCK] is absent on official business for the Senate.

The Senator from Florida [Mr. ANDREWS], the Senator from Idaho [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from West Virginia [Mr. KILGORE], the Senator from Louisiana [Mr. OVERTON], the Senator from Nevada [Mr. SCRUGHAM], the Senator from New York [Mr. WAGNER], and the Senator from Washington [Mr. WALLGREN] are necessarily absent.

Mr. WHERRY. The following Senators are necessarily absent:

The Senator from Minnesota [Mr. BALL], the Senator from New Hampshire [Mr. BRIDGES], the Senator from Oklahoma [Mr. MOORE], and the Senator from New Hampshire [Mr. TOBEY].

The VICE PRESIDENT. Seventy-nine Senators have answered to their names. A quorum is present.

### EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

EDUCATION AND TRAINING OF DEFENSE WORKERS

A letter from the Administrator of the Federal Security Agency, transmitting, pursuant to law, the first quarterly report of the United States Commissioner of Education on the education and training of defense workers, covering the period July 1, 1944 September 30, 1944 (with an accompanying report); to the Committee on Appropriations.

PERSONNEL REQUIREMENTS

Letters from the Office of Administrator of the Federal Works Agency, the Office of Civilian Defense, the Archivist of the United States, and the executive secretary of the Office of Scientific Research and Development, transmitting, pursuant to law, estimates of personnel requirements for their respective offices for the quarter ending March 31, 1945 (with accompanying papers); to the Committee on Civil Service.

### REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BAILEY, from the Committee on Commerce:

H. R. 5002. A bill granting the consent of Congress to the State of Tennessee Department of Highways and Public Works to construct, maintain, and operate a free highway bridge across the Clinch River at the point where such river is crossed by United States Highway No. 25E; without amendment (Rept. No. 1331); and

H. R. 5206. A bill to authorize Belfry Coal Co. to construct, maintain, and operate a free suspension bridge conveyor across the Tug Fork of the Big Sandy River at or near Sprigg, W. Va.; without amendment (Rept. No. 1382).

By Mr. GUFFEY, from the Committee on Mines and Mining:

H. R. 4852. A bill to insure the preservation of technical and economic records of domestic sources of ores of metals and minerals; without amendment (Rept. No. 1383).

### REPORTS ON DISPOSITION OF EXECUTIVE PAPERS

Mr. BREWSTER (for Mr. BARKLEY), from the Joint Select Committee on the Disposition of Executive Papers, to which

were referred for examination and recommendation two lists of records transmitted to the Senate by the Archivist of the United States that appeared to have no permanent value or historical interest, submitted reports thereon pursuant to law.

ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on December 13, 1944, that committee presented to the President of the United States the following enrolled bills:

S. 209. An act authorizing the conveyance of certain property to the State of North Dakota;

S. 1571. An act to provide that the transmountain tunnel constructed in connection with the Colorado-Big Thompson project shall be known as the Alva B. Adams tunnel;

S. 1580. An act to authorize the Secretary of the Interior to dispose of certain lands heretofore acquired for the nonreservation Indian boarding school known as Sherman Institute, California;

S. 1597. An act to amend section 1, act of June 29, 1940 (54 Stat. 703), for the acquisition of Indian lands for the Grand Coulee Dam and Reservoir, and for other purposes;

S. 1688. An act to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes;

S. 1801. An act to authorize the Secretary of the Navy to convey to the Virginian Railway Co., a corporation, for railroad-yard-enlargement purposes, a parcel of land of the Camp Allen Reservation at Norfolk, Va.;

S. 1898. An act to amend section 99 of the Judicial Code, as amended, so as to change the term of the district court, for the District of North Dakota at Minot, N. Dak.;

S. 1979. An act to regulate in the District of Columbia the transfer of shares of stock in corporations and to make uniform the law with reference thereto;

S. 2019. An act to establish the grade of Fleet Admiral of the United States Navy; to establish the grade of General of the Army, and for other purposes;

S. 2105. An act to amend and supplement the Federal-Aid Road Act, approved July 11, 1916, as amended and supplemented, to authorize appropriations for the post-war construction of highways and bridges, to eliminate hazards at railroad grade crossings, to provide for the immediate preparation of plans, and for other purposes; and

S. 2205. An act to authorize the dissolution of the Women's Christian Association of the District of Columbia and the transfer of its assets.

JOINT RESOLUTION INTRODUCED

Mr. CLARK of Missouri, by unanimous consent, introduced a joint resolution (S. J. Res. 164) to extend for 90 days the time for filing a report by the Civil Aeronautics Board relating to multiple taxation of air commerce, which was read twice by its title and referred to the Committee on Commerce.

HOUSE BILL REFERRED

The bill (H. R. 3690) to safeguard the admission of evidence in certain cases was read twice by its title and referred to the Committee on the Judiciary.

CONTINUATION OF WAR CONTRACTS SUBCOMMITTEE OF COMMITTEE ON MILITARY AFFAIRS

Mr. MURRAY submitted the following resolution (S. Res. 354), which was referred to the Committee on Military Affairs:

*Resolved*, That the authority conferred by Senate Resolution 198, Seventy-eighth Congress, agreed to February 8, 1944, and Senate Resolution 288, Seventy-eighth Congress, agreed to May 25, 1944 (authorizing the War Contracts Subcommittee of the Committee on Military Affairs to investigate war contracts, termination of war contracts, and related problems), is hereby continued through March 31, 1945.

STATE DEPARTMENT NOMINATIONS—EDITORIAL FROM THE PHILADELPHIA RECORD

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an editorial entitled "Red-Blooded War for Blue-Blooded Peace?" published in the Philadelphia Record of December 14, 1944, dealing with the appointments to the State Department, which appears in the Appendix.]

THE LAND ODOGRAPH—ARTICLE BY ARTHUR SYLVESTER

[Mr. HAWKES asked and obtained leave to have printed in the RECORD an article on the subject of the land odograph, written by Mr. Arthur Sylvester, chief of the Washington bureau of the Newark (N. J.) Evening News and published in the August 30, 1944, edition of the Newark Evening News, which appears in the Appendix.]

CROP INSURANCE

The Senate resumed the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the senior Senator from South Carolina [Mr. MAYBANK], which will be stated.

The LEGISLATIVE CLERK. It is proposed to insert at the proper place in the bill the following:

SEC. —. The first sentence of the twelfth paragraph of section 19 of the Federal Reserve Act, as amended (relating to the payment of interest by member banks on demand deposits), is amended by inserting before the period at the end thereof a colon and the following: "*Provided further*, That this paragraph shall not be deemed to prohibit the absorption of exchange or collection charges by member banks."

The VICE PRESIDENT. The clerk will also state the unanimous-consent agreement entered into yesterday.

The legislative clerk read as follows:

*Ordered, by unanimous consent*, That on Thursday, December 14, 1944, at not later than 2 o'clock p. m., the Senate shall proceed to vote upon the pending amendment and all amendments thereto. The time to be equally divided and controlled by the Senator from South Carolina [Mr. MAYBANK] for the proponents, and the Senator from New York [Mr. WAGNER] for the opponents.

Mr. TAFT. Mr. President, the proposed amendment, the so-called Brown-Maybank bill, has been pending before the Committee on Banking and Currency, and that committee is now in the midst of hearings. The hearings proceeded this morning. I myself was waiting until I could get opportunity to examine the members of the Federal Reserve Board and the Federal Deposit Insurance Corporation before finally making up my mind.

In view of the fact that the Senate is proceeding with the bill as an amendment to the pending crop-insurance bill, I asked Mr. Eccles to submit any statement he might care to make. He had already prepared the statement which he was scheduled to make before the committee on Friday morning, and he furnished me a copy of the statement, which I ask to have printed in the body of the RECORD as part of my remarks.

The VICE PRESIDENT. Is there objection?

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

Mr. Chairman, shortly after Mr. MAYBANK introduced his bill, the Board, in response to the committee's request, made a formal report. If it is agreeable to the committee, I suggest that the Board's general attorney, Mr. Dreibelbis, read the Board's report later on. He will undertake to answer such questions as the members of the committee may wish to ask concerning the contents of the report or any of the details involved.

I would like also to suggest that all of the correspondence on the subject in the committee's files, pro and con, be included in the record. In the House it was argued, you know, that no one was opposed to the bill except the Board. This is really the first time opponents, other than the Board, have had an opportunity to be heard. For reasons beyond anyone's control and which everyone understands, it has been possible for only a few members of the committee to hear the testimony which has been offered. I hope that members of the committee will have time to see what the many bankers associations, trade associations, bankers, and businessmen have to say about the pending proposal. It is for these reasons that the suggestion is made.

I shall try to confine my statement to the broader implications of the proposed legislation and to certain matters which seem pertinent in the light of developments since the Board's report.

First, I understand that the question has been asked why, if this law has been in the books since 1933, was it not enforced until September 1943? I understand also that it has been said, with all the innuendos which such a statement implies, that the Board's action was taken only after the sudden death of Representative Steagall in the latter part of November 1943.

Let me say that there never has been a time since I have been on the Board when all of the Board have not believed that the absorption of exchange by a member bank under the circumstances outlined in its published ruling of September 1943 was a violation of the statute Congress enacted. In December 1935, the Board proposed to incorporate in its regulation Q language which, in so many words, would so provide. The F. D. I. C. refused to go along in its corresponding regulation applicable to nonmember insured banks, so the Board postponed the effective date of its proposed amendment. The Board did so because it seemed extremely unfortunate that member banks should operate under one rule and nonmember banks under

another. It hoped to be able to find some basis for agreement between the two viewpoints and to avoid the very situation which now exists.

In December of 1936 the Board again proposed an amendment to its regulation Q along the lines of the 1935 proposal. It was at that time that Chairman Steagall of the House Banking and Currency Committee and the chairman of this committee asked the Board again to defer the effective date of the proposed amendment. Some Members of Congress indicated that they had in mind proposing an amendment to the statute. The Board acceded to the request for a deferment, but it did not recede from its position. Let me read the Board's press statement of January 30, 1937, announcing its action:

"Chairman Steagall of the House Banking and Currency Committee and Chairman WAGNER of the Senate Banking and Currency Committee have requested the Board of Governors of the Federal Reserve System to postpone the effective date of the definition of interest in subsection (f) of section (1) of the Board's regulation Q, which the Board on December 21, 1936, announced would become effective February 1, 1937.

"The Board, after careful consideration, had reached the conclusion that the law and the existence of certain banking practices required the adoption of this definition. But the Board feels that the request which these two chairmen have now made should be granted, in view of the fact that the Board has been informed that a number of Members of Congress are giving consideration to the question of the advisability of amending the law under which the Board's regulation was issued, and desire additional time for that purpose.

"The Board therefore has postponed from February 1 to May 1, 1937, the effective date of subsection (f) of section (1) of regulation Q which contains the definition of interest."

Before May 1, 1937, the Board conceived the idea and suggested to Mr. Crowley that the lawyers of the two agencies get together and write a definition of interest which would merely restate what the courts have said in defining the term. This was done and on February 12, 1937, the applicable regulation of the F. D. I. C. and the Board's regulation Q were amended to provide that, for the purposes of both regulations, "interest" should mean "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit." The regulations of both agencies thereupon became uniform in this respect. At the same time the Board and the F. D. I. C. issued a joint statement for the press in which it was pointed out that the effect of the amendments was to declare existing law rather than to interpret and apply the law to particular practices. It was stated that this would permit the general application by each agency of a uniform law and a determination, based upon the facts involved, in specific cases.

Never, since the enactment of the law, has the issue of exchange absorption been dead. But it became much more acute with the advent of the defense program which brought with it a huge Government financing program and an opportunity for investment in Government obligations on a scale no one had ever before thought of. The preceding period had been one in which money relatively was a drug on the market. Some banks, because of the assessment for deposit insurance and the lack of investment opportunity, were even trying to decrease their deposits. The Board had hoped the problem of exchange absorption would solve itself but it became increasingly evident that the practice was increasing.

In July 1942 the Comptroller of the Currency addressed a letter to the Board submitting the facts of a practice being followed by a certain national bank and requested a ruling as to the applicability of the law to the facts of that case. The Board delayed an expression of its views pending several examinations of the bank which cumulatively developed that the bank was actually absorbing exchange for the purpose of compensating certain of its depositors for the use of their funds. Moreover, in October 1942, before expressing its views, the Board suggested to the Comptroller of the Currency that representatives of the three agencies meet and consider the matter. Such meetings were held on November 11, 1942, and January 29, 1943. On August 6, 1944, well in advance of the issuance of the ruling, the Board wrote Chairman Steagall of the House Banking and Currency Committee and Chairman WAGNER of the Senate Banking and Currency Committee sending them a copy of the proposed ruling in order that they might have an opportunity to object or comment if they desired to do so. Mind you, this was almost 3 months before Mr. Steagall's sudden death and obviously before the Board could have forecast that untimely event. At the same time a copy of the proposed ruling was also sent to Chairman Crowley of the F. D. I. C. Receiving no objections or comments from either chairman, the ruling was transmitted to the Comptroller of the Currency on August 23, 1943, and was subsequently published in the September issue of the Federal Reserve Bulletin. I have before me copies of all the correspondence to which I have referred and which I would like to have inserted in the RECORD.

There is another matter which has come to my attention upon which I would like to comment. Because my convictions with respect to how the banking system could be made to function more effectively have been publicly stated, the Board has been charged with having ruled as it did in September 1943 for reasons outside and beyond its statutory responsibility under section 19 of the Federal Reserve Act. One such charge has been built around creating the false notion that the Federal Reserve System is a "big bank system" catering to the large banks, trying in its September ruling to abolish the dual banking system and to make it easy for the extension of branch banking by striking at the existence of small banks.

Absurd charges, such as these, illustrate the length to which the proponents have gone. They talk as though the Federal Reserve Act was not patterned to the dual banking system. The Board has consistently recommended changes in the law designed to make it possible for more State banks to become members. There are at this time over 1,700 member State banks and the Board and every Federal Reserve bank wishes there were more. Strangely enough, some of the very same critics, who now say the Board is out to destroy the State banks, have, on other occasions, been equally critical of the System's activities in inviting State banks to become members.

On the matter of the System's interest in the smaller banks, I point to the fact that of a total membership of approximately 6,700 banks, over 5,000 had deposits, as of December 1943, of less than $5,000,000 each. Over 3,200 of these had deposits of less than $2,000,000 each. Compare this with the nonpar banks. Attached to this statement are some very interesting statistics comparing par and nonpar banks as to location, number, and size. It is apparent that if this bill is enacted, it will be to favor a very small minority of banks holding a still smaller proportion of the country's deposits against the overwhelming majority of banks holding a still greater proportion of deposits. Even the maps and statistics do not present the picture in its entirety. As has been pointed out to the members of the committee, the practice of exchange absorption is not as extensive as the practice of charging exchange. Only in the Southeastern States does it appear that the practice of absorbing exchange is extensively followed. Thus the passage of this bill would indeed be a case in which not only would the tail be wagging the dog but the flea would be pushing the elephant around.

The System is composed of small banks and its interest in their welfare has been evidenced by more than giving lip service to the idea. Opening up the credit facilities of the System to permit loans to nonmember banks on the security of Government obligations was in aid of small banks, not large ones nor, I add, member banks. The System's support of Treasury efforts to make Government securities more readily available to banks by simplifying the bidding, making automatic allotments, and giving certain preferential terms has been in aid of the small banks, not the large ones. The Board's consistent opposition to the extension of the business of savings and loan associations into the commercial banking field has been in behalf of small banks, not the large ones. Its position, alone of all the Federal banking agencies, in the matter of the extension of P. C. A. loans, was in behalf of small banks, not large ones. These are a few recent illustrations.

My final comments are concerned with the discriminatory character of the proposed bill as applied to member banks and particularly to small member banks. Members of the committee are familiar with the provisions of the Federal Reserve Act which require member banks to be par banks. It comes about by reason of the fact that the act provides that Federal Reserve banks shall receive checks at par and member banks are prohibited from charging exchange on checks presented by a Federal Reserve bank.

If Congress, by this legislation, authorizes the absorption of exchange, it must be because Congress believes that banks, or at least small banks, should be permitted to charge exchange. Certainly, therefore, it would be extremely unfair to the small National and member State banks, which are equally as small and greater in number than the nonpar banks, for Congress to continue to require them to be par banks. I believe that such action would be decidedly a backward step and would put a heavy and undue burden on business and commerce; but, in the last analysis, the question is one for Congress and if it is right for one small group of banks it should be right for all banks.

Moreover, if Congress believes that member banks should be permitted and thus encouraged to absorb exchange charged by nonmember banks, I would like to say a word in behalf of the proportionately far greater number of small banks which have no exchange to be absorbed and to suggest as a not-too-happy alternative that member banks be permitted to pay interest on bank balances to the extent such balances are not a part of the required reserves of the depositing bank. Since member banks receive no interest on their required reserves, this would result in all small banks alike receiving interest on their balances with correspondent banks to the extent, of course, that their correspondent banks would be willing to pay interest on such accounts. At the same time, unrestrained bidding for balances on the scale which contributed to the bank holiday in 1933 could be reduced by authorizing the Board to fix the maximum amount of interest which could be paid on these accounts in

the same manner as it now does in the case of time deposits.

Mr. Chairman, I cannot sit by as Chairman of the Board of Governors of the Federal Reserve System without raising my voice in protest against a measure designed to undermine the System as this would. Not only would it discriminate against the Federal Reserve System but it would be equally discriminatory against the national banking system, both of which were created by Congress in the first instance. I can see in this bill encouragement to withdraw from the System, encouragement to extend nonpar clearance, and encouragement to revert to the unsound practices of the pre-bank-holiday period and all of this would come at a time of all times when the banking system must continue to meet the greatest challenge it has ever faced.

*Number of par and nonpar banking offices, by States, June 30, 1944*

[Includes branches and additional offices, except offices at military reservations, classified according to Federal Reserve par list status. Preliminary figures, subject to minor change]

| State | Total, all commercial banking offices [1] | Banking offices on Federal Reserve par list | | | Banking offices not on Federal Reserve par list |
|---|---|---|---|---|---|
| | | Total | Of member banks [2] | Of nonmember banks | |
| Alabama | 237 | 110 | 103 | 7 | 127 |
| Arizona | 38 | 38 | 28 | 10 | ------ |
| Arkansas | 241 | 100 | 67 | 33 | 141 |
| California | 1,016 | 1,016 | 893 | 123 | ------ |
| Colorado | 140 | 140 | 92 | 48 | ------ |
| Connecticut | 132 | 132 | 69 | 63 | ------ |
| Delaware | 52 | 52 | 18 | 34 | ------ |
| District of Columbia | 51 | 51 | 47 | 4 | ------ |
| Florida | 164 | 78 | 60 | 18 | 86 |
| Georgia | 369 | 101 | 83 | 18 | 268 |
| Idaho | 86 | 86 | 63 | 23 | ------ |
| Illinois | 827 | 825 | 466 | 359 | 2 |
| Indiana | 564 | 564 | 246 | 318 | ------ |
| Iowa | 808 | 808 | 162 | 646 | ------ |
| Kansas | 622 | 620 | 213 | 407 | 2 |
| Kentucky | 420 | 413 | 134 | 279 | 7 |
| Louisiana | 202 | 76 | 69 | 7 | 126 |
| Maine | 126 | 126 | 73 | 53 | ------ |
| Maryland | 255 | 255 | 131 | 124 | ------ |
| Massachusetts | 312 | 312 | 264 | 48 | ------ |
| Michigan | 614 | 613 | 373 | 240 | 1 |
| Minnesota | 677 | 255 | 215 | 40 | 422 |
| Mississippi | 248 | 27 | 25 | 2 | 221 |
| Missouri | 591 | 514 | 171 | 343 | 77 |
| Montana | 110 | 90 | 69 | 21 | 20 |
| Nebraska | 410 | 258 | 148 | 110 | 152 |
| Nevada | 23 | 23 | 20 | 3 | ------ |
| New Hampshire | 67 | 67 | 54 | 13 | ------ |
| New Jersey | 472 | 472 | 388 | 84 | ------ |
| New Mexico | 47 | 47 | 27 | 20 | ------ |
| New York | 1,332 | 1,332 | 1,174 | 158 | ------ |
| North Carolina | 341 | 100 | 70 | 30 | 241 |
| North Dakota | 176 | 45 | 42 | 3 | 131 |
| Ohio | 849 | 849 | 563 | 286 | ------ |
| Oklahoma | 382 | 370 | 215 | 155 | 12 |
| Oregon | 138 | 138 | 98 | 40 | ------ |
| Pennsylvania | 1,135 | 1,135 | 850 | 285 | ------ |
| Rhode Island | 59 | 59 | 39 | 20 | ------ |
| South Carolina | 169 | 53 | 49 | 4 | 116 |
| South Dakota | 205 | 87 | 80 | 7 | 118 |
| Tennessee | 344 | 162 | 105 | 57 | 182 |
| Texas | 848 | 764 | 535 | 229 | 84 |
| Utah | 70 | 70 | 43 | 27 | ------ |
| Vermont | 79 | 79 | 41 | 38 | ------ |
| Virginia | 386 | 339 | 221 | 118 | 47 |
| Washington | 219 | 204 | 144 | 60 | 15 |
| West Virginia | 180 | 175 | 107 | 68 | 5 |
| Wisconsin | 695 | 502 | 178 | 324 | 193 |
| Wyoming | 56 | 55 | 37 | 18 | 1 |
| Total | 17,584 | 14,787 | 9,362 | 5,425 | 2,797 |

[1] Includes (*a*) 102 private banks that do not report to State banking departments, in Georgia, Iowa, Michigan, and Texas, (*b*) 13 "cooperative" banks in Arkansas. Excludes (*a*) all nonmember mutual savings banks, on a few of which some checks are drawn, (*b*) 51 nonmember industrial banks and 54 nonmember nondeposit trust companies on which no checks are drawn.

[2] Includes 3 mutual savings banks and 5 nondeposit trust companies.

*Number and deposits of commercial banks classified according to Federal Reserve par list status, June 30, 1944*

[Deposits as of December 1943, in thousands of dollars. Preliminary figures, subject to minor change]

| State | All commercial banks [1] | | Member banks [2] | | Par nonmember banks | | Nonpar banks | |
|---|---|---|---|---|---|---|---|---|
| | Number | Deposits | Number | Deposits | Number | Deposits | Number | Deposits |
| Alabama | 217 | 841,422 | 83 | 706,896 | 7 | 13,666 | 127 | 120,860 |
| Arizona | 12 | 229,188 | 7 | 198,130 | 5 | 31,058 | ------ | ------ |
| Arkansas | 223 | 483,671 | 66 | 348,905 | 28 | 32,936 | 129 | 101,830 |
| California | 192 | 8,857,658 | 110 | 8,100,708 | 82 | 756,950 | ------ | ------ |
| Colorado | 140 | 720,327 | 92 | 662,258 | 48 | 58,069 | ------ | ------ |
| Connecticut | 116 | 1,290,318 | 63 | 873,090 | 53 | 417,228 | ------ | ------ |
| Delaware | 41 | 372,770 | 17 | 278,728 | 24 | 94,042 | ------ | ------ |
| District of Columbia | 21 | 705,729 | 18 | 685,422 | 3 | 20,307 | ------ | ------ |
| Florida | 164 | 1,057,874 | 60 | 842,772 | 18 | 69,098 | 86 | 146,004 |
| Georgia | 344 | 1,191,869 | 62 | 913,273 | 17 | 48,820 | 265 | 229,776 |
| Idaho | 46 | 257,898 | 25 | 225,031 | 21 | 32,867 | ------ | ------ |
| Illinois | 827 | 8,520,887 | 466 | 7,953,023 | 359 | 566,083 | 2 | 1,781 |
| Indiana | 494 | 1,974,956 | 223 | 1,446,149 | 271 | 528,807 | ------ | ------ |
| Iowa | 652 | 1,428,031 | 162 | 774,486 | 490 | 653,545 | ------ | ------ |
| Kansas | 622 | 1,028,152 | 213 | 695,494 | 407 | 331,808 | 2 | 850 |
| Kentucky | 389 | 1,022,057 | 113 | 697,077 | 269 | 322,773 | 7 | 2,207 |
| Louisiana | 148 | 1,062,773 | 40 | 833,888 | 4 | 26,350 | 104 | 202,535 |
| Maine | 66 | 346,111 | 40 | 251,717 | 26 | 94,394 | ------ | ------ |
| Maryland | 175 | 1,322,927 | 79 | 974,796 | 96 | 348,131 | ------ | ------ |
| Massachusetts | 192 | 3,581,779 | 154 | 3,302,333 | 38 | 279,446 | ------ | ------ |
| Michigan | 439 | 3,760,199 | 228 | 3,391,755 | 210 | 368,176 | 1 | 268 |
| Minnesota | 671 | 1,873,354 | 209 | 1,498,988 | 40 | 78,429 | 422 | 295,937 |
| Mississippi | 200 | 486,214 | 25 | 187,473 | 2 | 5,734 | 173 | 293,007 |
| Missouri | 591 | 2,901,699 | 171 | 2,410,913 | 343 | 423,898 | 77 | 66,888 |
| Montana | 110 | 319,052 | 69 | 264,542 | 21 | 24,737 | 20 | 29,773 |
| Nebraska | 408 | 834,275 | 146 | 661,373 | 110 | 95,153 | 152 | 77,749 |
| Nevada | 10 | 99,101 | 8 | 93,359 | 2 | 5,742 | ------ | ------ |
| New Hampshire | 65 | 158,644 | 53 | 134,492 | 12 | 24,152 | ------ | ------ |
| New Jersey | 351 | 3,098,143 | 293 | 2,633,344 | 58 | 464,799 | ------ | ------ |
| New Mexico | 41 | 162,238 | 27 | 130,427 | 14 | 31,811 | ------ | ------ |
| New York | 695 | 28,102,757 | 593 | 26,687,950 | 102 | 1,414,807 | ------ | ------ |
| North Carolina | 202 | 1,127,680 | 54 | 682,049 | 22 | 148,756 | 126 | 296,875 |
| North Dakota | 153 | 299,836 | 42 | 129,913 | 3 | 59,087 | 108 | 110,836 |
| Ohio | 680 | 5,068,468 | 415 | 4,580,990 | 265 | 487,478 | ------ | ------ |
| Oklahoma | 382 | 914,691 | 215 | 793,707 | 155 | 115,780 | 12 | 5,204 |
| Oregon | 68 | 897,132 | 32 | 848,329 | 36 | 48,803 | ------ | ------ |
| Pennsylvania | 1,029 | 7,489,012 | 764 | 6,509,211 | 265 | 979,801 | ------ | ------ |
| Rhode Island | 22 | 507,894 | 13 | 457,230 | 9 | 50,664 | ------ | ------ |
| South Carolina | 145 | 393,510 | 28 | 283,974 | 4 | 6,552 | 113 | 102,984 |
| South Dakota | 164 | 240,051 | 60 | 168,264 | 7 | 6,604 | 97 | 65,183 |
| Tennessee | 293 | 1,297,637 | 76 | 1,046,847 | 54 | 114,978 | 163 | 135,812 |
| Texas | 848 | 3,658,958 | 535 | 3,302,448 | 229 | 307,859 | 84 | 48,651 |
| Utah | 57 | 383,855 | 34 | 327,925 | 23 | 55,930 | ------ | ------ |
| Vermont | 71 | 159,804 | 39 | 85,647 | 32 | 74,157 | ------ | ------ |
| Virginia | 313 | 1,255,671 | 194 | 1,035,782 | 84 | 179,269 | 35 | 40,620 |
| Washington | 124 | 1,458,162 | 56 | 1,367,838 | 53 | 77,432 | 15 | 12,892 |
| West Virginia | 180 | 545,563 | 107 | 426,961 | 68 | 113,060 | 5 | 5,542 |
| Wisconsin | 560 | 1,897,237 | 157 | 1,351,252 | 267 | 432,511 | 136 | 113,474 |
| Wyoming | 56 | 136,023 | 37 | 112,008 | 18 | 23,754 | 1 | 261 |
| Total | 14,009 | 105,823,257 | 6,773 | 92,369,167 | 4,774 | 10,946,291 | 2,462 | 2,507,799 |

[1] Includes (*a*) 102 private banks that do not report to State banking departments in Georgia, Iowa, Michigan, and Texas, (*b*) 13 "cooperative" banks in Arkansas. Excludes (*a*) all nonmember mutual savings banks, on a few of which some checks are drawn, (*b*) 51 nonmember industrial banks and 54 nonmember nondeposit trust companies on which no checks are drawn.

[2] Comprises all member banks, including 3 mutual savings banks and 5 nondeposit trust companies.

NOTE.—This table does not include deposits of industrial banks and "trust balances" of nondeposit trust companies on which no checks are drawn; also, deposit figures in this table are aggregates of December 1943 figures reported by banks that were in existence in June 1944. Consequently they differ from total deposits in December 1943 of banks then in existence. The member bank figures include, and the nonmember bank figures exclude, deposits of banks that became members between December 1943 and June 1944.

Mr. TAFT. Mr. President, there are on file with the Committee on Banking and Currency some 3,695 communications relating to the Brown-Maybank bill, and, of those, 3,081 are from persons or organizations opposed to the bill.

I might say further that the State banking associations in some 25 States have acted in opposition to the Maybank bill and submitted resolutions to the committee; namely, the State banking associations of Colorado, Connecticut, the District of Columbia, Idaho, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

Mr. President, the Maybank bill attempts to amend the section of the Federal Reserve Act which provides:

The Board of Governors of the Federal Reserve System is authorized * * * to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof.

The Federal Reserve Act provides in section 12:

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

The practice which exists among nonpar banks, affecting a very small percentage of the total deposits of this country, is to charge exchange on checks drawn on those banks. For instance, if I am living in a small town, and I have a deposit in a non-par bank, I can of course go to that bank with my check and draw out the money without payment of exchange, but if I send my check to Chicago in payment of a bill, we will say, and the Chicago man deposits the check in his bank, the Chicago bank

sends the check to a bank in Atlanta, the Atlanta bank presents it to the nonpar bank, it refuses to pay the $1,000 for which the check is drawn, but will pay on the check only about $997.50, refusing to honor the check according to its terms.

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

Mr. TAFT. I yield.

Mr. McKELLAR. For more than 9 years the Federal Reserve Board acquiesced in that practice, indicating by so doing, apparently, that they did not believe the practice to be wrong. Now, after about 10 years, they make a different ruling.

Mr. TAFT. I will answer the Senator later. I was only trying to describe the process.

Mr. McKELLAR. Very well.

Mr. TAFT. That means, of course, that the depositors in these banks do not like that practice very much because, of course, people to whom they try to pay their bills object to accepting less than the full amount of a check. In States like Nebraska or South Dakota those exchange charges are not absorbed. The central banks do not absorb them. When the individual who received the check presents the check to the bank he is paid only $997.50.

Naturally the depositors do not particularly like such a practice, and in some States it has gradually driven away the depositors from the nonpar banks. We had witnesses from Nebraska before the committee who testified that they felt that as a business matter the payment of checks at par was advisable, and was the only manner in which they could handle it. In the South, however, they have not been obliged to make it inconvenient for their depositors, because the city banks have been in the habit of absorbing those exchange charges. So that in effect the city banks pay this difference to the small nonpar banks. Of course, there is no reason in the world why they should pay it, except that they like to have on deposit with them the deposits of the small nonpar banks. The nonpar banks feel, and really the equitable argument made here is, that the local depositors should not have to pay this expense, which may be a necessary expense; that it is proper to pass it on to the central banks, because the deposits of local money, which are made to the central banks, are of some value to the central banks, and therefore they ought to pay the exchange, and it is perfectly proper for them to do so.

Of course, logically there was an argument for the payment of compensation for deposits, but Congress has taken the position that there should be no compensation paid for demand deposits in the United States. That has been repeated over and over again. It is set forth in the law and is repeated in the Federal Reserve Act. We prohibit the payment of interest. We say in effect that to permit the payment of any compensation for demand deposits creates an unfortunate condition in the banking business, and that it tends to draw the money away from local districts, where it can be loaned out, and tends to bring the money into the central banks, and finally into New York. Of course, in the great example in 1929, it resulted in the sending of all the money to New York, where it was used on the call market to promote stock exchange speculations.

A condition like that is not likely again to arise. But the policy of Congress is definite—that banks shall not pay interest on demand deposits left with them either by individuals or by other banks. The effect of this absorption practice is to permit a payment of compensation, and it is absolutely contrary to the whole principle of the law, of the Federal Reserve Act, which is laid down by Congress.

The only question which concerned me is the same question which has undoubtedly concerned the Federal Reserve Board, and has led to the fact that this practice has continued—whether or not the Federal Reserve Board has the right to say that payment of compensation in the form of the absorption of exchange charges is interest within the terms of the Federal Reserve Act. The Federal Reserve Act provides:

> No member bank shall pay any interest directly or indirectly by any device whatsoever.

Certainly that is an indication to Congress that they intend a broad definition of these terms. As a matter of fact, the Federal Reserve Board has never issued a regulation saying that exchange charges cannot be absorbed. The Federal Reserve Board has only ruled in an individual case. Their regulations, which have been worked out with the F. D. I. C., only define interest as "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit."

That is the regulation. The Board has never said that the payment of exchange charges in any case is interest and is a violation of the law. All they have said is that in a particular case on which they ruled it was a device for the payment of interest. Now even the F. D. I. C., which is supporting the bill, has a regulation which says that the absorption of exchange charges is not interest:

> In the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

The F. D. I. C. itself is supporting the bill, but Mr. Brown, of the F. D. I. C., in an opinion, says:

> This opinion will not apply to cases where the particular circumstances are such as to establish that the practice has been resorted to deliberately as a device for the payment of compensation to a depositor for the use of his funds.

So the Board and the F. D. I. C. are in agreement as far as official regulations are concerned that exchange charges may be absorbed unless the payment of those charges is used as a device for the payment of interest.

The particular case which the Federal Reserve Board ruled on was a case of this sort. The bank had absorbed exchange charges for customers keeping so-called compensating balances. In 1942 it had absorbed for such customers $18,000 out of $25,000 exchange charges paid. In the first 3 months of 1943 it had absorbed $4,600 out of $5,600. In some instances the amount absorbed for some customers amounted to as much as 2 or 3 percent of their balances. That its total correspondent bank deposits had increased from less than $7,000,000 at the end of 1941 to nearly $18,000,000 in 1943, a ratio far greater than the increase in its total demand deposits, or of the corresponding increases of other banks in the same area. The exchange charges were not absorbed, but were charged back when, because of a lack of a compensating balance, the bank had "no way of making it back."

In other words, they made this contingent on the fact that the bank kept a compensating balance. In other words it was clearly a compensation for the keeping of a balance in that particular bank.

On occasion the bank had written to its correspondent banks suggesting that they par items sent to such banks in return for the parring by the subject bank of items received from such banks. In one instance accounts had been shifted from a competing bank to the subject bank because of its willingness to absorb such charges. In those circumstances the Board ruled that the bank in question was violating the prohibition against the payment of interest on demand deposits.

Mr. President, if the pending amendment is agreed to it means that regardless of how exchange charges are used, regardless of how they are made dependent upon the keeping of balances in certain amounts, nevertheless they are lawful. It seems to me clear that if we pass such a sweeping law as that we not only permit the continuation of the charges that have been made, but we actually open up a manner in which the prohibition against payment of interest may be directly avoided by banks throughout the entire United States. We, in other words, permit the violation. We say that you cannot pay interest, but you can use this method of going around behind and actually paying interest for deposits. In other words it seems to me that this measure breaks down the whole principle established by Congress that interest shall not be paid on demand deposits.

I think it is unfortunate that the measure comes up on the floor of the Senate. We might work out some method by which absorption of exchange charges could be frozen so that the practice could continue where it has existed, but could not in any way be extended. Certainly the proposed method of saying that any exchange charges may be made regardless of whether they are compensation for funds, violates not only the rules of the Federal Reserve Board but also the principles laid down by the Federal Deposit Insurance Corporation.

I may say in answer to the Senator from Tennessee that Mr. Eccles has made a statement as to why the Board has not

acted before this time. As I have pointed out, the Board has ruled on a particular case. Incidentally, any bank can dispute the validity of the regulation. I do not think it would be done, because the regulation is clearly valid. Any bank to which the Federal Reserve Board says, "You cannot absorb exchange charges" may cooperate with its depositing bank to take the case to court for a determination of what the law actually is, or whether in its particular case it has been using exchange charges as a device to pay interest on demand deposits. That question can be taken to court.

It seems to me that it would probably be better to leave the question to be determined in each individual case, and let the courts permit interest to be paid in cases in which it is the customary practice, with no relation to the money on deposit in compensating balances. There would still be the threat against the extension of the practice. That would remain in the law as it is today. I see no reason why we should attempt, by a sweeping regulation, to authorize a practice which, if extended, would certainly break down the whole prohibition against the payment of interest, and would break down the effort to obtain par clearance throughout the United States.

Mr. Eccles says in his report:

First, I understand that the question has been asked, Why, if this law has been in the books since 1933, was it not enforced until September 1943? * * *

Let me say that there never has been a time since I have been on the Board when all of the Board have not believed that the absorption of exchange by a member bank under the circumstances outlined in its published ruling of September 1943 was a violation of the statute Congress enacted. In December 1935 the Board proposed to incorporate in its Regulation Q language which, in so many words, would so provide. The F. D. I. C. refused to go along in its corresponding regulation applicable to nonmember insured banks so the Board postponed the effective date of its proposed amendment. The Board did so because it seemed extremely unfortunate that member banks should operate under one rule and nonmember banks under another. It hoped to be able to find some basis for agreement between the two viewpoints and to avoid the very situation which now exists.

In December of 1936 the Board again proposed an amendment to its Regulation Q along the lines of the 1935 proposal. It was at that time that Chairman Steagall, of the House Banking and Currency Committee, and the chairman of this committee asked the Board again to defer the effective date of the proposed amendment. Some Members of Congress indicated that they had in mind proposing an amendment to the statute. The Board acceded to the request for a deferment, but it did not recede from its position.

He then quotes from a letter which he wrote to Chairman Steagall on January 30, 1937, stating that the Board would defer further action because of the request of Congress, and the proposal that legislation would be brought before Congress to clarify the situation.

Continuing with Mr. Eccles' statement:

Before May 1, 1937, the Board conceived the idea and suggested to Mr. Crowley that the lawyers of the two agencies get together and write a definition of interest which would merely restate what the courts have said in defining the term. This was done and on February 12, 1937, the applicable regulation of the F. D. I. C. and the Board's regulation Q, were amended to provide that, for the purposes of both regulations, "interest" should mean "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit." The regulations of both agencies thereupon became uniform in this respect. At the same time the Board and the F. D. I. C. issued a joint statement for the press in which it was pointed out that the effect of the amendments was to declare existing law rather than to interpret and apply the law to particular practices.

Mr. President, I do not think it is necessary for me to read all of Mr. Eccles' history of the actions of the Board; but I think it is perfectly clear that the Board has always maintained that this practice could become, and was becoming, a payment of interest; that it was breaking down the Board's rules; and that the Board only waited until a particular case could come before it, in which the facts clearly showed that it was being used as a payment of interest, to make the ruling of September 1943.

Furthermore, no rule has ever been made which absolutely prohibits the absorption of exchange charges. The Board is merely interpreting the statute. The courts are free to interpret the statute in some other way.

Mr. President, I believe that it is most unfortunate for the Senate to countenance the practice of taking a bill away from a committee, by means of attaching it as an amendment to another bill, with which it has nothing whatever to do. It is obvious to me in this case that there is at least some prospect, if we consider the proposed amendments, of arriving at an agreement in the committee. I do not see how it can be done on the floor of the Senate. That is a further reason why these matters should be considered carefully by the committee. Until the committee has shown an unwillingness to act, or its opposition to the bill, there seems to be no reason why it should be offered as an amendment to the pending bill. I know that the chairman of the committee feels strongly that the committee should not be deprived of jurisdiction. I feel very confident that the measure proposed is of such a sweeping character that it would not only protect the existing practice where it already exists, regardless of its merits, but would also open the door much wider than at present to the general extension of this practice to States in which it does not exist. Probably in a good many more than a majority of the States the practice does not exist; and certainly we have the right to ask that no change in the law be made which would introduce that practice into other States, regardless of what its merits may be in the States in which it now exists.

Mr. REVERCOMB. Mr. President, yesterday I discussed certain points which have arisen in the course of this debate on the pending amendment. Today I have before me an article written by Walter Wyatt, who is a distinguished lawyer of Washington, and also general counsel for the Federal Reserve System. It is especially to be noted that the views expressed by him are not stated in his official capacity as counsel for the Federal Reserve System; yet we know that he speaks with authority on this subject. The title of the article is "The Par Clearance Controversy." It was published in the Virginia Law Review for June 1944. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks certain excerpts from Mr. Wyatt's article. I ask that the footnotes showing the authorities cited be omitted. The statement given here is a summary of the history of this controversy and the conclusions of this authority upon the subject.

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

THE PAR CLEARANCE CONTROVERSY

The par clearance controversy, which raged in Congress during the consideration of the original Federal Reserve Act in 1913, was revised by the so-called Hardwick Amendment in 1917, and was fought out in the courts during the 1920's, has recently been reopened by the introduction of certain bills in Congress. It is essentially a controversy between banks and commercial interests on the one hand which wish to have checks circulate freely at full face value and a small minority of banks on the other hand which wish to derive a profit from the obsolete practice of deducting so-called exchange charges when remitting to out-of-town points for checks drawn upon themselves.

This controversy originated when Hon. CARTER GLASS, of Virginia, incorporated in the original Federal Reserve Act, of which he was the author, provisions designed to provide for the collection of checks at par by the Federal Reserve banks. It was revived in 1917 when a committee of bankers sought to have a rider for the purpose of restoring to member banks of the Federal Reserve System and preserving to nonmember banks the right to exact exchange charges attached to a bill containing important wartime amendments to the Federal Reserve Act. This effort was resisted successfully, but the resulting legislation was so ambiguous and self-contradictory that the battle was continued in the courts. It resulted in several decisions of national importance by the Supreme Court of the United States.

It appeared that this controversy was settled by these decisions and by certain modifications in the check collection practices of the Federal Reserve system. However, it has been reopened by certain bills introduced in Congress in January 1944, which involve the question only indirectly but the enactment of which would have unfortunate effects upon our banking system.

HOW PRESENT CONTROVERSY AROSE

Competition between banks for the deposits of other banks and large corporations resulted during the 1920's in the undue concentration of such deposits in banks which were willing to engage in unsound competition for them, usually by paying excessive rates of interest. The banking difficulties in 1932 and 1933 were accentuated and increased by the sudden withdrawal of such deposits, especially by large corporations having large balances in numerous different banks. This precipitated the failure of several large banks in places like Detroit, Baltimore, and Cleveland. The failure of these banks pulled down numerous other banks which had entrusted their reserves to them, precipitating State-wide "banking holidays" in States like Michigan, Maryland, and Ohio, and contributing very largely to the Nation-wide suspen-

sion of the banking business on March 4, 1933.

As a consequence, Congress provided in the Banking Act of 1933 that, with certain exceptions not pertinent here, "No member bank [of the Federal Reserve System] shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand." By an amendment contained in the Banking Act of 1935, Congress also required the Board of Directors of the Federal Deposit Insurance Corporation to prescribe regulations imposing similar restrictions on all nonmember banks whose deposits are insured by the Federal Deposit Insurance Corporation.

Certain banks sought to evade this prohibition by undertaking to absorb exchange charges on checks collected by them as an inducement for the maintenance of balances with them by the banks from which such checks were received for collection. In response to an official request from the Comptroller of the Currency based upon the facts in a specific case, the Board of Governors of the Federal Reserve System expressed the opinion that the practice reflected by the facts stated in the inquiry constituted a violation of the law and published its administrative interpretation of the law in the Federal Reserve Bulletin.

This resulted in vigorous protests by a vociferous minority of banks which still charge exchange. They claimed that the Board's action was a revival of the effort of the Federal Reserve System to enforce universal par clearance. This claim was based on the attenuated theory that, if intermediate collecting banks could not absorb these charges and had to pass them back to the owners of the checks, the owners would complain to the drawers of the checks because their obligations had not been paid in full, and the drawers would bring pressure on their own banks to discontinue the practice of charging exchange. It was claimed that numerous small nonmember banks located principally in a dozen Southeastern and Mississippi Valley States could not exist without the revenue derived from these charges.

These protests resulted in hearings before the Banking and Currency Committee of the House of Representatives in December 1943, for the purpose of bringing pressure upon the Reserve Board to reverse its interpretation of the law. This effort proving unsuccessful, bills were introduced in both Houses of Congress to amend the law so as to provide that it "shall not be deemed to prohibit the absorption of exchange and collection charges by member banks." Hearings were continued in the Banking and Currency Committee of the House of Representatives during January and February 1944; the House bill was reported favorably on February 15, 1944, although five members of the committee filed a strong dissenting report; and the bill passed the House of Representatives on March 2, 1944.

The primary effect of the enactment of this bill would be to impair the safeguards erected in 1933 and 1935 against unsound competition for deposits of other banks and large corporations; but it would also encourage many banks which now pay their checks at par to discontinue doing so and would encourage many banks to withdraw from the National Banking System and the Federal Reserve System in order to obtain the revenue derived from exchange charges. Thus, the old par-clearance controversy is reopened.

Many of those participating in the fight over the pending legislation are unfamiliar with the past history of the par-clearance controversy and many inaccurate and misleading statements have been made about it. Therefore, it is believed that a review of the past history of the legislation and litigation regarding the par clearance of checks would be timely, and would serve a useful public purpose.

* * * * *

CONCLUSION

The issue of par clearance has twice been considered by Congress; and on both occasions Congress has decided in favor of the par collection of checks by Federal Reserve banks, notwithstanding the determined opposition of a group of bankers who desired to preserve for themselves a source of private profit at the expense of the business and commerce of the country by perpetuating the obsolete practice of charging exchange, with all of the attendant evils of an inefficient, cumbersome, expensive, and dangerous method of check collection. On the first occasion, Congress required Federal Reserve banks to collect at par all checks on member banks sent to the Federal Reserve banks by their depositors. On the second occasion, it broadened the scope of the authority of Federal Reserve banks to collect checks and required that all checks collected by them must be collected at par, regardless of whether they be drawn on member or nonmember banks.

The courts have upheld these powers and requirements almost completely. They have upheld the constitutionality of the requirement that Federal Reserve banks must collect checks on member banks at par and that member banks must remit at par for their own checks when forwarded to them by Federal Reserve banks. They have upheld the right of Federal Reserve banks to collect checks on nonmember banks whenever they can be collected at par; and they have upheld the right of Federal Reserve banks to send checks on nonmember banks to local agents without accumulation for orderly presentation across the counter in order to obtain payment at par, except in States with antipar-clearance statutes like that in North Carolina.

As a matter of policy, the Federal Reserve System voluntarily discontinued presenting checks on nonmember banks through other than the usual banking channels; but there is no legal reason why it could not resume that practice if it were inclined to do so in order to collect checks on nonmember banks which will not pay their checks at par when presented through the mails.

With this possibility of enforcing par clearance directly by established methods of proven efficacy, it is absurd to say that the Board of Governors of the Federal Reserve System is now endeavoring to enforce universal par clearance by indirection, merely because it has expressed the opinion that the practice of absorbing exchange charges as compensation for the maintenance of deposits is a violation of the law which forbids member banks to pay interest on demand deposits, "directly or indirectly, by any device whatsoever."

WALTER WYATT.

WASHINGTON, D. C.

Mr. TAFT. Mr. President, acting on behalf of the Senator from New York [Mr. WAGNER], I should like to inquire whether any other Senator wishes to speak against the amendment. I have no notice that any other Senator wishes to speak against it. If any Senator who wishes to speak against the amendment will communicate with me, I shall be glad to yield to him as much time as possible.

Mr. BILBO. Mr. President, I take it that if the opponents of the amendment are not willing to consume their full time, its proponents can speak until 2 o'clock.

The VICE PRESIDENT. The proponents of the amendment have 52 minutes allotted to them.

Mr. BILBO. Very well.

Mr. President, the pending amendment has been brought forward because of the attempt of a bureaucratic group which apparently exists in some parts of the city of Washington to regulate the affairs of the American people from the banks of the Potomac River. The bill, which is the subject matter of the amendment, was introduced by the Senator from South Carolina [Mr. MAYBANK], and is identical with House bill 3956, which passed the House on the 3d of last March by an overwhelming vote; in fact, the House was so nearly unanimous in support of the bill that the opponents were not even able to obtain a yea-and-nay vote on the question of its passage.

I appreciate the fact that at this time the proponents of the amendment are in a somewhat awkward position in urging its adoption before the hearing on the bill which is now being conducted by the Committee on Banking and Currency has been completed. But that situation, I wish the Senate to understand, is not our fault. The bill came to the Senate from the House of Representatives on the 3d of last March, and the committee has had more than 8 months in which to hold hearings on it. Why there has been so much delay, I do not know. Sometimes a good way to defeat a measure is to delay the hearings on it. The hearings on the Brown-Maybank bill before the Senate committee did not start until last week. But there was a very full and complete hearing on the bill in the House committee. I hold in my hand a copy of those hearings. They were held at various times in the months of December 1943 and January and February 1944, and they lasted almost 30 days. After a full hearing, the House was practically unanimous in voting for the passage of the bill.

I also appreciate the basis of the objection to attaching the Maybank bill as an amendment to the crop-insurance bill which is being sponsored by the Senator from Oklahoma [Mr. THOMAS]. I appreciate the fact that the legislation proposed by the pending amendment is not germane to the provisions of the crop-insurance bill. But I also know that there is no Senate rule requiring germaneness. Therefore, it is parliamentarily proper to attach the Maybank bill as an amendment to the crop-insurance bill.

Some Senators may think that the adoption of the Maybank bill as an amendment to the crop-insurance bill, to which it is not germane, might in some way mitigate against the chances of passage of the crop-insurance bill. But I do not believe it would affect the chances of the passage of the crop-insurance bill either in the Senate or in the House. In fact, I should like to call the attention of the Senator from Oklahoma to my belief that if he will agree to have the Maybank bill adopted as an amendment to the crop-insurance bill, its adoption will make sure the passage of the crop-insurance bill in the House of Representatives, because it is my understanding that the Members of the House of Representatives are stronger in their advocacy of the Maybank-Brown bill which would do

away with the autocratic, bureaucratic ruling of the Federal Reserve Board than they are in their support of the crop-insurance bill. So, Mr. President, if the pending amendment be adopted to the crop-insurance bill, I am sure it will help the passage of that bill in the House of Representatives. I merely offer that as a suggestion to the Senator from Oklahoma.

Mr. President, the present situation is one in which the big boys are lined up against the little boys. It is a case of the small banks against the large city banks. There are something over 14,000 banks in the United States. The Federal Deposit Insurance Corporation, under Mr. Crowley, has supervision of approximately 13,000 of the 14,000 banks. Mr. Crowley is very strongly in favor of the passage of the Maybank bill.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, as a part of my remarks, two statements made by Mr. Crowley in support of the bill. One of them begins on page 112 of the House hearings. At that time Mr. Crowley pointed out the importance of the passage of the bill, and he also took occasion to point out the ultimate effect of defeat of the bill, and he intimated what the Federal Reserve System or those behind it are really after, namely, to destroy the 2,400 or 2,700 small banks which are enjoying the right and privilege of having their exchange fees absorbed by their correspondent banks. So, Mr. President, since my time is very limited, I ask unanimous consent to have printed in the RECORD Mr. Crowley's statement which begins on page 112 of the House hearings, and also his statement which begins on page 669 of those hearings, for Mr. Crowley was called before the committee a second time, and in his second statement he emphasized the facts brought out in his first statement.

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

ABSORPTION OF EXCHANGE CHARGES—STATEMENT OF LEO T. CROWLEY, CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

(Friday, December 17, 1943)

Mr. CROWLEY. Mr. Chairman and members of the committee, I have a written statement which I would like to present later, but I would like to say a few words first.

I appreciate that Mr. Ransom, Mr. McKee, and their associates have made a very thorough study of this question and have gone into great detail and I might say they are all dear friends of mine and I hate to be in disagreement with them, especially on banking matters, all of the time; but, fundamentally, there is a difference between us and we have a little difficulty in agreeing on some things. From an administrative standpoint, we get along very nicely.

I think it is unfortunate that this has come up just at this time, when the Congress, apparently, is thinking about recessing for a while. I would like to have an opportunity to spend some time with this committee on this regulation and I am sure it cannot be done in half an hour's time, or an hour, that we might have this morning.

I am also sorry that Mr. Steagall is not here. We went all through this regulation several years ago and it was indicated then that this committee and many Members of Congress wanted this matter deferred. The matter of this law as interpreted by the Federal Reserve has been on the books since 1933. I appreciate Mr. Ransom is a very conscientious individual and wants to carry out the wishes of Congress.

We, too, want to carry out the wishes of Congress, but I fail to find anywhere in the direction from Congress it ever indicated a desire to deal with par clearance. You skate around all you want, but when you get right back there are a few fundamental things involved. First, I think the ruling indirectly forces par clearance on the banking system of this country, and I have always been a strong believer that in legislative matters you should meet a thing directly, not placing some fine Italian writing in a law and then interpreting it in a way that you feel your theories can best be served. And Congress certainly in the past has indicated, without question, that it is not in favor of enforcing par clearance, and the Supreme Court has indicated, as I understand it, that the Federal Reserve Board did not have the authority to do so.

Secondly, in the question of absorbing a service charge, or the question of indirect interest by absorbing exchange, what is the difference? In a practical sense, if you are going to talk about paying interest, when Sears-Roebuck carries an account with a bank that clears all of their checks and handles them for them without the service charge, where they maintain a balance of $10,000,000, what is the difference whether the bank gives credit for that balance by way of free service in clearing checks or by way of absorbing exchange? Now, they do that all through the banking system. If you have an individual checking account and maintain a balance of three, four, or five thousand dollars, you will find you do not pay the service charge that the housewife, who has only $100 balance, does on the items that she sends through. Now, if that is not as much of an indirect payment of interest as absorption of exchange, I do not know what you would call it. I think that Congress never intended, in this law, to deal with exchange any more than it did other service charges. I certainly have found no evidence that Congress intended either that the Federal Reserve or the Federal Deposit would outlaw these exchange charges.

Now, the net result of this indirect action is that you have some two or three or four thousand banks that may be materially affected. The amount of exchange that the large banks are absorbing is very, very nominal in the whole banking system. I think the matter has been grossly exaggerated as to the influence and effect that it has on the banking system. Furthermore, I have always been a believer in free enterprise in the banking system; that banks ought to be able to supervise themselves on certain practices and not lean on the Government to manage their institutions and to determine what practices they should pursue and what practices they should not pursue.

Certainly if we were up here to urge Congress to pass some regulation that might affect the interest rates that banks could charge on loans, you would hear a cry in holy horror that we were interfering with free enterprise, but people apparently seem to be willing, where it is financially to their advantage, not to object to interference.

I think the net result of the Federal Reserve Board's ruling is this: First, it forces par clearance; secondly, it very definitely affects the earnings of a lot of little banks. The next step, in my judgment, is that you break your little banker; you eliminate him from your banking picture, and the advocates of branch banking immediately will come along and say, "Now, this little community is in need of a bank and cannot support an independent bank, so that we have to have a branch bank to serve that community."

Now, I do not think this ruling relates to just the matter of exchange in these little banks; I think a very fundamental issue is involved, and I think this committee ought to take plenty of time to understand all of the elements that may be involved, because I think that, as you go along, you will find there are fundamental differences in principle between the Federal Reserve and the Federal Deposit Insurance. I do not say the Federal Reserve are opposed to the small bank as such, but my experience in your State banks versus your national banks—and we have had a lot of experience with their attitude toward small banks in connection with war contract advances, Government deposits, and the latest ruling—is that every move has been made to discriminate against the rights of the little nonmember bank. And when the Deposit Insurance system was set up it was very definitely understood that deposit insurance would not be used as that type of vehicle.

So, as I say to you, I think there is a lot more involved in this thing than whether you refuse to let these large banks absorb exchange charges; for these fellows amounting to eight or ten million dollars, or whatever it may be, that they are absorbing for now; I think there is a lot more involved than that.

Mr. BROWN. Mr. Crowley, may I ask just one question there?

Mr. CROWLEY. Yes.

Mr. BROWN. Suppose the Supreme Court should construe the definition of interest by the Federal Reserve Board to be wrong, unsound; then, of course, the Federal Reserve Board would be violating the law in reference to their interpretation of the word "interest"; is that true?

Mr. CROWLEY. That is right.

Mr. CRAWFORD. Could I ask Mr. Crowley a question on the statement he just made? Would you include in your general observation there, where you mentioned deposits and the absorption of exchange and those other matters that you did specifically mention, all of which tend to operate against the operation of the small banks, the effect of the Government lending agencies on their earning? I notice you did not mention that, and I wondered if you would care to include that in your remarks.

Mr. CROWLEY. Congressman, I think my position is very well known. I have written very definite letters to this committee and also to the Senate committee, where I have agreed with the small bank on the effect of those things on the small bank's earnings.

Mr. CRAWFORD. Well, which is the greater sum involved—this eight or nine million dollars that you mentioned or the losses to the small country banks incidental to Government lending?

Mr. CROWLEY. Let me say this to you: If you ask me which arm I want to have cut off, my right or my left, I would raise the question whether you ought to cut either one of them off. I agree with you on that, that it does affect the little banks.

Let me say this to you: We do an awful lot of talking all the time about what we are going to do for the small businessman, what we are going to do for the small bank. The small banks just do not have the advocates to come before you men and present their viewpoint. They are scattered all over the United States, and one reason why they are small is because they are weaker than the larger group. And many, many of the larger banks are giving the small boys lip service on this regulation here; they are indicating to them they are all in sympathy with them, but they do not care about the thing, although at any time there is any legislation here which affects the larger banks' interests they will use the small fellows to come in and do the fronting; but I notice every time the small bank is involved they are the ones who are left hanging out on the limb by themselves.

Mr. CRAWFORD. I have been such a close follower of yours and of your philosophy on maintaining the capital structure of the

banks, the deposits of which you insure, that I have never for one moment when I was conscious lost sight of the elements which tend to prevent the small bank from earning a sufficient amount of money to preserve its capital structure.

Mr. CROWLEY. I know that; that has always been your position.

Mr. CRAWFORD. So what I was trying to get clear in my own mind is where is the greatest leakage, for comparison, not as to which is right or which is wrong, but whether it would be the $8,000,000 or the losses to the small banks incident to the Government lending agencies coming into their communities and absorbing away from them the paper that is worth while.

Mr. CROWLEY. There is not any doubt but what in some instances the competition of Government agencies has much more effect on their earnings than this. But that is not before us now; this other matter is.

Mr. CRAWFORD. I understand. The only reason I brought that up is because you mentioned other things, and I do not believe you mentioned the Government lending agencies.

Mr. PATMAN. Mr. Chairman, I will have to go. I am anxious to hear Mr. Crowley. I would like to inquire if you expect to finish with him today, or if you will have him back later.

The CHAIRMAN. That is the pleasure of the committee. I do not know whether Mr. Crowley could conclude today or not. Since Mr. Crowley has had no opportunity as yet to present his side of the question, I told him we would recognize him today. We have started with him rather late, but I thought that we would go as long as we could today. It being doubtful that we could conclude today.

Mr. PATMAN. I will read your statement with interest, Mr. Crowley.

Mr. CROWLEY. Thank you. [Resuming statement:]

As we understand it, the question under discussion is the immediately impending general application to all member banks of the ruling of the Board of Governors of the Federal Reserve System, published in the Federal Reserve Bulletin for September 1943, and subsequently amplified, which holds the absorption of exchange to be a violation of regulation Q prohibiting the payment of interest on demand deposits.

The Federal Deposit Insurance Corporation had previously submitted a vigorous dissent from the proposed ruling of the Board of Governors of the Federal Reserve System. I should like to insert in the record at this point a copy of our letter of dissent which was addressed to the late Hon. Henry B. Steagall, then chairman of this committee.

The CHAIRMAN. Without objection, that may be done.

Mr. CROWLEY (reading):

AUGUST 20, 1943.

The Honorable HENRY B. STEAGALL,
*Chairman, Committee on Banking and Currency,*
*House of Representatives,*
*Washington, D. C.*

MY DEAR MR. CHAIRMAN: We are interested to read the proposed letter of the Board of Governors of the Federal Reserve System to the Comptroller of the Currency accompanying Governor Ransom's letter to you under date of August 6, a copy of which was sent us with advice that it would be mailed on August 23.

In this letter the Board of Governors holds that the absorption of exchange charges by a national bank constitutes a payment of interest in violation of section 19 of the Federal Reserve Act and of the Board's regulation Q, which prohibit payment of interest on demand deposits by member banks.

The subject matter of this letter was discussed by representatives of this corporation with members of the Federal Reserve Board staff in January 1943, at which time they were advised that this corporation believes the Board of Governors' position to be untenable, as the question involved appears to be one which Congress has pointedly refrained from delegating to the Federal banking agencies for disposition and in which the theory of the Board of Governors would appear to require it to outlaw as well the absorption of service charges and other expenses for depositors which all banks now incur to some degree.

In practically all systems of service charges on deposit accounts, credit, up to a maximum amount of the charges, is given for the worth of the balance to the bank in terms of an assumed or hypothetical rate of interest. A survey of service charges conducted by the American Bankers Association in 1938 showed that out of 478 clearing houses replying to the inquiries, at least 387, or 81 percent, used service-charge systems, which, in effect, gave customers credit for interest on their accounts in determining the amount of service charges to be levied. Of course, no interest was actually paid; it was credited against charges which would otherwise be levied. The practice has become more widespread since that survey was made.

Under these methods of service charges the depositor whose account is considered to be desirable receives a pecuniary benefit which he would not otherwise receive in the form of free services, which represents essentially a rebate of charges. This benefit is an incentive for the maintenance of larger balances on deposit with the bank than might otherwise be maintained.

We know that it is a common practice of many depositors to balance the rate of return which they could secure on their funds, if invested, against the service charges which they would have to pay if their larger balances were withdrawn, and to base their decisions with respect to the use of their funds upon the relative advantage to accrue therefrom. The system of providing free services on the basis of minimum balances and of levying charges against those who do not maintain such balances appears to us to be as much a payment of interest as the absorption of exchange charges. In the latter case, the bank pays for something; in the former case, the bank refrains from collecting income which it would otherwise receive. The net result to the bank is precisely the same, the purpose is precisely the same. The only difference is an accident of accounting.

Therefore, if the absorption of exchange charges constitutes a prohibited payment of interest, it seems to us equally clear that the absorption of internal service charges, telephone and telegraph charges, and postage for depositors is likewise a prohibited interest payment. Dollar-wise, the volume of service charges and expenses absorbed by the banks is immeasurably greater than the exchange charges which the banks pay for their customers. Yet the Board of Governors, we believe, would frankly admit that to compel banks to pass on to their depositors expenses and charges of this character would not only be a disservice to the depositing public, but would, in their opinion, be as far beyond the scope of the Board's authority as we consider the proposed ruling to be.

As we view the proposed ruling, it is simply another attempt to force par clearance upon nonmember banks. In the past, all such attempts have been defeated administratively, legislatively, and judicially.

Over 2,100 insured banks charge exchange on items drawn against them and, while the total involved is relatively small, these charges constitute a vital source of income to these institutions. They have long fought the efforts of the proponents of free clearing to outlaw the practice and Congress was not unaware of that fact in enacting the interest provisions of the 1933 and 1935 acts. Yet Congress did not attempt to deal with the question then, and we do not believe it intended that the banking agencies do so indirectly under the guise of an interest regulation. This corporation does not intend to do so, and it hopes that the Board of Governors will not give rise to a situation where two Federal agencies make conflicting decisions to the consternation of the public. In such a situation we consider it singularly appropriate to await precise directions from Congress.

A similar letter is being sent to Senator WAGNER and to Representative DOUGHTON of North Carolina.

Very truly yours,

LEO T. CROWLEY,
*Chairman.*

Mr. CROWLEY (continuing). On December 6, 1943, the board of directors of the Federal Deposit Insurance Corporation adopted a ruling which expressed the view that—

"The absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest."

I should like to insert that ruling in the record. That ruling merely confirms the position taken by this Corporation in 1935 and 1936 and adhered to consistently ever since.

I should also like to read to this committee a memorandum prepared by our chief counsel, dated November 24, 1943, dealing with this question and which forms the basis of the ruling of the board of directors.

I am sorry Mr. Brown is not here; he is laid up with the flu.

The CHAIRMAN. Without objection, you may insert anything you desire in your testimony.

(The ruling follows:)

"RULING OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION ADOPTED DECEMBER 6, 1943

"RE: ABSORPTION OF EXCHANGE CHARGES AS PAYMENT OF INTEREST

"The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, title 12, part 304 (sec. 304.2).

"The board is of the view that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

"Attached hereto is a copy of the memorandum opinion of the general counsel for the Corporation on this question."

Mr. CROWLEY. Mr. Chairman, I would like to have Mr. Thompson read this memorandum for our general counsel.

The CHAIRMAN. Very well.

Mr. THOMPSON (reading):

NOVEMBER 24, 1943.

MEMORANDUM

Question: Does the absorption of an insured bank of exchange charges constitute a payment of interest prohibited by the

regulations of the Federal Deposit Insurance Corporation?

The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, title 12, part 304 (sec. 304.2).

The renewed inquiries concerning this question appear to be prompted by recent publicity given to a ruling of the Board of Governors of the Federal Reserve System interpreting the provisions of its regulation Q. The interest regulations of the Federal Deposit Insurance Corporation are applicable only to insured banks which are not members of the Federal Reserve System, whereas regulation Q is applicable only to member banks of that System.

The Corporation's interest regulations provide that with certain exceptions not here applicable, "no insured nonmember bank shall directly or indirectly, by any device whatsoever, pay any interest on any demand deposit," and that "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest." The question presented is whether the absorption of exchange charges constitutes a "payment to or for the account" of the insured bank's customers and if so, whether such payment is "as compensation for the use of funds constituting a deposit." If both of these questions are answered in the affirmative, the act of absorbing the exchange charge would be a prohibited payment of interest; otherwise, it would not be a violation of the regulation.

The absorption of exchange charges arises out of the collection of checks drawn on out-of-town banks which are not cleared through the Federal Reserve banks and for which the drawee bank makes a charge against the collecting bank. These checks are deposited by the payees or endorsees in other insured banks which forward them for collection to the drawee banks. The latter remit the face amount of these checks less their charges for clearing or honoring the checks. The collecting banks absorb the difference between the face of the checks and the amount remitted, which is the amount of the exchange so deducted. More than 2,100 insured commercial banks not members of the Federal Reserve System do not clear such checks at par and thus are listed by the Federal Reserve banks as nonpar banks. In addition, many other banks, both members and nonmembers of the Federal Reserve System which clear at par through the Federal Reserve banks, make a practice of charging exchange on so-called direct sendings, i. e., items forwarded by correspondent banks directly rather than through the Federal Reserve banks.

It is our opinion that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

The reasons for this opinion are as follows:

(1) The absorption of expenses in connection with handling a depositor's account under the law is not ordinarily a payment to or for the account of the depositor. Banks customarily absorb many expenses in connection with the handling of customers' accounts which the law recognizes to be investments in customer good will. Therefore these are expended for the account of the bank rather than for the account of its depositors, even though the depositors may derive benefit therefrom. Thus for valued customers banks frequently absorb expenses such as telephone and telegraph charges, postage, clerk and teller hire, and the cost of printing check forms.

Most banks have installed schedules of service charges to be levied upon deposit accounts. While numerous differences of detail obtain, the common rule underlying such schedules is that the deposit is worth something to the bank and the bank will absorb costs of handling the account up to the average worth of the account on the basis of an assumed rate of return on an investment of the account.

In most cases, a basic charge is made for any account which is not kept above a certain minimum balance. For such charge, or the maintenance of such minimum balance, a certain number of items, i. e., checks or deposits, are handled. Items in excess of the minimum allowed, if not compensated for by larger balances, are charged for at published or established rates. In a large proportion of the banks which use this measured system of service charges, the larger accounts, or the more active accounts, are also subjected to analysis to determine the cost or profit to the bank of handling such accounts, and the customer is charged accordingly. In many other banks all service charges are based upon account analysis regardless of size of the account. Approximately 70 percent of the clearing houses participating in a survey conducted by the American Bankers Association in 1938 reported use of account analysis in levying service charges upon depositors. (Service Charge Survey, 1938, Bulletin 77, January 1939, American Bankers Association.) Under this latter system, charges are made against the account for all costs incurred by the bank in handling the account and credit is given for the amount which the account earns for the bank. These costs include exchange and collection costs absorbed, bookkeeping and transit costs of handling items deposited or checks or drafts drawn, and charges for miscellaneous services such as collecting notes, handling out-of-town collections, transferring money by wire or otherwise, or providing credit information. So long as the worth of the account to the bank exceeds the cost of performing services, no charge is levied against the customer.

Where exchange charges are absorbed within the framework of schedules of service charges, and the motive is only to establish, maintain, or strengthen customer good-will rather than to attract funds for money consideration, such absorption cannot be differentiated from the absorption of other ordinary items of expense, including internal expenses (such as rents, clerk hire, and so forth) connected with handling a customer's account.

(2) Exchange charges are expenses of collecting items drawn against banks which regularly make a practice of imposing such charges and thus are comparable to the costs of maintaining clearing houses, hiring messengers, and other expenses of like character connected with normal check-clearing activities which are customarily absorbed as part of the operating expenses of banks, even though these charges may enter into computations forming the basis for service charges which when collected constitute operating income of the bank.

(3) The feature of progressive competitive bidding characteristics of interest is lacking in the case of absorption of exchange charges, as the amount of the exchange charge is fixed not by the depository bank but by the nonpar drawee bank and would not vary as between depositories regardless of the bank selected as the collecting medium.

(4) Although the practice of absorbing exchange charges antedated the legislation on which the Corporation's interest regulations are predicated, no suggestion may be found in the legislative record or history of this provision to indicate any purpose on the part of Congress to permit any regulations of the practice of charging exchange in connection with the regulation of interest. Any restriction against absorption of exchange charges would naturally act as a direct deterrent to the imposition of such charges by the many banks which now impose them. In view of the well-known and turbulent history of the par-clearance issue and the absence of a specific congressional mandate, it seems evident that Congress did not authorize the Corporation to hold that the absorption of exchange charges in the ordinary course of business constitutes payment of interest.

This opinion will not apply to cases where the particular circumstances are such as to establish that the practice has been resorted to deliberately as a device for the payment of compensation to a depositor for the use of his funds.

FRANCIS C. BROWN, *General Counsel.*

Mr. KUNKEL. Could I ask Mr. Crowley a question, Mr. Chairman?

The CHAIRMAN. Mr. Kunkel.

Mr. KUNKEL. In the second paragraph of your letter of August 20, 1943, to Mr. Steagall, it says:

"The Board of Governors holds that the absorption of exchange charges by a national bank constitutes a payment of interest."

State banks are involved in this, also, are they not?

Mr. CROWLEY. The member State banks.

Mr. KUNKEL. Just the member State banks?

Mr. CROWLEY. That is right.

Mr. KUNKEL. Members of the F. D. I. C.?

Mr. CROWLEY. No; members of the Federal Reserve.

Mr. KUNKEL. But nonmember State banks would not be involved in this ruling?

Mr. CROWLEY. That is right. They are not subject to the ruling although they are adversely affected by it.

Mr. KUNKEL. Thank you.

The CHAIRMAN. Do you want to conclude your statement without interruption, and then answer any questions, or do you mind being asked questions as you proceed?

Mr. CROWLEY. I would be glad to answer any questions now, and then if we could go on and finish, I think we could perhaps do a better job.

Mr. CRAWFORD. I was going to ask you this question, Mr. Crowley, relating to the last paragraph of Mr. Brown's memorandum, and see if we can tie this up somewhat. I don't know that you can answer this question; but if Mr. Brown were here, I would submit to him this question, as to whether or not his closing language there would cause him to construe the September 1943 bulletin case as one where a practice has been resorted to deliberately as a device for the payment of interest to the depositor for the use of his funds. The reason I submit the question that way is because I find this statement, that such charges have been absorbed in amounts ranging from 10 cents to $200, and that in some instances the exchange absorbed for particular banks amounted to as much as 2 or 3 percent of their balances with such banks.

Mr. CROWLEY. Can you answer that, Mr. Thompson?

Mr. THOMPSON. I am afraid I cannot answer it, because I don't know what Mr. Brown would rule in those circumstances. I think he might want to look into the facts to determine whether or not this variation from 10 cents to something else was a variation determined by the amount of the balance held by the bank, or whether it was determined by the amount of items which went

through the bank, on which the exchange was carried.

Mr. CROWLEY. Congressman, I think Mr. Brown will undoubtedly be well enough Monday to answer those questions for you himself.

Mr. CRAWFORD. I thank you.

Mr. THOMPSON (resuming reading of statement):

"The remainder of this statement elaborates upon the difference in interpretation of the law between the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

"The Corporation does not have the authority to find that absorption of exchange, per se, is a payment of interest: The provisions of law governing the prohibition and regulation of payment of interest on deposits by the Board of Governors of the Federal Reserve System differ from those governing the prohibition and regulation by the Federal Deposit Insurance Corporation. The act controlling regulation by the Board of Governors of the Federal Reserve System gives that Board by specific grant the authority to determine what shall be deemed to be payment of interest. The provision of law under which the Federal Deposit Insurance Corporation operates is pointedly silent with regard to this matter. We believe, therefore, that we are restricted in our determination to what is in fact recognized to be interest by common practice. The absorption of exchange is a practice which antedates the creation of the Federal Deposit Insurance Corporation, the passage of the Federal Reserve Act, and, in fact, any one present at this hearing. It is a normal, customary practice connected with the routine collection of checks and, historically, has not been looked upon as a payment of interest even though it may be considered an inducement for maintaining balances. Many devices are used and have been used for encouraging or impelling customers to carry larger balances. These devices are not considered to be interest. Among these may be included service charges as discussed in our letter of August 20, 1943, addressed to Mr. Steagall, and in the memorandum of our general counsel of November 24, 1943.

"Scope of Federal Reserve Board's ruling: The ruling of the Board of Governors of the Federal Reserve System is applicable only to member banks. The member banks, however, include practically all of the banks which handle the general clearing of checks for correspondents.

"Irrespective of intent, therefore, the effect of the ruling, regardless of the position of the Federal Deposit Insurance Corporation, will be to enforce practically universal par clearance, so-called. The issue, therefore, raises anew the question of par clearance.

"Par clearance: My reference to par clearance, however, must not be construed as imputing to the Board of Governors that its purpose is to enforce par clearance. I accept the Board's statement in that regard. My position is that, regardless of the Board's purpose, the effect of its ruling is to enforce par clearance. Because of this, I would like to call the committee's attention briefly to the history of par clearance, which I believe can best be done by quoting from the opinion of the United States Supreme Court, written by Justice Brandeis, in the case of *Farmers and Merchants Bank of Monroe, N. C., et al.* v. *Federal Reserve Bank of Richmond*, reported in volume 262, United States Reports, page 649 (decided June 11, 1923). In this opinion the Court explains what par clearance is, states briefly the legislative history of par clearance, and interprets the pertinent provisions of the Federal Reserve Act and the Board's powers and limitations thereunder.

"This case arose out of a suit brought under a North Carolina statute, which is discussed in the opinion, by the Farmers and Merchants Bank of Monroe, N. C., to enjoin the Federal Reserve Bank of Richmond from dishonoring checks which the Farmers and Merchants Bank paid by exchange drafts on reserve deposits with correspondent banks. Two hundred and seventy-one other banks joined later as plaintiffs. The trial court granted a perpetual injunction against the Reserve bank. The supreme court of the State reversed the decree of the trial court, and the case was appealed to the Supreme Court of the United States. The Supreme Court of the United States sustained the lower court, reversing the action of the supreme court of the State, and held that the North Carolina statute under which the suit was brought did not obstruct the performance of any duty imposed upon the Federal Reserve Board and the Federal Reserve banks, and that the contention that Congress had imposed upon the Federal Reserve Board and banks the duty of establishing universal par clearance and collection of checks was irreconcilable with the specific provision of the Federal Reserve Act, which affirmed the right of banks to make limited charges for clearance and collection of checks, provided such charges are not made against the Federal Reserve banks. The Supreme Court held that Federal Reserve legislation did not 'impose on the Federal Reserve Board or the Federal Reserve banks a duty to establish in the United States a universal system of par clearance and collection of checks.'

"That part of the decision pertinent to this discussion follows:

" 'Par clearance does not mean that the payee of a check who deposits it with his bank for collection will be credited in his account with the face of the check if it is collected. His bank may, despite par clearance, make a charge to him for its service in collecting the check from the drawee bank. It may make such a charge although both it and the drawee bank are members of the Federal Reserve System; and some third bank which aids in the process of collection may likewise make a charge for the service it renders. Such a collection charge may be made not only to member banks by member banks, National or State, but it may be made to member banks also by the Federal Reserve banks for the services which the latter render. The collection charge is expressly provided for in section 16 of the Federal Reserve Act (38 Stat. 268) which declares that:

" ' "The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal Reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal Reserve bank."

" 'Par clearance refers to a wholly different matter. It deals not with charges for collection, but with charges incident to paying. It deals with exchange. Formerly, checks, except where paid at the banking house over the counter, were customarily paid either through a clearing house or by remitting, to the bank in which they had been deposited for collection, a draft on the drawee's deposit in some reserve city. For the service rendered by the drawee bank in so remitting funds available for use at the place of the deposit of the check, it was formerly a common practice to make a small charge, called exchange, and to deduct the amount from the remittance. This charge of the drawee bank the Federal Reserve Board planned to eliminate and, in so doing, to concentrate in the 12 Federal Reserve banks the clearance of checks and the accumulation of the reserve balances used for that purpose. The Board began by efforts to induce the banks to adopt par clearance voluntarily. The attempt was not successful. The Board then concluded to apply compulsion. Every national bank is necessarily a member of the Federal Reserve System; and every State bank with the requisite qualifications may become such. Over members the Board has large powers, as well as influence. The first step in the campaign of compulsion was taken in the summer of 1916, when the Board issued a regulation requiring every drawee bank which is a member of the Federal Reserve System to pay without deduction, all checks upon it presented through the mail by the Federal Reserve bank of the district. The operation of this requirement was at first limited in scope by the fact that the original act (sec. 13) authorized the Reserve banks to collect only those checks which were drawn on member banks, and which were deposited by a member bank or another Reserve bank or the United States. Few of the many State banks had then elected to become members. In September 1916, section 13 was amended so as to authorize a Reserve bank to receive for collection from any member (including other Reserve banks) also checks drawn upon nonmember banks within its district. Thereby, the Federal Reserve Board was enabled to extend par clearance to a large proportion of all checks issued in the United States. But the regulation (J) then issued expressly provided that the Federal Reserve banks would receive from member banks, at par, only checks on those of the nonmember banks whose checks could be collected by the Federal Reserve bank at par. It was recognized that nonmembers were left free to refuse assent to par clearance. By December 15, 1916, only 37 of the State banks within the United States, numbering about 20,000, had become members of the System; and only 8,065 of the State banks had assented to par clearance.

" 'Reserve banks could not, under the then law, make collections for nonmembers. It was believed that if Congress would grant Federal Reserve banks permission to make collections also for nonmembers, the Board could offer to all banks inducements adequate to secure their consent to par clearance. A further amendment to § 13 was thereupon secured by act of June 21, 1917, c. 32 § 4, 40 Stat. 232, 234, which provided, among other things, that Federal Reserve banks:

" ' "Solely for the purposes of exchange or of collection, may receive from any nonmember bank * * * deposits of * * * checks * * * payable upon presentation * * *: *Provided*, Such nonmember bank * * * maintains with the Federal Reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal Reserve bank."

" 'To this provision, which embodied the legislation proposed by the Federal Reserve Board, there was added, while in the Senate, another proviso, relating to the exchange charge, now known in a modified form as the Hardwick amendment, which declares:

" ' "That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve banks."

" 'Thus a Federal Reserve bank was authorized to receive for collection checks from nonmembers who maintained with it the prescribed balance; and strenuous efforts were then made to induce all State banks to so arrange. But the law did not compel State banks to do this. Many refused; and they continued to insist on making exchange charges. On March 21, 1918, the Attorney General (31 Ops. Atty. Gen. 245, 251), advised the President:

" ' "The Federal Reserve Act, however, does not command or compel these State banks to forgo any right they may have under the State laws to make charges in connection with the payment of checks drawn upon them. The act merely offers the clearing and collection facilities of the Federal Reserve

banks upon specified conditions. If the State banks refuse to comply with the conditions by insisting upon making charges against the Federal Reserve banks the result will simply be, so far as the Federal Reserve Act is concerned, that since the Federal Reserve banks cannot pay these charges, they cannot clear or collect checks on banks demanding such payment from them."

"'The Federal Reserve Board and the Federal Reserve banks were thus advised that they were prohibited from paying an exchange charge to any bank. But they believed that it was their duty to accept for collection any check on any bank, and that Congress had imposed upon them the duty of making par clearance and collection of checks universal in the United States. So they undertook to bring about acquiescence of the remaining State banks to the system of par clearance. Some of the nonassenting State banks made stubborn resistance. To overcome it the Reserve banks held themselves out as prepared to collect at par also checks on the State banks which did not assent to par clearance. This they did by publishing a list of all banks from whom they undertook to collect at par, regardless of whether such banks had agreed to remit at par or not. This resulted in drawing to the Federal Reserve banks for collection the large volume of checks which theretofore had come to the drawee bank by mail from many sources and which had been paid by remittances drawn on the bank's balance in some Reserve city. If a State bank persisted in refusal to remit at par, the Reserve banks caused these checks to be presented, at the drawee bank, for payment in cash over the counter. The practice adopted by the Reserve banks would, if pursued, necessarily subject country banks to serious loss of income. It would deprive them of their income from exchange charges; and it would reduce their income-producing assets by compelling them to keep in their vaults in cash a much larger part of their resources than theretofore. That such loss must result was admitted. That it might render the banks insolvent was clear. But the Federal Reserve banks insisted that no alternative was left open to them, since they had to collect the checks and were forbidden to pay exchange charges. The State banks denied that the Federal Reserve banks were obliged to accept these checks for collection; and insisted that Federal Reserve banks should refrain from accepting for collection checks on banks which did not assent to par clearance.

"'It was to protect its State banks from this threatened loss, which might disable them, that the Legislature of North Carolina enacted the statute here in question. It made no attempt to compel the Federal Reserve bank to pay an exchange charge. It made no attempt to compel a depositor to accept something other than cash in payment of a check drawn by him. It merely provided that, unless the drawer indicated by a notation on the face of the check that he required payment in cash, the drawee bank was at liberty to pay the check by exchange drawn on its reserve deposits. Thus, the statute merely sought to remove (when the drawer acquiesced) the absolute requirement of the common law that a check presented at the bank's counter must be paid in cash. It gave the drawee bank the option to pay by exchange only in certain cases; namely, when the check was "presented by or through any Federal Reserve bank, post office, or express company, or any respective agents thereof." The option was so limited, because the only purpose of the statute was to relieve State banks from the pressure which, by reason of the common-law requirement, Federal Reserve banks were in a position to exert and thus compel submission to par clearance. It was expected that depositors would cooperate with their banks and refrain from making the prescribed notation; and that when the Reserve banks were no longer in a position to exert pressure by demanding payment in cash, they would cease to solicit, or to receive, for collection, checks on nonassenting State banks. Thus, these would be enabled to earn exchange charges as theretofore. Such was the occasion for the statute and its purpose.'

"As stated, the Court found against the Federal Reserve bank.

*"Prohibition of payment of interest on demand deposits.*—There, in essence, the matter of par clearance stood at the time of passage of the Banking Act of 1933 with its prohibition against the payment of interest 'directly or indirectly by any device whatsoever' on any deposit payable on demand. In the Federal Reserve Bulletin for June 1934, page 394, the Federal Reserve Board published a ruling or statement of principles which, among other things, stated that—

"'(1) The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand.

"'(2) The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law.'

"This ruling or statement of principles was reaffirmed in the Federal Reserve Bulletin for December 1934, page 814, and was in effect at the time of passage of the Banking Act of 1935 which, among other things, amended section 19 to authorize the Board of Governors of the Federal Reserve System, for the purposes of that section, to determine 'what shall be deemed to be payment of interest.'

*"Conclusion.*—To summarize, the Banking Act of 1933 provides, in part, that 'no member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand * * *.' Subsequent thereto, the Federal Reserve Board published a ruling, Federal Reserve Bulletin, June 1934, which, among other things, stated that the absorption or payment of exchange or collection charges in amounts which did not vary with or bear a substantial relation to the amount of the depositor's balance was not within the prohibition of the act. This ruling was in effect at the time of the enactment of the Banking Act of 1935 which athorized the Board of Governors, for the purpose of section 19, to determine 'what shall be deemed to be payment of interest.'

"The present position of the Board of Governors appears to be that the absorption of exchange or collection charges are prohibited by the act whether or not they vary with or bear a substantially direct relation to the depositor's balance. I am unable to reconcile the Board's present position with its former ruling because, if the absorption of such charges did not constitute a direct or indirect payment of the interest under the Banking Act of 1933, then it does not constitute a direct or indirect payment of interest under the Banking Act of 1935 since the law was not changed in that respect. The 1935 act merely authorizes the Board to determine what constitutes a payment of interest. The Board, however, insofar as the absorption of exchange was concerned, had already made its interpretation of the law in that regard. Of this Congress had knowledge. With such knowledge on the part of Congress, I am unable to agree with the contention of the Board of Governors that the authority placed in it by the 1935 act compelled it to change its ruling. On the contrary, it would appear that, in the absence of express direction so to do, Congress considered the 1934 ruling to be in accord with the law. In other words, if the Board's 1934 ruling is a correct interpretation of the law, the absorption of such charges is not prohibited by law. Any present prohibition, therefore, must be ascribed to a change in the interpretation made by the Federal Reserve Board rather than to a mandate from Congress.

"While I cannot presume to tell this committee what Congress intended, it seems to me that if Congress had intended the Federal Reserve Board to change that ruling, it would have so directed in unmistakable terms, particularly in view of the past history of the par-clearance controversy. We have noted that past efforts to enforce par clearance have been checked by legislators, by specific action of Congress, and by the United States Supreme Court.

"While the ruling under discussion appears on its face to be a matter of concern to the Federal Reserve Board, it is also of concern to the Federal Deposit Insurance Corporation, because the recent ruling of the Board will affect adversely the insured nonmember banks by upsetting a long-established banking practice, by dislocating normal, established bank-depositor relationships, and by depriving the banks of an important source of revenue which it is clear Congress did not intend the regulatory agencies to do. I am, therefore, of the opinion that the Board's position that it is now compelled to make such a ruling is untenable."

The CHAIRMAN. Is that the conclusion of your statement?

Mr. CROWLEY. Yes, sir. Mr. Brown will be available Monday morning, Mr. Chairman, if you would like to talk over this question with him. Mr. Crawford said he would like to talk to him.

The CHAIRMAN. Are there any questions, gentlemen?

Mr. CRAWFORD. Yes, Mr. Chairman.

Mr. BROWN. Could I ask one question, Mr. Crawford?

Mr. CRAWFORD. Yes, go ahead.

Mr. BROWN. Mr. Crowley, do you see any reason why the Federal Reserve Board cannot postpone action or defer enforcement of this regulation Q for 60 days or 90 days?

Mr. CROWLEY. Of course, that is their business, but I do not see where the thing is any more acute now than it was 6 months ago or 2 years ago.

Mr. CRAWFORD. Mr. Crowley, on the basis of your statement, especially the concluding paragraph on page 24, I would like to ask you this question: If their position is untenable, why would you take the position they could defer for 60 days or 90 days then to put it into operation?

Mr. CROWLEY. What I meant by that was that it has been on the books for almost 10 years, and it has not been enforced in the last 10 years, and I do not think any delay, until this committee has a chance to study conditions further or the Senate committee has had a chance to look at it, does any particular damage. That is what I meant.

Mr. CRAWFORD. The only damage it would do, in my mind, is if I were running a bank, and if they deferred it, I would, for all practical purposes, simply assume that I had a legal right to proceed to do as I pleased.

Mr. CROWLEY. If they had that legal right, why did they wait 10 years?

Mr. CRAWFORD. Let us go back to the effort before the 1935 act, and the effort that was made in 1935 and in 1937, and the great difficulty that arose as between the F. D. I. C., the Comptroller of the Currency, the Federal Reserve Board, and the State examining authorities which led to what I think was a rather substantial agreement as between the supervising agencies as to how these examinations should be conducted, and all in the light of the trials and tribulations we have

gone through since 1933 and in reconstructing the banking activities of this country together with the financing of this war and the load that has fallen on the banks incidental thereto, it is impossible for me to think in terms of this regulation as being deferred up to this date or of being deferred without taking all of those banking laws into consideration. When you say why have we deferred thus far there immediately pops up into my mind all of these things which have gone on before, and all of which have more or less a deferring proposition in an effort to accommodate the banking industry to these fantastic changes which have occurred.

Mr. BROWN. Now, Mr. CRAWFORD——

Mr. CRAWFORD. Just a minute; let him answer.

Mr. CROWLEY. Our contention is this: I only said deferring putting it into force until this committee could thoroughly understand this thing. It is our contention that the Federal Reserve Board do not have the authority to do this, and, furthermore, it is our contention that if they had the authority they have been 10 years dilly-dallying around to get this thing into force; and now, all of a sudden, they come in here with it, and certainly, insofar as I can see, even in the banking crisis of 1933, they could not have picked a more inopportune time to dislocate things than right now, with the war going on. Then there is another thing; I think that we ought to put our minds on something more important than whether some poor little banks are having some $8,000,000 or $10,000,000 of their costs absorbed by some bigger banks that they do business with. I think the importance of the whole thing is all out of proportion to the situation that exists throughout the world today, Congressman.

Mr. CRAWFORD. We would have to somewhat cross-fire on that for this reason, if you do not mind, Mr Crowley.

Mr. CROWLEY. No; not at all.

Mr. CRAWFORD. You are charged with the administration of the F. D I. C., and as Mr. Brown pointed out, you operate under one law which, as I understand, does not give you the authority to issue rules and regulations as to definitions of the terminology in the Federal Reserve Act. I believe I am correct in that, and Congress did give the Board authority to define what, in the Board's mind, constitutes the payment of interest under the terms of the law. Is that right?

Mr. CROWLEY. That is right.

Mr. THOMPSON. May I make an observation on that question, Mr. Crawford?

Mr. CRAWFORD. Yes.

Mr. THOMPSON. I realize that I am not a lawyer.

Mr. CRAWFORD. Neither am I.

Mr. THOMPSON. But the lawyers tell me that any legislative delegation must be accompanied by standards or limitations in the use of that delegated authority in order to be constitutional. Now, referring to the delegation of authority to the Federal Reserve to define interest, in that delegation it contains no statement of principle or of limitation of authority. Therefore, it seems to me that we have to look to the substantive body of the law out of which that delegation stems. The only specific language in the Federal Reserve Act that deals with the interpretation that the Board has put on it is in the Harding amendment, which says that—

"Nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges * * * for collection or payment of checks or drafts and remission therefor by exchange or otherwise."

That is the only specific language to be found in the Federal Reserve Act dealing with this question of exchange.

Mr. CRAWFORD. Let me understand you correctly. Is that exact language which you have just quoted in the act or in the opinion of a court?

Mr. THOMPSON. It is the existing Federal Reserve Act.

Mr. CRAWFORD. What section is that?

Mr. THOMPSON. It is in section 13 of the Federal Reserve Act, and in the Federal Reserve Board's printing of their act it is found on pages 82 and 83.

Mr. CRAWFORD. Will you read that language again, please, off the record?

(Discussion off the record.)

Mr. CRAWFORD. I do not think there is any language in that that prohibits the Federal Reserve Board from issuing regulation Q and setting up the designation of interest.

Mr. THOMPSON. The Federal Reserve said, and quite properly, that they are not prohibiting making charges, but the effect of the rule is to prohibit banks from absorbing them, so that the net effect of it is to discriminate against and to do away with a practice which the law specifically says nothing in the act shall be construed as forbidding the banks to do, because we all recognize that the effect of refusing to permit banks to absorb the exchange will result in the elimination of the charge and exchange.

Mr. CRAWFORD. I think I can understand why the attorneys of the F. D. I. C. and Mr. Crowley, in behalf of the F. D. I. C., take the position that they have taken. I do not criticize them for that, but when we step over into the language of the Federal Reserve Act I can also understand why the Board would proceed as it has proceeded up to date and as it is now about to proceed until Congress comes in and says what Congress means, or until somebody takes a case to the courts. In other words, it is just impossible for me to comprehend how the Federal Reserve Board, in the light of what has gone before, can take any other position, especially as we look ahead incidental to the load that is going to be put on the banks and the administrators of both the F. D. I. C. and the Federal Reserve Act and incidental to the finishing up of this job of financing the war and moving back into peacetime commercial zones of activity. I do not mind saying very frankly that bringing this question up at the present time, insignificant as it might be to Mr. Crowley, to me it is a proposition of looking forward to the difficult days ahead of us.

Mr. CROWLEY. I do not think it has anything to do with the difficult days ahead.

Mr. CRAWFORD. That is where we disagree.

Mr. BROWN. You know there are two sides to this very important question.

Mr. CRAWFORD. There is no question about that.

Mr. BROWN. We may be in doubt about it now, and I think we ought to have time to go ahead and see whether we want to pass any further legislation clearing up this matter as people differ about it. It is so important that we ought to have a little time to see whether Congress should pass any further legislation.

Mr. CRAWFORD. As far as I am concerned, I do not feel that Congress is behind the eight ball on this proposition.

Mr. MONRONEY. Do you not think we owe a duty to the public not to let one agency of the Government write legislation that Congress has specifically prohibited in section 13 of the Federal Reserve Act?

The CHAIRMAN. Mr. Crowley, there seems to be a very substantial difference of opinion here between two agencies of the Government on the construction of the law. I have never been in favor of Congress usurping judicial functions. I do not think the Congress has a right to interpret an act of a former Congress. That is essentially a judicial function. This is a public question, and it is a question of great interest to a great many people. I wonder if a case could not be presented to the courts and advanced on the calendar, because it is a public question, and decided expeditiously.

Mr. CROWLEY. I am not a lawyer; I do not know about that, Mr. Chairman.

The CHAIRMAN. It seems to me that the only agency of Government that could decide a difference of opinion between two other agencies as to the construction of the law is the judiciary. That is what the judiciary was created for.

Mr. CROWLEY. I cannot agree with Congressman CRAWFORD that this is of any importance to the war effort or to the post-war financing or anything else.

The CHAIRMAN. How much is involved in this, Mr. Crowley?

Mr. THOMPSON. I believe Governor Ransom said something around $8,000,000. We would not quarrel with that. We have not estimated it, and we certainly would not question his estimate, because we have a pretty good idea of what his basis is, and he himself said that he was going away out on a limb. It is anybody's guess.

The CHAIRMAN. How many State banks clear checks for correspondents?

Mr. THOMPSON. I would not know that.

The CHAIRMAN. This would not affect nonmember State banks?

Mr. CROWLEY. Very few of them, because most of your large State banks belong to the Federal Reserve System.

The CHAIRMAN. Do none of them clear checks?

Mr. CROWLEY. Very few nonmember banks clear checks, I think.

Here is the way we feel about this: First, I have never been in sympathy with their interpretation, and they are, frankly, not in sympathy with a lot of mine. I think this materially affects the existence of a lot of little banks. I think it is unfortunate that this has to come up at this time. The last time it was up the Congress and this committee and many other Members of Congress, including the President, asked the Federal Reserve to defer action, and my understanding was the Federal Reserve did agree to defer it until this committee could be put on notice.

Now, they come along and sent out a letter and they say on a certain day they are going to enforce this act, or words to that effect.

Now, if absorption of exchange has been unimportant for 10 years past certainly it is just as unimportant now as it was 10 years ago, and I cannot help but believe that as far as the effect on the whole banking system is concerned, it does not amount to anything, but it does have an effect on 2,100 of these little banks.

Secondly, I think down in my heart it is an indirect way of forcing par clearance, and if they want to enforce the question of par clearance why do they not bring it up and let us have a law on it and meet the thing head-on in place of some indirect method?

Mr. BROWN. Mr. Crowley, I do not agree with the chairman, if I understand him. If we are going to wait 2 or 3 years on the Supreme Court to determine if the interpretation of the Federal Reserve Board is correct, I think we ought to have legislation on it or repeal it, and not wait on the Supreme Court.

Mr. CROWLEY. That is right.

Mr. HULL. According to the testimony I have heard here the country boys have been getting away with about $8,000,000 a year that belongs to the big fellows. The responsibility was there for 10 years and the Federal Reserve Board did not act. If we are going to sanction this why not go the whole way on it and collect back all exchanges that have been paid over?

Mr. CRAWFORD. I think you make a very fine argument there toward having the Federal Reserve Board act so as to escape that.

Mr. HULL. If the little fellows have been taking it away from the big fellows, why

should not the little fellows be made to disgorge what they have received and even it up? Otherwise why start in now after 10 years.

Mr. CRAWFORD. Mr. Crowley pointed out here very specifically that the Board has been, we will say, somewhat influenced by the request of the President, by requests of many Members of Congress, by requests from chairman of the committees, and by requests of the bankers, so that I would say that there was the pressure of public opinion as well as financial opinion on the Board. If the Board wants to take the responsibility, certainly they do not need to worry about their burdens. They can carry their own burdens. If I think a very strong law on the books as far reaching as this is not going to be enforced, I think I am going to criticize the Board of Governors if they do not do something about it.

Mr. TALLE. It is proposed in the tax bill, which is now under consideration, that the postal rates on money orders be increased. Do you look for the exchange rates in the banking system to be increased correspondingly?

Mr. THOMPSON. I presume what you mean is the exchange rates.

Mr. TALLE. That is right.

Mr. THOMPSON. Well, speaking personally, I have not given any consideration to it; I do not know. My offhand guess would be "No." I will say that, perhaps, some of the banks would undertake to charge perhaps what the traffic would bear, but I do not know whether they would change or not.

Mr. TALLE. If we opened up the term "interest" to the possible definitions which have not been considered before, would service charges exacted by banks against their customers be considered negative interest?

Mr. THOMPSON. I think that is our position. I might interpolate at that point that the banks used to be required to report on their earnings statements the interest paid on demand balances, and they would differentiate between bankers' balances and others, and so far as I know from the instructions to the banks in reporting that item they were never instructed to include exchange absorbed as part of the interest item which they reported on their earnings statements.

Mr. TALLE. Does your agency make any distinction between interest and discount?

Mr. THOMPSON. No.

The CHAIRMAN. Mr. Crowley, some of my colleagues seemed to misconstrue what I said a while ago. I said that this matter ought to be referred to the courts. As it is a public question and as there is a difference of opinion on the interpretation of the law between departments, I think the matter ought to remain in status quo until the courts decide it. That was my suggestion, that no action be taken until the courts act and legally decide a question that the departments are not competent to decide.

If there are no further questions, we will adjourn until Monday morning. If Congress adjourns and the legislative program is finished, I do not know whether we can meet then, but we will adjourn now to meet Monday morning at 10 o'clock.

Mr. RANSOM. Mr. Chairman, will I get a chance to answer some of the legal arguments that have been presented here?

The CHAIRMAN. You will have that opportunity.

(Thereupon, at 12:50 p. m., the committee adjourned to meet Monday, December 20, 1943, at 10 o'clock.)

(Monday, December 20, 1943)

Mr. CROWLEY. Might I say this: As I said the other day, I just do not understand this squeeze play that comes along here in the last 2 weeks before Congress adjourned. This law has been on the books for years and years and years, and there has been no emergency about it, and within a week or 10 days after the late chairman of the committee died, who was also chairman of the committee the last time the Federal Reserve Board was asked to defer it, and he is no longer here and the new chairman has just been elected, now they come along here and say it will take positive legislation to maintain existing practices. It is humanly impossible to get positive legislation before January 1 and it seems to me we would like to discuss this matter with the Banking and Currency Committee of the Senate before this ruling goes into effect, and since it has been delayed all this time we would like to request that this be held up until after the holidays—until we can get an opportunity to present our views to the Senate, if this committee does not want to do anything positive.

The CHAIRMAN. What action would you suggest?

Mr. CROWLEY. I think this committee here should at least request the Federal Reserve to defer it for another 30 or 60 days—they have deferred it now for several years—as long as it is coming to a head now to get some definite legislation drawn.

Mr. PATMAN. Mr. Crowley, I want to ask you a question about this interest. I can see a big difference in the way these banks handle the situation. Now, there would be no need for additional legislation with respect to this law, or the postponement of its enforcement, if these banks now engaged in this will remove the restrictions of requiring a certain balance to take care of a certain amount of exchange. Would not that be pretty easy for them to handle?

Mr. CROWLEY. I do not think there is any understanding as to the balance, Congressman.

Mr. PATMAN. I say if that should be done.

Mr. CROWLEY. I think it is kind of a mutual arrangement, but I do not think there is any definite understanding as to the balance, in dollars and cents.

Mr. FORD. Can they do it even then, the way the law reads?

Mr. PATMAN. I do not know whether they can or not. You see, the way it is, it looks like it is an interest payment to me in the form of what might be called a secret rebate in trade practices, where they require them to carry a certain amount of deposit in order for the correspondent bank to pay a certain amount of exchange charges. That looks like a definite sum in the form of compensation for a definite purpose. For that reason, it looks to me like that could be construed and would be construed as a device to evade the law against the payment of interest. And if these banks, instead of having any postponement or any change in the law, would just say "Hereafter we are having no understanding with people who do business with us that we are going to pay their exchange," and if they will do that, no law is violated. But do not you agree, Mr. Crowley, that it looks like a device if they require a certain balance in order for the correspondent bank to pay a certain amount of exchange for the local bank? Does not that look like a device to get around the law to you, Mr. Crowley?

Mr. CROWLEY. Let me say this to you: As far as we are concerned, we have an interest in these insured banks and, if this committee will not ask that this be deferred, I am disposed to ask the Attorney General of the United States to give us an opinion on it; because we feel, being the insurer of these banks, it is going to put many, many of them out of business.

Mr. PATMAN. That is all right; I think you should do it.

Mr. CROWLEY. Secondly, when it gets to positive legislation, we are going to raise the question of service charges where, in the depositors' accounts, credits are given for maintaining certain balances in that they are not charged service charges. So that we are not going to let this just happen through this device to the little bank without going into the whole question of service charges.

Mr. PATMAN. That is right; I think you should. And as I have brought out here before, the same law applies to the local bank in its dealings with local deposits as applies to the correspondent bank in its dealings with the local bank. The same provision exactly prevails.

You know, when that was put in there it was put in there by the Senate committee, and our conferees yielded. At that time I think the F. D. I. C. was considered the paramount question, and the other questions were subordinated. But, Mr. Crowley, if you will, please, answer me this one question: Do not you think where a correspondent bank requires the local bank to keep a certain deposit in order for that local bank to have the exchange charge absorbed up to a certain definite amount—do not you think that is interest; do not you think that is a device to evade the law?

Mr. CROWLEY. Let me say I would go with you on that, provided you will go just a little further and apply that to service charge allowances on the customers' balances, too.

Mr. PATMAN. I will go with you; I will do that, but why——

Mr. CROWLEY. But do not get me separated on this service-charge thing and this exchange.

Mr. PATMAN. But I asked you something else; I asked you a positive question, and I hope you will answer it without reference to the other. I agree with you on that; there is no difference of opinion between us on that, but I hope you will just answer this one question. Suppose, now, the Memphis bank tells the Texarkana bank "Now, we will absorb charges of a thousand dollars a month for you if you will carry a deposit in a certain amount in our bank. If you do not carry but half that deposit, we will only absorb $500, but we will absorb charges in direct relation or in direct proportion to the deposit carried." Do not you consider that a device to get around the payment of interest?

Mr. CROWLEY. In the first place, I do not think that matter of paying exchange has anything to do with balances.

Mr. PATMAN. You mean in their agreements with the banks?

Mr. CROWLEY. Yes.

Mr. PATMAN. You are not answering my question, Mr. Crowley. I am talking about a case where it can be shown there is such an agreement.

Mr. CROWLEY. Let me say this: The Federal Deposit will go with the Federal Reserve on a regulation which will include a provision that, in the matter of exchange, exchange can be absorbed provided there is no understanding as to balances, providing in that same regulation they deal with customers' balances as well.

Mr. PATMAN. But, Mr. Crowley, you have not answered my question. I think it is a very simple one. Do not you think that would be a violation of law, if it could be shown the bank was doing what I said?

Mr. FOLGER. Mr. Chairman——

Mr. PATMAN. Wait a minute. I hope the gentleman [Mr. FOLGER] won't interfere.

Mr. CROWLEY. I am not so sure it is.

Mr. PATMAN. You are not so sure it is?

Mr. CROWLEY. No, sir.

Mr. PATMAN. In other words, suppose, then, that the Memphis bank says "If you will carry a deposit of a certain amount in our bank here in Memphis, Tenn., we will pay any bills you have"—not necessarily exchange, but electric light, water, telephone, or any other kind of a bill—up to $1,000 a month, if you will carry a deposit of a certain amount in our bank, would not that be a violation of the law?

Mr. CROWLEY. Well, I presume if you carried it to that extent; yes.

Mr. PATMAN. It would be?

Mr. CROWLEY. Yes.

Mr. PATMAN. Now, what is the difference——

Mr. CROWLEY. But wait just a minute. Really all service charges have gone on the theory that there are certain out-of-pocket expenses that we permit them to pay.

Mr. PATMAN. I do not think there is any dispute about that here; I have not heard any. It is only where they are paying a dollar on a thousand-dollar draft or something like that, where it is certain.

Mr. CROWLEY. That is what I am getting at—the only fellow you want to apply it to is the little bank; you do not want to apply it to the big accounts; you want to apply it to the little bank and stop right there. You do not want to apply it to Sears, Roebuck, and Montgomery Ward, and concerns like that.

Mr. PATMAN. I do. There is no difference between us on that, Mr. Crowley. I say the same law should apply to both; there is no difference of opinion between us on that point. But why bring up the one in answer to the other? What is the difference in this Memphis bank paying a $1,000 electricity bill for this Texarkana bank, if the Texarkana bank will carry a certain deposit in the Memphis bank, and will only pay $500 electricity bill if the deposit is just half that much? What is the difference in that and the Memphis bank paying Tom, Dick, and Harry's exchange?

Mr. CROWLEY. Let me ask you this question now: It is my understanding it is your theory if I do not have an agreement with the bank about these balances——

Mr. PATMAN. That is right.

Mr. CROWLEY. That I can absorb these charges without any violation of law?

Mr. PATMAN. Yes; because it would not be a device to get around the payment of interest. And the same way with Sears, Roebuck, Montgomery Ward, or Leo Crowley, if you were doing business with the bank and had no agreement with them.

Mr. CROWLEY. Just as a matter of expediency, I would go along with you on that thing; but it would not be my way of meeting a piece of legislation, for this reason: There is no doubt in my mind but what the banks would continue to do this thing, just as they are doing now, and you would have to prove there was an agreement between them. I do not believe there are very many agreements like that between banks.

Mr. PATMAN. I am talking, Mr. Crowley, about where there is an agreement. Suppose it was shown that the Memphis bank and the Texarkana bank had entered into an agreement in writing—let us make it as plain and as positive as it can be made—"That the Memphis bank, party of the first part, hereby agrees if the party of the second part will keep on deposit in our bank a certain amount, the first party will pay for the second party up to a certain amount each month and, if the deposit is half that much, the amount paid by the Memphis bank to the Texarkana bank will be half that much;" suppose it could be shown positively in writing, and no question about it, would you say that was a device to get around this law?

Mr. CROWLEY. You mean that the Federal Reserve would change the regulation to cover that point?

Mr. PATMAN. What is that?

Mr. CROWLEY. That the Federal Reserve would change their regulation to cover that point?

Mr. PATMAN. I do not know; you know more about that than I do. But I am just asking you the question, Mr. Crowley, and if you will answer it, I will appreciate it.

Mr. CROWLEY. First, I personally do not feel that the absorption of these exchange charges has anything to do with that regulation at all.

Mr. PATMAN. Well, Mr. Crowley, if you will, please answer that question. That is plain. I am telling you here is a hypothetical case where there are no ifs, ands, and buts about it. They have made a positive, plain agreement in which the correspondent bank will pay for the local bank a certain amount each month if the deposit is a certain amount, according to their standards and, if the deposit is just half that, the payment for the local bank will only be one-half that—where there is no doubt about it; it is plain, and the parties agree to it and there is no dispute? Would you say that was a violation of the law?

Mr. CROWLEY. Well, I presume your Memphis bank illustration would be. Certainly it would be in the spirit of the law.

Mr. PATMAN. That is right. And what would be your judgment if you were head of the Federal Reserve Board? What would you do?

Mr. CROWLEY. If I were head of the Federal Reserve Board, first, if I had any doubts in my mind, I would get my law changed.

Mr. PATMAN. You would get the law changed?

Mr. CROWLEY. I would get it defined. Here is what happens——

Mr. BROWN. As I understand, Mr. Crowley, you are complaining about the regulation, not the law?

Mr. CROWLEY. Here is what I see happening to the little country bank, and it has all been done under the guise of reform to help the little fellow, and, as far as I can see every one of these things only got the little fellow a little poorer. They first take all interest away from him on his balances that he could collect from his correspondent bank.

Mr. PATMAN. But did not the banks ask for that?

Mr. CROWLEY. You know how much voice the small bank has in anything he asks for, don't you?

Mr. PATMAN. Now you are talking to a person who is in sympathy with the small bank and the small man.

Mr. CROWLEY. But let me finish on what is happening to the small banks. They lost all interest on their balances.

Mr. PATMAN. And saved some money that way, too, did they not?

Mr. CROWLEY. They saved some money that they did not have to pay out. Under the present theory of licensing and chartering banks, we have gotten so conservative for fear the country will get overbanked, we have regulated them so that there is no competition left in the banking business any more and they are not running their own shops at all; they are being run by regulations. And I think a lot of legislation that we passed in 1933 and 1935 was perfectly good legislation then; it took care of a situation that existed, that it was necessary to correct, but it might be a good thing to take a look at this law now and see whether it ought not to be modified a little bit.

Mr. PATMAN. I am in sympathy with your statement there. I think we ought to take a look at all of these laws we passed in the emergency.

Mr. CROWLEY. I do not think just because it was passed in 1933 and 1935 there is anything sacrilegious in going back and taking a look at it.

Mr. PATMAN. But on the first thing you brought up there, which I think is the main point about small banks, I looked into this thing too, at one time, about interest payments. In fact, I did not want that provision in the law; I felt like it just did not belong there and I opposed it. But I was not on the conference committee at that time and, of course, we had to vote the thing up or vote it down at that time, as the F. D. I. C. was in there, is my recollection, and we wanted the F. D. I. C. But I think if you will take a look at the amount the banks saved in proportion to the amount they were being paid by their correspondents, you will see they are saving several times as much.

Mr. CROWLEY. But, wait a minute, the correspondent banks held the little banks' balances and paid them no interest on their deposits; so they saved more than any little bank saved, because they don't pay anything to the little bank.

Mr. PATMAN. I do not know how to distinguish between them, as you do, but I know at the time I got Mr. O'Connor, Comptroller of the Currency, to make an estimate for me, and he estimated the banks were saving $250,000,000 a year by that one provision which made it unlawful for them to pay interest on demand deposits. Now, I cannot conceive of their being out that much; I cannot conceive of the correspondent banks paying them more than that for the deposits they would carry?

Mr. CROWLEY. Oh, no, no, no.

Mr. PATMAN. And certainly that amount was several times as much, was it not Mr. Crowley?

Mr. CROWLEY. Yes; sure.

Mr. PATMAN. Now, on time deposits, there was an estimate made at the same time as to how much the banks saved by that one provision, and it ran up into big figures—$100,000,000, or something like that. So the banks wanted this thing, Mr. Crowley.

Mr. CROWLEY. There is not any doubt but in the payment of interest on balances and the regulation of interest on savings accounts, they save the banking system a lot of money; but the big bank and the little bank, both, got the benefit of that; that was not anything just for the little bank.

Mr. PATMAN. That is right.

Mr. CROWLEY. Now, the little bank lost the interest on its balances and the only thing the little banks are getting now is this eight or ten million dollars of exchange charges. That is the only thing the little banks have been able to get out of this thing. And when I first came down here, back in 1932, the objection I had to Federal deposit insurance was that, just as soon as deposit insurance got squared around and got to operating immediately they would start to nationalize the whole banking system. And for 10 years, now, every time I have come before this committee, I have reiterated to this committee that the understanding we had with the State banking system of this country was that States' rights would be preserved. Par clearance thing goes right straight back to the State bank practices for 25 years, and this ruling here, in my opinion, is not meeting the thing square on in regard to exchange charges, service charges, or anything else. It is just like putting a brick in a bag and hitting the guy over the head with it when he turns around the corner, when he cannot defend himself. That is what you are going to do to these 2,500 to 3,000 little banks. Then, after you get them out of the picture, people will come along and say, "Now, boys, you have to have a branch bank law, because these communities have to have a bank," and the pay-off is going to be to the big boys. And the next move will be to say they have to have reserve balances in the reserve centers, and the next thing——

Mr. PATMAN. There is no use in your presenting that argument. I think every member of this committee is in accord with your view on that; we want to protect the small banks, too. But if you were head of the Federal Reserve Board yourself, Mr. Crowley, you would enforce this law?

Mr. CROWLEY. No, I would not enforce this law; I would come to Congress and tell them what the problem was and ask them to clarify the law.

Mr. PATMAN. If you were writing the change in this law would you accept language that would permit a bank to do what I said awhile ago in the hypothetical case?

Mr. CROWLEY. I think I would go along with you on that change.

Mr. PATMAN. You would?

Mr. CROWLEY. Yes.

Mr. PATMAN. In other words, you would permit it only in those cases where there was no agreement of any kind?

Mr. CROWLEY. That is right.

Mr. PATMAN. All right.

Mr. KUNKEL. As I understand, Mr. Crowley, the Federal Reserve's position is that they want to apply this law to corporations like Sears, Roebuck and the individual depositors also; they are not applying it strictly against the smaller banks?

Mr. CROWLEY. As I understand, this particular instance we are discussing now deals only with the absorption of exchange.

Mr. KUNKEL. As I understand, the statements made by the Federal Reserve representatives, Governor Ransom and Governor McKee, it would apply to corporations, in a number of instances they set out, that carried large balances, say, in New York, Chicago, San Francisco, just the same as it would correspondent banks. Is not that correct?

Mr. RANSOM. Equally and exactly.

Mr. FORD. Let me ask, since the question of exchange does, on the face of it, lend itself to an evasion of the law that exists on the banks and since a good many people feel if you took that law off of the books, you would bring back the situation that existed prior to its being enacted, is not there some way that a national clearing house might be established that would handle all checks and exchange for a very tiny fee, drawn on all banks, and eliminate that "par" thing that the Federal Reserve has, and apply it to all of them; just make it a straight-out fee?

Mr. CROWLEY. Of course, that would bring about par clearance, which you want.

Mr. FORD. That would do what?

Mr. CROWLEY. That would bring about par clearance, which you want to do.

Mr. FORD. Yes.

Mr. CROWLEY. It would not make much difference which body was doing it; it would have the same effect on the little banks.

Mr. FORD. Why would it? There would be no incentive to send deposits to another bank, and, if the exchange was taken care of, they would be making that much anyhow; would they not?

Mr. CROWLEY. Not unless someone absorbed it for them, they would not.

Mr. PATMAN. In view of the situation that has developed here, would it be all right with you if I asked Mr. Ransom a question?

Mr. CROWLEY. Surely; I would be glad to yield.

Mr. PATMAN. Now what is your idea about that? If there were no understanding at all about the payment of any amount; just say, for instance, if you carry a deposit with me, or with my bank, we will say, and there is no understanding about it, what is your idea of that?

Mr. RANSOM. Mr. Patman, let us take this illustration. One of the correspondent banks announces that it will absorb all exchange or any other out-of-pocket charges for any customer regardless of whether they have an account of any size. As far as I am concerned, I can say that we have nothing whatever to do with it as related to this law. Now the mere fact they do not do that I think completely proves the case.

The CHAIRMAN. Could that bank say to Montgomery Ward or any other particular depositor they would absorb all exchange and not be violating the law?

Mr. RANSOM. That question cannot be answered "Yes" or "No." There must be some relationship as we explained in our September bulletin, between the balance carried in the account and the amount absorbed.

Mr. PATMAN. You made public some release in order to show the device for avoiding the payment of interest?

Mr. RANSOM. We thought, in the September bulletin ruling, in that particular case, the facts supported our conclusion.

Now I would like to join Mr. Crowley on the record in saying that we would welcome an opinion from the Attorney General. I go one step further—the Comptroller is not here but the Deputy Comptroller is—and I think he would join me in that request. There is a technical difficulty in our asking the Attorney General for an opinion, but certainly the Treasury can ask it and I assume the F. D. I. C. can, and if they can we can certainly join in asking his opinion, because we would certainly like to know what he thinks about the decision we made in the September bulletin, and we would welcome anything they will do to get his opinion on our interpretation of the law.

Mr. CROWLEY. Mr. Chairman, may I ask Mr. Ransom a question?

Mr. PATMAN. I am sure that would be all right, will it not, Mr. Chairman?

Mr. CROWLEY. Do I understand Mr. Ransom to take the position that the Federal Reserve Board or the Federal Deposit Insurance Corporation really took issue with a regulation or a statement to the effect that as long as the absorption of exchange was not related to any understanding regarding balances they could construe the absorption of exchange not as an interest charge?

Mr. RANSOM. Mr. Chairman, in answering Mr. Crowley's question, I would like it to be remembered that in 1937 we agreed on uniform regulations which would result in both the F. D. I. C. and ourselves passing on the specific facts of any case that came before us—properly came before us—and then decide the case under the general law and the particular law we are discussing.

Now I do not think we could have gone any further in showing our disposition to do everything to cooperate completely. We just happened to have been the first of the two agencies that got a request for an opinion, in proper form. If it had been a nonmember bank and had come to the F. D. I. C. under the same situation, I would be interested to know whether the F. D. I. C. would have answered it in the same way. Now in time they might get identically a similar case to be decided. I do not see, Mr. Crowley, that the two agencies can go further than say they will decide specific cases.

Mr. PATMAN. Mr. Ransom, may I offer this suggestion, and it is in accordance with what I consider to be your testimony? It seems to me that some people might say that if there is no relationship between the balances carried by the local bank and the amount of exchange charged and absorbed with the correspondent bank that there is no violation of the regulation at all.

Mr. RANSOM. May I ask the general attorney for the Board to answer that question?

Mr. CROWLEY. May I ask a question there before the answer is given?

Mr. PATMAN. Let us get the answer.

Mr. CROWLEY. My understanding of Mr. Ransom's statement of a few moments ago was that if there was no understanding or if the bank was to say to a customer they would continue to absorb exchange charges without any relation or connection with balances that they would determine that is not a charge the same as interest?

Mr. RANSOM. That is not what I said.

Mr. PATMAN. If there were no relationship, of course, we could actually say whether you would let them absorb it; you would have some understanding in some way; if there is no direct relationship between the balance and interest payment that would be shown over a period of time and would be evidence of a conspiracy and evidence that there was a relationship.

Mr. RANSOM. That was not exactly what I said, Mr. Chairman. I said, for example, if a bank did absorb all exchange for all customers, regardless of other items in the account, and regardless of any payment.

I would like, as a specific answer to Mr. Crowley's question, to ask the general attorney for the Board if he will answer that.

Mr. PATMAN. Let us hear from the general attorney; may we have his statement?

Mr. DREIBELBIS. Mr. Chairman, I would like to say that where the absorption of exchange is not related to compensation for the use of somebody elses funds it is not interest.

Mr. PATMAN. It is not interest and is not a device.

Mr. DREIBELBIS. It is not a device.

Mr. PATMAN. And it would not be a violation.

Mr. DREIBELBIS. Where it does not involve compensating someone for the use of his funds.

Mr. KUNKEL. If you establish a system like that, and I am not saying whether you can or cannot, is that not putting it on a basis of par clearance?

Mr. CROWLEY. Let me say this: What that is doing is getting right back to a service charge again. They are already doing that. If you send a thousand checks to a national bank and you do not have a hundred-dollar balance you have got to pay for the clearance of those items. But, if you have $200,000 or $250,000 they likely will not charge you anything for clearing the checks, and I think that is being done right today.

Mr. KUNKEL. Yes. But if you have them making no charge, and have no relationship between the balance and the amount absorbed and have them doing it whether there is a $50 balance or a $100 balance, the same for the man who has a $100,000 balance are you not coming right back to the point that was so strongly opposed, that is, par clearance?

Mr. CROWLEY. I think so; I think that is the practical situation.

Mr. KUNKEL. I am speaking of the practical effect.

Mr. CROWLEY. If I were running a bank I would undoubtedly write to all my customers and tell them that I was going to continue to carry their exchange item without regard to their balances, and I would also write them that I would not take on any new correspondent banking business because I did not want to carry on a lot of free business. But undoubtedly you do get the same effect on par clearance balance you get with the national bank, that by a gentleman's agreement the balance would be maintained and the exchange would be absorbed.

Mr. KUNKEL. The gentleman's agreement is a violation of the law, is it not?

Mr. CROWLEY. Yes; that is right.

Mr. KUNKEL. If you do not have the gentleman's agreement and apply the law as stated in here the practical effect comes back to par clearance, I think.

Mr. CROWLEY. That is right.

The CHAIRMAN. Getting back to the answer given a moment ago about the absorption of these charges where you have got an agreement to maintain a certain balance the purpose is the same I think whether you have an agreement or whether you do not have an agreement.

Mr. CROWLEY. Yes.

Mr. FORD. I would like to ask this question: Would it be in order, or would the Federal Reserve be disposed to let this go along, say, for 60 days, in the application of this rule, until such time as either legislation can be enacted or an agreement can be reached or an opinion could be obtained from the Attorney General?

Mr. ROLPH. Mr. Chairman, I would like to ask Mr. Crowley this question with reference

to the illustration he gave of the man putting a thousand checks in the bank for clearance who has only a $100 balance: Is it not a fact that anyone who has enough business, in the first place, to have a thousand checks would not be maintaining such a balance? Do you know of any specific instance where that has happened?

Mr. CROWLEY. Let me say this, Mr. Rolph: It may be a hundred, or it may be five hundred, or if you want to, make it a thousand, but from my experience with small business there are many, many small retailers throughout the country where the balance does not run more than $500.

Mr. ROLPH. That is not true, generally speaking, is it? Usually they have $1,000 or more.

Mr. CROWLEY. Let me say this, that many, many small retailers have to anticipate their deposits in order to stay in existence.

Mr. ROLPH. Do you know of any particular case where a concern has a thousand items for collection outside of his district and only $100 in deposit in some little bank?

Mr. CROWLEY. Let me say this: That I think that back 5 or 6 years ago that in the nonmember banks below $500,000 or $1,000,000 or something like that, that the average deposit was $250.

Mr. ROLPH. Well, that is very true, but——

Mr. CROWLEY (interposing). Wait just a minute. Do you know the way the service charge works today?

Mr. ROLPH. No.

Mr. CROWLEY. That is, the way the service charge works, so far as the private depositor's account is concerned?

Mr. ROLPH. I have no idea; no. My bank absorbs the charge for me.

Mr. CROWLEY. They charge you for every item that you send to your local bank. And I suppose that the average housewife would write 25 or 30 checks a month, so you can easily see that the small business would write five or six hundred checks a month.

Mr. ROLPH. That is right; out in the small towns, the small bank in a little town, I suppose your statement would be about correct.

Mr. CROWLEY. Yes; that is what I am talking about; they do have a charge. Where is your home?

Mr. ROLPH. San Francisco.

Mr. CROWLEY. Well, that is a pretty big town.

Mr. ROLPH. I will say it is; the best in the country.

Mr. CROWLEY. Suppose you lived in a little town outside of San Francisco, and you deposited by check, and you checked against your account, you would have to pay a charge for every check you wrote against your check.

Mr. ROLPH. You say the bank makes a charge against the depositor for every check the customer writes?

Mr. CROWLEY. Yes.

Mr. ROLPH. The customer does not have a collection charge; the bank absorbs that, does it not?

Mr. CROWLEY. You are getting confused between a service charge and an exchange charge.

Mr. ROLPH. As I understand this legislation, the Federal Reserve banks complain because certain banks and institutions are paying interest on credit balances to other banks who are absorbing the exchange that is charged, and I cannot see any similarity between a collection charge and an interest charge. As a matter of fact, I read your statement over very carefully. I am sorry I could not be here when it was made, but as I understand your statement, it is your opinion that a collection charge and an interest charge is the same.

I looked up in Webster's Unabridged Dictionary the definition of interest. I could not bring the dictionary over, but I brought this language, which reads as follows:

"The price or rate of premium per unit of time that is paid by a borrower for the use of what he borrows; specifically a rate percent of money paid for the use of money or the forbearance of demanding payment of a debt."

Now if you have to absorb the collection you have got to pay for the difference, and I would like to have some explanation of that.

Mr. PATMAN. Mr. Chairman, I would like to make a suggestion if I may.

The CHAIRMAN. Yes, Mr. PATMAN.

Mr. PATMAN. In view of the fact that a request is going to be made to the Attorney General for an official ruling, and properly so, and I am glad it is going to be done, I am wondering if it would be possible to have some agreement about holding this thing in abeyance? I can understand the position of the Federal Reserve Board and they cannot afford to say, "We are not going to enforce the law." And I certainly would not ask them to say that. But where there is an honest difference of opinion about the interpretation of the law and where honorable men have different views, I just wonder if the Federal Reserve Board could afford, under those circumstances, in some way or manner to hold this thing in abeyance pending that decision. What would be your thought on that, Mr. Ransom?

Mr. RANSOM. Mr. Patman, I do not see how it lies within the power of the Federal Reserve to hold a law in abeyance.

I listened this morning to my friend Paul Brown and several other members of the committee suggest that we fix an effective date of the order. We have issued no order which has an effective date. We have written an opinion, which may or may not be right. I think it is right. The effective date of that opinion is the effective date of the law which you gentlemen passed in 1933 and reenacted in 1935.

Mr. PATMAN. Do you think you can have the Attorney General pass on this before January 1?

Mr. CROWLEY. I do not think so; he would not have sufficient time.

Mr. RANSOM. May I complete my statement?

Mr. CROWLEY. As Mr. Ransom says, this law was passed in 1933 and reenacted in 1935, and what I cannot understand is why they have become so conscientious about it all of a sudden.

Mr. RANSOM. Mr. Chairman, Mr. Crowley is one of the fairest men in government that I have ever had the privilege of dealing with, and I am quite sure that Mr. Crowley would never be intentionally unfair, but I think that statement is unfair, because Mr. Crowley knows, as well as you know, that from the date this law was passed we have been struggling with its enforcement. We have had innumerable conferences with Mr. Crowley and other members of the F. D. I. C. and their staff and at all times we have tried to enforce the law. If we had been negligent in that respect, there would be room for criticism.

Now, there are others involved in this question, possibly, than the F. D. I. C. and the Board. The Comptroller of the Currency has considerable responsibility under the statute.

I have a possible way, I think a very effective answer, to Mr. Crowley's suggestion that we have suddenly become conscientious and to other suggestions that we have within the last 2 weeks, I think he said, indulged in what he called a squeeze play, and I would like to read to the committee a letter, which has a tremendous bearing on that problem. It is from the Office of the Comptroller of the Currency and is signed by Mr. Upham, Deputy Comptroller. I am sorry it is as long as it is, but it must be introduced in order to explain the charges just made. It is addressed to the Board of Governors.

Mr. PATMAN. What is the date of the letter?

Mr. RANSOM. The date of this letter is July 31, 1942. It reads:

"Reference is made to office letter of June 22, 1938, enclosing a copy of a letter dated May 5, 1938, with enclosures, addressed to Chief Examiner ———, by Examiner ———, with respect to the absorption of out-of-pocket charges by the National Bank of ——, of ———, ——. Such information was submitted for a determination as to whether or not there had been a violation of regulation Q, as amended, inasmuch as the Federal Reserve bulletin for March 1937, indicated that the amendment effective February 11, 1937, which eliminated subsection (f) and made an addition to section 2 (a), was to declare existing law rather than to interpret and apply the law to particular practices, and that, therefore, the question of what in a particular case is a payment of interest upon a demand deposit, or a device to evade the prohibition against the payment of such interest, would be a matter of administrative determination under the general law in the light of experience, as specific cases develop. In addition to submitting a specific case, reference was also made to the fact that another bank in the same section of the country has been absorbing exchange charges, possibly following the lead of the subject institution."

That refers to their request in 1938.

"In accordance with the Board's request of August 3, the examiner at the time of the next examination obtained additional information concerning the operation, and his letter of November 19, 1938, was sent to you on November 30, 1938. It was understood from your letter of December 12, 1938, that the matter was under consideration and when a determination had been reached as to the action to be taken in the matter, this office would be furnished with a copy of any letter written to the bank on the subject.

"On April 20, 1939, this office inquired whether a determination had been reached and was informed on April 27, 1939, that the subject of absorption of exchange and collection charges and other out-of-pocket expenses was under consideration by the Board of Governors, and it was possible that final determination of the questions involved might not be reached for some time, but that you would communicate with this office when consideration of the matter had progressed to a point at which more definite advice was possible.

"Further inquiry was made on August 16, 1939, inasmuch as reports of examinations of other banks in the locality indicated that for their own protection they considered it necessary to resort to similar practices. In reply on August 23, 1939, the Board advised that, while the subject was having active consideration, it involved many perplexing problems and it was not yet prepared to advise with respect to the matter.

"On January 12, 1940, you were advised that the examiner had reported he had discussed with President ——— of the subject bank the matter of absorbing exchange charges for country bank correspondents, that the latter had stated he would welcome a ruling from the Federal Reserve Board whereby the absorption of such charges would be considered a violation of regulation Q, but until such ruling was forthcoming he felt it necessary to continue to absorb such charges to meet competition. The Board was advised that other banks in the vicinity of the subject bank had found it necessary to engage in out-of-pocket charges because of the activity of the subject bank in this respect.

"On January 19, 1940, your reply indicated that if, as a result of the Board's consideration of the matter, it should be found desirable to communicate with the ——— on the subject, you would be glad to furnish this office with a copy of the communication.

"Later in the year the Board's letter of September 25, 1940, replying to office letter of September 4, stated that action had not been taken with respect to the situation pressed in the National Bank of ———, ———, ———, for reasons with which this office was acquainted, but that, as previously stated, this office would be advised in event the Board should do so at any time.

"At this point it was felt that this office should not continually bring up the subject but should await the Board's interpretation of its regulation when such determination might be made. However, it seems to involve a question which will not rest, and a practice which may spread to the detriment of banking generally, as well as one that, when once established, may be difficult to discontinue. For this reason, there follows an outline of subsequent developments.

"On December 5, 1941, the president of the ——— Clearing House Association stated that members of the association had been carefully observing the provisions of regulation Q, issued by the Board of Governors of the Federal Reserve System, but found that several banks in competing territory did not observe such regulation, which developed competition to the disadvantage of the ——— banks; that the examiners had consistently checked as to observance of this regulation and had discouraged any departure from its provisions, but that the matter of competition had developed to a point where some members of the clearing house desired to reopen the discussion as to its procedure under this regulation, and requesting this office to advise what relief could be expected through the enforcement of the regulation.

"On December 15, 1941, the president of the ——— Clearing House Association was advised of the efforts made to obtain the Board's interpretation of regulation Q with respect to out-of-pocket charges, and that a specific case had been submitted and the Board had stated this office would be advised of any action taken. He was further advised that the practice of absorbing out-of-pocket charges appeared to be an unnecessary expenditure of a bank's funds and was regarded unfavorably. It was suggested that if it resulted in a competition detrimental to the clearing house banks of ——— they ascertain from the Federal Reserve bank of ——— whether or not an interpretation of regulation Q had been made. He was requested to advise of any developments.

"On July 13, 1942, in reply to an inquiry from this office, the former president of the ——— Clearing House Association, his term having expired, stated that they received no satisfaction from their request for support from the Federal Reserve bank by enforcement of regulation Q; that their treatment was cordial and sympathetic, but results were lacking and that, despite that discouragement, five of the six clearing house banks were willing to continue to abide by the full intent of that regulation, but the ——— National Bank of ——— elected to resign from the clearing house and pursue its own methods of handling exchange costs. He further stated that this precipitated a new competitive situation in our own front yard, and to meet this the banks that remained in the clearing house inaugurated a system of complete analysis, including out-of-pocket expense in the analysis, rather than consider it as a separate, chargeable item, as had been the practice. He stated they regretted that this change became necessary, but there apparently was no alternative."

I would like this to apply to Mr. ROLPH's recent question.

The ordinary service charge does not involve an actual out-of-pocket expense; it involves overhead. The collection aspect of the matter is that in the process of collecting many items exchange is involved—somebody has to pay it; in the instant case it was absorbed.

Mr. ROLPH. Is not that an arbitrary charge?

Mr. RANSOM. No, because the bank on which the check is drawn makes a charge for making its depositors' funds available elsewhere.

It may be arbitrary, if you want to consider it that on the part of the charging bank, but your bank would not be expected to pay it; the drawer of the check in question, not the recipient of the check or some bank along the line.

Mr. ROLPH. I put checks in my bank and receive a credit for check deposits, but I do not pay for it.

Mr. RANSOM. Probably your checks do not involve an exchange charge.

Mr. PATMAN. Let me say a point was raised here the other day about the sergeant at arms absorbing these charges. I asked the sergeant at arms about it, and he said if I were to draw a check on a bank where exchange was carried that when they found that out he would bring me a bill for that charge and have me pay it; he personally would not pay it; he would send a statement to me.

Mr. ROLPH. Has anyone had that experience?

Mr. RANSOM. Mr. Chairman, with your permission, I would like to read the rest of this letter to us from the Comptroller of the Currency to complete the record:

"On June 26, 1942, the president of the ——— National Bank of ———, ———, advised that under date of June 23, the ——— Clearing House Association changed their form of policy and were now absorbing exchange provided the account, from an analysis standpoint, shows an earning capacity, and that he was afraid this was going to be far reaching, and instead of banks being able to reduce overhead, the item will increase materially.

"While this office obtains only the viewpoint of national bankers and it would appear that they do not like the practice mentioned, even though certain of them feel that they must engage in it for their own protection, the question likewise involves and will affect the member State banks and nonmember banks.

"While it is our inclination to press national banks not to resort to this practice, we are reluctant to take too dogmatic a position on a controversial matter falling within a province delegated to the Board of Governors, in the absence of a determination of the question by them. Such a determination is highly advisable from a supervisory standpoint, and, we believe, from the standpoint of better banking generally. We would urge upon the Board the desirability of prompt ruling.

"Because of the implications to all banks, a copy of this letter is being sent to the Federal Deposit Insurance Corporation.

"Very truly yours,

"C. B. UPHAM,
*"Deputy Comptroller."*

The point I am trying to make, and I think Mr. Crowley will agree with this, is that this whole subject has been under constant discussion between agencies, between the banks, and often between Members of Congress, so that, Mr. Crowley, it is not a new position that we have suddenly taken, and I think when you said that you were doing us an injustice in a very difficult problem.

Mr. CROWLEY. Let me say this to you: I agree that it has been under discussion. This first letter from the Comptroller of the Currency was dated in June, sometime, 1938. The next one was dated July 1942.

We first started to discuss this thing, I think, back in 1935. I am not a lawyer and Mr. Ransom is; but if I were a lawyer I would accept Mr. Ransom's facts and figures and dates, and rest my case because there is no more emergency existing now, so that this thing cannot be delayed for 60 or 90 days, than existed last September, October, or November, except that, and I want to be fair about the thing, the Federal Reserve has already notified their Federal Reserve banks that on January 1 they are to notify their banks that they are going to start to prosecute violations of this regulation. That is what I am advised by the banks that happen to be in the Richmond area.

Now, what happens in this case, as I view it, is we come along here about the 1st of December, and we have this conference with this committee. It put this committee in this position: That if you are going to do anything about this to settle it in a legal way you have to have legislation. Now, it is humanly impossible to get legislation by January 1, because you cannot get it through the House or through the Senate. So the Federal Reserve Board says to you men now: We have a law we have to carry out here, and we cannot postpone it any longer. We must put it into effect and start to prosecute violations thereof by January 1.

Mr. PATMAN. But, Mr. Crowley, there is no difference of opinion between you gentlemen on this. The material thing, if I view it correctly, is that you gentlemen agree. All right; if you agree, why suspend it? Now, here is what you agree on: You agree that it is absolutely wrong, a violation of the law for them to conduct this business in a way that shows a direct relationship between the payment made and the balance which is carried. You both agree to that. All right; instead of suspending the law, then, why can't you just say that that is your rule and regulation? The Federal Reserve Board, Mr. Ransom, speaking for them, states that is his view. That being true, they will only have to refrain from engaging in one part of their activity, and that is the part which comes within the ban as defined by you gentlemen.

Mr. CROWLEY. The part which requires an offsetting deposit.

Mr. PATMAN. Yes.

Mr. CROWLEY. We are willing to join the Federal Reserve in a regulation to the effect that the absorption of exchange is not a violation unless it appears that there is a uniform relationship between the balance maintained and the amount of the exchange charged.

Mr. RANSOM. Any statement as to a uniform relationship would be wholly ineffective, in my opinion.

Mr. PATMAN. I think it would be ineffective, anyway, because it would require proof of uniformity.

Mr. RANSOM. If we could agree to that language as just read by Mr. Crowley, which, as I see it, we cannot, we would find ourselves in this dilemma: We would have this whole question to decide all over again on a state of facts that might develop tomorrow. Now, Mr. Crowley knows that over a period, when the Comptroller first asked us for an opinion to the day when we issued the September Bulletin opinion, we were in a constant state of trying to find some solution that would be acceptable to all three agencies that could be enforced. We have never failed to be diligent at all times.

Mr. PATMAN. I agree that that phrase, "uniform relationship," is bad; but can you not agree on some other phrase that would be acceptable to both of you?

Mr. RANSOM. I will say, Mr. PATMAN, that we had already agreed in 1937 with the F. D. I. C. on a form of regulation which we both issued, and which does nothing more than raise a question to be decided on the law and on the facts in the particular case.

Mr. BROWN. You issued a bulletin in June 1934, did you not?

Mr. RANSOM. I am sorry; I did not hear you, Mr. Brown.

Mr. BROWN. I say you issued a bulletin in 1934, did you not?

Mr. RANSOM. Yes; we issue one every month.

Mr. BROWN. All right; here is what you say:

"The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law."

Mr. PATMAN. That is what I understand both of you gentlemen agree on now.

Mr. RANSOM. Let me say, Mr. Brown, that is only a portion of the article in the June 1934 Federal Reserve Bulletin.

Mr. BROWN. I am going to ask Mr. Crowley to insert the whole bulletin in the record.

Mr. RANSOM. We are prepared to insert it.

Mr. BROWN. I am going to have Mr. Crowley insert it in view of the fact that he referred to it.

Mr. HULL. Pardon me if I interrupt here. We have not a quorum present, and we are considering a matter that is just before us as a matter of courtesy. We are going to adjourn tomorrow, and there is no possibility of any legislation being enacted before adjournment. After a week or so of discussion here, it is apparent that there is going to be action taken by the Federal Reserve Board on this regulation. I wonder if the chairman would entertain a motion or whether the committee would entertain a motion that inasmuch as the country banks are going to be required to spend a couple of million dollars on exchange charges before any legislation on it can be prepared—I wonder if you would entertain a motion suggesting that the chairman prepare a bill which will define the law in three or four paragraphs so plain that nobody can misunderstand it and bring that bill before the committee when we reconvene?

Mr. ROLPH. I second that motion.

Mr. BROWN. The suggestion of Mr. PATMAN might be a good one.

Mr. KUNKEL. But after you get the Attorney General's opinion, where are you?

Mr. BROWN. Then we can decide whether we want to enact a law.

Mr. PATMAN. There is no difference of opinion here.

Mr. KUNKEL. When you get the Attorney General's opinion, that will not settle it without a court's determination.

Mr. BROWN. You do not want to invoke it now until we can get the court's decision on it, do you?

Mr. KUNKEL. I think we would have to take it to the courts to decide it in any event.

Mr. RANSOM. Let me point out to you, Mr. Hull, and Mr. Crowley, that nowhere, to my knowledge, has the Federal Reserve Board or a single Federal Reserve bank ever used any date on which a law passed by Congress is to become effective, never.

Mr. HULL. I would ask you this question, Mr. Ransom: What you have before you and what you are trying to enforce is your construction of the law?

Mr. RANSOM. That is correct.

Mr. HULL. That is what you intend to enforce?

Mr. RANSOM. Correct.

Mr. HULL. Then, if you are wrong what is going to happen to this $2,000,000 or $3,000,000 exchange you will get in before some court can decide otherwise?

Mr. RANSOM. I cannot answer that because I do not know, because I assume the banks know the law and obey it. As to the suggestion that we are responsible in any way for the date of January 1, that is wholly incorrect. What happened in this, and it might throw some light on the discussion: After the banks read our September bulletin many of them concluded we were right, that they had been violating the law and they wanted to desist. So they sent out the notices that as of a certain day they would start observing the law. January 1, I believe, happens to be the date which Mr. Brown tells me some of the banks in his district received as the deadline from the banks with which they do business. I have seen nothing of that kind from the State of Georgia.

Mr. BROWN. I have received a good many letters on that.

Mr. CROWLEY. May I put this in the record: Mr. Haynes told Mr. Brown, our general counsel, that the Richmond Federal Reserve Bank had notified his bank, and he understands they told all banks in that district, that unless they discontinued absorbing exchange by January 1 charges would be made against it. He said he was informed that all Federal Reserve banks would take the same action.

Mr. RANSOM. That is an action on the part of the president of one Federal Reserve bank, and I suppose that is an effort on his part to obtain compliance with the law, but the date is wholly immaterial to me.

Mr. BROWN. We have quite a lot of banks, small and large banks, that are concerned about this, and I have received letters from some of them in my own State, and they do not want this regulation to be put in operation now, but they are afraid to write to you about it, and they are afraid to have me use their names. They are afraid the Federal Reserve Board will place them on the blacklist. That is the whole truth of the matter.

Mr. RANSOM. We have no blacklist.

The CHAIRMAN. I do not think the committee offhand is in a position to decide these questions when there is a substantial difference of opinion between two departments of the Government.

Mr. PATMAN. I see no difference, Mr. Chairman.

The CHAIRMAN. Well, now, there is; there is no doubt about that. If this were a dispute between two individuals and the enforcement of a statute were involved, and if the court thought there was a substantial cause of action it would enjoin enforcement of that statute pending decision of the court.

It seems to me neither department has the ultimate right to make a decision if there is a conflict of opinion between them as to the law. Now, the Attorney General is the chief law officer of the United States. It seems to me this question could be submitted to him. I think it would be a proper submission where there is a substantial difference of opinion between two departments.

Mr. KUNKEL. What good would it do after you had done that?

The CHAIRMAN. The court would take this under advisement for a long time and consider it. I do not think the committee ought to have to decide it. I think some competent tribunal of the Government should decide this rather than the committee.

Mr. FOLGER. All of Mr. PATMAN's insistence upon an answer has been based upon a hypothetical state of facts that we might differ on as lawyers, but do we know the facts, and is it just in the situation to ask the Attorney General to pass upon a hypothetical state of facts?

I have a letter—and I am not going to give the name of the sender—from a banker who says that his bank has been notified that after January 1 they will absorb only 50 percent of the exchange charges, but it does not refer to any consideration as to interest or noninterest or the amount of demand deposits, or anything of that kind, but it just states that after that time they would not absorb more than 50 percent of the exchange charge. We are just hypothetically considering this matter. The banks that write me simply ask that this matter be deferred in some way until April 1—until it can be settled. We should take some time to see what has been going on. Here is one case upon which this ruling is based, but if you get a hypothetical opinion which is based upon a hypothetical question, I do not think it will answer the question.

Mr. RANSOM. In answer to Mr. FOLGER's very intelligent suggestion, we have no idea of asking the Attorney General a hypothetical question. We have a specfic case, and we do have a difference of opinion as to the legal conclusions to be drawn from the facts as submitted by the Comptroller of the Currency. That case involves the question we have been discussing for days. We propose to ask for an opinion, or we will join in the request to ask him to render an opinion on the facts in that case. That is not hypothetical at all. That case obviously is effective and would be controlling, in my opinion.

Mr. FOLGER. I have had many telegrams and letters on this matter. Most of the telegrams and letters I have received contain only pleas for a postponement to be heard in some proper tribunal—a postponement for 60 days from January 1 to April 1. That is the request I have received from these men who are going to be vitally affected.

I am not taking a position either way. I have an opinion about the law, but my opinion might not be right, and there is no use to inject that here, but is there not some way, without the Federal Reserve bank seeming to stultify itself by postponing the execution or enforcement of a law by which these banks may be favored by such an innovation—and I am not criticizing the banks about that, as I do not know too much about them—but is there not some way in which this postponement can be accomplished to give a chance to the banks adversely affected—to give them a chance to come in and present the matter somewhere and somehow? We cannot do it now as we are going to adjourn tomorrow, and a resolution has been offered already.

As to Mr. Hull's suggestion that there will be $2,000,000 paid out in charges, and what is going to become of it, suppose the last interpreter of this law should hold that this was not prohibited by this act which give rise to regulation Q?

Mr. RANSOM. I am treading on dangerous ground, and I am not at all sure of my legal position. Despite Mr. Crowley's statement that I am a lawyer, it has been a long time since I have practiced law, but if such a contingency arises as you suggest, who is going to complain, the bank to which in effect, in my opinion, the other bank is going to pay interest? Is the nonmember bank going to sue the absorbing bank for interest that it benefited from, or received? There is not any probability of it when you get into that field that anybody is going to be heard to complain. As an actual matter of fact the indirect payment of interest is not to the absorbing bank in all instances an unfair proposition because they have gotten the use of the balance. As I said to start with the bank that absorbs exchange in all probability must make more out of the funds of their correspondent bank than they absorb for the correspondent bank, or they would not do it. So, there is not any danger of a certain amount of interest being paid out which, as Mr. Hull suggested someone might want to recover. That does not give me any concern at all, but the Board's position, Mr. FOLGER, would be an extremely difficult one if it recedes from its present position.

Mr. BROWN. When the gentleman concludes his answer, since we have a witness here, Mr. Crowley, who has been here for several days, I think we ought to let him complete his statement.

Mr. CROWLEY. Mr. Chairman, I have got to please be excused at 12 o'clock, because I have an appointment that I have to keep, but I just cannot get through my head why we have to rush this thing through here in a few days.

I feel very, very keenly about this thing here, and I know Mr. Ransom does on the other side.

There could be a joint resolution put into the Senate delaying the execution of the Federal Reserve's ruling for 60 or 90 days

that would not have any difficulty in being passed.

There are a good many Congressmen and a good many Senators who feel very keenly about this thing and who have little banks that feel very keenly about it, and if Mr. Ransom and his Board will only agree just to have the Federal Reserve bank and these other banks leave this thing alone and immediately. Mr. Chairman when you get back put in a resolution that would protect the Federal Reserve Board for 90 days until you have a chance to see whether this committee wants to draft some definite legislation dealing with this thing here that would meet the situation. I think the subject is entitled to that much consideration.

Now, so far as I am concerned, I have done everything that I can possibly do on this thing here. I have disagreed with the Fed on this since 1935. I realize their position, but there is not anything more I can do about this, except this, that as far as the Federal Deposit Insurance Corporation is concerned, I think we have a perfect right to write our banks a letter stating that as to the nonmember insured banks the absorption of exchange will not be considered a violation of the Corporation's interest regulations where the exchange bears no relation to the amount of the depositor's balance.

Mr. PATMAN. That is where I say there is no difference between you. You would not object to postponing a resolution that would ban the payment of interest directly or indirectly?

Mr. CROWLEY. I think you might pass a law until this law could be clarified.

Mr. PATMAN. But I think your instructions would clarify it.

Mr. CROWLEY. I know that we do not have a right to do that.

Mr. PATMAN. You stand by the 1934 order about where there is no relationship between the amount of deposit and the compensation paid that it is not a violation of the law?

Mr. RANSOM. That is a technical question. Because of my loss of voice from which I am suffering from the process of taking up your time, and because it is very strictly a technical legal question I will ask you to let the general attorney for the Board answer that question.

Mr. BROWN. At this point may I ask permission to insert in the record this bulletin issued in June 1934, pages 394 to 396, inclusive?

Mr. KUNKEL. Has anybody submitted the September issue of the bulletin for the record?

The CHAIRMAN. Without objection the pages referred to may be inserted in the record at this point.

(The pages referred to are as follows:)

[Extract from Federal Reserve Bulletin for June 1934, pp. 394–396]

"ABSORPTION OF EXCHANGE OR COLLECTION CHARGES BY MEMBER BANKS

"Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933, approved June 16, 1933, provides, in part, that:

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

"If strictly complied with by member banks, this provision of law would reduce one of their largest items of expense, and it is in their own interest for member banks to cooperate in obtaining complete compliance with both the spirit and the letter of the law on this subject.

"Since the enactment of this provision on June 16, 1933, the Board has frequently had occasion to consider the question whether the payment or absorption of exchange or collection charges by a member bank, in connection with items received on deposit from its customers or correspondents constitutes an indirect payment of interest within the prohibition of section 19, where such deposits are payable on demand; and the Board has issued a number of rulings on this subject during the past year.

"Questions as to whether or not the absorption of particular charges constitutes an indirect payment of interest within the meaning of the law must be determined as and when they arise in particular cases and in the light of the special facts of each such case, and no general rule applicable in all cases can be prescribed. However, rulings which the Board has made in particular cases which have been presented for its consideration have resulted in the establishment of certain principles, which are summarized below for the information and guidance of member banks:

"(1) The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand.

"(2) The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law.

"(3) If exchange charges and other actual out-of-pocket expenses are included in an analysis of an account which also includes a credit allowed the customer for interest or for the reasonable value of the account to the bank interest is paid to the extent that such credit offsets out-of-pocket expenses absorbed by the bank; and any such payment with respect to a deposit payable on demand is in violation of law.

"(4) If exchange charges and other out-of-pocket expenses are omitted entirely from an analysis of an account, credit for the earning value of the account to the bank may lawfully be included in such analysis, provided no payment is made to the customer with respect to such account and the analysis is used solely for the purpose of determining whether the bank itself is properly compensated for the services which it renders to the customer and/or what service charges, if any, must be assessed against the customer.

"In order that the application of these principles may be more clearly understood, the rulings in which they were established are reviewed below.

"In one of the earliest rulings by the Board, the question presented was whether a member bank might lawfully absorb exchange or collection charges in connection with checks and other items received by such bank for credit to the account of the correspondent bank. From the statement of facts submitted, it appeared that a charge would be made and assessed against the correspondent bank unless a sufficient balance was maintained by that bank to recompense the member bank for the absorption of such charges; but it did not appear that there was a substantially direct relation between the amount of the charges so absorbed by the member bank and the amount of the balance maintained by the correspondent. For the purposes of the ruling, it was assumed that the amount of the charges so absorbed would not vary directly with the amount of the deposit balance, but would depend rather upon the number of items received in the correspondent's account, the time necessary to collect them, and the manner of collection necessary. It was further assumed that, although service charges might be made against the correspondent bank if it failed to maintain a balance sufficient to recompense the member bank for the absorption of such charges, nevertheless, if the amount of the deposit balance exceeded the minimum required for the absorption of such charges, there would be no corresponding increase in the cost of the account to the member bank or in the pecuniary benefits to the correspondent bank.

"The Board ruled that the absorption of exchange or collection charges in such circumstances was not to be regarded as a payment of interest directly or indirectly within the meaning of section 19, since the amount of charges absorbed by the member bank would not vary with or bear a substantially direct relation to the amount of the balance maintained by the correspondent bank. However, the Board stated that, if the amount of such charges or benefits to the correspondent bank should vary with or bear a substantially direct relation to the amount of the deposit balance, such a practice would come within the prohibition of section 19 against the payment of interest on deposits payable on demand.

"In another case there was also presented to the Board a question as to the legality of a practice under which member banks charged to their depositors the amount of exchange charges on checks received on deposit, except that, if the average daily balance of the depositor was $1,000 or more, the banks absorbed the amount of such exchange charges. The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance; and that accordingly, the member banks were not prohibited from absorbing charges on such a basis in connection with balances payable on demand.

"On the other hand, in another case presented to the Board, it appeared that it was the custom or practice of certain member banks, in connection with deposits received from correspondents and payable on demand, to absorb exchange or collection charges in an amount equivalent to 2 percent of the collected balance of the correspondent bank. On the basis of such facts, the Board expressed the view that the payment or absorption of exchange or collection charges by any such member bank up to an amount equivalent to a certain specified percentage of the amount of the collected balance of the correspondent or customer was an indirect payment of interest in contravention of the provisions of said section 19.

"In yet another case, the facts were stated to the Board substantially as follows: The potential earning power of the depositor's balance is arrived at on the basis of an arbitrary rate representing in theory the approximate average earning rate of the bank's loans and investments. This amount is set up as an analysis credit account which will offset service charges for checks collected, checks paid, etc. If the total amount of such service charges is less than the analysis credit, no service charge is assessed against the depositor; but, if such charges exceed the amount of the credit, the depositor is called on to pay the difference. The bank does not actually pay any part of the analysis credit to the depositor, regardless of the amount of such credit or the amount of the service charges. It was stated that the service charges themselves did not represent actual payments made by the bank for exchange, collection, or other similar charges, but it appeared that such items, representing actual expenditures by the bank on behalf of specific depositors, would actually be included in computing the amount to be offset by the analysis credit, which apparently represented a fixed percentage of the depositor's balance. On the basis of such information, the Board expressed the view that the deduction from the amount of service charges to be imposed upon a depositor of an amount equivalent to a certain percentage of his balance is an indirect payment of interest within the meaning of section 19 of the Federal

Reserve Act, and accordingly, that no member bank may lawfully make a deduction from service charges on such a basis with respect to deposits payable on demand.

"Insofar as this ruling related to service charges representing general overhead expenses of the bank, as distinguished from exchange, collection, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers, it was qualified subsequently by the ruling next discussed below.

"Under date of November 24, 1933, the Board was advised by the chairman of the banking code committee that article VIII, paragraph (3) of the Bankers' Code of Fair Competition, as approved by the President on October 3, 1933, provides that rules shall be adopted by all clearing houses fixing uniform service charges whereby services rendered by banks shall be compensated for either by adequate balances carried or by a scale of charges. It was stated that, in order to determine whether the balance carried in an account is sufficient to compensate the bank fairly for services rendered, it is necessary to analyze the account and that this requires the establishment of uniform rules which must give consideration of the value of the account and proper service charges against the account; and that these charges are of two classes: First, general overhead expenses of the account; and second, out-of-pocket expenses, such as exchange, collection, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers.

"It further appeared that, under the code, it was the duty of the banking code committee to consider the rules which were being submitted for approval by clearing houses and other banking groups provided for in the code and that, before passing upon these rules, the committee desired to know whether it would be contrary to the provisions of the Federal Reserve Act which prohibits the payment of interest on deposits payable on demand for member banks to take into consideration 'the reasonable value of their customers' deposit balances' in analyzing accounts in accordance with a uniform plan to be approved by the banking code committee for the purpose of determining whether service charges should be assessed against their customers and, if so, the amount to be assessed: *Provided*, That (1) the value of each account to the bank is computed in accordance with a uniform plan approved by the banking code committee, and (2) the banks require actual reimbursement (without deduction of interest or of the estimated value of the customers' balance to the banks) for exchange charges, collection charges, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers.

"In response to the foregoing, the Federal Reserve Board reconsidered the ruling last discussed above and made an official ruling to the effect that a practice such as that outlined in the letter from the chairman of the banking code committee would not be contrary to the provisions of section 19 which prohibit the payment of interest upon deposits payable on demand. In reaching this conclusion, the Board qualified certain earlier rulings to the extent of holding that the absorption, in an amount equivalent to the value of the depositor's account to the bank, of service charges representing the depositor's allotted shares of the banks' general overhead expenses, as distinguished from exchange charges, collection charges, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers, would not contravene the rule against paying interest directly or indirectly on deposits which are payable on demand. In making this ruling, the Board also took particularly into account the fact that the uniform ruling proposed to be adopted by the banking code committee contemplated, among other things, that the banks would require actual reimbursement for exchange and collection charges without the deduction of interest or of the estimated value of the customers' balances to the banks. It was felt that such a rule would eliminate any question of illegality which might be occasioned by the absorption by a bank of exchange or collection charges in an amount bearing a substantially direct relationship to the amount of the balance.

"In conclusion, it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

Mr. PATMAN. Referring to paragraph (1)—

"The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand."

Is that all right?

Mr. RANSOM. No; it has to be explained. Read the last paragraph.

Mr. PATMAN (reading):

"(2) The absorption or payment of such charges in amounts which do not very with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law."

Do you agree to that?

Mr. RANSOM. Provided you read the last paragraph.

Mr. PATMAN (reading):

"In conclusion, it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

In other words, you just shift the burden of proof there, but the general proposition that you and Mr. Crowley both agree on, as I understand it, is that where there is a direct value or relationship, we will say, over a period of time which shows that the amount of charges absorbed has a direct relationship with the amount of deposit kept by the bank, it would be a violation of the law. Now, both of you gentlemen have agreed to that?

Mr. RANSOM. Yes.

Mr. PATMAN. Now, then, I cannot see why, if you put that together in one order or regulation, or issue separate regulations making that plain, why anybody could complain of it.

Mr. RANSOM. We put it together when we decided the September bulletin case.

Mr. PATMAN. Now, this 1934 order still stands, does it?

Mr. RANSOM. That is hardly an order; it is an expression of opinion.

Mr. PATMAN. All right, it still stands; you have not changed your views?

Mr. RANSOM. Will you please let the general attorney of the Board explain that?

Mr. DREIBELBIS. I agree with the 1934 statement, and I agree with paragraphs 1 and 2.

Mr. PATMAN. Has the Board changed its views on it?

Mr. DREIBELBIS. No, sir. I will say that the ruling in September 1943 is entirely consistent with that statement. I think the question is "wherein is the September 1943 rule out of step with the 1934 ruling in the bulletin?"

Mr. CRAWFORD. It is not out of step, is it?

Mr. DREIBELBIS. I say no, as a lawyer.

Mr. PATMAN. I am not admitting that it is.

Mr. FOLGER. Then, this question arises, why was not something done comparable to what was done in the following September, in 1934, when the Board sent out its bulletin? You see, that was 9 years ago, and we are now engaged in a war, it is Christmas time, and we are about to adjourn, and all of these things are confronting us.

Mr. MCKEE. With the permission of the witness, I would like to make a statement off the record as far as this delay in the mechanics of it is concerned.

Mr. PATMAN. Mr. McKee wants to make a statement off the record in regard to the delay in the mechanics of it.

The CHAIRMAN. Without objection, he may make a statement off the record. Mr. Crowley is on the stand, but if you want to proceed, why, all right.

Mr. CROWLEY. I yield, but not for all afternoon.

(Discussion off the record.)

Mr. PATMAN. I would like to ask Mr. Crowley this question: Why could not your banks bring a suit? They have their rights under the law. Why put this on Congress? You have your law; you have your lawyers, and you have your courts.

Mr. CROWLEY. Mr. Chairman, I would like to say just this. I do not think it is up to me as Chairman of the F. D. I. C. to come here and argue with Congress as to what it ought to do. If you Members of Congress do not want to meet this issue with some legislation, then certainly it is the duty of the Federal Reserve to carry on in the way they interpret the act. I have expressed my views on this, and I expect to let all the insured banks in the country know what my views are. But if Congress does not want to meet this issue head-on, that is up to them. I think all this stuff about delay, and all this about the necessity of doing their duty, and so forth, and so on, is all bunk. I think it is up to Congress to take positive action.

I just want to say this one other thing. Some of you may not agree with me on this matter, but I want to tell you that this is going to lead to things in the future on which you will agree with me.

Mr. BROWN. In that connection, I just want to say that I am just doing my best to clear up this situation. I do not think you can put this on Congress. We did not know anything about the enforcement of this regulation as interpreted by the Federal Reserve Board.

Mr. TALLE. Mr. Crowley, in connection with your final statement, is it fair to say this might lead to branch banking?

Mr. CROWLEY. I do not think there is any doubt about it. I think you are giving to the branch-bank advocates one of the finest weapons you ever gave them in your life.

Mr. MCKEE. I would like to refute that. I think you are giving to small banks the chance to make money on their own money, just as has been done by the big banks. You do not absorb exchange charges for nothing, and if they had not been operating with the little fellows' money at a profit, they would not be absorbing their exchange charges.

Mr. KUNKEL. Mr. Chairman, with your permission and that of the committee, I would like to include, as part of the record, some figures given in the Annual Report for 1942 of the Board of Governors of the Federal Reserve System. These figures are found on page 82 of that report and give the number of banks on the par list and those not on the par list, by both Federal Reserve districts and States, as of December 31, 1941, and December 31, 1942.

The CHAIRMAN. Without objection, that may be done.

(The matter referred to is as follows:)

*No. 19.—Number of banks on par list and not on par list,[1] by Federal Reserve districts and States, on Dec. 31, 1941 and 1942*

| Federal Reserve district or State | Member banks | | Nonmember banks, other than mutual savings banks | | | |
|---|---|---|---|---|---|---|
| | | | On par list | | Not on par list | |
| | Dec. 31, 1942 | Dec. 31, 1941 | Dec. 31, 1942 | Dec. 31, 1941 | Dec. 31, 1942 | Dec. 31, 1941 |
| DISTRICT | | | | | | |
| Boston | 348 | 347 | 160 | 162 | ----- | ----- |
| New York | 799 | 797 | 188 | 195 | ----- | ----- |
| Philadelphia | 652 | 659 | 221 | 224 | ----- | ----- |
| Cleveland | 685 | 673 | 510 | 538 | 2 | 2 |
| Richmond | 460 | 447 | 262 | 275 | 288 | 289 |
| Atlanta | 318 | 317 | 87 | 82 | 693 | 704 |
| Chicago | 925 | 899 | 1,301 | 1,338 | 215 | 220 |
| St. Louis | 450 | 437 | 585 | 621 | 446 | 443 |
| Minneapolis | 454 | 452 | 103 | 115 | 718 | 716 |
| Kansas City | 744 | 741 | 864 | 905 | 173 | 176 |
| Dallas | 570 | 573 | 239 | 241 | 149 | 152 |
| San Francisco | 274 | 277 | 223 | 228 | 26 | 29 |
| Total | 6,679 | 6,619 | 4,743 | 4,924 | 2,710 | 2,731 |
| STATES | | | | | | |
| New England: | | | | | | |
| Maine | 40 | 40 | 26 | 26 | ----- | ----- |
| New Hampshire | 53 | 53 | 12 | 12 | ----- | ----- |
| Vermont | 40 | 40 | 32 | 32 | ----- | ----- |
| Massachusetts | 154 | 153 | 39 | 41 | ----- | ----- |
| Rhode Island | 14 | 14 | 9 | 9 | ----- | ----- |
| Connecticut | 60 | 60 | 57 | 57 | ----- | ----- |
| Middle Atlantic: | | | | | | |
| New York | 584 | 580 | 126 | 133 | ----- | ----- |
| New Jersey | 289 | 291 | 61 | 61 | ----- | ----- |
| Pennsylvania | 771 | 778 | 278 | 288 | ----- | ----- |
| East North Central: | | | | | | |
| Ohio | 391 | 379 | 293 | 312 | ----- | ----- |
| Indiana | 215 | 201 | 280 | 296 | 3 | 3 |
| Illinois | 447 | 434 | 347 | 364 | 32 | 32 |
| Michigan | 225 | 224 | 222 | 230 | 1 | 1 |
| Wisconsin | 147 | 145 | 255 | 260 | 159 | 161 |
| West North Central: | | | | | | |
| Minnesota | 209 | 207 | 42 | 48 | 421 | 420 |
| Iowa | 158 | 154 | 385 | 390 | 111 | 114 |
| Missouri | 164 | 160 | 326 | 344 | 111 | 107 |
| North Dakota | 43 | 45 | 3 | 4 | 113 | 112 |
| South Dakota | 60 | 60 | 6 | 6 | 96 | 96 |
| Nebraska | 147 | 147 | 100 | 107 | 159 | 164 |
| Kansas | 211 | 209 | 426 | 447 | 2 | ----- |
| South Atlantic: | | | | | | |
| Delaware | 18 | 18 | 24 | 23 | ----- | ----- |
| Maryland | 79 | 74 | 96 | 100 | ----- | ----- |
| District of Columbia | 17 | 17 | 5 | 5 | ----- | ----- |
| Virginia | 190 | 184 | 86 | 91 | 39 | 39 |
| West Virginia | 103 | 101 | 71 | 74 | 6 | 6 |
| North Carolina | 55 | 55 | 15 | 17 | 127 | 125 |
| South Carolina | 28 | 27 | 3 | 4 | 116 | 119 |
| Georgia | 68 | 69 | 18 | 19 | 260 | 261 |
| Florida | 58 | 58 | 16 | 15 | 89 | 89 |
| East South Central: | | | | | | |
| Kentucky | 112 | 113 | 273 | 275 | 10 | 10 |
| Tennessee | 76 | 77 | 52 | 47 | 167 | 173 |
| Alabama | 83 | 82 | 5 | 4 | 129 | 132 |
| Mississippi | 26 | 26 | 5 | 6 | 171 | 175 |
| West South Central: | | | | | | |
| Arkansas | 63 | 59 | 36 | 44 | 129 | 127 |
| Louisiana | 38 | 37 | 3 | 4 | 103 | 105 |
| Oklahoma | 217 | 218 | 159 | 166 | 12 | 12 |
| Texas | 527 | 550 | 225 | 227 | 95 | 96 |
| Mountain: | | | | | | |
| Montana | 67 | 66 | 21 | 24 | 22 | 22 |
| Idaho | 26 | 28 | 20 | 22 | ----- | ----- |
| Wyoming | 26 | 25 | 19 | 22 | 1 | 1 |
| Colorado | 93 | 93 | 47 | 51 | ----- | ----- |
| New Mexico | 27 | 27 | 14 | 15 | ----- | ----- |
| Arizona | 7 | 7 | 5 | 5 | ----- | ----- |
| Utah | 34 | 34 | 25 | 26 | ----- | ----- |
| Nevada | 8 | 8 | 4 | 4 | ----- | ----- |
| Pacific: | | | | | | |
| Washington | 57 | 57 | 51 | 51 | 23 | 26 |
| Oregon | 31 | 32 | 36 | 36 | 3 | 3 |
| California | 113 | 113 | 84 | 86 | ----- | ----- |

[1] Includes all member banks, and all nonmember banks on which checks are drawn except mutual savings banks, on a few of which some checks are drawn. Banks "not on par list" comprise nonmember banks which have not agreed to pay without deduction such checks drawn upon them as may be forwarded for payment through the Federal Reserve banks. Checks on such banks are not collectible through the Federal Reserve banks. The difference of 5 between the number of nonmember banks on Dec. 31, 1942, shown in this table and in table 17 is due to the fact that this table excludes 135 banks (principally 59 industrial banks and 58 nondeposit trust companies) on which no checks are drawn, and includes 130 banks (principally 110 private banks and 15 cooperative banks) on which checks are drawn but which (1) are not reporting to State banking departments, or (2) are in liquidation.

(Wednesday, February 9, 1944)

The CHAIRMAN. Now, Mr. Crowley, you may proceed.

Mr. CROWLEY. Mr. Chairman and members of the committee, we had worked on a written statement which I wanted to present to the committee, but I felt this thing had been prolonged so long that you men certainly had had enough opportunity to visualize what it is all about, and I did not want to burden you with a lot of unnecessary detail.

I appreciate the friendship this committee has always had for the Federal Deposit Insurance Corporation. It has been a nonpartisan committee in support of all of the legislation and things to help us. I also want to say, insofar as my associates in the Federal Reserve are concerned, that I am sorry there has always been between us that marked difference of opinion regarding the banking system. I do not take that as a personal difference, because they are all good friends of mine; but I do disagree with them very emphatically upon this exchange charge and I want to go on record as saying that I favor the Frown bill. I think, in favoring the Brown bill, that I am making a very definite contribution to the continuance of the dual banking system in this country—the right of directors and management to use ordinary discretion in the conduct and affairs of their business. I do not believe that any group of men, no matter how wise they may be or how honest they may be, should have the power so that they might regulate the life and the death, the thought and the actions of the banking system to the extent that they attempt to do in this regulation, or in this determination of their regulation.

The amount involved in this, as I understand it, is about $8,000,000. In a banking system of $100,000,000,000, you would have to stretch your imagination a long way to say the effect of that would destroy the soundness of a banking system with $100,000,000,000 in deposits.

I think, inevitably, that involved in this is the question of branch banking; the question of State rights. And as you know from my past testimony here, my attitude on that has always been that the matter should be left to the States to determine the kind of banking system they want; and the thing I have always opposed was the extension of branch banking over State lines by any direct or indirect method. I think also involved in this is the question of correspondent bank accounts. All of those things, in my mind, go one-two-three.

We tried to get the Federal Reserve not to inject this regulation at this time, in the midst of a war, when everyone is busy. When they addressed these letters to the chairmen of the Banking and Currency Committees of both Houses, which was done on August 6, I think it was just about the time everyone was struggling with subsidy and about the time they were getting ready to go away on their vacation.

I think, too, the manner in which this thing has been handled has put this committee on the defensive, because my understanding, in the beginning, was that they would not do this without first notifying the members of this committee and the members of the Senate committee. My understanding is that they went to Mr. Spence and said they would like to have a short hearing in order to discuss this matter, and then it developed into a lengthy hearing here. But the impression I got from the Federal Reserve Board was that this was brought up at the request of this committee. I also now understand that this hearing was started at the request of the Federal Reserve Board.

Now this law was enacted in 1933 and 1935. It has been on the statute books for a great many years. Personally, I think it is very unfortunate that we have all had to waste our time during a war to discuss a thing of this nature. There has been discussed here the question of production credit loans, cooperative credit loans, whether we would be better off to do this, or to do that, and disregard this regulation. I do not think two wrongs make a right. I feel whatever rights the banking system has under this system here, if they have any rights coming to them, they should have them.

I have always rejected and deeply resented regulation by legal interpretations of administrative laws, and I think that is what this is, and I want to put myself on record as being in favor of the Brown bill. And I think you men, if you vote this bill out, will be making a very, very definite contribution to free enterprise and to the rights of management, and you definitely will serve the necessities of the banking system supervisors of this country; for they have no right to step over the foul line by interpreting legislation in an administrative way, without first coming to Congress and letting them discuss this thing on its merits.

In the beginning, they said the thing involved in this was the question of absorption of exchange. Later, as you men went on, you could see that definitely linked to this is the question of par clearance. Now for 25 years they have been trying to get par clearance through this committee and through the courts; in some way, to force par clearance on the banks of this country, but neither your committee nor any other committee has ever been willing to do it. I have no objection to coming up here on a par clearance bill and meeting it head-on if they let us know what it is; but I do object trying to link that in and getting it in some indirect way, and I feel very definitely that is what is involved here.

In our State bank system, I have always been a strong believer in respecting the rights of the State supervisors, and I have always believed that you cannot regulate to the place where you are going to do the thinking for management; that management must not backfire on their responsibility for their operations. And I think it is time wasted on this thing here, in comparison to the amount involved, as it is perfectly silly to talk about that being an unsound practice in a banking system of $100,000,000,000. I think it has been exaggerated terribly.

I am not going to take a lot of your time. You men know my philosophy as to a sound and unsound banking system. You men have been kind to Federal Deposit Insurance; you have been kind to me personally. I could go on and elaborate here for hours as to why I believe these things must be stopped, but I want to finish and will answer any questions you ask me. I think what is involved here is something a whole lot deeper than this question of $8,000,000.

I will be very happy, Mr. Chairman, to answer any questions you want to ask me.

Mr. FORD. I would like to ask one question. Mr. Crowley, I have a tremendous amount of respect for your opinion. You have done a magnificent job in the F. D. I. C., but you would not say that you could not tell a bank it would have to cancel a loan that they made, would you?

Mr. CROWLEY. You mean we would tell them to cancel a loan?

Mr. FORD. If you went into their portfolio and found their judgment was bad, you would not want to be deprived of the right of telling them that was a bad loan and they would have to take it out?

Mr. CROWLEY. I think all the right we have on that is the right to take such information as the bank may be able to give us and, if we feel the loan cannot be paid, we would simply make a report to the board of directors and suggest that they charge that loan off out of their profits. We do not tell them they have to call that loan, or that they should not have made that loan; it is just a matter of whether it should be carried as a good asset or not.

Mr. FORD But you do not want them to carry that in the bank's assets?

Mr. CROWLEY. We do not object, in this carry an asset that we feel is lost as a valuable asset. But I do not think that has anything to do with this thing here.

Mr. FORD In my mind I connect the two things up in principle. I think if you can regulate a bank——

Mr. CROWLEY. We do not object, in this instance of exchange, to going in and sitting down with the banker who is using this to the detriment of his bank and discussing it with him and showing him that he should not do it to that extent.

I think this whole question of supervision gets back to the respect and the influence that you have with your individual banker and the board of directors—to cooperate with them. We cannot run the banking system from Washington.

Mr. FORD. I do not believe that is the question that is involved, Mr. Crowley, but I think you have got to have some kind of a general regulation to cover this. Now if they were going to have to take up each specific case—if the Brown bill is passed, of course, that lets it out; but, under the present circumstances, they have to go in and take up every specific case and crack down on that. That is what these fellows are objecting to. And the ones that are actually using the exchange thing as a method of securing benefit, or a profit, or a return, while at the present time it may only be $8,000,000, I can conceive of it being $800,000,000.

Mr. CROWLEY. No; I do not agree with you on that; because I do not think there is any danger of it growing to that extent; because you understand they have had that practice now for a great many years and, if they had wanted to, all of your banks could have been in the same category as these 2,100 little banks. But they did not do it.

Mr. FORD. I know, but it was a very important factor in the days when they paid interest. They paid higher interest than they ought to; then they absorbed exchange and some of them, even almost installed a nursery to try to get money into their banks. That is what I do not want to bring back.

Mr. CROWLEY. Let me say this. You know the things that were passed in your banking laws in 1933 and 1935 appeared to be necessary at that time; but many of the reasons for some of the legislation that was passed back in 1933 and 1935 have been eliminated. There is nothing so sacred about not paying any interest to a depositor, for his deposits; and we do permit interest to be paid on time deposits. Of course we regulate them and say they cannot pay beyond a certain amount, as a maximum; but 99 percent of your banks are already paying much less than the regulation calls for. What I am getting at is that it looked at the time that we put that in that perhaps the bidding for funds might have been part of the weakness in our banking system. That was when you could send money East and get an exorbitant rate of interest.

But there have been regulations passed and laws passed and you have the Securities and Exchange Commission and the Reserve Board that have been given control over that thing. It might be well, some time soon, to kind of take a look at the bank legislation that we passed in 1933 and 1935. We did that at a time when there was a great emergency on and maybe we went a little too far on some of these regulations, and it may be that we are really holding back some of the credit flow of this country, and it is not what it should be in some of the small communities, and that a lot of the restrictions we passed then, because we were faced with this emergency in 1933 and 1935, are not necessary now. There is no reason why we should not take a look at this thing again.

Mr. FORD. I agree with you, but I do not like to be chipping away at this and giving an advantage to one group and denying it to another.

Mr. CROWLEY. Let us assume we do abuse the powers we have in the classifying of loans: Because we do that and have that authority, is there any reason for injecting another regulation on top of the banking system that we do not need?

Mr. FORD. Well, it is a question of opinion whether we need it or not. I agree with you that probably the entire banking laws of 1933 and 1935 ought to get an overhauling; that in view of S. E. C. and all of the other restrictive measures we passed, maybe it would be a good thing; but I do not believe we are going to cure any of this by willy-nilly opening the door.

Mr. CROWLEY. I do not think you are opening the gates at all. Here are 2,100 little banks involved that have been carrying on this practice for 25 years; the whole thing amounts to $8,000,000, and that is the largest part of their net income. Now, we are going to take that away from them on the theory that it represents an unsound contribution to the banking system. It doesn't make sense.

Mr. FORD. I know, but what are the gross deposits in those little banks. That is the thing I am worrying about.

Mr. CROWLEY. About $2,000,000,000 in a system of one hundred billion. The deposits are so small that again it makes my argument all the stronger; because you cannot say they have any great influence for unsound operation in your banking system.

Mr. FORD. Well a sore throat is not a dangerous thing, but it can go into the flu, you know.

Mr. CROWLEY. But any time they want to advocate something, all they have to do is to talk about "this is unsound" and "that is unsound," and you bring up that old bogey question.

Mr. BARRY. Mr. Crowley, in your experience in the banking business, was the word "exchange" ever used to mean "interest"?

Mr. CROWLEY. No; that never figured. I do not think the little banks ever considered, or the big banks either, that the absorption of exchange was interest on deposits. This absorption has been going on for a long, long time, long before your regulations went into effect.

Mr. BARRY. And when this definition of interest was agreed on between the F. D. I. C. and the Federal Reserve Board, at that time was it contemplated that definition of interest would include exchange?

Mr. CROWLEY. Back when they first issued their regulation, we did not go along on it because we would not agree on the definition. They then got it out and that is the time Congressmen and Senators and the White House requested them to withdraw that regulation.

Mr. BARRY. So far as you know, this committee was never faced with the clear issue of whether or not exchange should be defined as interest?

Mr. CROWLEY. No; and I do not think there is anything in the testimony on the Bank Act of 1933 or 1935 that indicates that, either.

Mr. FORD. Just at that point: Did not we have a discussion on that a couple years ago and finally decided the best thing to do to get rid of it was to permit the Board to determine and say what was and what was not "interest"?

Mr. CROWLEY. No. I do not want to say positively, but I do not think it was ever officially before this committee since the law was enacted, except in an unofficial way at the time we agreed to postpone the regulation.

Mr. ROLPH. Right along the line of what happened in 1935, Congressman DOUGHTON, chairman of the Ways and Means Committee of this House, appeared before this committee on January 24 and I would like to read the first paragraph of his statement:

"In 1933 when I voted for the Banking Act, which contained the provision prohibiting banks from paying interest on demand deposits, I had no idea that 10 years later this law would be used to disrupt the charging of exchange by the many hundreds of small banks in this county which have engaged in this practice for years and are dependent upon it as a chief source of income. Had there been any indication that this provision would be so misconstrued, I would have insisted upon an amendment such as that proposed in the pending bill. I did not do so simply because there was nothing in the language of the provision or the legislative record to suggest to me that the power to regulate interest charges could be stretched to include regulation in the field of exchange charges. So far as I know, that intepretation was never discussed or considered."

That is Representative DOUGHTON, chairman of the Ways and Means Committee of the House of Representatives, who made that statement right here before this committee.

Mr. CROWLEY. Congressman, I think many, many of the members of this committee at that time would have felt the same way.

Mr. ROLPH. You said in your remarks that the discussion in connection with this legislation went far afield of just the simple little language in the bill, and a great deal of stress has been laid on the expenses of the banks. Many exhibits have been introduced into the record here showing the returns to the bank from this exchange, and showing in many instances that it is the difference between profit and loss.

Mr. CROWLEY. That is right.

Mr. ROLPH. Now in addition to this exchange item which, as I see it, means keeping a good many of the banks in the black, I understand the banks of this country are performing a wonderful service to the Government, for which they get no remuneration at all, that is, in handling the sale of bonds. And do not you think it would be very unwise to interfere with that marvelous war effort and clamp down on the banks at this time, and that to enforce this regulation would be a great disservice to the country?

Mr. CROWLEY. I agree with you.

Mr. ROLPH. Do not you think so?

Mr. CROWLEY. I agree with you.

Mr. ROLPH. As a matter of fact, when I was out home during the summer recess, a number of bankers spoke to me about the expenses in connection with all of these different activities of the Government, and I want to say, if for no other reason, if those banks are sound, when they are faced with this situation, we should pass this bill out unanimously and put a stop to this practice of interfering constantly with the management of these small banks.

Mr. BROWN. Many of the banks of the Middle West are affected, too.

Mr. ROLPH. Yes; all over the country.

Mr. CROWLEY. And that is not only in just this particular regulation, but I think if this committee brings this bill out it is going to have a very wholesome effect on your whole banking system and your whole supervisory system. I think it is going to do a lot of good for your State supervisors and their rights and interests, as well.

Mr. ROLPH. I do not know whether you realize the tremendous amount of work the banks have to do in handling ration coupons. They get a little remuneration from the Government, but the expense is five or six times what they get out of it.

Mr. CROWLEY. That is right; I agree with you.

Mr. ROLPH. Thank you very much.

Mr. PATMAN. Mr. Chairman, I want to ask a question. Mr. Crowley, I have given this

matter serious thought. On account of your interest, and especially Mr. Brown's interest, I have been trying to see your viewpoint; I have been doing my very best to do it. There are some things that bother me along that line that I just do not have reconciled and do not understand to the extent that I can come to your viewpoint right now. Possibly you can help me.

If the banks are spending money in the bond drives and in taking care of the coupons, have expenses that they should not be compelled to absorb, I think the Government should stand that expense, but we should do it directly.

Mr. ROLPH. The banks are not complaining; the banks are glad to do it, but it is a very great expense to them.

Mr. PATMAN. I say if it is putting too much of a burden on them, the Government should pay that cost; but we should do it directly; we should not do it in some round-about, indirect way that is really a subsidy.

Mr. KEAN. But the banks do get a deposit when they sell bonds to their customers.

Mr. PATMAN. Well, the banks are pretty well taken care of; they are pretty well provided for, and it won't be long before the banks will be in a very vulnerable position, when the point is reached, as it doubtless will be reached, that they will own so many Government securties that the interest on those Government securities will amount to as much as their entire capital stock is. And when they reach that point they are in a very vulnerable position, and some fellow might get up over here on the floor of the House and say, "Why pay these fellows a billion and a half or two billion dollars of interest; why not buy them up and buy the stock, and save all this interest every year?" And the banks are getting in a very vulnerable position. They are doing it for a patriotic reason, I admit, and they are to be commended for the work they are doing.

Mr. ROLPH. They are doing a fine job.

Mr. PATMAN. But we cannot give them everything, you know.

Now, I was very much impressed with the testimony of the witness from North Carolina, who said he could not invest his reserves in Government bonds of any type or character, but he could place those reserves with a correspondent bank who could, in turn, invest them, and that, by favoring his correspondent bank that way and the correspondent bank profiting by reason of that favor, the correspondent bank would absorb certain charges for him, the local bank. Now, where those reserves cannot be invested by the local bank and can be handled in that way, it impressed me as being a very fair and reasonable thing to let him do that, and I think I would be inclined to vote for any bill that would permit him to do that in a case like that. But the point I am getting to is where the bank can invest its reserves—and there are many different ways the Treasury has provided for it to invest its reserves, not only in three-eighths percent, but seven-eighths, and also in 2 percent and even 2½ percent bonds, in certain instances—and can get their money back instantly, if they need it, I cannot understand why the correspondent bank would accept an account from the local bank unless the correspondent bank in some way, directly or indirectly, made money on that account. Can you explain why they would?

Mr. CROWLEY. Let me say this to you, Mr. PATMAN, in answer to that question. As far as I am concerned, my principal objection is I do not think you can satisfy the rights of those 2,100 banks by giving them a lollypop.

Mr. PATMAN. What do you mean by "giving them a lollypop"?

Mr. CROWLEY. They very definitely have some rights as citizens of this country and as managers of this banking system, and whether we pay them three-eighths of 1 percent or 5 percent for their money, I do not believe that ordinarily you have any justification in taking from them their rights as citizens because you are going to give them something to pay for that right.

Mr. PATMAN. Yes; but, Mr. Crowley, all the banks asked us to pass that law to make it unlawful for interest to be paid on demand deposits; the banks themselves asked for that type of interference.

Mr. CROWLEY. I think we are getting involved in what they do with their funds and what the correspondent banks do with their funds; I think we are getting involved in something other than what is before us in this bill.

Mr. PATMAN. I do not think so. Let me make it a little plainer. Here is a bank in Texarkana, Tex., my home town. That bank can send its funds, we will say, to a Dallas bank or to a St. Louis bank; take its reserves and not invest them in Government bonds but send them to St. Louis, we will say. Now do you think that St. Louis bank would expect to make a little profit out of that; otherwise, they would not absorb the exchange charges for the Texarkana bank?

Mr. CROWLEY. I think that any bank, when it accepts a deposit from you, or when any man sells you something they expect to make a profit out of you. And I have some evidence to show that on your service charges, they figure your balances and things like that in determining your service charge. Yet we are not in here telling the banking system: "You cannot make a service charge; you cannot do this; you cannot do that."

Mr. PATMAN. But that is not answering my question. Suppose we confine it to just that one case, if you please. That is a reasonable illustration, one that is likely to occur any place in this country. Do not you think the correspondent bank would expect to make a profit out of that account, or it would not carry it?

Mr. CROWLEY. I assume that any man in business, in any of his operations, wants it to be profitable.

Mr. PATMAN. Yes, sir; and if you were a correspondent bank, you would not take an account unless you could make a little money out of it, would you?

Mr. CROWLEY. I think in every business there are certain things which are done and where you cannot say every move is profitable.

Mr. PATMAN. That is not the question, though, Mr. Crowley; you have not answered my question. With all due respect to you, you have not answered my question. I ask you this question: Will the correspondent bank handle the account for this local bank unless the correspondent bank normally expects to make a profit?

Mr. CROWLEY. I think that all depends on how keen the competition is. I have seen many times when business was willing to do a lot of things for good will and things like that.

Mr. PATMAN. But that is an exceptional case. I am talking about normally. Will a correspondent bank take an account of a local bank and handle it in the way that has been described here, unless the correspondent bank can make a profit out of it? You would not do it, would you, as a normal, general, rule; as a normal procedure and a general rule, you would not do it, would you?

Mr. CROWLEY. I presume a man in business would naturally try to operate all of his departments at a profit.

Mr. PATMAN. Well, am I assuming correctly in saying your answer to it is "Yes," that they would normally expect to make a profit?

Mr. CROWLEY. Yes; but I want to add this to my answer. I do not think that is involved in this question; whether a correspondent bank is operating at a profit or a loss, I do not think, has anything to do with this bill before us.

Mr. PATMAN. Well, I am all haywire on this bill before us. Now, then, if that bank in Texarkana sends an account to St. Louis and lets the correspondent bank make a profit—and naturally they are going to make a profit, or they would not take the account—why would it not be better to keep that money right there in Texarkana and invest it in Government securities which, if the money was needed, they could get back on a moment's notice, almost, and just as easy as they could get it from St. Louis, and make as much or more profit? Now you tell me why that would not help the Texarkana bank, and that will help me in passing on this thing.

Mr. CROWLEY. I do not set myself up as an authority to tell the fellow in Texarkana, or wherever he may be, what he ought to do with his funds. If he wants to put them in a correspondent bank, in place of buying Government securities, or wants to invest them in any other way, that is the responsibility, in my opinion, of management.

Mr. PATMAN. But you are in favor of local management and local control?

Mr. CROWLEY. I am in favor of local management and local control.

Mr. PATMAN. That being true, you are in favor of keeping local funds at home.

Now, do not you know, if this money is sent to St. Louis, there will be less incentive for the Texarkana bank to make loans in Texarkana?

Mr. CROWLEY. No; I do not agree with that. That money, even if it is sent to St. Louis, to the correspondent bank, still would be available if they could get any loans in their own district.

Mr. PATMAN. But if they are required to keep a certain balance in St. Louis, that would stop them from making loans in Texarkana.

Mr. CROWLEY. With the liquidity of those banks, by investing in Government securities and things like that, it would be a long, long time before they would draw their balances down so that they could not loan money in the local communities.

Mr. PATMAN. But is it not a fact, Mr. Crowley, that the local bank, as a general rule, can get more profit by investing its own funds, as now provided by law, than it would if it were to send those funds to a correspondent bank?

Mr. CROWLEY. I am going on the theory that all local banks have a very definite responsibility to take care of the needs in their local communities and the more funds they can employ in their local communities the more profitable it is and the more the contribution they are making to their local community.

Mr. PATMAN. That being true, would it not be better to keep those funds right there in that locality?

Mr. CROWLEY. I do not know what you mean by "that locality." They have to have some correspondent accounts.

Mr. PATMAN. Evidently they must have them, unquestionably; but I am talking about generally having the major part of their reserves in those accounts. I am not convinced; in fact, the way it looks from here, from the testimony I have heard, the correspondent bank would be better off if it invested the money itself. And this question of interference does not appeal to me at all, because the banks have asked for too much interference from the Government to complain about that.

Mr. CROWLEY. Wait a minute. What kind of interference have they asked for? I have not seen any interference which the little fellow comes for here that helped him very much.

Mr. PATMAN. Well, you take those demand deposits: The little bank asked for that, and the American Bankers Association. And, by the way, how do the American Bankers Association stand on this bill; do you know?

Mr. DILWEG. Right at that point, a number of bankers testified here that they did not ask that interest be removed on demand deposits, but subsequently thought that Con-

gress showed proper statesmanship when they put that law into effect.

Mr. PATMAN. Well, they did not protest.

Mr. DILWEG. That is the testimony.

Mr. PATMAN. Let me ask this: Do they plan coming here—the American Bankers Association? I have not heard from them in this hearing at all. I presume they will come forward and express themselves. This involves all banks, and naturally they ought to have something to say, and I look forward to hearing what recommendations they have to make.

Mr. CROWLEY. Let me say right there I won't have a friend left around Washington at all, when I get through testifying on this bill. It is a strange situation for a bureaucrat to come up here before this committee and be arguing about "regulation." As a rule, as we are up here arguing for more power, and I am trying to preserve for the small banks of this Nation the right to determine their own destiny, that they may have some elbow room to run their own institutions. We are the fellows who insure these banks; if something happens to the banks, we are the ones who are going to pay their losses. And let me say this to you: Deposit Insurance will never suffer enough loss in dollars and cents in these banks to be particularly hazardous to the financial position of Federal Deposit Insurance. In my judgment, Congressman PATMAN, the very backbone of your whole small-business structure in this country is your small bank. Now you ask me where the A. B. A. stands on this thing here. I have a statement that the present president made at the time deposit insurance was being talked of, where I think he said it would create socialism if deposit insurance was put into law. Now the A. B. A. are all good friends of mine, but they use the little fellow to contact you Congressmen every time there is any legislation up, and the big fellow stands back and lets the little fellow become the front.

Mr. PATMAN. I am asking if that is the reason the A. B. A. won't be here?

Mr. CROWLEY. The big banks are all silent at this time; but, in reality, they are giving this bill the "foot" all the time. It is unfair. The only thing I have ever seen that they openly stood for is a late fall and an early spring. That is the only thing I think they will positively stand for.

Mr. PATMAN. And you do not think they will be up here to testify before the bill is brought out?

Mr. CROWLEY. I do not care where they stand on it, because I think it would be a vacillating thing no matter what they stood for.

Mr. PATMAN. There is another thing I hope you will help me out on.

Mr. CROWLEY. First, may I read his statement?

Mr. BROWN. I want to call attention to the fact that Mr. Drawdy, of the Georgia Railroad Bank & Trust Co., testified they were the correspondent for about 80 banks, and it is a matter of fact if they did not absorb exchange and collection charges that they could probably make more money, but they had the good will of these people and the interest of these localities at heart for 75 or 100 years. He wrote me a letter later and also testified to that fact, that probably they would make more money if they did not absorb exchange and collection.

Mr. CROWLEY. This is the statement Mr. Wiggins made on the Banking Act of 1932. The question was asked Mr. Wiggins and he said:

"If you are willing to precipitate another——

"The CHAIRMAN. Oh, no; do not say another one. Do not talk about precipitating a panic when cotton is 5 cents a pound.

"Mr. WIGGINS. I am not talking about a panic; I am talking about something else. If you are willing to precipitate another series of failures, pass the law."

That was the statement of the present chairman of the A. B. A. against Federal Deposit Insurance.

Mr. PATMAN. While we were considering Federal Deposit Insurance?

Mr. CROWLEY. That is right.

Mr. PATMAN. Of course, I am opposed to their views on that; I am in favor of your views on that. Now, you are in favor of investing reserves locally, are you not?

Mr. CROWLEY. May I just answer you in this way?

Mr. PATMAN. Yes.

Mr. CROWLEY. We had an old fellow back home when Judge Kaiser was running for the United States Senate and he said to James McCormack, who was his coachman, he said, "James, are you going to vote for me tomorrow?" James said, "Mr. Kaiser, I cannot vote for you tomorrow, but I will do all I can for you." You are doing that for me, too.

Mr. PATMAN. Well, I fail to see the light and you do not help me when you fail to give a satisfactory answer as to why the local bank has to send its money away from home, when it would do better if it kept it at home.

Mr. CROWLEY. I did not say they would do better by sending it away from home. I want them to employ as much of their funds as they can at home, and I want them all to do that, too.

Mr. PATMAN. Now here is the point: Why is it that these banks will be in such a desperate situation in the event par clearance is required of them, or we pass this law, or not pass it, while a number of other banks of the same size, some of them operating in the same communities, across the street, are fairing all right? Why is that?

Mr. CROWLEY. Let me answer that in this way: When I first came up here in December, my understanding was par clearance never was thought about in connection with this at all. That was furthest from the thought of the Federal Reserve Board. We were talking about this regulation.

Mr. PATMAN. Please do not accept anything I say as representing the Federal Reserve Board, because of all people I do not represent, I do not represent the Federal Reserve Board.

Mr. CROWLEY. There was no statement at all that par clearance was tied into this thing all of this maneuvering. Now the thing here, and that was the indirect reason for I said in December, and say now, is if you are going to talk about "par clearance," put a bill in and let us have it right out, and not do it in some indirect method.

Mr. PATMAN. Would you favor such a bill?

Mr. CROWLEY. Put the bill in and see.

Mr. PATMAN. Would you favor it, or oppose it?

Mr. CROWLEY. I would like to look into it first.

Mr. PATMAN. Well, you ought to have a very definite conviction on that, Mr. Crowley—a man with your experience and knowledge. You would not like to say now, whether you would favor such a bill?

Mr. CROWLEY. I have always been a very strong State rights man and have always been very strong for State systems.

Mr. PATMAN. But you really have not answered my question.

Mr. CROWLEY. That bill is not before us.

Mr. PATMAN. But this question is before us.

Mr. CROWLEY. Where do you think I would be?

Mr. PATMAN. But you have not answered my question; that is, why these banks that you are talking for now will be in such a desperately serious situation in the event this bill does not pass, when other banks of the same size, of the same capital, the same deposits, operating in the same town, across on the other side of the same street, are fairing all right. Now you just tell me that, and that will help me a lot.

Mr. CROWLEY. Let me say this to you first, as far as that is concerned: You might be able to get along pretty well on $12 a week; I might not be able to get along quite so well. But the thing I object to is why do we have to have a regulation at all, why not leave this to the banking system that they might police themselves, and why are we going way down to the bottom of the barrel to find some little bit of a reason for passing this stricture on the banking system? Let us assume they could live without it; do we want to cut them down to just a mere existence, because we have a right to do it?

Mr. PATMAN. But, Mr. Crowley, the principal argument made for this bill is that, unless it passes, these banks, most of them, will have to close, forcing a change in the branch-banking system; that they just cannot make money. And I cannot understand why they cannot operate, when their competitors across the street, with the same capital, with the same deposits, with the same of everything else, can go ahead and make money. I just cannot understand it, Mr. Crowley.

Mr. CROWLEY. That is true in life, all the way through. You and I have the same heart and the same lungs, and everything else; but one might not be as strong as the other.

Mr. PATMAN. But here are 2,500 cases.

Mr. BARRY. If they are both getting along all right, the par and the nonpar, why disturb that situation?

Mr. PATMAN. I will leave that, because I assume no fair answer can be given; but I will ask you another question, Mr. Crowley. Why does it happen, as in the State of Iowa, that they passed a State law out there against this? They have par clearance out there, and your little banks get along all right out there; do they not? And, even if they were to pass this law, it would not apply to Iowa.

Mr. CROWLEY. Let me say there was an awful lot of banking legislation passed in the days when we were all sweating and worrying about the banking system of this country. I have been active in State legislation and I don't think the little banks of Iowa ever went up to their legislators and begged for the enactment of that law. That is just another one of those things which happen in our form of government. But if you leave a group of State congressmen and State senators alone, they will review it in time and straighten it out; and I think Iowa will straighten itself out eventually, too.

Mr. PATMAN. You think they will repeal this law?

Mr. CROWLEY. I would not be surprised.

Mr. BROWN. But this bill would not affect Iowa.

Mr. PATMAN. No; it would remain just as it is.

Now, Mr. Crowley, I would like to vote for a bill here, if it would freeze the situation as it is, where it could expand and there be no competition between the banks. I would be inclined to vote for that. I would like to see the bill first, like you would like to see the bill about par clearance.

Mr. CROWLEY. This is not a freezing thing, and that would not be a satisfactory solution of this problem. You don't have any right to freeze my rights on a thing like this.

Mr. PATMAN. Mr. Crowley, of all the people who cannot complain with good grace about interference in the banking system, there is one bureau all the bankers favor, the Bureau of Engraving and Printing, and nobody hears them say anything bad about that.

Mr. CROWLEY. Oh, no.

Mr. PATMAN. And they have gotten very good legislation from the Congress.

Mr. CROWLEY. Very favorable.

Mr. PATMAN. And it would come with poor grace for them to complain about a little

legislation, or a small amount of interference, to prevent the expansion of a bad policy in the banking fraternity.

Mr. CROWLEY. What I mean is that I don't think a freezing, Congressman, meets this thing head on. I really think this practice is not something growing by leaps and bounds. As a matter of fact, I think it has diminished more than it has grown. It has not grown to any great extent. So why should we want to go to the expense of putting a freeze on, when there is no great growth in the practice?

Mr. PATMAN. Suppose a case would come to you, as Chairman of the Federal Deposit Insurance Corporation's Board, exactly like the case which came to the Federal Reserve Board, how would you have passed on that?

Mr. CROWLEY. In the first place, I don't think I would have made the interpretation they made in the first instance. In Federal Deposit Insurance, we have never come up here since 1935 and asked for any amendment to our law, have we?

Mr. PATMAN. I don't recall any, but you had a pretty good law to start off with, did you not?

Mr. CROWLEY. Yes; but, like all these fellows downtown, we could have been running up here if we wanted more power.

Mr. PATMAN. You are not lacking, in power, are you, Mr. Crowley?

Mr. CROWLEY. Oh, we could use some more.

Mr. PATMAN. But you have ample power, have you not?

Mr. CROWLEY. I think the success of Deposit Insurance has been in the cooperation with the State commissioners and in working with the Federal agencies, plus the fact that where we had a problem, in most instances we have been able to work it out with the individual bank.

Mr. PATMAN. Another thing that bothers me on this thing, Mr Crowley, is the argument made that it is invalid, illegal, this order. I cannot understand why a bank did not go into court and contest it. I have been in little towns and I know the smaller the town the smaller the lawyer's fee; and in every town and with every bank you can always get a case brought into court, and at a price that is not prohibitive. I just cannot understand why somebody did not contest this thing in the courts, where an interpretation could be made by courts.

Mr. CROWLEY. I think you pretty well know the fear the average citizen has about coming to Washington or getting into the Federal courts. I was 30 years old before I knew they gave us anything but an income tax.

Mr. PATMAN. You don't insist that they would have come to Washington, do you?

Mr. CROWLEY. Congressman, you don't want legislation that is going to force a lot of little fellows into the courts to try out the legality.

Mr. PATMAN. All right; let us start on another approach. What about declaratory judgments? Why haven't you gone into court and gotten a declaratory judgment?

Mr. CROWLEY. Wait a minute. You have gotten me on the other side. I am a part of the Government here.

Mr. PATMAN. All right.

Mr. CROWLEY. You have me up here in the position of one of the little bankers.

Mr. PATMAN. Well, there are about 5,000 of the banks not members of the Federal Reserve System, are there not? Just between 4,500 and 5,000?

Mr. CROWLEY. Somewhere around that.

Mr. PATMAN. And about half of them are affected by this bill?

Mr. CROWLEY. Yes.

Mr. PATMAN. And the other half are not.

Mr. CROWLEY. We want the other half on something we can find a regulation on.

Mr. PATMAN. Why doesn't your counsel join the counsel of the Federal Reserve Board in asking the Attorney General to get a declaratory judgment? That would not involve the prestige or the standing or the public relations of any bank in the country. That would be right here in Washington, and you could just go in the court here and ask the court to give you a declaratory judgment. Would you be willing to do that?

Mr. CROWLEY. No; I think this committee either ought to vote this bill out or vote it down. As far as I am concerned, Congressman, I think I have fulfilled my public responsibility when I have made my views known on this thing here. You have had a notice of this thing, and if the committee feels they want to turn this bill down, then they have to take the responsibility for it; and, as far as I am concerned, I am not going to the Attorney General or play around with the thing any more. I am going to make my position publicly known, and that is all there is to it.

Mr. PATMAN. I have asked for information in two instances, which has not up until now been furnished. As to one of those, I just made the request yesterday and, of course, I have not had an opportunity to get it, even if it has been prepared. One is as to the banks involved in this, about 2,600, I believe. I wanted a statement about the size of the banks, and a break-down as to each bank. I wonder if that is available.

Mr. CROWLEY. We will get it for you.

Mr. PATMAN. Is it available now?

Mr. THOMPSON. We have been preparing that. I have some of the material now, and we hope to get it to the committee this week.

Mr. PATMAN. This week?

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. This is now Wednesday.

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. And the other?

Mr. CROWLEY (to Mr. Thompson). Wait a minute. You want to get it so that if they are going to vote on this bill, they won't hold up on account of this.

Mr. THOMPSON. I have two tables here now, showing the earnings and the distribution of assets.

Mr. PATMAN. Have you broken it down as to each bank, or just in classes and groups?

Mr. THOMPSON. No, sir. By arrangement with the Federal Reserve, it was decided we would answer both sides of your request.

Mr. PATMAN. That is fair.

Mr. THOMPSON. That is, prepare the data for the par and the nonpar banks, grouping them by size.

Mr. PATMAN. And are you working with them on this?

Mr. THOMPSON. The Federal Reserve has left it to us to get up the data because we have it in our files, and we have not had time to turn it over to the Federal Reserve.

Mr. PATMAN. Then it will be a joint preparation agreed upon by both of you?

Mr. THOMPSON. No, sir. We will submit the tables and the data to the committee, and the Federal Reserve will also have an opportunity to look at it.

You know, the uses of statistics are rather strange, and you can pick people of the utmost probity and good will and technical skill and give them the same data, and they will come out with different conclusions.

Mr. PATMAN. I think everyone on this committee realizes that.

Mr. THOMPSON. So we would not think of introducing this material as coming jointly from the Federal Reserve and ourselves, until the Federal Reserve has had an opportunity thoroughly to go over it.

Mr. PATMAN. I certainly don't want you to understand me as saying I want you to do it without their approval. Of course, if they approve it that is all right.

(The tables referred to may be found in the appendix to this volume, pp. 720 to 736.)

Mr. PATMAN. Then the other request was about the chain banks in this group, and the holding-company banks. One thing that appealed to me at the very beginning, Mr. Crowley, was that if we did pass this bill, it would render unnecessary the establishing of branch banks and holding-company banks in a lot of these communities where these banks would be squeezed out. That appealed to me very much. But I was very much disturbed when the first witness coming on here was a holding-company man, who owned a lot of banks down in North Carolina; and it was the same thing as to other witnesses.

Do you have that information?

Mr. THOMPSON. The Federal Reserve has prepared information on the holding-company banks, and we have prepared information on the branch banks, of which there are about 195.

Mr. PATMAN. In this group?

Mr. THOMPSON. Out of this group of 2,100 to 2,400 nonpar banks.

Mr. PATMAN. There are about 195 of them which are branch banks.

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. And how many of them will be holding-company banks?

Mr. THOMPSON. The Federal Reserve is preparing that.

Mr. PATMAN. You have no estimate on that?

Mr. THOMPSON. No, sir.

(The statement on branch banks referred to follows:)

*Insured State nonpar banks operating branches, June 30, 1942*

| | |
|---|---|
| Arkansas | 8 |
| Georgia | 2 |
| Iowa | 17 |
| Kentucky | 1 |
| Louisiana | 18 |
| Mississippi | 21 |
| North Carolina | 35 |
| North Dakota | 15 |
| South Carolina | 3 |
| South Dakota | 20 |
| Tennessee | 11 |
| Virginia | 7 |
| Wisconsin | 37 |
| Total | 195 |

Source: Division of Research and Statistics, Federal Deposit Insurance Corporation.

Mr. ROLPH. Did I understand the gentleman to say he is making this analysis according to each individual bank?

Mr. THOMPSON. No, sir; we took them and grouped them by size, because a difference in size affects the figures quite materially.

Mr. BARRY. Mr. Crowley, referring to Mr. Patman's question about going into court, this ruling was not actually in force until just recently, December, was it?

Mr. CROWLEY. That is right.

Mr. BARRY. And it is obvious to you, and I think to most members of this committee, that when the act was passed to prohibit the payment of interest on demand deposits, Congress never intended that exchange would be interest?

Mr. CROWLEY. I think that is correct.

Mr. BARRY. So why should we sit back and compel the small bankers to go into court to have the courts decide what Congress was thinking of at the time, when we know ourselves we never considered the problem?

Mr. CROWLEY. I agree with you.

Mr. BARRY. We are faced with the issue for the first time, directly, now.

Mr. CROWLEY. That is right.

Mr. DILWEG. Not only that, but there is the question of the burden of proof; when the small banker goes before the Board, he assumes the burden of proof.

Mr. BARRY. The examiner, in effect, tells the banker that he is guilty, and then the Board puts the burden of proof upon the banker to prove that he is innocent.

Mr. CROWLEY. That is right.

Mr. BARRY. So that the banker still must be the moving party.

Mr. PATMAN. My contention is that if the local bank should go into the local court, that would place the burden upon the Fed-

eral Reserve Board to sustain their action. Don't you agree to that, Mr. Crowley?

Mr. CROWLEY. But it would not work out in that way, in a practical sense, as far as the little fellow is concerned. The reason he is little is because he does not have the initiative and drive, or the money or anything else, to protect himself.

Mr. PATMAN. I am suggesting a way whereby there is no law violation and no prestige involved and no public relations involved. Mr. Crowley and Mr. Ransom can agree that their attorneys will go into court right here and ask the Attorney General to get a declaratory judgment.

Mr. CROWLEY. Congressman, I don't think on this thing here, Ronald Ransom and I could agree where to have lunch. [Laughter.]

Mr. PATMAN. Well, your lawyers would not have any personal feeling like that, and they could agree as to that declaratory judgment; they could ask the Attorney General to go into court and ask for a declaratory judgment. You can take it from me as being correct.

Mr. BARRY. Mr. Crowley, I know you are not a lawyer, but this language is rather clear. In June of 1934 there was a ruling of the Federal Reserve Board reading as follows:

"In conclusion it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

Mr. DILWEG. That is exactly my point when I say that the little banker, when he goes before the Federal Reserve Board, has to assume the burden of proof.

Mr. PATMAN. You are not talking about the same thing I am. I am talking about going before the court.

Mr. BARRY. First, there must be a hearing, to start with.

The CHAIRMAN. Mr. Crowley, these regulations don't rule against the little bank at all, do they? But they rule against the bank that absorbs the exchange, do they not?

Mr. CROWLEY. But it affects the little bank.

The CHAIRMAN. And the real party at interest is not a party to the litigation at all. Is that not true? The little bank, whose exchange and collection charges are absorbed, would not be a party. It goes against the bank absorbing the exchange. It is still legal to make charges for exchange and collection charges, and it seems to me the real party at interest would not be before the court.

Mr. BARRY. That is right.

Mr. PATMAN. And that is why a declaratory judgment would be the most effective approach.

Mr. MONRONEY. I don't think you can get a declaratory judgment.

Mr. PATMAN. Let us ask the Attorney General.

The CHAIRMAN. Mr. Crowley, have you completed your statement?

Mr. CROWLEY. Yes; sure.

Mr. CRAWFORD. Mr. Chairman, I would like to ask Mr. Crowley a few questions.

Mr. Crowley, in the January 1931 issue of the American Banker, which you have probably seen, they show a very interesting statement of deposits and certain other figures of the 300 largest banks in the country. Then on page 2 of that issue they show an estimate of deposits of all banks as of December 31, 1943, $120,000,000,000.

I was wondering if your December 31, 1943, figures have gone far enough to permit you to give us an estimate, as rough as you want to make it, of the total deposits of all banks as of December 31, 1943, as to demand and time deposits, and the amount of deposits in the nonmember banks which you insure.

Have you any figures on that?

Mr. THOMPSON. We are not able to do that. We just have some very rough estimates of all commercial banks.

Mr. CRAWFORD. So, then, as of June 30, 1943, would be the latest figures we could get from you?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. Showing the break-down on those deposits?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. In your 1941 annual report, on page 70, you show table 34, number of accounts and average size, in insured commercial banks, special call dates, 1936 to 1941. And as of September 24, 1941, your report shows a total of 66,918,000 accounts. That is the latest published figure on that item; is it not?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. Would it be reasonable to assume that that figure, in the aggregate, is considerably greater today than it was at that date?

Mr. CROWLEY. I would think it would be fair to assume it has increased.

Mr. CRAWFORD. Would you mind explaining to the committee, as briefly as you like, the rough make-up of that figure? In other words, that does not mean 66,918,000 individual depositors; does it?

Mr. THOMPSON. No, sir. That is supposed to be a count of the individual accounts as they exist; so that if you have an account in your own name, if you had a joint account in your wife's name, and your wife had an individual account—that is, checking accounts—and you each had savings accounts in those same three names, that would be six accounts.

If you were a business concern and had accounts in 100 banks, that would be 100 accounts. If you were dealing with a branch bank and are a widespread concern and had an account in every branch, say, of the Bank of America, that would be four-hundred-and-some-odd accounts.

Mr. CRAWFORD. You have not made any studies at all showing the number of individual accounts; have you?

Mr. THOMPSON. We have made some estimates. We have gone into individual banks and studied that. I believe the figure is that this overstates the individual accounts by about 10 percent, in each individual bank, on the average. But that does not take into account the multiplication through the system by national accounts.

Mr. CRAWFORD. Then we probably would not have more than 65,000,000 depositors?

Mr. THOMPSON. Oh, I would say you have less than 50,000,000.

Mr. CRAWFORD. Less than 50,000,000?

Mr. THOMPSON. Yes; for the country as a whole, eliminating all duplications through the banking system.

Mr. CRAWFORD. In your 1941 annual report, Mr. Crowley, you show the board of directors of the Federal Deposit Insurance Corporation, yourself as Chairman, Phillips L. Goldsborough as Director, and Preston Delano, Comptroller of the Currency, as Director.

Mr. CROWLEY. That is correct.

Mr. CRAWFORD. That constitutes the present board of directors of the F. D. I. C.?

Mr. CROWLEY. That is right.

Mr. CRAWFORD. I would like to know personally if you are in a position to say whether or not your views, as expressed here this morning, are agreed to by the other directors, or are these strictly your personal views?

Mr. CROWLEY. I presume, Congressman, being the kind of an individual I am, that a large part of it is my own view. Insofar as Senator Goldsborough is concerned, Senator Goldsborough is a former Governor of Maryland, who served in the United States Senate, and he has been associated with me full time. Senator Goldsborough, I am sure, subscribes to my theory.

Insofar as Mr. Delano is concerned, I think that the letter of the Treasury indicates Mr. Delano's feelings in the matter.

Mr. CRAWFORD. And when we refer to the letter of the Treasury, I assume it is the one dated January 29, 1944, which reads, in part:

"DEAR MR. SPENCE: This will acknowledge receipt of the letter of January 17 from your committee asking for the views of the Comptroller of the Currency and the Treasury Department on H. R. 3956.

"The statutory prohibition against payment of interest on demand deposits is a wise provision. To exempt from that prohibition the payment of interest when in the form of absorption of exchange charges, as proposed in this bill, would intensify the abuses which have developed in overcompetition for correspondent bank balances. It would, moreover, further discriminate against small national banks which, under the law, as compulsory members of the Federal Reserve System are prohibited from making such charges on the great majority of their checks which are cleared through the Federal Reserve banks. Legislative approval of exchange absorption, such as contained in this measure, is not, therefore, in the interest of sound banking.

"It is our opinion that the bill should not be enacted."

Mr. BROWN. Who signed that letter?

Mr. CRAWFORD. It is signed by D. W. Bell, Acting Secretary of the Treasury.

From your statement this morning, I assume you do personally disagree with that general approach I have just read?

Mr. CROWLEY. Let me say this to you, that the Comptroller of the Currency is the policeman for the national-banking system. He represents his own national system. The State bank supervisors represent the State system. This does not affect the national-banking system, because, under law, very definitely they have certain practices they cannot do, that some of the State banks do enjoy. I have always been opposed to the national-banking system writing the code and then saying to the State banking system "If you fellows are going to survive, you have to take our code."

Mr. MONRONEY. They are all members of the Federal Reserve System, are they not, so that their viewpoint would be the viewpoint of the Federal Reserve System?

Mr. CROWLEY. Yes.

Mr. CRAWFORD. There is quite a bit said in the discussions on this general subject, from December 10 to 20, inclusive; and there has been more or less said during the last few days about this squeeze play. I want to ask you this question: In view of the documented record which shows the great amount of attention given this question, presented by H. R. 3956, and from December 22, 1933, when this question was first raised, up to January 1944, do you feel that the contention can be supported that there was a squeeze play on the part of the Board of Governors of the Federal Reserve System, following the passing of our late, loved, and distinguished chairman, Mr. Steagall?

In other words, it seems to me that it is a part of this record that perhaps should not have been brought in here at all, and I want to have you express your views on it.

Mr. CROWLEY. Let me say this to you, that you cannot stop a fellow from thinking. If you go back to your record, the first letter was written sometime in August, and I think Henry Steagall was away a good part of the fall sick; and I think you will find the day after Steagall died was the date of one of the letters to one of these banks absorbing exchange. I think it is a fair conclusion that Steagall, had he lived, would have continued to do as he had always done, that is to fight any encroachment upon the State banking

system. Certainly, whoever was handling the affairs did some pretty good timing—and, if you want to, you can call it a squeeze play. And I won't change my statement on that, because after this thing lay dormant for 10 years, more or less, it has now been brought out at this time, when the amount involved did not warrant bringing it out; it has caused undue hardship and it has taken your time and it has taken my time and the time of a lot of people, in the midst of a war. And I think we have a lot of evidence that we will be glad to show this committee sometime, when you are studying the banking system, that a lot of men in this Government, in the banking business, are trying to nationalize this branch banking system and are trying to extend branch banking and are trying to control interbank balances. I just think this whole thing is a matter of timing.

Mr. CRAWFORD. Did the F. D. I. C. and the Federal Reserve Board hold a meeting on or about November 11, 1942?

Mr. CROWLEY. I wouldn't know, Congressman. That is a meeting of the Federal Reserve Board, you say?

Mr. CRAWFORD. With the F. D. I. C.

Mr. CROWLEY. Mr. Thompson says we did.

Mr. CRAWFORD. Was it at that meeting that the matter of bad banking practices, as related to this type of operation, was discussed, do you recall?

Mr. CROWLEY. If they say it was, then it was, Congressman.

Mr. CRAWFORD. I beg your pardon?

Mr. CROWLEY. If the Federal Reserve Board says we had a meeting at that time, I would be willing to accept that.

Mr. CRAWFORD. What I wanted to find out was whether or not you would hold that the practices engaged in by, let us say, this bank down here in St. Louis, which has been cited in the record at considerable length, was participating in bad practices——

Mr. CROWLEY (interposing). Let me say this to you, on that bank in Nebraska—and I don't know whether there was one in St. Louis or not. But there were one or two banks that I agreed were engaged in an unsound practice, and we did talk, I think, about trying to get them in for a conference and to see if we could not reason with them. I have always felt that it was wrong to legislate against the whole banking system or a whole industry because you could not control one individual.

Mr. CRAWFORD. What I was trying to do was to tie up some particular practice which came within the scope of the concept of that discussion held at the joint meeting.

Mr. CROWLEY. I think we talked about one or two banks there at that time. Anyhow, that had been discussed at different times with the Federal Reserve.

Mr. CRAWFORD. And the F. D. I. C. joined with the Board of Governors in a published statement of Friday, February 12, 1937, in which, among other thoughts expressed in that statement, we find this language.

Mr. SMITH. What are you reading from?

Mr. CRAWFORD. A joint statement issued by the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, printed in the December hearings. It says:

"In view of the widespread differences of opinion in the law-making and administrative branches of the Government as to the intent of the law, and as a result of further consultations between the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, their respective regulations relating to the payment of interest on demand deposits having been brought into uniformity by agreements adopted by the Board and by the Corporation, the definition of interest has been eliminated from regulation Q of the Board and from regulation 4 of the Federal Deposit Insurance Corporation, and paragraph (a) of section 2 of each regulation has been amended by inserting after the first sentence the following:

"Within this regulation, any payment to or for the account of any depositor or compensation for the use of funds constituting a deposit shall be considered interest.

"The effect of this amendment is to declare the existing law, rather than to interpret and apply the law to particular practices. This will permit the general application by each agency of a uniform right to determine specific cases based upon the facts involved; it will also permit each agency to determine, with respect to cases coming before it, whether or not any practice involved in any such case is a device within the meaning of the statute employed by the bank to evade the prohibition of the law.

"The Board of Governors in its original definition of the term 'interest' specified that such term should include the payment or absorption of exchange or collection charges which involved out-of-pocket expense. The present action of the Board of Governors removes this finding or specification from its regulation.

"Henceforth, under both regulations, the question of what in a particular case is the payment of interest upon a demand deposit, or device to evade the prohibition against the payment of such interest, becomes for both agencies a matter of administrative determination under the general law in the light of experience, and as specific cases may develop."

Now, having in mind the joint statement which I have just read, and the full statement that follows, of February 12, 1937, and then going directly to the case cited in the September 1943, Federal Reserve Bulletin, page 817, would you mind stating to the committee whether or not it is your contention that the case cited was not a violation of the law.

Mr. CROWLEY. Congressman, I want to answer that indirectly for you, if I can. It has been so long ago and I have been involved in so many things that I would like, if you don't mind, to let Mr. Brown or Mr. Thompson answer that for you.

Mr. FRANCIS C. BROWN. Mr. CRAWFORD, we took the position that was not a violation of law, in conferences and in correspondence as well as in our opinion. I think Mr. Dreibelbis testified to that yesterday.

Mr. CRAWFORD. That it was not a violation?

Mr. FRANCIS C. BROWN. We took the position that, in our opinion, absorption of exchange was not interest; and also, on the facts of the Lincoln case as outlined to us, substantially as set forth in their ruling, that in our opinion that was not a violation of the law.

Mr. CRAWFORD. You see, what confuses me, if it is confusion, is when I take that joint statement——

Mr. BARRY (interposing). Will Mr. CRAWFORD yield for one question?

Mr. CRAWFORD. Wait just a minute, please. When I take that joint statement, and then go to the statement issued by the F. D. I. C.——

Mr. FRANCIS C. BROWN (interposing). I can give you a copy of that, Mr. CRAWFORD [handing paper].

Mr. CRAWFORD. And then going to the F. D. I. C. statement of December 6, 1943, in which it says:

"The Board is of the view that the absorption of exchange by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence"—and here is the important language—"in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest."

As I say, when you take the language in the joint statement, and the language in this statement which I have just read, and then apply to the September specific case what I have been attempting to ascertain from your attorney, Mr. Brown—and I would like to get your reaction on it—the question is whether or not you are in a position, speaking for the F. D. I. C., to enlighten this committee on what would be required in the way of questionable practices to make a case which would support, through the F. D. I. C., the facts or circumstances establishing a violation of the law.

Mr. FRANCIS C. BROWN. Mr. CRAWFORD, I don't think you can have a violation arising out of a routine collection transaction. You might frame up a situation where you control two banks and you went to a correspondent bank and said "We will put a balance of each of our banks with your bank, and then we will run through some just perfectly abnormal transactions for the purpose of creating exchange"—and that might be a violation.

But I did not have any abstract, hypothetical case in mind, at the time we put that in my opinion. And that same reservation was put in the Board's memorandum at my suggestion, simply because we did not want to say that people could not devise a method of paying interest through the exchange rule. But I don't think you can have interest simply arising out of the absorption of exchange on a perfectly normal, commercial transaction; that is, where somebody buys something and issues a check on a nonpar bank, which is cleared and exchange is charged.

Mr. CRAWFORD. Mr. Chairman, I have one or two other questions, but I will yield for that one point.

Mr. BARRY. Mr. Brown, if the Federal Reserve Board and the F. D. I. C. got together and decided the absorption of exchange was interest, and vice versa, and the Congress had granted the power in the basic law and never contemplated exchange being interest, your ruling would still be unsound?

Mr. CROWLEY. That is correct.

Mr. BARRY. In other words, no bureau would have the right to construe the action of Congress.

Mr. FRANCIS C. BROWN. I think that is right, and if you will read the opinion in full which I submitted at the time, you will find we point out in my opinion you cannot differentiate exchange charges, or the absorption of exchange, from free service. If a man has a thousand dollar balance and gets more free service through a bank than if he had a $500 balance, we cannot differentiate the absorption of this fixed cost from the absorption of exchange charges. They are both out-of-pocket expenses.

And I would like to point out also, Mr. CRAWFORD, while on this point——

Mr. PATMAN (interposing). You say they are both out-of-pocket expense?

Mr. FRANCIS C. BROWN. Yes.

Mr. PATMAN. Is that correct?

Mr. FRANCIS C. BROWN. Why not? Any expense is out-of-pocket.

Mr. PATMAN. Well, why is it distinguished by being called out-of-pocket?

Mr. FRANCIS C. BROWN. I have not been able to define an out-of-pocket expense.

Mr. PATMAN. I thought that was something aside from normal operating expense.

Mr. FRANCIS C. BROWN. This is a normal operating expense. The bank has to pay postage, and the bank has to pay express charges. They have to pay telephone charges. Why should they not have to pay service charges which the other bank assesses on that collection?

In other words, your correspondent bank sets itself up as the institution which undertakes to collect the checks. Your individual goes to his bank and his bank sends the check to the correspondent bank. The cor-

respondent bank says "We will collect the check and make that good for you."

When they collect the check and the other bank charges exchange, it seems to me that is their expense, part of their business expense.

I would like to point out that in the 1936 definition of interest which was stricken out of regulation Q, there was an express provision that you could absorb taxes assessed on your deposits, and the Board has ruled that in the case of Michigan the taxes assessed on deposits could be absorbed by the bank, and that is not a violation of the interest regulation, or the interest law. I certainly cannot differentiate between the absorption of a tax, which is paid and which is levied upon the depositor, from a service charge which is levied as a result of that depositor's check going through a commercial transaction.

Mr. PATMAN. I agree with you, if both banks are in the same State. But suppose one bank is in Ohio and sends its deposits over to Michigan; then the Michigan bank would not be expected to pay the taxes, would it?

Mr. FRANCIS C. BROWN. Well, it is a personal property tax, is it not, Mr. PATMAN? It is levied on that property and it is levied on the person who owns that property, regardless of where it may be. If you have securities in California, they will tax those securities if they find out about them, regardless of where you may live.

Mr. DILWEG. Are you familiar with a ruling of the Board in 1934, Mr. Brown, when this statement was made? [Reading:]

"In another case there was also presented to the Board a question as to the legality of a practice under which member banks charged to their depositors the amount of exchange charges on checks received on deposit, except that, if the average daily balance of the depositor was $1,000 or more, the banks absorbed the amount of such exchange charges."

Then here is a significant part of the ruling of the Board:

"The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance; and that accordingly the member banks were not prohibited from absorbing charges on such a basis in connection with balances payable on demand."

In other words, if I say "You must keep $100,000 in my bank, and I will absorb the charges," that is perfectly all right under that ruling.

But if I say "I will absorb charges if you will keep a varying amount in my bank," that is illegal.

Mr. PATMAN. No; it is just the opposite, I think.

Mr. DILWEG. No; I don't think so.

Mr. PATMAN. The way I interpret that—and I would be in favor of voting for a bill carrying that provision in it—is that if there is no relationship whatsoever between the allowance of out-of-pocket expense and the balance normally carried, I don't think that would be a violation of law. But where there is a direct relation——

Mr. DILWEG (interposing). The bank says that you must carry at least $100,000.

Mr. PATMAN. That is a violation of the law.

Mr. DILWEG. No; not under that ruling.

Mr. PATMAN. Yes; I think you have it backward, because where you must carry $100,000 to get so much exchange charges absorbed, it occurs to me there is no escape from it; that it is just an evasion.

Mr. DILWEG (reading):

"If the average daily balance of the depositor was $1,000 or more, the banks absorbed the amount of such exchange charges."

And that was determined to be a legal operation, by the Board.

They say—

"You must have on deposit so much money, and we will absorb charges."

Then it goes on to make this statement—and I repeat the Board's statement:

"The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance."

So I was not giving it backward.

Mr. PATMAN. It would go up and down, and they would absorb all charges. That is different from a case where, if you keep $100,000 on deposit in this bank, this bank will absorb a definite amount of exchange charges for you. But if you keep half of that amount on deposit, they say, "We will absorb half of the exchange charges for you."

Mr. DILWEG. That is exactly what I said.

Mr. CRAWFORD Mr. Chairman, I have two or three other questions, and I am through.

Mr. Crowley, do you have late figures showing the number of insured banks not members of the Federal Reserve System? The latest figures you have will be satisfactory.

Mr. THOMPSON. I am sorry. I did not bring the December 31 figures with me. The November 30 show 13,465 insured banks, including mutual savings banks.

Mr. CROWLEY. He wants the nonmember banks.

Mr. CRAWFORD. Have you the number of nonmember banks included in that?

Mr. THOMPSON. Yes, sir; 6,554 in the continental United States.

Mr. CRAWFORD. That is nonmember banks?

Mr. THOMPSON. Commercial.

Mr. CRAWFORD. Commercial, nonmember banks?

Mr. THOMPSON. Yes, sir. We have 180 mutual savings banks.

Mr. CRAWFORD. How many States have enacted laws calling for par clearance?

Mr. CROWLEY. Do you know, Frank?

Mr. FRANCIS C. BROWN. Mr. CRAWFORD, I cannot answer that question offhand. I know Iowa did last year.

Mr. PATMAN. Was it last year? I thought Mr. Crowley said that was during the depression.

Mr. DREIBELBIS. It was effective July 1, last year.

Mr. CRAWFORD. First I think I voice the opinion of this whole committee, and certainly my own, when I congratulate you for your extraordinary management in protecting the earnings and capital structures of the insured banks. I have been in agreement with it 100 percent, as I have understood it.

Have you seen any evidence under the Iowa law or under any other State law which has thus far been enacted, of interference to any material degree whatsoever with the earnings of the insured banks which you have in Iowa and these other States where such laws might have been enacted?

Mr. CROWLEY. No; I don't know that we have had any evidence of that, Congressman. That, again gets back to my theory, that if the State of Iowa wants to change their banking laws, they have to assume the responsibility for doing so. I don't think the fact that Iowa changed those banking laws and went to par clearance indicates that all of the little banks in the State of Iowa were in full accord. You have been around the State legislatures a long time and you know how State legislation is put in the hopper and bankers wake up some morning and find it is all signed and sealed and delivered. But, in a period of time, it will be repealed if it is not all right.

Mr. CRAWFORD. In order that the record may be perfectly clear, I want to say I have never seen a member of a State legislative body, and I am sure I have never spent as many as 20 days at a capital of any State or all of the States put together, during a session of the legislature. So I don't know anything about that, at all.

Mr. CROWLEY. All right.

Mr. CRAWFORD. If the Iowa law is the only one, and it became effective only last July, I should not think that would give you time to draw any reasonable conclusions on it, anyway.

Mr. CROWLEY. And they could be wrong, Congressman, being only one of the 48 States.

Mr. CRAWFORD. That is all I have.

The CHAIRMAN. If there is nothing more, Mr. Crowley, we are very glad to have had you. I want to say the way you have administered the affairs of the Federal Deposit Insurance Corporation has reflected some glory upon this committee, from which that law came. I think you have rendered great service to the Nation.

Mr. CROWLEY. Thank you.

Mr. PATMAN. Mr. Chairman, may I join you in your statement in the record on what Mr. Crowley has done through tne Federal Deposit Insurance Corporation. But I would like to ask if the State supervisors have expressed themselves on this. Do you know?

Mr. CROWLEY. Some of them have. A great many of them have, Congressman. I don't know from what particular States.

Mr. PATMAN. I wonder if any member of the committee knows how many have and how many have not.

Mr. BROWN. Everyone in the South, and several in the Midwest. That is all in the record.

Mr. CROWLEY. For instance, Mr. Nelson, of Michigan, sent a letter which I saw; he sent it voluntarily on this, and I think many of the other States have joined in that.

The CHAIRMAN. This will conclude the hearings on the bill, then.

Mr. BILBO. Mr. President, Mr. Crowley has control of the 13,000 banks which represent 98 percent of the bank depositors in the United States. He insists that the passage of the Maybank bill, which now has been offered as an amendment to the pending crop insurance bill, is essential to the success, protection, and welfare of the small banks he represents.

I find that the Federal Reserve Board has enlisted in this fight the National Association of Credit Men, headed by Mr. Henry Heimann. That association, although it has nothing to do with the Federal Reserve System, the Federal Deposit Insurance Corporation, or any other banking organization, except as a business organization, has been very busy in circularizing not only the banks of the country but the Congress of the United States in reference to this matter. In order to make my remarks on this subject clear, I ask unanimous consent that the circular letter addressed to the Members of Congress by the National Association of Credit Men, New York City, dated February 29, 1944, be printed at this point in the RECORD, as a part of my remarks.

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

NATIONAL ASSOCIATION OF CREDIT MEN,
*New York, N. Y., February 29, 1944.*

H. R. 3956, S. 1642

*To Members of Congress:*

This organization, consisting of 20,000 manufacturing, wholesaling, and banking members, has throughout its half century

of existence sought in every way to develop a sound national currency and banking system.

Our membership, officers, and directors are seriously alarmed over the probable consequences of favorable action on the two pending bills.

Our opposition to these bills is based upon the following factors:

We believe that in the present situation section 19 of the Federal Reserve Act, as amended, and which reads: "No member bank shall directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand," to be a sound provision, and in furtherance of sound banking. As long ago as 1933 the Honorable Senator CARTER GLASS stated that one of the real objectives of section 19 was to try to promote the further utilization of bank funds in the area in which they were located, and to prevent the excess accumulation of country bank funds in large financial centers where they were vulnerable to speculative purposes. We believe these companion bills, if passed, would defeat the objective of section 19. We believe it quite probable that the practice of charging exchange and of the absorption of exchange charges, both now very limited, would materially expand, and that this resolution would drive the opening wedge for the absorption of various charges in lieu of interest payments.

We believe the passage of this resolution would eventually nullify section 19 and by subterfuge permit a compensation for demand balances which, irrespective of how such compensation was disguised, is tantamount to the payment of interest.

We respectfully call to your attention the fact that national banks or members of the Federal Reserve System, be they State or National, are not permitted to make exchange charges. Among this group of banks are many smaller institutions which compete, in some sections, with the limited number of State banks which do make exchange charges. We also desire to call your attention to the fact that these smaller members of the Federal Reserve System, be they State or National, are profitably operated without benefit of these charges.

The practice of permitting banks to absorb exchange charges insofar as it affects commerce and industry will not, as some contend, inure principally to the benefit of smaller business institutions, since in practice the total amount of these charges absorbed is related to the size of the customer's deposit. This is class legislation for the benefit of relatively few banks located in relatively few States.

Our interest in this legislation is not a selfish interest. Many of our members are now benefiting from the absorption of exchange charges, but they recognize the eventual consequence of this practice and are favorable to its discontinuance.

We wish particularly to emphasize the great hidden danger to our national currency that could develop from the passage of this resolution.

Bank checks constitute the principal currency of our country. In fact, the ratio of bank checks in use to actual currency is better than 10 to 1. The practice of charging exchange for the clearance of a bank check strikes at the very fundamental of a free par circulation of this Nation's currency. Do not confuse exchange charges with service charges. Service charges are made against the bank's own customer. Exchange charges are made against the individual or organization to whom the bank's customer has given a check. When an individual or organization accepts a check in payment of a bill, he feels he has the right to assume he will receive the amount of money of credit called for on the face of the check. In most instances he does receive the exact amount. In certain areas, and in a limited number of banks, an exchange charge is made and he does not receive the face amount of the check. When he does not, it is tantamount to discounting the currency of the United States; for, we repeat, in this country bank checks constitute our primary currency.

We are particularly concerned over these companion bills because their passage indirectly could—

1. Further expand the objectionable practice of making exchange charges;

2. Since members of the Federal Reserve System cannot make these exchange charges, unfair advantage would accrue to nonmember banks, and perhaps promote the withdrawal of member banks from the Federal Reserve System;

3. Cause a reversion to the old practice of circuitous routing of checks in order to find some bank along the line of collection which would be willing to make the check worth 100 cents on the dollar;

4. In practice it is not inconceivable that the value of a check would depend upon the bank upon which it was drawn, thus destroying the par acceptance and free circulation of our bank-check currency; and

5. Develop further hoarding of cash.

This organization recognizes that the banking industry must have satisfactory earnings if it is to be maintained in a solvent condition. We therefore have never objected, and never will, to proper service charges as distinguished from exchange charges. We do, however, recognize that in matters of service charges the law of competition comes into play. The banking business in this sense is like any other business, in that there must be a sound need for the institution and a fair charge for its services. It cannot escape meeting these standards of value.

Finally, we desire to emphasize that although these bills deal directly with the question of an interpretation of section 19, their inherent danger is in the consequences of an interpretation that the absorption of exchange charges is not tantamount to interest. Such a conclusion will tend to destroy the function of our national currency, bank checks.

We repeat, our primary interest is in a sound banking system and the maintenance of a sound national currency. This has been our interest since we joined in an effort years ago to procure the Federal Reserve System. It is our only interest today. As previously stated, our viewpoint, if maintained, may temporarily bring added cost to some of our members, but our position we believe to be in the public interest.

We respectfully submit for your consideration these views as representing our best judgment based on 50 years of experience in the field of banking and credit.

Thank you.

NATIONAL ASSOCIATION OF CREDIT MEN.

Mr. BILBO. Mr. President, the Federal Reserve boys apparently hypnotized Mr. Henry Heimann, executive manager of the National Association of Credit Men, into dragging the association into a controversy which really concerns only Congress and the small businessmen who run community banks, on the one side, and the Federal Reserve Board and a few selfish large city bankers, on the other. In order to stir up the members of his association he relayed to them the same sugary arguments which have been widely advanced by the bureaucrats in the Federal Reserve Board who are defying Congress in their attempt to force 2,500 small banking concerns, scattered over 27 States, into the Federal Reserve System where they can be further regimented. The Federal Reserve crowd have always been chummy with certain big city bankers, and they have gotten into their present mess by trying to help a few of their banker pals who wanted a regulation from the Board in order to keep them from losing business to a few wide-awake bankers in adjacent smaller towns. It is pretty nice to knock off a tough competitor by getting a Government agency to make a ruling which puts him out of business; but it is tough when you are the one who gets knocked off. I do not think many Senators will want to encourage our Government agencies to make rules of this character. The House of Representatives made it clear that they did not, by their overwhelming vote.

A few business concerns have opposed this legislation although the businessmen of this country, whose business operations are constantly being interfered with by Government regulations, should support it. Why should they support it? Because businessmen do not like unnecessary Government regulation, and this controversy presents Government regulation of the worst kind—regulation which Congress has never authorized, in fact, and which it has several times expressly refused to authorize.

The opposition talks about depreciated dollars, because, like sin, we are all against them. But defeating these bills, which he urges, means depreciating dollars which are now worth a full 100 cents. Here is how it works.

Say you run a business and your firm sells goods over a wide territory. You get checks on banks in a number of different States and you deposit them in your local bank. You are credited for the face amount of those checks—100 cents for the dollar—and there the transactions are closed on your books. But your bank's business deal with you commences where your deal with your customer left off. Your bank has to collect these checks from the various points on which they are drawn. Your bank is in this business and it has to incur many expenses in order to carry on this business. Among other expenses, it pays other banks for the service which they perform for it in the collection of those checks. You keep a large balance in this bank and at the end of the month you pay a service charge to your bank, depending on the activity of your account, if the earnings from your balance when invested have not been large enough to offset those expenses. But if your balance is large enough to offset the cost of handling your business and also give a profit to your bank, you do not expect to pay a service charge. Your banker is smart enough not to try to collect one. You are a good customer. He wants your account just the same as you want your own customer's business. Now along comes the Federal Reserve Board and says this cannot be done. They say your bank is paying you interest because it fails to charge back to you the service charges which it pays out to the other banks in handling some of your business. The service charges which the Federal Reserve Board objects to are called exchange charges, and there is a long story which does no credit to our

Federal Government behind the Reserve Board's fight against the little banks who insist on being paid for the service which they must perform in these check transactions, but which the Federal Reserve Board would like to make them perform for nothing.

So even though your bank is making a sizable profit out of handling your account, it now writes you a nice letter citing the Federal Reserve Board's ruling, saying: "We are sorry, but we now have to charge these expenses which we are put to to you; it is illegal for us to pay them. The Reserve Board says so." If this ruling stands, there is nothing to prevent, and there is a pretty good precedent to encourage, the Federal Reserve Board at some later date to compel the banks to collect from their customers other specified expenses to which they are put in running their business, such as rent, clerk hire, postage, telephone, and telegraph expenses. All of these would be dressed up under Federal Reserve guidance as additional service charges, which you would be required to pay regardless of the size of the balance you carry. How would you like to see that happen?

So now you have to pay a service charge to your bank which you never had to pay before. Why? Because the Federal bureaucrats say it is a bad practice. Has Congress said it is bad? No. Is it bad? No. The Federal Deposit Insurance Corporation, another Government agency which has a primary interest in protecting the depositors of this country, says that it is not only perfectly legal for your bank to pay these expenses, but that it is perfectly sound for it to do so. That is the reason I wanted to present Mr. Crowley's philosophy of the banking business at the beginning of my remarks.

The Federal Deposit Insurance Corporation is responsible for all of the real improvements in Federal bank supervision which have occurred since it was created in 1933, after our banking system had suddenly collapsed in the hands of the Federal Reserve Board, the agency previously supposed to keep our banks running. In other words, the Federal Reserve System had a very severe breakdown in 1933, and it is with bad grace on their part that they now speak in defiance of Mr. Crowley concerning a sound banking system, or what should be a sound banking system. They got so damnably sick that they had to call the doctor in 1933.

The Federal Deposit Insurance Corporation points out that the banks throughout the country have been absorbing these expenses for the past 100 years, including the past 10 years during which the statute prohibiting the payment of interest has been in full effect. The Federal Reserve bases its ruling on the 10-year-old interest law, but the ruling has been made effective only since January 1, 1944. The Maybank-Brown bills permit banks to continue paying these expenses as part of their operating costs, just as they have always done. It does not compel banks to absorb these expenses, but it lets them do so, as most of them wish to do. It frees them from a ruling which the banks cannot get rid of without suing the Federal Reserve Board. Bankers do not like to get into a court tussle with their Government supervising agencies, even though most bankers who have made known their views to Congress think this ruling is an outrageous abuse of executive authority. Many bankers would like to continue doing business with their customers freed from this added regulation. Most businessmen would like to get rid of some of the Government regulations which have been heaped upon them in the past 3 years—many without any congressional authority.

Mr. President, I make the prophecy that before the expiration of the next Congress the opposition to the Maybank bill will be crying aloud against Federal regulation and the issuance of tantalizing orders, rules, and regulations which will become tantamount to law. Yet here is a proposition from a bureaucratic organization in defiance of the law, and in violation of the law. It jeopardizes the future welfare of approximately 2,400 small banks which accommodate the small business concerns of the country and the people residing in inland towns throughout the Nation.

It can easily be seen from what I have said that if you now find your out-of-town customer's dollar check worth only 99 cents in your bank, it is because of the Federal Reserve ruling requiring your bank to charge you the 1-cent cost which they have heretofore been willing to pay as an operating expense. Until the Federal Reserve put the heat on the banks these checks were generally worth par because the banks which are in the business of collecting the checks stood the cost of those charges.

If you want to have your customers' checks still handled at par—100 cents on the dollar—you really should vote for the passage of these bills instead of their defeat. If the bills are passed, the banks will pay the cost of collecting your checks. If they are defeated, you will pay those expenses. The real situation is just the reverse of the pretty picture which the opposition has painted, using the stuff fed to them by the boys at the Federal Reserve Board, whose job it is to sugar-coat this new bill which the public is being forced to take.

Behind all of this is a story you should know. It is a story of the struggle which the small, independently owned country banks have been waging for over 25 years to keep from being brought under the domination of the Federal Reserve Board. It is a fight by independent business to keep from being federalized. The Federal Reserve System primarily is meant for the city bankers. Country bankers for many years have preferred to use the privately owned and operated city banks as their correspondents rather than the Government-controlled Federal Reserve banks. The Federal Reserve Board has attempted many a squeeze play against the small bankers to force them into this System since they failed to succumb to their blandishments to join the System voluntarily. Twenty-five years ago the fight was the same as it is today. Once before, at that time the Reserve Board put pressure on the smaller bankers by attempting to outlaw their service charges for exchange. Congress had never authorized the Federal Reserve Board to do this and the smaller bankers, being men of courage, took the issue to court. The Supreme Court of the United States, in a decision by the great spokesman for the independence of the individual—Justice Brandeis—held that the Reserve Board had no right to force those nonmember banks to discontinue their customary business charges for exchange. Following this onslaught, the Reserve Board went back to the more sensible method of cultivating goodwill with the small bankers. But most of those bankers viewed the approaches with great suspicion because they represented the independent segment of our banking system which wanted to preserve our State banking institutions.

There are some people in the Federal Reserve who would like to see the State system wiped out, and substitute a Nation-wide branch banking system operated under Federal charter. That would be nationalization and socialization of our banking system. It would be the kind of thing that took place first in Germany before she socialized her entire industrial structure. Many of us in Congress, who believe in our democratic institutions, believe that a strong State banking system with many independent units, locally owned, is the best practical buffer the businessmen of this country have against the planners of national socialism.

Some of the boys in the Federal Reserve, who never gave up hope of bringing the small bankers into subjection, finally woke up to the possibility of using the interest prohibition statute as a means of wiping out exchange charges, the principal sources of income of many small bankers. This would tend to force them into the Federal Reserve System.

So one of their bright young lawyers drew up an opinion holding that, for the member banks to bear the expense of collecting the checks against the small nonmember banks, would be the equivalent of payment of interest. This turned the trick, because the small banks are in the country and most of their customers do a lot of business in the cities where most of the banks have to be members of the Reserve System. So the Reserve Board forced the city bankers to charge these expenses back to their customers. This made a lot of trouble for the little banks and was intended to force them to stop making the charges. It disturbed their customer relationships. Part of the campaign was to stir up the credit men with letters, such as that written by the National Association of Credit Men. The real objective is to bring about a boycott of the small bankers. But this is a foolish thing to do because small bankers have to have revenue to operate. They are public-service institutions in their communities, and the very businessmen who are being asked to boycott them, in many instances have subscribed for stock to keep the banks operating and provide necessary credit facilities to keep their communities alive. During all the time the 12 Government-managed Federal Reserve

banks absorbed for their privately operated member banks the same kind of expenses which these privately operated member banks are now being prohibited from absorbing for their customers.

Bear in mind that the Federal Reserve banks are the banks for the city bankers, and that the city banks are the banks for the country bankers. This has placed the private member banks at a competitive disadvantage with the Government-run institutions and gives the Federal Reserve banks another weapon to force the independent unit banks to join the System. When government competes with private business it is tough enough for private business without being put under a tailor-made handicap. But the Reserve Board is the dealer in this game, so the country bankers had to take the cards which were dealt them. The cards were dealt from a cold deck.

Everything would have been smooth going for the Federal Reserve Board's plan had it not been for three circumstances: The first was that the small bankers were smart, as well as courageous, and many of the larger bankers were sympathetic to their position. They refused to take the Reserve Board's ruling lying down. The second was that Congress protested the arbitrary ruling to force the small bankers into line. Congress had not authorized it, and refused to uphold the Reserve Board in a ruling really regulating exchange charges under the pretense of regulating interest, and the third circumstance was that the Federal Deposit Insurance Corporation, which has the direct financial responsibility of keeping those small banks in sound condition, and is the only Federal agency which supervises those institutions, held that the Reserve Board ruling was not only unauthorized by law, but that it undermined the banking structure of the country.

The Federal Deposit Insurance Corportion knew the small banks would not be able to operate without these exchange service charges. It knew that they could not increase their customer service charges, as their customers are already paying service charges as high or higher than the standard service charges in vogue throughout the country. It knew that these banks have different operating problems from those of the city banks—and this is something that the Reserve Board apparently did not know unless it did not care. The problem of these banks is simply that of locally owned public service institutions, serving communities which otherwise in many instances would not have banking service. They have to keep large sums of cash immobilized in their vaults or as deposits in city banks to take care of their customers' city needs—larger sums than the city banks which have ready access to security markets and money centers are required to keep. The city dweller who can get his check cashed at any hour of the day does not have to carry as much cash in his pocket as the man who has to drive 30 miles to town to get his check cashed. It is the same thing with banks. Furthermore, these country bankers could not shift their customers' cash day by day into short-term governments as the city bankers readily do. The Federal Deposit Insurance Corporation has studied these banks ever since it was created in 1933. It has made real progress in bank supervisory methods and has instilled lifeblood into our decadent bank supervisory system which went to seed in 1933 because of neglect and lack of understanding on the part of the Federal Reserve Board.

So Congress stepped in and the House of Representatives passed the Brown bill, H. R. 3956, which simply reversed the Federal Reserve Board's ruling. This bill was passed by a wide margin—about five to one. It was so wide that the opposition to the bill couldn't even muster enough votes to get a roll call and for that reason there was not an official count of the votes. The issue was not whether par clearance was desirable or undesirable. The Reserve Board always contended that its ruling was not for the purpose of enforcing par clearance, but to enforce the interest statute. But Congress knew differently and letters such as that sent out by Mr. Heimann clearly show that the real objective is par clearance and not interest regulation. Thus, the issue before Congress was whether the bureaucrats should usurpate or Congress should legislate.

Now the issue is not currency depreciation against 100-cent dollars. The issue is solvent banking with exchange charges against no banking for many communities if exchange charges are outlawed. Exchange charges are not growing as a few opponents of this bill have claimed. They have steadily decreased for over 25 years because of natural economic forces. I believe that until all bank service charges are brought under Government regulation, the natural forces should be allowed to deal with exchange service charges as they do with all other forms of service charges, without bureaucratic interference. The total amount of exchange charged in this country is not over $8,000,000 to $10,000,000 a year. This is a small fraction of the $2,000,000,000 annual operating revenue of our Nation's banking system which today has deposits over $100,000,000,000. The banking system in the future as in the past can well absorb the cost of collecting these checks and in so doing it is not subsidizing the small bankers because the small bankers are forced to keep over $700,000,000 of their funds on deposit in big city banks which invest this money and at an average investment return of 1 percent, receive $7,000,000 annually as income, which is more than the amount of exchange they have ever absorbed.

Furthermore, some of those who opposed this bill are ignorant of the law when they state that national banks or member banks of the Federal Reserve System be they State or National, are not permitted these (exchange) charges. This statement of the law is wrong. Ever since 1917 both National banks and State banks, members of the Federal Reserve System, have been authorized by Section 13 of the Federal Reserve Act to collect exchange charges on all remittances or clearings through the private banking system and many of these banks have collected and now collect these charges. The only restriction is that these charges may not be collected from the 12 Government-controlled Federal Reserve banks which do not directly serve the public. Here again the Government institution has been favored over private business. The exact language of the law on this question is as follows:

SEC. 13. Any Federal Reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national bank notes, Federal Reserve notes, or checks, and drafts payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal Reserve banks deposits of current funds in lawful money, national bank notes or checks upon other Federal Reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal Reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal Reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal Reserve bank: *Provided further*, That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve banks.

Practically every member bank in the country charges exchange for remitting in settlement of out-of-town clearings sent in direct to the bank. The charge is frequently omitted as a matter of reciprocity between banks having frequent clearings between one another.

Time and again it has been charged by the opponents of the Maybank bill that it discriminates against member banks of the Federal Reserve System, because it is said they cannot charge exchange while nonpar banks can and do so. This is the rankest sort of misrepresentation and the answer is plain to anyone who can read the English language and who will take a minute to read the Federal Reserve Act.

Section 13 of the Federal Reserve Act specifically, expressly, and in plain English words authorizes Federal Reserve member banks to charge exchange. Here are the exact words of the statute:

Nothing in this or any other section of this act shall be construed as prohibiting a member or non-member bank from making reasonable charges * * * for collection or payment of checks and drafts and remission therefor by exchange or otherwise.

The statute goes on to say that the Board of Governors shall determine and regulate the charges and also says that the charges shall not exceed 10 cents per $100 or a fraction thereof based on

the total of checks and drafts presented at any one time.

That is exactly and precisely how the nonpar banks charge exchange. They, too, charge exchange for collecting and paying checks and drafts and remitting therefor; and they, too, have a maximum charge which does not exceed one-tenth or one-eighth of 1 percent.

Now this statute which permits member banks to charge exchange goes back to 1917. It was an amendment to the Federal Reserve Act passed in 1917, and it is known as the Hardwick amendment. When the Hardwick amendment was up in 1917 the provision allowing exchange to be charged was adopted by the Senate as an amendment to a then pending bill. Because of the Senate amendment, the bill was sent to conference. The House agreed to the conference and the House conferees were specifically instructed by a motion passed by the House to agree in the conference with the Senate's amendment allowing banks to charge exchange. In other words, the managers on the part of the House were instructed by the House to agree in the conference to the Hardwick amendment.

In conference and at the very last minute, the conferees added to the Hardwick amendment the phrase which now appears in the law at the end of section 13, which says that "No such charges shall be made against the Federal Reserve banks." The reasons given at that time for tacking on this rider were set out in a letter sent to Congressman CARTER GLASS by Governor Harding of the Federal Reserve. He suggested that the Hardwick amendment be modified so that it would prevent exchange from applying to transactions with the Government. In other words, the tacked-on proviso was intended to save the United States Government money in connection with its financial transactions.

When the conference report came back to the House with the tacked-on rider, the change occasioned considerable debate by the Members of the House who contended that its Members had exceeded their authority and had violated the instructions which they were given. The late Congressman Pat Harrison, of Mississippi, strongly criticized the House conferees for what they did and charged that under that tacked-on provision, the Federal Reserve Board "could undo everything we propose to do by the amendment." In other words, he stated that the tacked-on rider practically emasculated the Hardwick amendment which the House managers had been instructed to accept. He further went on to say, "There can be no doubt that the Federal Reserve Board wants the power to destroy the right of member banks to make these exchange charges, and it is wrong to give the Federal Reserve Board authority so broad that it may defeat the intention and will of the House, and that is what the managers on the part of the House have done."

The nonpar bankers, however, were deceived by being told that the rider would not affect their rights but merely was put in there to save the United States Government from paying exchange charges on its transactions which were quite large at that time, due to the Liberty bond drives. In fact, the nonpar bankers accepted the rider because the general counsel of the American Bankers Association in a formal opinion told them that the amendment even with the rider would permit nonmember banks to charge exchange on collections which the Federal Reserve banks were handling in their customary agency capacity as distinguished from those which they were handling in an ownership capacity. Congressman CARTER GLASS tried to justify the action of the House managers in accepting the rider despite the specific instructions of the House to the contrary by trying to throw the blame therefor onto the Senate managers and by referring to Federal Reserve Governor Harding's letter concerning the position of the United States Government in connection with its Liberty loans.

The nonpar bankers accepted the rider in good faith, accepting the reasons which were offered at that time for the rider. The deception, however, became complete when the Attorney General of the United States ruled in 1918 that the opinion of the American Bankers Association's general counsel was not sound and issued an opinion to the contrary so that the nonmember banks were prohibited from charging exchange not only on collection charges owned by the Federal Reserve banks but also on those which they were handling in an agency capacity. Thus, the banks were deprived of the clearing facilities of the Federal Reserve banks for checks drawn on nonpar banks and the emasculation of the Hardwick amendment which both the Senate and the House passed and the President signed became complete.

As a practical matter and as a factual matter, every banker will admit to you as the opponents to this bill admitted at the hearings that member banks do charge exchange. For exchange is charged on all checks that come to them except from the Federal Reserve banks.

Thus, the opposition's whole argument collapses like sand running through your fingers, the law being exactly contrary to their claims.

Sound banking can be assured only by the passage of the pending bills, because they will relieve these banks from the pressure to discontinue a source of income which they cannot replace but which they must have in order to operate without loss. Your business will not profit if many small rural communities of this country are deprived of banking service. The deposits which these banks carry are sufficiently profitable to the private banking system of this country for it to stand these expenses instead of milking the public for them. To say that our banking system or the Federal Reserve System is jeopardized in the slightest degree by permitting banks to run their business without regimentation from Washington as to the character of the service charges which they can levy is to appeal to fear and not to reason.

Some firms have been urged by the Reserve Board to tell their customers that they are not accepting their checks on any nonpar bank. This is a stimulated boycott of small business. It is the kind of thing that I do not like to see happen in this country—to have one group of businessmen start a boycott against another. It is a tragedy to see such a boycott started by one of our big Government bureaus. The Federal Reserve Board may make it tough for the small banks by stimulating this boycott among commercial businessmen, but it is going to be tough on their customer relationships as well. I say to you Senators do not be drawn into a campaign to uphold a Federal agency in regulating business which Congress has not authorized merely because it does not affect your business. You will merely be undermining our constitutional system of government. Any step of this kind will boomerang against the businessmen who started it, because if one agency can make illegal rules affecting one group of businessmen, another agency can make more rules affecting another group and the latter group may include the very men who are against this bill. Even though a few constituents are against exchange charges think straight on the principal question which is not exchange charges, but abuse of governmental power. That is the only issue.

Mr. MAYBANK. Mr. President, I desire to state that the time which remains for the proponents of the amendment has been allotted as follows:

Senator STEWART, 5 minutes; Senator PEPPER, 5 minutes; Senator RUSSELL, 10 minutes; Senator BANKHEAD, 5 minutes; Senator GEORGE, 5 minutes. That will take up the time which has been allotted to the proponents of the amendment.

As there are 1 or 2 extra minutes, if I may be permitted to do so, I should like to read a telegram which is addressed to me, as follows:

ATLANTA, GA., *December 13, 1944.*

Senator BURNET R. MAYBANK,
*Senate Office Building,*
*Washington, D. C.*

When I appeared before the Senate Banking and Currency Committee yesterday a Senator questioned my statement that member banks are now absorbing exchange. I have investigated further and am reliably informed banks in the following and probably other cities are now absorbing exchange namely, Nashville, Memphis, Louisville, Houston, Fort Worth, Shreveport, Jackson, Meridian, Baton Rouge, and Palm Beach. Please read this telegram to the committee and insert in the RECORD.

SHERMAN DRAWDY.

Mr. President, in short it appears that the F. D. I. C. says that the present practice with regard to exchange should be continued and the Federal Reserve Board says that it should not be. Certain banks believe that the Federal Reserve Board is wrong, and do not believe in government by order, so they continue to absorb exchange. This they believe to be legal.

Mr. STEWART. Mr. President, I merely wish to say a word or two. I chiefly want to place myself on record as being in favor of the Maybank bill or amendment as it is now before the Senate and as being opposed to the so-called regulation Q.

I think, Mr. President, regulation Q is a specimen of arbitrary action on the part of those responsible for it, the same type of action as we have seen evidence of in various departments of the Government within the past few years. It is almost the equivalent of legislation itself. I mean to say that the Federal Reserve Board, which is responsible for this arbitrary action or ruling, is virtually entering the field of legislation. That Board was fully aware that the Congress has in the past been opposed to the passage of such legislation as would declare the charging of exchange on checks to be an item of interest within the purview of the pertinent provision of the Federal Reserve Act.

The passage of the Maybank bill or the adoption of the pending amendment will, I presume, prevent the enforcement of regulation Q. I say "I presume"; I thought before the regulation was adopted that the Federal Reserve Board had sufficient respect for Congress to justify the belief that they would follow the policies which Congress had laid down, and not undertake to make such a strained construction of the law as they appear to have tried to do in this case. I think it will be made somewhat plainer if the pending amendment can be adopted, that Congress does not intend that regulation Q shall be put into effect and many of the smaller banks of the country destroyed and the existence of others jeopardized.

As to Tennessee, I should like to read an excerpt from the testimony the other day before the Banking and Currency Committee by Mr. Clark, the superintendent of banks of my State:

> Tennessee has 222 State-chartered banking institutions, 161 of which charge exchange under the authority granted them by the law of Tennessee. These institutions are known as nonpar, nonmember banks. They are located in the small towns of the State and they serve the communities along with their churches and schools. Approximately 95 percent of these banks afford the only banking service available in their respective towns and villages. An analysis of the earnings reports of these banks shows that 84 percent of the net income of the Tennessee nonpar country banks for the year 1943 was represented by exchange and service charges. Without this source of income, 33 of these institutions would have had an operating deficit or a loss for that year, and a greater number would have shown earnings in an amount less than $1,000 for the entire year.

So, Mr. President, this is a very serious matter. It is an effort to change the system which has been built up throughout the years; it is an effort completely to turn around and face about, so to speak.

I could say more on the subject; a great deal has already been said and much more will be said, but with these observations I think I shall content myself, and say that I hope the Maybank amendment will be agreed to by the Senate.

Mr. RUSSELL. Mr. President, I desire to address myself very briefly to the pending question. From having listened to the discussion on this floor yesterday by those who are opposed to the so-called Maybank amendment one would think that something entirely new was being thrust upon the banking system of the country which endangered the future soundness of our banks.

The distinguished senior Senator from Michigan [Mr. VANDENBERG], with much more heat and vehemence than accuracy, went so far as to designate the exchange system and the absorption of exchange as a new device, and then he proceeded to indict himself for being an expert in banking and plead guilty to the charge. I cannot accept expert testimony of that type, even though I do not pretend to be an expert, when I know as an historical fact that the charging of exchange or the absorption of exchange are banking practices which are as old as commercial banking itself. The issue here is not as to whether something new is being engrafted on to the banking system of this country. The question which is being presented here in behalf of a group of small banks is as to whether they are to be crucified and federalized by an edict issued by the Federal Reserve Bank Board. That is the issue.

It has been said that this is a controversial question. It is a controversial question; it is a controversy which has raged in the United States for almost half a century. Since I have been a Member of this body, which is not so long a time, there have been two big banking fights here as to whether or not we should enforce par clearance on all the banks in the United States, and this is a part of that fight. The Federal Reserve Board having failed to persuade the Congress to give them these powers, comes here now under what I view as a wholly unwarranted construction of law, and attempts by an interpretation of a congressional act to enforce the powers which the Congress denied them.

Exchange was charged and exchange was absorbed by the banks a long time prior to 1933. It was the custom and practice from 1933 down to 1943, and the Federal Reserve Board, despairing of getting congressional action which would be damaging to an infinitesimal number of banks of this country, so far as deposits are concerned, and in a way still further to promulgate their desire to incorporate all banks into a federalized system, and to break down the dual system of banks, are now undertaking to enforce this order. The question is not as to something new we are going to do to the banking interests, the question is whether or not Congress is going to proceed in an orderly manner to control the question of par clearance, or whether we are going to let the Federal Reserve Board do it by this regulation they have issued.

Mr. President, in this country we have two great divisions of government which have to do with banks. We have our Federal Deposit Insurance Corporation, which organization is interested in every public bank in the United States, whether it be State or whether it be National. That Corporation is presided over by Hon. Leo Crowley, an able administrator, and, for a bureaucrat, a man who has shown an intense recognition that the Congress does exist, and who seems to be willing to let Congress legislate in vital matters like that before us. The other division is the Federal Reserve Board, which has control of and responsibility for the members of its own System, and this Board is constantly reaching out for power, and seeking to exercise influence over all the banks in this country.

Senators need not mistake the fact that the question of the dual banking system, the question whether the State banks ought to be permitted to exist, the question of branch banking, as well as the question of the life and death of a number of smaller banks, are all wrapped up in the issue which is presented to us here today. For my part, I am willing to accept the statement of the Honorable Leo Crowley that no law conferred upon the Federal Reserve Board any power such as that they attempt to exercise because I can find no such law, and I can find no custom or practice of the Federal Reserve System in the past, which would justify them at the late date of September 1943 undertaking to change the system, and impose, indirectly by a flank attack on the smaller banks, what the Congress had twice denied when banking legislation was pending in these Halls.

The smaller banks are merely asking that the system as it obtained prior to September 1943 be allowed to continue to operate until the Congress of the United States—the people's representative—themselves see fit to address themselves to this subject, and to pass some law which would regulate the system of the absorption of exchange and the question of charging exchange.

We hear much about the small businessmen in this country. Senators take the floor and pour out gushing words of sympathy for small business. In the matter which is pending before us there is involved the true segment of small businessmen of our country—the smaller banks—who ask that they be not required to change their methods and practice in banking—the operation of their business—unless it be done at the behest of the Congress of the United States.

I say, Mr. President, that there is every justification for approving the Maybank bill, now pending as an amendment. Instead of striking down or endangering the entire economic system, as has been charged by some of those who are opposing the pending amendment, it merely leaves the banking system in the status and in the condition in which it has been since the beginning of the operation of commercial banking.

These little banks are entitled to the relief sought; they are entitled to an opportunity to present their cause to the Congress of the United States. I was amazed to hear the argument made that because only 2 percent of the banks were involved it did not make any difference whether we legislated for them or not. Where have the rights of minorities in this country gone, where have the rights of small business in this country gone, if 98 percent of the business is to be per-

mitted to extinguish the life of the other 2 percent without the Congress of the United States passing a law under which the defendants are convicted and executed?

The whole question of small business and the future of small business is bound up in this proposition. The regulated is a step forward in federalizing all the banks, and it would result in crucifying the smaller banks, which are dependent for their maintenance and for their operation upon the absorption of these exchange charges.

The argument has been raised by the able Senator from Ohio, and perhaps by others, that the measure should not be taken out of the hands of the Banking and Currency Committee in any such summary manner. I submit, and every Member of the Senate knows it is a fact, that there is nothing unusual in taking a bill that is pending in a committee and offering it as an amendment to some other proposition. The mere fact that hearings happen to be in progress at this time cannot alter that custom and that practice. It has been followed innumerable times. A legislative proposal separate and of a distinct character has been pending in a committee, but when it seems that it could not be considered otherwise in the Senate, it has been offered as an amendment on the floor of the Senate. It may not be a good practice, but it would certainly not be a great consolation to the little banks whose lives as businesses are involved in the pending amendment, to get a New Year greeting telling them that the Banking and Currency Committee had concluded hearings on their bill just as the Seventy-eighth Congress was dying.

The able and diligent Senator from South Carolina has made every effort, in and out of season, and some of us who are interested in the measure have supported him as earnestly as we could, to see that the Committee on Banking and Currency did have a hearing, and finally a hearing is called just as we are getting ready to adjourn and return to our homes, and because that hearing has been called, we are told the pending amendment should be defeated. I appeal to those interested in the dual system of banking, and those who believe in small business, to help us do justice by restoring the status quo of September 1943.

The PRESIDING OFFICER (Mr. ELLENDER in the chair). The Senator's time has expired.

Mr. TAFT. Mr. President, will the Senator from Georgia answer a question in my time?

Mr. RUSSELL. I shall endeavor to do so.

Mr. TAFT. Does the Senator claim that under no circumstances can the absorption of exchange be a payment of interest?

Mr. RUSSELL. Oh, no. Of course it could be drawn out to where it would amount to that; but the Senator is not undertaking to define the absorption of exchange and what exchange is. The Senator from Ohio is taking the position that the Federal Reserve Board, in the absence of legislation from Congress, has the right to declare a practice of 50 years' standing as being the payment of interest, when the Congress has had opportunity after opportunity to legislate upon the subject and has never done so.

Mr. TAFT. I do not understand the Federal Reserve Board has done that. I do not understand they have done any more than the F. D. I. C. has done; that is, make a regulation providing that if this practice is resorted to as a device for payment of compensation to a depositor for the use of his funds, then it is an indirect payment of interest, and in a particular case they ruled that the evidence showed that it had been used as a device for the payment of interest, for compensation for the use of funds. There is no regulation beyond that. If they attempt to stop the practice, it seems to me they have to bring suit and prevent the bank from doing it. There is a penalty involved. It seems to me the amendment proposed makes the payment of exchange legal under any circumstances, even though it is used as a device for the payment of interest.

Mr. RUSSELL. Mr. President, the amendment as proposed perhaps in some circumstances might have that result, but Congress can cure this matter without permitting the Federal Reserve Board to stifle the life of a number of small banks which are important to the agricultural life of this country.

Mr. TAFT. I should like to say that I question the Senator's statement in that regard. After all, this is a method of charging the depositors a service charge, and it seems to me far more reasonable to charge the depositors directly that service charge and raise the same amount of money than it is to charge, in effect, the man who gets the check.

Mr. RUSSELL. Yes. Of course, the Senator from Ohio knows that service charges in one form or another are made by all the banks, including the Federal Reserve System members.

Mr. TAFT. Yes.

Mr. RUSSELL. And that could be in the nature of an interest charge. But the Senator from Ohio and the Federal Reserve System are not concerned with that type of service charge which operates wholly within the bank. What they are doing is to pursue a course which is calculated to federalize the banking system by bringing all the banks into the Federal Reserve System.

Mr. TAFT. I do not agree with that statement at all. I do not see why it tends to bring the banks into the Federal Reserve System. It might conceivably have some effect in forcing a par clearance system, but that does not necessarily bring them into the Federal Reserve System. In fact many of the smaller banks are ineligible for the Federal Reserve System today.

Mr. RUSSELL. Yes; I am aware of that, but a number of them are eligible, and the Federal Reserve System has conducted a threat campaign ever since its creation to endeavor to bring all the banks of this country who are eligible within the control of the Federal Reserve System, and if this is not a movement in that direction, by eliminating one of the reasons why the banks have not heretofore joined, why then I am unable to understand it.

The Senator from Ohio says that the decision was only made in the case of one bank; that the Board contended that the absorption of the exchange in that case was a payment of interest. That might be true, but the Senator knows also that the word went out from Federal Reserve headquarters here in Washington, down through the entire Federal Reserve System, that they had to cut out the absorption of exchange, because in any guise the Board would prevent it and would penalize the members of the Federal Reserve System who participated in the absorption of exchange, whatever might be its amount.

Mr. TAFT. I do not think anyone can question the regulation. The Senator is simply saying that the Federal Reserve System is interpreting this regulation in an incorrect manner. If it is doing so, I do not see why the courts are not capable of determining the meaning of the statute and of the regulation. The Federal Reserve System has not assumed to make a regulation which says that this is an illegal practice.

Mr. RUSSELL. I understand it is an interpretation which they have undertaken to issue to take the place of law. What I was beginning to say, in answer to the Senator's question, when he answered his own question himself, was that word went down through all the Federal Reserve banks, through the entire System, that the Reserve banks could not deal with these small banks any longer on the basis of absorption of exchange. The Federal Reserve System may win a temporary victory here today by referring to the fact that banks having 98 percent of the deposits of this country are in favor of this System, but the word that went out from the Federal Reserve System will be like the word that went out from Shushan, the palace, that Mordecai, the Jew, should die; they are building a gallows here on which they will eventually hang, in my judgment, when the people of this country, who are not in favor of control by the big banks, see what is really being done to the dual system of banking in the United States, and the spread throughout the country of a complete system of branch banking that will follow if all the small independent banks are dried up.

Mr. TAFT. But the Senator should know that in my State all the small banks, the small-business men, are against the bill which is now offered in the form of an amendment. The condition the Senator states is merely a local situation in a limited number of States, and so far as I am concerned, far from it being a fight between large and small banks, it is a fight in behalf of all the banks of my State against the bill itself.

Mr. RUSSELL. Yes; I know. I appreciate that the Senator has permitted me to speak in his time. If I had more time I would have adverted to the many reference which have been made to the tremendous number of telegrams which have come in. Of course, when the Federal Reserve System, as powerful as it is, puts on a campaign like they have at the present time, they, through the control

of the State banking associations and others can flood their Senators' offices with telegrams.

Are we to legislate here on a question that involves the right of a minority of the banks of the country, solely and exclusively on the number of telegrams and the opposition of the banks that are members of the Federal Reserve System, or that are under obligation to the Federal Reserve System? We are insisting on the rights of the minority who are not in the Federal Reserve System, and who are not controlled or whose spokesmen are not under the control of the Federal Reserve System.

Mr. TAFT. The most effective witness I heard was a small banker from Beatrice, Nebr., who was not a member of the Federal Reserve System, who was operating a par bank, whose argument was that it was the only proper way to run a bank; that he had succeeded where others had failed, because he did run a par-clearance bank, and had given up the practice of nonpar clearance which existed when he entered the business. He was the most effective witness I heard. He was a small-business man.

I do not say that the number of telegrams is to be considered as conclusive; I never made such an argument; but, inasmuch as the committee had no opportunity to make a report, I thought those facts ought to be before the Senate.

Mr. RUSSELL. I doubt not that the witness described by the Senator made a profound impression, because he is the exception that proves the rule that nearly all the small independent bankers are opposed to this interpretation of the act of Congress as wholly unwarranted.

Mr. BANKHEAD. Mr. President, of course, within 5 minutes it is impossible for me to undertake a thorough discussion of the issues involved in this measure, so I shall confine my remarks to one phase of the matter. I shall discuss a subject which has been talked about so much within the last few years, but about which very little has been done, and that is rule by bureaus.

Since 1935—at least that far back—the Federal Reserve System has been endeavoring to establish the rule laid down in regulation Q. They have known during all that time that the smaller banks and their friends resisted their right to put into effect any such regulation. What have they done about it? Have they ever come to the Congress of the United States and asked to be allowed to do that which the opponents said they had no power to do? No. They have been here when other measures have been under consideration during that time. They could have put this program into numerous bills they have presented to Congress, and secured its adoption. But they dared not come here and ask in an open aboveboard way for this power to oppress the smaller banks.

What is interest, Mr. President? This measure, as can be seen, merely provides that the present law shall not be deemed to prohibit the absorption of exchange or collection charges by member banks. It is proposed to establish that rule by regulation Q, as follows:

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

The Board says it has the right to define what is interest under that section, and that is the section from which it claims to obtain authority for the regulation promulgated by it.

What is interest, Mr. President? Who does not know the common understanding and acceptation of the word "interest"? Is interest a service charge made in the regular course of events, not made temporarily, not made because of some expediency, but made over 100 years in the due course of banking business? Is interest something which has always been classified and termed and recognized as a service charge, an exchange charge, a charge for doing the work necessary to collect an item, a check, we will say, for some other banker or some customer, or perhaps a charge for sending out a messenger, the payment of postage, the use of stationery?

Now, at this late date, afraid to come to Congress, the Federal Reserve Board issues a fiat—in effect, it enacts a law—saying that this practice shall be stopped, because it is said to be equivalent to the payment of interest. In its might and power, the Federal Reserve Board calls it an interest charge. That is an absurdity in the mind of every practical and understanding man in the country. The Board engages in a subterfuge to claim power which it does not possess, and which it dared not use until now, after the program had been in operation all these years, and after such authority as the Board has on the subject was vested in it many years ago.

I submit, Mr. President, that the Federal Reserve Board should not be permitted to affect the very lives of so many small banks, endanger their credit, and threaten the security of many depositors. When Congress is in session most of the time, the Federal Reserve Board should not be permitted to usurp the function of Congress by issuing decrees. It should be required to do as other agencies must do under the orderly processes of government.

As has been stated in this debate, the Board has a friendly committee in the Senate. Long ago it could have brought to the attention of Congress what it desired to do. Instead, the Board has asserted its own power to do something which Congress has not been willing to do. When the Board first attempted to put its rule in effect, it was bitterly resisted by Members of the Senate and of the House, indeed, so strongly resisted that the effort, made in 1935, 9 long years ago, was abandoned. A great man in the House of Representatives, who was an outstanding friend of the small bankers of the country, made the fight against the effort in 1935, and the Federal Reserve Board backed down in the face of his opposition. I refer to the late chairman of the House Committee on Banking and Currency, Henry Steagall. The effort to put into effect an unlawful rule was not renewed until that great man had passed away. Then, without delay, the Board said, "Here is our opportunity. We will now go to work." As a result, we are here today, trying to prevent the rule of bureaucracy.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a definition of "interest" from Bouvier's Law Dictionary, third revision; also a provision of the National Bank Act, which is found in section 5197 of the Revised Statutes.

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

DEFINITION OF INTEREST

(Bouvier's Law Dictionary, third revision)

On debts: The compensation which is paid by the borrower of money to the lender for its use, and, generally, by a debtor to his creditor in recompense for his detention of the debt.

The compensation allowed by law or fixed by the parties to a contract for the use or forbearance or detention of money. (*Fisher* v. *Hoover* (3 Tex. Civ. App. 81, 21 S. W. 930).)

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DIFFERENCE BETWEEN INTEREST AND EXCHANGE

The National Bank Act recognizes the difference between interest and exchange by the following provision, which is found at the end of section 5197 of the Revised Statutes (12 U. S. C., sec. 85) which reads as follows:

"And the purchase, discount, or sale of a bonafide bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

Mr. PEPPER. Mr. President, I heartily concur in the able argument which has been made by the distinguished Senator from Alabama [Mr. BANKHEAD] in behalf of the pending amendment.

This amendment would simply preserve a practice which has been common to the small country banks of this country for more than 100 years, and which has continued without interruption during the 10 years that the interest provision has been in the statute, under which, at last, the Federal Reserve Board has laid down this prohibition.

Mr. President, approximately 2,700 country banks are affected by this regulation of the Federal Reserve Board. Those 2,700 country banks serve 2,700 rural communities, which are not a part of the city areas of the Nation.

Surely if we were to do anything, as a Congress, to affect the banking structure of this country, we should do something which would give greater encouragement, strength, and protection to the small banks of the country. We all know that in the opinion of some, the small bank should go the way of the independent grocery store. There are some who believe that we should have a national fiscal structure, out of which should be driven entirely the country banks. There are those who believe that the whole banking structure of the country should be centered in the great city banks, and that wherever there are small banks, they should have their existence only as a part of a great chain of banks.

Mr. President, I wish to preserve in America the right of the citizen to sit across the desk from the man who actually operates the bank. I wish to preserve in the loan policy of the banks of this country the personal equation, and the element of personality in the borrower himself. I do not wish to have the president of a large bank, sitting at the top of an air-conditioned building in some great city, in the cold isolation of his ivory tower, passing upon the lives, hopes, and dreams of the people of the Nation who call upon the banking structure for aid when he considers loans which are proposed to be made by banks of his chain all over the State or the area which he dominates.

In the interest of preserving the small and independent banks of America, I hope that the pending amendment will be adopted.

Mr. LA FOLLETTE. Mr. President, in the brief time at my disposal it will be impossible for me to discuss the various aspects of the amendment which is now before the Senate. Let me say briefly that I cannot share the apprehensions expressed by Senators who have spoken in opposition to the amendment, in view of the fact that this practice was continued for some time, and in view of the further fact that I do not believe that this case is on all fours with the action taken by the Congress in amending the Federal Reserve Act in 1933 and 1937.

I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a letter which I have received from Mr. W. T. Doar, vice president of the Bank of New Richmond, at New Richmond, Wis. The letter was written on April 21, 1944, to Mr. George D. Prentice, president of the Wisconsin Bankers' Association, Milwaukee, Wis. I have Mr. Doar's permission to insert the letter in the RECORD.

I myself intend to vote for the pending amendment, because I believe that under all the circumstances the action it proposes is justified.

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

BANK OF NEW RICHMOND,
*New Richmond, Wis., April 21, 1944.*

Mr. GEO. D. PRENTICE,
*President, Wisconsin Bankers' Association, Milwaukee, Wis.*

DEAR MR. PRENTICE: Your communication as president of the Wisconsin Bankers' Association, of April 6, 1944, addressed "to all association members" concerning, as you say, "opposition to legislation pending before Congress which would define absorption of exchange as not constituting payment of interest on demand deposits and therefore not in violation of regulation Q as interpreted by the Federal Reserve Board" aroused my interest and accordingly I made some study of the subject matter. I think we should take a positive stand in support of the legislation.

I have had access to the document containing the hearings before the Committee on Banking and Currency of the House of Representatives and have also examined letter put out by the National Association of Credit Men, and have considered the opinion of Hon. Francis C. Brown, general counsel of the Federal Deposit Insurance Corporation, and the communication of Hon. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, of March 16, 1944, as well as communications issued by Ben DuBois, secretary of the Independent Bankers' Association, and much other information on the subject.

The more I considered the information above referred to, the more I became convinced that it is a subject that vitally interests all banks and that your letter would have the effect of assisting those who are attempting to defeat the bill. I am an officer and director in three State banks and a director in a fourth, all located in this part of Wisconsin, and I keep in touch with the affairs of these banks and I have, therefore, a keen interest in any legislation affecting banks or banking.

The Maybank bill, S. 1642, which is a companion bill of H. R. 3956 (so-called Brown bill that was overwhelmingly passed by the House of Representatives) is aimed to clarify by legislation the question of whether or not the absorption of exchange charges constitutes the payment of interest on demand deposits.

The Maybank bill above referred to, reads as follows:

*"Be it enacted, etc.*, That the first sentence of the twelfth paragraph of section 19 of the Federal Reserve Act, as amended (relating to the payment of interest by member banks on demand deposits), is amended by inserting, before the period at the end thereof, a colon and the following: *'Provided further*, That this paragraph shall not be deemed to prohibit the absorption of exchange or collection charges by member banks'."

A strict interpretation of the above legislation would mean that all banks will be permitted to carry on their interbank relationships in a cordial and friendly manner and without interference by unwarranted regulations.

You state in the second paragraph of your letter that the association should maintain a neutral position on the Brown and Maybank bills. However, you, as president of the Wisconsin Bankers' Association, indirectly, if not directly, advocate defeat of the Maybank bill and use the facilities of the association in circularizing your view to its members. In suggesting the defeat of the bill you have apparently based your premise largely upon the assumption that it will tend to enforce par clearance. I do not agree with your view in this respect and believe that the American banking fraternity should be given credit for having sufficient business acumen and foresight to determine the manner in which it proposes to operate its affairs. I do not believe that the passage of the Maybank bill would cause any banker to engage in any practice which could be construed as being in violation of the general principle involved in the question of payment of interest on demand deposits. The four banks with which I am associated are nonpar banks, and the income derived from their exchange charges constitutes a substantial portion of their net earnings. I, therefore, strenuously object to the manner in which the Federal Reserve Board is attempting indirectly to enforce par clearance through an administrative ruling without proper legislative authority. The Federal Reserve Board's interpretation of regulation Q directly affects the operations of these banks, and, in addition, we are confronted with unnecessary expense and confusion in carrying out our customers' relations.

The absorption of exchange charges by correspondent banks is an old-established practice, and I do not believe that it was the intent of Congress to prohibit such practice when they voted for the Banking Acts of 1933 and 1935. If it had been the intent of Congress to enforce universal par clearance, would it not have amended paragraph (1) of section (13) of the Federal Reserve Act, as amended by the act of June 21, 1917, which expressly does not prohibit a National bank or a State bank that is a member of the Federal Reserve System from charging exchange up to 10 cents per $100 or fraction thereof, except that no charge shall be made on cash letters received from the Federal Reserve banks.

The merits of par clearance are not at issue in the proposed legislation, and I can only believe that you have overlooked the paramount issue in the controversy, which is: Are we to be governed by legislation or by regulation?

According to a news item in American Banker of date April 15, 1944, the Federal Reserve Board has now reversed its interpretation of regulation Q, as published in the September 1943, issue of the Federal Reserve Bulletin and confines such interpretation to instances where the absorption of exchange is applicable to those cases where, to quote from the news item, "a bank absorbs exchange 'as a matter of operating efficiency,' and does not do so under contract and as an inducement to attract demand deposits, it is not in violation of regulation Q and the exchange fees absorbed are not held to be a payment of interest illegally on demand deposits." Despite this change in the rule of the Federal Reserve Board, I still believe the question should be definitely settled at this time and, believe that the Maybank bill will clarify the situation by legislative action.

The defeat of the Maybank bill will, in my opinion, have a damaging effect on the future of the small or country banks, which in this State constitutes the major portion of those outside the city of Milwaukee. Furthermore, I believe that to permit interpretations of statutes by the Federal Reserve Board will definitely hasten the day when our dual banking system is a thing of the past. As an association, should not the future welfare of the majority of the banks in the State be considered rather than the benefit that will inure to those few correspondent banks in the larger centers? On inquiry, I have failed to find that any of the banks in this section of the State had an opportunity to express their views on this subject and, therefore, I respectfully and seriously question your statement that a substantial majority of the members of the association are opposed to this legislation. I, therefore, think your letter might contribute to the defeat of the Maybank bill. It is my view that this bill should become a law.

I am forwarding a copy of this letter to each bank in the State of Wisconsin in order that the association members may be apprised of my views. Furthermore, I respectfully urge bankers to give some attention to the importance of the passage of this bill and that such bankers should communicate with the Senators in the United States Senate and urge the passage of the bill.

Yours very truly,

W. T. DOAR,
*Vice President.*

Mr. TAFT. Mr. President, I request no further time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina [Mr. MAYBANK].

Mr. TAFT. 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:

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|---|---|---|
| Aiken | Burton | Clark, Mo. |
| Austin | Bushfield | Connally |
| Bailey | Butler | Cordon |
| Bankhead | Byrd | Danaher |
| Bilbo | Capper | Davis |
| Brewster | Caraway | Downey |
| Brooks | Chandler | Ellender |
| Buck | Chavez | Ferguson |

| | | |
|---|---|---|
| George | McClellan | Stewart |
| Gerry | McFarland | Taft |
| Gillette | McKellar | Thomas, Idaho |
| Green | Maloney | Thomas, Okla. |
| Guffey | Maybank | Thomas, Utah |
| Gurney | Mead | Truman |
| Hall | Millikin | Tunnell |
| Hatch | Murray | Tydings |
| Hawkes | O'Daniel | Vandenberg |
| Hayden | O'Mahoney | Walsh |
| Hill | Pepper | Weeks |
| Holman | Radcliffe | Wheeler |
| Jenner | Reed | Wherry |
| Johnson, Calif. | Revercomb | White |
| Johnson, Colo. | Reynolds | Wiley |
| La Follette | Robertson | Willis |
| Langer | Russell | Wilson |
| Lucas | Shipstead | |
| McCarran | Smith | |

The PRESIDING OFFICER. Seventy-nine Senators have answered to their names. A quorum is present.

Mr. TAFT. Mr. President, I yield 2 minutes to the junior Senator from Maryland [Mr. RADCLIFFE].

Mr. RADCLIFFE. Mr. President, at this late hour I shall not attempt any discussion of the merits of the pending amendment, but merely refer to one aspect of procedure.

I am in sympathy with doing everything which can properly be done for the small banks, but the Banking and Currency Committee, of which I am a member, has held hearings in regard to the so-called Maybank bill for only a few days. Many important witnesses have expressed a wish to be heard and so far there has been no such opportunity. We know that the Federal Reserve Board and the Federal Deposit Insurance Corporation are not in accord with regard to this amendment. I hope that the Senate will not attempt to pass upon this important subject today. I am sure that if the Senate will wait until the hearings can be completed it will be only a month or so before the measure can come before the Senate, in due course.

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

Mr. RADCLIFFE. I yield.

Mr. RUSSELL. I ask the Senator when the hearings on this bill were commenced?

Mr. RADCLIFFE. They were begun several days ago.

Mr. RUSSELL. Does not the Senator from Maryland know that it would be absolutely impossible for the committee to go through a lengthy hearing and at this session of Congress give the people the relief which is sought in the Maybank bill? The bill has been before us since January of this year, and now, on the eve of adjournment, when we are expecting to go home for Christmas, it is suggested that hearings be held.

Mr. BANKHEAD. Mr. President, I may say to the Senator that if the bill were passed it would merely retain the present status quo.

Mr. RADCLIFFE. Mr. President, I should like to say to the Senator from Georgia that the Banking and Currency Committee has been very busy with various matters. I do not know whether it was possible to take up the bill at an earlier date. In view of the fact that the hearings have already proceeded in part, they could be taken up again I believe, shortly after the first of the year on a similar bill and soon completed.

This matter is quite technical and is one of considerable magnitude. I hope the Senate will not deviate from its customary procedure as to hearings but will later on consider carefully the situation as to smaller banks, and also examine into other serious questions involved.

I hope the amendment will not prevail. We can study the merits of the measure later on in our customary manner.

Mr. TAFT. I yield 1 minute to the junior Senator from Kentucky for the purpose of inserting something in the RECORD.

Mr. CHANDLER. Mr. President, last March I asked the director of the division of banking of my State to express his view in respect to the proposed legislation. I have received a letter from him in reply to my request, and I ask that it be printed in the RECORD at this point as a part of my remarks.

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

DEPARTMENT OF
BUSINESS REGULATION,
DIVISION OF BANKING,
*Frankfort, March 28, 1944.*

Senator A. B. CHANDLER,
*United States Senate Office Building,*
*Washington, D. C.*

DEAR HAPPY: I desire to call your attention to Senate bill 1642 introduced by Senator BURNET MAYBANK. This is an identical bill to the one introduced by Congressman PAUL BROWN, and known as H. R. 3956, which has already passed the House.

The purpose of this bill is to permit banks desiring to do so to continue the practice of absorbing exchange charges. This practice has been followed for many, many years, and the question has received the attention of Congress in the past and Congress has persistently refused to enact legislation prohibiting the practice. It appears that the Federal Reserve Board, desiring to prohibit the practice, has attempted to do by regulation what legislators have refused in legislation, by interpreting regulation Q, issued by the Federal Reserve Board, as prohibiting the absorption of exchange charges by interpreting such absorption as the payment of interest upon demand deposits. This interpretation is contrary to the interpretation given by the Federal Deposit Insurance Corporation under its regulation IV.

There has apparently been a disagreement between the Federal Deposit Insurance Corporation and the Federal Reserve Board for a number of years, and in February 1937 the two Federal agencies apparently agreed that the absorption of exchange charges where demand deposits were not solicited by means of an offer to absorb the exchange charges, did not constitute the payment of interest upon demand deposits, and therefore, did not violate regulation IV of the F. D. I. C. or regulation Q of the Federal Reserve Board.

Only recently the Federal Reserve Board has issued a new interpretation upon the matter, thus again forcing the attention of the matter to Congress. Since the enforcement of the Federal Reserve Board's present interpretation would disrupt and interfere materially with the normal correspondent banks' relationship and service, it is my opinion that unless the Federal Reserve Board will recede from its present interpretation as they did in 1937, at the request of certain members of the appropriate committees of Congress, the Maybank bill should be passed, thus preventing the Federal Reserve Board from interpreting regulation Q so as to interrupt the normal relationship between the correspondent banks and their country bank customers.

There are only 8 or 10 banks in Kentucky making exchange charges; therefore, it is not a serious question in Kentucky, but the interpretation of regulation Q shows a trend toward Federal interference with State banks, which are not under the supervision of the Federal agency, since the apparent result of the interpretation would force all banks whether members of the Federal Reserve System or not upon a par clearance basis. Frankly, I am in favor of par clearance, but I do not believe it is proper for par clearance to be forced under the means evident in regulation Q.

Therefore, I hope that you will give your serious consideration to Senator MAYBANK'S bill, and that you will look with favor upon its passage. I am quite sure that you can obtain complete information concerning the propriety of this bill from our mutual friend Mr. Leo T. Crowley.

With kindest personal regards, I am,
Sincerely yours,

HIRAM WILHOIT,
*Director.*

Mr. TAFT. Mr. President, I yield 2 minutes to the senior Senator from Nebraska [Mr. BUTLER].

Mr. BUTLER. Mr. President, as a member of the Committee on Banking and Currency, I have attended the hearings which have been held during the past several days in connection with the so-called Maybank bill, which was offered here as an amendment to the crop-insurance bill. I fear that in the excitement of the occasion we are perhaps allowing the tail to wag the dog.

I invite the attention of the Senate for a moment to the main bill which is under consideration at this time, and in which many of us are intensely interested. It involves the question of crop insurance for the farmers of America. We may have a divided opinion concerning the merits of the amendment under consideration; in fact, there may be a division of opinion among the bankers of my own State with regard to the subject; but I do not believe that we should run the risk of a veto of the crop-insurance bill by attaching to it an amendment which might wreck the Federal Reserve System, whose operations have been a great success. I am inclined to believe that the administration would look with disfavor upon the proposed amendment.

Mr. TAFT. Mr. President, I desire to take no more time, and I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina [Mr. MAYBANK], on which the yeas and nays are demanded. Is the demand sufficiently seconded?

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BUCK (when his name was called). On this vote I have a pair with the junior Senator from Mississippi [Mr. EASTLAND]. I understand that if he were present and voting that he would vote "yea." If permitted to vote, I should vote "nay."

Mr. REED (when his name was called). I have a general pair with the senior

Senator from New York [Mr. WAGNER]. I understand that if he were present he would vote as I am about to vote. Therefore, I am at liberty to vote. I vote "nay."

Mr. WILEY (when his name was called). Mr. President, for reasons which appear adequate to me I ask that I be excused from voting on this question.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Wisconsin that he be excused from voting on the pending question? The Chair hears no objection, and the Senator is excused.

The roll call was concluded.

Mr. HILL. I announce that the Senator from Kentucky [Mr. BARKLEY] and the Senator from Virginia [Mr. GLASS] are absent from the Senate because of illness.

The Senator from Utah Mr. MURDOCK] is absent on official business for the Senate.

The Senator from Iowa [Mr. GILLETTE] and the Senator from Pennsylvania [Mr. GUFFEY] are detained in Government departments on matters pertaining to their respective States.

The Senator from New York [Mr. MEAD] and the Senator from Montana [Mr. MURRAY] are detained in committee meetings.

The Senator from Florida [Mr. ANDREWS], the Senator from Idaho [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from West Virginia [Mr. KILGORE], the Senator from Louisiana [Mr. OVERTON], the Senator from Nevada [Mr. SCRUGHAM], the Senator from New York [Mr. WAGNER], the Senator from Washington [Mr. WALLGREN], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I am advised that if present and voting, the Senator from Idaho [Mr. CLARK], the Senator from West Virginia [Mr. KILGORE], the Senator from Utah [Mr. MURDOCK], the Senator from Nevada [Mr. SCRUGHAM], and the Senators from New York [Mr. MEAD and Mr. WAGNER] would vote "nay."

The Senator from Florida [Mr. ANDREWS] is paired with the Senator from Montana [Mr. WHEELER]. I am advised that if present and voting, the Senator from Florida would vote "yea," and the Senator from Montana would vote "nay."

Mr. THOMAS of UTAH. I have a general pair with the Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the Senator from Virginia [Mr. GLASS], who, I am advised, if present and voting, would vote "nay." I am not advised how the Senator from New Hampshire would vote. I vote "nay."

Mr. WHERRY. The Senator from Minnesota [Mr. BALL], the Senator from Idaho [Mr. THOMAS], and the Senator from New Hampshire [Mr. TOBEY] are necessarily absent. If present these three Senators would vote "nay."

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Oklahoma [Mr. MOORE], and the Senator from North Dakota [Mr. NYE] are necessarily absent.

XC——594

The result was announced—yeas 25, nays 45, as follows:

YEAS—25

| | | |
|---|---|---|
| Bailey | George | Maybank |
| Bankhead | Green | O'Daniel |
| Bilbo | Hall | Pepper |
| Bushfield | Hill | Reynolds |
| Caraway | La Follette | Russell |
| Chandler | Langer | Stewart |
| Connally | McClellan | Wherry |
| Downey | McFarland | |
| Ellender | McKellar | |

NAYS—45

| | | |
|---|---|---|
| Aiken | Gurney | Robertson |
| Austin | Hatch | Shipstead |
| Brewster | Hawkes | Smith |
| Brooks | Hayden | Taft |
| Burton | Holman | Thomas, Okla. |
| Butler | Jenner | Thomas, Utah |
| Byrd | Johnson, Colo. | Truman |
| Capper | Lucas | Tunnell |
| Chavez | McCarran | Tydings |
| Clark, Mo. | Maloney | Vandenberg |
| Cordon | Millikin | Walsh |
| Danaher | O'Mahoney | Weeks |
| Davis | Radcliffe | White |
| Ferguson | Reed | Willis |
| Gerry | Revercomb | Wilson |

NOT VOTING—25

| | | |
|---|---|---|
| Andrews | Guffey | Scrugham |
| Ball | Johnson, Calif. | Thomas, Idaho |
| Barkley | Kilgore | Tobey |
| Bridges | Mead | Wagner |
| Buck | Moore | Wallgren |
| Clark, Idaho | Murdock | Wheeler |
| Eastland | Murray | Wiley |
| Gillette | Nye | |
| Glass | Overton | |

So Mr. MAYBANK's amendment was rejected.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 4911) was read the third time and passed.

Mr. MEAD subsequently said: Mr. President, I have a brief announcement to make. I was detained after the noon period in presiding over the special war committee. I heard the bells which indicated that the roll was being called to ascertain the presence of a quorum. I immediately prepared to leave my committee room and come to the Senate Chamber. I wish to say that riding on the monorail car in the subway between the Senate Office Building and the Senate Chamber the noise was so distracting and disturbing that I did not hear the bell announcing the taking of the vote, and when I reached the Senate floor the vote had just been completed. Therefore, I missed the vote on the Maybank amendment. Had I been present, as I would have been if I had heard the bell—it was not my fault that I did not hear it, of course—I would have voted against the amendment.

Mr. THOMAS of Oklahoma. I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. THOMAS of Oklahoma, Mr. WHEELER, Mr. BANKHEAD, Mr. ELLENDER, Mr. RUSSELL, Mr. CAPPER, Mr. SHIPSTEAD, and Mr. AIKEN conferees on the part of the Senate.

PROPOSED CALL OF CALENDAR

Mr. HILL. Mr. President, I wish to state that as soon as possible, the crop insurance bill having been disposed of, I shall ask that the Senate proceed to the consideration of unobjected-to bills on the calendar, starting where the last call left off.

G. H. GARNER—CONFERENCE REPORT

Mr. ROBERTSON submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1963) for the relief of G. H. Garner, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 2.

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows: In lieu of the figures "$1,250" insert the figures "$1,750"; and the Senate agree to the same.

ALLEN J. ELLENDER,
E. V. ROBERTSON,
*Managers on the part of the Senate.*
THOS. G. ABERNETHY,
JOHN JENNINGS, Jr.,
*Managers on the part of the House.*

The report was agreed to.

SIGFRIED OLSEN—SIGFRIED OLSEN SHIPPING CO.—CONFERENCE REPORT

Mr. O'DANIEL submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2825) for the relief of Sigfried Olsen, doing business as Sigfried Olsen Shipping Co., having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment to the title of the bill.

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by the said amendment, and in lieu of the sum proposed in line 7, page 1, of the House engrossed bill, insert the sum "$37,710.13"; and agree to the same.

W. LEE O'DANIEL,
TOM STEWART,
KENNETH S. WHERRY,
*Managers on the part of the Senate.*
DAN R. MCGEHEE,
J. W. MURPHY,
W. A. PITTENGER,
*Managers on the part of the House.*

The report was agreed to.

ADDITIONAL COPIES OF HEARINGS BEFORE SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

Mr. HAYDEN. Mr. President, from the Committee on Printing I report back favorably without amendment, Senate Resolution 353, and ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. Is there objection?

Mr. WHITE. Mr. President, I take it this is simply a resolution providing for the printing of additional copies of hearings.

Mr. HAYDEN. It merely provides for the printing of 1,000 additional copies of part 3 of the hearings before the Special Committee on Post-war Economic Policy and Planning. The Resolution was submitted by the Senator from Georgia [Mr. GEORGE], and the cost will be $400.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution (S. Res. 353) submitted by Mr. GEORGE on December 13, 1944, was considered and agreed to, as follows:

*Resolved*, That in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Special Committee on Post-war Economic Policy and Planning of the United States Senate be, and is hereby, authorized and empowered to have printed for its use 1,000 additional copies of part 3 of the hearings held before said special committee during the second session of the Seventy-eighth Congress, pursuant to the resolution (S. Res. 102) creating a Special Committee on Post-war Economic Policy and Planning.

DURATION OF SPECIAL COMMITTEES

Mr. McCARRAN. Mr. President, there appears to be an indefinite policy in the Senate with reference to what is going to happen to special committees. I should like to have the policy stated so that some of us who are conducting hearings through special committees may know what course to pursue in the future. We understand that it is the policy of the leadership to do away with all special committees. Some of the special committees—and I refer particularly to the special committee having to do with the investigation of the decentralization of business, another one having to do with the public lands of the West, and another having to do with silver—will, by reason of the language of the resolution creating them, go out of existence with the expiration of the present Congress. I will take, for instance, the subcommittee of the Committee on Public Lands and Surveys. That subcommittee has hearings set in the West for the latter part of January and the first part of February. In those hearings the Interior Department is vitally interested; in those hearings the stock raisers using the open public domain are each and all of them vitally interested, and for those hearings the people of the State of Utah have been calling for months, but, due to the fact that the chairman, the senior Senator from Nevada, has been engaged in trying to perpetuate himself in this body, he was unable to hold the hearings. The hearings have been set, nevertheless; but, unless we can have an understanding now with those who are interested in the policy of doing away with the special committees, we are at a loss to know what to do. Again, with reference to the special committee having to do with the decentralization of industry, some hearings have been held, other hearings are called for, and we have promised hearings in various sections of the country. We would like to know whether we will be permitted to go forward with those hearings, whether we will be financed by the Committee to Audit and Control the Contingent Expenses of the Senate, so that we may advise the people who are interested, and advise the members of the committee as well.

Then, regarding the committee on silver, that committee has been almost a standing committee. It has been in existence since long before I became a Member of this body. I think it was created as a result of the efforts of my late beloved colleague, Senator Pittman. It is a live and working committee. The chairman of the Committee to Audit and Control the Contingent Expenses of the Senate is present, and the leaders on both sides are here, and I should like to know, regarding the three committees I have named—and I suppose other Senators are interested in other committees— exactly what we may look forward to, because, if we are to be permitted to go forward, some of us may utilize the holiday vacation to proceed with hearings. Otherwise we may stand still and not know what we are going to do. I am asking this question in all seriousness and sincerity, with the hope that the whole atmosphere may be cleared.

Mr. HILL. Mr. President, I will say to the distinguished Senator that I have only briefly discussed this matter with the able chairman of the Committee to Audit and Control, the Senator from Illinois [Mr. LUCAS]. It is my understanding, from what he said about the resolution, which I believe his committee is now ready to report, that the committees to which the Senator from Nevada has referred, and all such committees, would continue their life until the end of January next, which would mean we would have about 30 days at the beginning of the next Congress in which determination could be made as to whether those committees should continue during the next Congress. I will ask the Senator from Illinois if I am correct in this statement.

Mr. LUCAS. The Senator from Alabama is correct. I have not conferred with all the members of my committee with respect to the resolution which has been prepared, which would continue all the standing and special committees until January 31, 1945. A similar resolution was offered 2 years ago, and there is no reason I can see why a resolution of such a character should not be offered again.

There are a great number of special committees, a great number of committees which are in existence and active in the Senate, which have been in existence for many, many years, and at the request of some Members of the Senate I am having the financial clerk prepare for my committee a statement of the time when these committees were started, how long they have been in operation, what they have accomplished in the way of legislation, the amount of money that has been spent, and also the number of employees now working in connection with the committees. At the beginning of the next session of Congress, when new Members will come into the Senate to participate in the deliberations, I think they will have a right to know exactly where the Senate stands with respect to all these committees.

I propose to get the information and submit it to my committee the moment the next Congress convenes. We will have a meeting and go over the special committees, and ascertain whether or not we believe they should be continued, and how much money they are entitled to in order to continue, and then make a report to the Senate, as we have always done.

When I discussed this matter with the minority leader, the late Senator from Oregon, Mr. McNary, and the majority leader, the senior Senator from Kentucky [Mr. BARKLEY], 2 years ago, it seemed at that time that the thing to do would be to adopt an over-all resolution which would continue all committees until January 31, 1943, and that would give the committees opportunity to resubmit and have agreed to resolutions covering their expenses for the pending session, which would expire 2 years from that time. That is the crux of the situation.

Mr. HILL. In other words, the new Senate then could determine which of the committees, if any, it desired to continue?

Mr. LUCAS. That is correct. The Senate has the right to determine whether or not these committees shall continue, and that is the point I am making. Those newly elected coming into the Senate, with all the other Members of the Senate, are the only ones who can say whether any committee should continue for a period of 2 years. That is all there is to the matter.

No one need feel alarmed about the situation. The committees which are now operating will continue to operate until January 31 next, and if the Senate believes these committees are necessary, and that the continuation of the spending of the taxpayers' money is necessary in the hope that legislation may follow as a result of the investigations they are making, of course the Senate will make that decision, and it is perfectly proper it should do so. No one is going to be cut off; no one is going to be hurt. The committees will continue to function with the power of spending money just as they have been spending it over a period of time. The Silver Committee will continue—I understand it is practically an institution—until January 31, 1945, and if the Senate wants the Silver Committee to continue after that, the distinguished Senator from Nevada will have his opportunity to be heard at that time. If the resolution shall be agreed to, all the committees will be continued until January 31. I think that is an orderly and businesslike way to present the matter before the Senate.

Mr. WHITE. Mr. President, I shall express my own views about the situation now being discussed, and I believe what I have in mind to say for myself largely reflects the views of the majority of Senators on the minority side.

Anyone with any experience knows what happens when we authorize the creation of special committees. They are created, clerical help is employed, they continue day after day and week after week, and sometimes month after month and even year after year, to drag

their weary way along. It is perhaps a matter of minor consideration, but it is of some importance, that they occupy rooms which are grievously needed by Senators for the ordinary legislative work which is imposed on them.

I have been reluctant to see the life of all these committees extended without special consideration of the work they are doing and the good their work may possibly result in. I had a feeling that it would be a wholly unjustifiable thing for those of us in an expiring Congress, by resolution, to extend over the entire length of a new Congress these committees, their staffs, and their occupancy of space which they now have use of.

I have been attracted very greatly by the suggestion which comes from the Senator from Illinois. I shall have no possible objection to the continuance of all these special committees into the next Congress, provided there is a limitation of time fixed during which the new Congress, when it comes into being, can consider the merits of the various committees, and can make the determination of which shall be further continued and what shall be appropriated for them. I do not feel, however, that we of this Congress should impose upon a new Congress obligations extending throughout the entire life of the new Congress.

If I understand the proposal which the Senator from Illinois has in mind to make, it meets every possible objection I have, and I should very gladly join in any way I could in securing the adoption of such a resolution.

Mr. LUCAS. Mr. President, I wish to make a further observation. As chairman of the Committee to Audit and Control the Contingent Expenses of the Senate I have to approve every voucher which is written. Approval of a voucher places considerable responsibility on the chairman. It is the purpose of that committee to know exactly how the money is going to be spent, who are the employees of the committees, and what the employees are doing in respect to earning the money provided for them by the respective committees. That is what the Committee to Audit and Control the Contingent Expenses of the Senate will endeavor to find out when the new resolutions providing money for committees are resubmitted.

Mr. President, I do not say that any committee is spending money in a way it ought not to be spent, but I do think the Senate of the United States is entitled to know how it is being spent, and to receive a complete and full report from the Committee to Audit and Control the Contingent Expenses of the Senate in respect to all these matters. That is exactly what I propose to do when the new Congress convenes. I think the Senate and the taxpayers of the country are entitled to have that information. That is the way I hope to handle the situation. I may be wrong, but I think perhaps I am right.

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

Mr. LUCAS. I yield.

Mr. HILL. I think the Senator from Illinois will have the wholehearted approbation of the Senate if he acts as he has indicated he will act.

Mr. LUCAS. I thank the Senator from Alabama.

Mr. McCARRAN. Mr. President, when the Senator from Illinois has concluded——

Mr. LUCAS. I have concluded.

Mr. McCARRAN. Mr. President, I wish to make a statement in order that there may be a little more clarity respecting the matter under discussion. I have referred to two committees. One is known as the Committee on Decentralization of Industry, which has held hearings, and which proposes to hold other hearings. I ask to have the attention of the senior Senator from Rhode Island [Mr. GREEN]. He telegraphed to me 2 months ago, while I was in the West, asking if the membership of that committee could not be augmented and hearings held by it in the East. I thought the request entirely fair and proper, and telegraphed the Senator accordingly. The committee has only begun its hearings. It has submitted a valuable report, which is in the hands of all Members of this body. Today we have no funds with which to go forward. We had about $5,000 with which to proceed in the first place. We have not lavishly expended that $5,000, but the investigations of the committee have brought good results. We should go forward with further hearings. If the committee is to be terminated in the latter part of January, we of that committee will not know what to do. That is one committee.

The Committee on Public Lands and Surveys established a Subcommittee on Public Lands. That subcommittee has been holding hearings in the West, and today the people of Utah are calling upon it to hold hearings in Salt Lake City with respect to the withdrawal of some 3,000,000 acres of land.

Mr. LUCAS. How long has the subcommittee been holding hearings?

Mr. McCARRAN. My recollection is probably 4 years.

Mr. LUCAS. Four years?

Mr. McCARRAN. I think that is correct. Changing conditions have made it necessary to hold those hearings. The Department of the Interior is interested in the hearings; every stock raiser in the 11 Western States is interested in the hearings; everyone who lives in the open public-domain States is interested in them. Reports of the committee have been filed from time to time. That subcommittee is not like one which has been dormant, or has held no hearings, or has filed no reports. The subcommittee has filed reports, and is now ready to file another report. Whether that is done depends on whether the subcommittee is permitted to continue.

Mr. President, if it now be said that the subcommittee can go forward only until the last of January, then I would not only be wasting time in preparing a report, but I would not know whether there will be any further action taken by the subcommittee, and I must advise the people of the West accordingly. Those are serious considerations.

Mr. President, I should like to ask the Senator from Illinois one question. Does the policy to which he referred apply to subcommittees of standing committees, or does the policy apply only to special committees?

Mr. LUCAS. I may say to the Senator that we have nothing to do with the subcommittees of standing committees. In other words, the appropriations are made each year for the regular committees. Any subcommittee appointed from a regular committee is presumed to use the funds which are necessary to carry on investigations out of the appropriations made for the regular committee. I am speaking primarily now only about special committees. Of course the resolution would take care of all committees, whether they are the regular or special and carry them over until January 31, 1945.

Mr. HATCH. Mr. President, will the Senator from Illinois yield to me for a moment?

Mr. LUCAS. Yes.

Mr. HATCH. The committee to which the Senator from Nevada has just referred is a subcommittee of the Committee on Public Lands and Surveys, it is true, but it was established by a special authorization contained in a separate resolution, providing separate funds. The funds do not come out of the general funds of the Committee on Public Lands and Surveys. Is that not true?

Mr. McCARRAN. That is true.

Mr. LUCAS. I do not know what the arrangement is with respect to the subcommittee to which the Senator from Nevada and the Senator from New Mexico have referred.

Mr. HATCH. If the Senator will further yield, I will say that provision for the subcommittee is made by resolution of the Senate.

Mr. LUCAS. Then it is in reality a special committee.

Mr. HATCH. That is correct, except that as I recall, its members are appointed from the committee itself; I am not quite sure as to that.

Mr. McCARRAN. The subcommittee is appointed from among the members of the Committee on Public Lands and Surveys.

Mr. HATCH. Yes; but the funds are provided by separate resolution.

Mr. McCARRAN. Authorization was given to the Committee on Public Lands and Surveys to appoint a subcommittee.

Mr. LUCAS. If that be true, it is a special committee.

Mr. McCARRAN. I do not think it is a special committee. I know it is a subcommittee of the Committee on Public Lands and Surveys, set up by authority of a resolution adopted by the Senate.

Mr. President, what I am interested in knowing is whether these committees, and I refer to three of them now, are going to die. If they are, some of us will be in rather a bad case, because we are in the course of preparing a report by one committee, and may have to ask for additional funds to pay for the report. It seems to me the Committee to Audit and Control the Contingent Expenses of the Senate should approve an

application for funds when made in good faith, and when a good showing is made, instead of simply holding the committee over until the last of January, and meanwhile we will not know what to do.

Mr. LUCAS. Mr. President, I submit a resolution which I send to the desk, and I ask unanimous consent, out of order, for its present consideration.

The PRESIDING OFFICER. The resolution will be stated.

The Legislative Clerk read the resolution as follows:

*Resolved*, That all resolutions heretofore agreed to, authorizing standing or select committees to employ clerical assistants, hold hearings and conduct investigations during the Seventy-eighth Congress, hereby are continued in full force and effect until January 31, 1945.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

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

Mr. LUCAS. Yes.

Mr. MALONEY. I should like to ask a question. Will the resolution, if adopted, provide for the continuation of the existing funds in these committees until January 31?

Mr. LUCAS. The Senator is correct.

Mr. MALONEY. I thank the Senator.

Mr. McCARRAN and Mr. LUCAS addressed the Chair.

Mr. McCARRAN. Mr. President, I have not yielded the floor. The Senator from Illinois submitted a resolution, which it was proper for him to do.

The PRESIDING OFFICER. The Senate has not been proceeding in order. The Chair suggests that any Senator who desires recognition address the Chair.

Mr. McCARRAN. I did address the Chair. I have not yielded the floor.

Mr. LUCAS. Mr. President, a parliamentary inquiry? Who has the floor?

The PRESIDING OFFICER. The Chair does not know. The Chair recognizes the Senator from Nevada.

Mr. McCARRAN. Mr. President, if the resolution is agreed to the very dilemma to which I have made reference will face us. The committees will be in existence until the 31st of January. Suppose we are unable to do anything between now and the 31st of January? What are we to tell those who are interested in the work of these committees? Many persons in various parts of the United States will want to know about the meetings. Perhaps they have already been notified about certain meetings.

I use as an illustration the Committee on Public Lands and Surveys, to which reference was made a little while ago. The people of Utah and the officers of the Interior Department have been advised of a hearing which is to take place in the West on certain dates in the latter part of January. Shall we say to them, "We do not know whether we are going to be there; we cannot tell you whether we are going to be able to proceed with the hearings because of a resolution which has been adopted by the Senate."

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

Mr. McCARRAN. I yield.

Mr. HAYDEN. I sympathize with the predicament in which the Senator finds himself. Nevertheless, I believe that the next Congress should determine the question. If we try to determine it today in this particular instance, or in the case of other committees, then this Congress will be acting for the next Congress.

Two years ago we adopted the principle that at the end of a Congress all the committees should be discontinued, and new resolutions should be introduced to continue them. The committee of which I am a member met, and we did continue them. If the committee in which the Senator from Nevada is interested is performing a function such as he has described, I have no doubt that it will be continued; but I do not see how we can change the rule. It seems to me to be a perfectly sound rule. When we looked into the matter we found committees which had been in existence for 10 or 12 years.

Mr. LUCAS. One of them had been in existence for 29 years.

Mr. HAYDEN. There were many old accounts, from which no expenditures had been made. Two years ago we cleaned the slate and started anew. I anticipate no trouble next January.

Mr. McCARRAN. Let me ask the Senator a question while he is on his feet. Take the committee to which I refer, a subcommittee of the Committee on Public Lands and Surveys. As I have stated, notices have been sent out for hearings in the West in the latter part of January. How can I be sure that I can go ahead with those hearings?

Mr. HAYDEN. The Senator can only be sure that he has been conducting a very valuable series of hearings, which are highly desirable. He must assume that being the case, the Senate will authorize him to carry on. If the Senate does not do so, he will simply have to notify those interested in the hearings that he cannot come.

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

Mr. McCARRAN. I yield.

Mr. LUCAS. There is no certainty of the Senate adopting such a resolution today. In fact, I should be compelled to oppose it today, because of the principle established.

The Senator has hearings set for the latter part of January. The resolution would continue the committee in force and effect until January 31. In the meantime, when the new Congress meets, the Senator can present a resolution for the continuation of the committee.

Mr. McCARRAN. In the early part of January?

Mr. LUCAS. That is correct.

Mr. McCARRAN. Will the Senator kindly give me his word that he will give such a resolution consideration early in January?

Mr. LUCAS. Along with my committee, I always give consideration to every resolution which comes before the committee.

Mr. WHERRY. Mr. President, will the Senator yield so that I may ask a question?

Mr. LUCAS. Please let me finish my statement.

As I said in the beginning, I must approve or disapprove every voucher which comes before the Committee to Audit and Control the Contingent Expenses of the Senate, irrespective of what the money is spent for. Without the approval of the chairman of the committee, no one can collect for any services which are rendered. That becomes a pretty vital matter to the Senator from Illinois. I hope that when a resolution is presented for an investigation of some kind, and the resolution is referred to the proper committee, the committee will seriously consider it, and not merely have Members sign the report and then have the resolution referred to the Committee to Audit and Control the Contingent Expenses of the Senate to take the responsibility of authorizing the expenditure of money by reporting it favorably to the Senate.

I am constrained to say that unless committees to which such resolutions are referred for appropriate action can give to the Committee to Audit and Control the Contingent Expenses of the Senate some kind of a report, our committee, if it follows my suggestion, will hold hearings in order that we may intelligently report to the Senate as to the proper amount of money that should be spent upon a particular investigation.

Mr. President, my experience as chairman of this important committee convinces me there are too many special committees in the Senate. In my humble opinion, the standing committees are almost sufficient, if they will appoint subcommittees, to carry on all the necessary investigations. I do not say that that statement is entirely correct. Certain special committees are absolutely essential. However, I make this observation for whatever it is worth. I am stating only my own opinion. I believe that in the interest of good business, in 75 percent of the cases the standing committees could carry on the work of the special committees which are being appointed.

Mr. WHERRY. Mr. President, will the Senator yield so that I may ask the senior Senator from Illinois a question?

Mr. McCARRAN. Certainly.

Mr. WHERRY. I believe the Senator anticipated the question I am about to ask. I wish to inquire what, if anything, the Committee to Audit and Control the Contingent Expenses of the Senate has done with reference to Senate Resolution 309, and whether or not it may be acted upon at this session of the Congress.

Mr. LUCAS. What is Senate Resolution 309? There are so many resolutions that I can not keep track of them all.

Mr. WHERRY. I believe the Senator will remember this one.

Mr. LUCAS. Now that the Senator is on his feet, I believe I remember it.

Mr. WHERRY. Senate Resolution 309 was sponsored by 24 Members of the Senate. It was first referred to the Committee on Agriculture and Forestry, and later to the Committee to Audit and Control the Contingent Expenses of the Senate. That was on June 20 of this year.

I wish to preface my remarks by commending the chairman of the Commit-

tee to Audit and Control the Contingent Expenses of the Senate for the suggestion he has made with respect to investigations being conducted by the standing committees of the Senate. I will go along with him 100 percent. However, certain special committees should be continued. I will cooperate with the Senator in continuing such special committees as he feels should be continued.

With respect to the particular resolution to which I refer, if we must wait for action by the new Congress, whatever committee is to be set up will not be able to function. We shall be carried past the time when anything effective could be done in connection with the production of hogs or the production of eggs.

Senate Resolution 309 is nonpartisan. It is sponsored by 24 Senators, both Democratic and Republican. If the resolution could be favorably reported now, the committee could be appointed between now and the first of January, and probably could do all the work that is necessary. I wonder if the Senator cares to make a statement as to whether or not action may be expected on the resolution between now and the end of the Congress.

Mr. BANKHEAD. Mr. President——

Mr. McCARRAN. I yield to the Senator from Alabama.

Mr. WHERRY. Mr. President, I should like to have an answer to my question. The Senator from Nevada yielded to me to ask the Senator from Illinois a question.

Mr. McCARRAN. I yield to the Senator from Illinois.

Mr. LUCAS. I am delighted to answer the question of my distinguished colleague from Nebraska with regard to the resolution in which he is so vitally interested. This is the first time I have heard of it since the election. Nevertheless, it is still very serious so far as the Senator from Nebraska is concerned. Nothing has been said about it since November 7, and this is the middle of December.

It seems to me that any special committee which might be appointed at this particular hour would not be for the best interests of the Senate, because whatever committee might be appointed would only last until January 31, and then it would be necessary for the Senator and the other 23 Senators again to come to the Senate and again submit a resolution for the purpose of continuing the life of the committee. Other Senators interested in special resolutions have come to me and I have asked them if they could not wait until the next Congress convenes. That will occur in only a short time. We will be away from here in a week. No one will investigate anything between now and January 1, at least, and probably within a week after that these resolutions will be presented to the Senate, in the next Congress. At that time there will be new members of committees. In my opinion, the new committees should have the right to determine what should be done in the regular committees or in any new committees which might then be created by the Senate.

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

Mr. McCARRAN. I yield the floor.

Mr. WHERRY. Mr. President, I thank the senior Senator from Illinois for his answers to my question. I am very glad he said that he still feels the resolution is vital, even though the 7th day of December has passed.

Mr. LUCAS. That is not what I said.

Mr. WHERRY. I think the resolution is one of the most vital resolutions which has been submitted in the present Congress. I desire to say that if it is the intention of the Committee to Audit and Control the Contingent Expenses of the Senate to hold up these resolutions until such time as hearings are held or further action is taken by the committee originally handling the resolution, then I wish to be prepared for that.

The resolution to which I have referred, as the Senator well knows, went to the Committee on Agriculture and Forestry last June. It was favorably reported by that committee with only two votes against it, according to the record; and those votes were the votes of the Senator from Illinois [Mr. LUCAS] and the Senator from New Mexico [Mr. HATCH].

Mr. LUCAS. Mr. President, I should like to ask the Senator a question.

Mr. WHERRY. I will yield in a moment.

The resolution was considered to be one of the most important matters with which Senators could deal, because 24 Senators—some of them from my side of the aisle and some of them from the other side of the aisle—voluntarily joined in offering it and supporting it. A year ago this January, 17 Senators from both sides of the aisle voluntarily joined together to help work out orders, restrictions, and limitations in the production, the feeding, and the marketing of livestock. If they had not done so, and if we had not worked hard to correct the situation in connection with the marketing of hogs and corn, we would not have been able to increase the weight of hogs to 330 pounds and to have ration points taken off of pork.

In the same way, conditions in regard to the feeding and marketing of cattle were deplorable.

After repeated requests were made by farmers in the South, the West and the East, we were able to do a great deal of good for them. Of course, something must be done to help them in the face of the situation caused by the various governmental orders, restrictions, and limitations, with which the Senator from Illinois is just as well acquainted as I am. I think the Senator is just as much in sympathy with the farmers who find themselves in that situation as I am. But the Senator's committee received the resolution on June 20, 1944, and has held it ever since.

The Senator has said that I have not been to see him about the resolution. Why, Mr. President, the Senator from Illinois knows that we have asked time and time again to have the resolution brought up on the floor of the Senate. The junior Senator from Kansas [Mr. REED] just before the commencement of the summer recess, made a speech in which he asked that the resolution be reported by the committee, and he asked that the special committee referred to in the resolution be appointed. I personally went to the Senator from Illinois, but the only answer I received was that I was not acting in good faith, that I submitted the resolution for only one reason, and that was a political reason.

Mr. LUCAS. I still think so.

Mr. WHERRY. The Senator has a right to think so, but why delay the consideration of the resolution now when the senior Senator admits it is of vital concern? We are again face to face with the seasonable marketing of hogs. The Senators from Kansas know it, the Senators from Iowa know it, and the Senators from Illinois know it. There will be heavy runs in the market, even though there are a third less hogs.

We have a right to sell our hogs at a ceiling price of $14.75 fixed under the stabilization program. But, I say to the Senator that, just so surely as he now stands on the floor, when the runs come, the market will go down. If we had a floor price we could establish a cushion and could penalize processors the amount of the subsidy if they refused to pay the ceiling price. This would stabilize the market and would assure the farmer a fair price.

But as the situation is at the present time, we are not organized; we have no one to take the farmers' problems to the various governmental organizations and agencies. I think a special committee should be established and should begin to function now, before the runs start on the market. Apparently the senior Senator from Illinois is not willing that we shall fight for the farmers' cause.

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

Mr. WHERRY. I yield.

Mr. LUCAS. Let me ask the Senator from Nebraska, Who testified before the Committee on Agriculture and Forestry in behalf of the resolution?

Mr. WHERRY. I think that makes no difference. If the Committee on Agriculture and Forestry in its wisdom reports favorably a resolution by almost unanimous vote of the members of the committee, I think the Committee to Audit and Control the Contingent Expenses of the Senate is going a long way when it sets itself up as a hierarchy and says, "We will not authorize the appropriation of the funds requested in the resolution for expenses incident thereto." If the Committee on Agriculture and Forestry desires to have the resolution adopted, and believes in it, I think it is up to the Committee to Audit and Control the Contingent Expenses of the Senate only to determine what the amount of the appropriation should be.

Mr. LUCAS. Mr. President, I demand the floor.

Mr. WHERRY. Mr. President, the Senator will have to wait a little. I have the floor. I will yield to him.

Mr. LUCAS. I will wait until the Senator concludes.

Mr. WHERRY. Well, Mr. President, the Senator has no right to demand the floor from me.

Mr. BANKHEAD. Mr. President——

Mr. WHERRY. I yield to the Senator from Alabama.

Mr. BANKHEAD. Mr. President, I was not present when the discussion started, but I have a resolution which probably comes within the influence of the resolution submitted by the Senator from Illinois. The resolution in which I am interested was submitted 5 or 6 months ago. It calls for an investigation of the rayon industry, particularly as it affects the cotton and wool industries.

The resolution was referred to the Committee on Agriculture and Forestry. The resolution requested an appropriation of $10,000. The committee recommended the appropriation of that amount. The resolution then was referred to the Committee to Audit and Control the Contingent Expenses of the Senate. There it was held up for some time, not by the chairman of the committee, the Senator from Illinois, but by the majority leader. Finally it was agreed that an appropriation of $5,000 would be approved.

I have been looking into the subject. I find that I cannot employ a competent, capable investigator for that amount of money.

This subject is of tremendous importance. I have not spent a cent of that money. I do not want to spend a cent of it unless we can go through with the investigation. I know that a great many Senators are concerned about the situation. They often speak to me about it.

I have hesitated to make a request for an additional appropriation, but I say frankly to the Senator from Illinois that I do not wish to have the investigation commence until we can obtain a substantial increase in the appropriation.

So, I wish to ask the Senator if his resolution applies to the resolution calling for an investigation of the rayon industry.

Mr. LUCAS. Mr. President, let me say to the Senator from Alabama that in the event my resolution is adopted, it will be necessary for the Senator to resubmit his resolution at the next session of Congress, because we have not passed on the resolution, as I recall.

Mr. BANKHEAD. Oh, yes, we did so.

Mr. LUCAS. I am mistaken; I believe $5,000 was allowed for the investigation.

Mr. BANKHEAD. Yes.

Mr. LUCAS. That resolution will continue in force and effect until January 31, 1945.

Mr. BANKHEAD. Why does the Senator say January 31? The new Congress will convene on January 3.

Mr. LUCAS. That is correct, of course. But in order to keep all the committees going, so that there will be no hiatus or interregnum in their activities between sessions, we have made the same arrangement which was made 2 years ago, namely, that appropriations for committees shall continue in effect until January 31, 1945.

Mr. BANKHEAD. I am not complaining to the Senator, because he knows the problem which confronts us. But now the resolution has been reported unanimously by the Committee on Agriculture and Forestry, and it has been referred to the Committee to Audit and Control the Contingent Expenses of the Senate, and that committee has reported it favorably.

The only question now arising is as to the amount of money to be made available to the committee.

Mr. LUCAS. Mr. President, I am trying to say——

The PRESIDING OFFICER. The Senator from Nebraska has the floor. Does he yield, and if so, to whom?

Mr. WHERRY. I yielded to the Senator from Alabama, and then yielded to the Senator from Illinois.

Mr. LUCAS. Mr. President, let me say to the Senator that under the Senate rules any money remaining unspent under an appropriation cannot be spent at the next session of Congress because the appropriation will expire with the end of the present session of Congress.

Mr. BANKHEAD. I doubt that, because when I was chairman of a subcommittee of the Committee on Irrigation and Reclamation it continued in operation over a period of 2 years, and we never spent any of the money.

Mr. LUCAS. I do not know about that but our committee has limited every special resolution to the Congress in which it was adopted.

Mr. BANKHEAD. I merely wished to ascertain our status.

Mr. LUCAS. The regular committees request, through the Committee to Audit and Control the Contingent Expenses of the Senate, appropriations in certain amounts to enable them to carry on, during the particular session of Congress, their investigations, hearings, and other activities. If the resolution now being discussed is adopted, the Senator's special committee will remain in full force and effect until January 31, 1945.

Mr. BANKHEAD. Does the Senator mean that I will not be able to submit a new resolution on the subject until the 31st of January? I have been postponing this matter for 4 or 5 months, in order to have an opportunity to take it up at an appropriate time. Now I wish to go to work on the 1st of January.

Mr. LUCAS. At any time in January the Senator may resubmit the resolution requesting additional funds, change it, or modify it any way he may see fit. The resolution will in due course, I presume, be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. BANKHEAD. It would first be referred to the Committee on Agriculture and Forestry.

Mr. LUCAS. Yes; the Senator is correct.

Mr. REED and Mr. HATCH addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Nebraska yield, and if so to whom?

Mr. WHERRY. I yield first to the Senator from Kansas.

Mr. REED. Mr. President, nothing in connection with agriculture in this country during approximately 12 months, beginning with about the middle of last year, was in such serious trouble as corn and hogs. The problem was a national one and a grave one. Twenty-four Senators joined in submitting a resolution providing that a committee be appointed to consider the situation. The plan was to make the Senator from Iowa [Mr. GILLETTE] the chairman of the committee. For the information of the Senator from Illinois, I may state that I requested that I not serve on the committee. No one in connection with agriculture received such rough treatment as did the corn and hog farmers of the country from about July 1, 1943, up to approximately May 1 or July 1 of this year. So, as I have already said, certain Senators submitted a resolution. I was one of the 24 Senators joining in the submission of the resolution.

Mr. President, the Senate has never had an opportunity to consider the resolution. It was referred to the Committee to Audit and Control the Contingent Expenses of the Senate, and that was the end of it.

The resolution was reported unanimously, I believe, by the Committee on Agriculture and Forestry. If it was not reported unanimously, it was reported almost unanimously. But notwithstanding that fact, and also the fact that 24 Senators from the Middle West corn-hog States asked for an investigation, the Senate never had an opportunity to act on the matter.

I do not believe it is within the province of a committee, such as the Committee to Audit and Control the Contingent Expenses of the Senate, to settle a question of the kind to which I have referred, without first affording an opportunity for Senators to express their views.

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

Mr. WHERRY. I yield to the Senator from New Mexico.

Mr. HATCH. Mr. President, I wish to ask a question merely for the purpose of clearing up a situation which, perhaps, does not need clearing up. One of the ablest lawyers of this body has suggested to me that the resolution which would continue the special committee contains nothing with reference to continuing the appropriation. I have conferred with the Parliamentarian and he has informed me that in his opinion the resolution continuing the committee also would continue the appropriation now existing for the use of the committee. Is that the view of the Senator from Illinois?

Mr. LUCAS. That is my understanding. I do not believe there can be any question about it.

Mr. HATCH. I merely wanted to make it clear in the RECORD, that is all.

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

Mr. WHERRY. I yield to the Senator from Nevada.

Mr. McCARRAN. Mr. President, I wish to propound a question to the Senator from Illinois. Will the Senator from Illinois kindly state any good reason for the selection of the 31st of January?

Mr. LUCAS. I was a member of the committee which discussed the matter 2 years ago, and we thought that by allowing the Senate a period of time of

practically 30 days after January 3, the various committees would have ample opportunity to determine the amount of money each may need. This seems to be the orderly and businesslike method to follow.

Mr. McCARRAN. There are committees, one of which I may mention, which could conclude their hearings, and conclude the functions for which they were created, if there were available funds. Will the Senator from Illinois call a meeting of his committee and provide sufficient funds for the committee to go forward with its hearings between now and the 1st of January? I refer especially to the Special Committee to Investigate the Effects of the Centralization of Heavy Industry, of which I have made mention.

Mr. LUCAS. Mr. President, the Senator from Nevada has spoken of the Special Committee to Investigate the Effects of the Centralization of Heavy Industry. I think it is a very important committee. But we have gone along for months and have never heard much about the committee.

Mr. McCARRAN. Perhaps the Senator from Illinois has not read the report of the committee, which is perhaps one of the most elaborate reports ever filed in the Senate.

Mr. LUCAS. How much investigating has the committee done during the past 3 or 4 months?

Mr. McCARRAN. It has done as much as it had time to do. The committee has not been idle.

Mr. LUCAS. I am not trying to hamstring the Senator's investigation. I should like to see the Senator investigate everything he wants to investigate from now until doomsday. What I want to do is to present an orderly course for the United States Senate to follow. If the Senator does not like the resolution I will withdraw it and then the Senator may submit his resolution and see whether he can have his committee continued for the next 2 years following January 3. That is what it means, and that is what the Senator apparently wants to do.

Mr. President, I withdraw my resolution.

The PRESIDING OFFICER. The Senator from Illinois withdraws his resolution.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 1159. An act creating the City of Clinton Bridge Commission and authorizing said commission and its successors to acquire by purchase or condemnation and to construct, maintain, and operate a bridge or bridges across the Mississippi River at or near Clinton, Iowa, and at or near Fulton, Ill.; and

S. 1819. An act to repeal the acts of August 15, 1935, and January 29, 1940, relating to the establishment of the Patrick Henry National Monument and the acquisition of the estate of Patrick Henry, in Charlotte County, Va.

The message also announced that the House insisted upon its amendment to the bill (S. 1782) to amend sections 4, 7, and 17 of the Reclamation Project Act of 1939 (53 Stat. 1187) for the purpose of extending the time in which amendatory contracts may be made, and for other related purposes, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. WHITE, Mr. ROBINSON of Utah, Mr. O'CONNOR, Mr. ROCKWELL, and Mr. LEMKE were appointed managers on the part of the House at the conference.

### THE CALENDAR

Mr. HILL. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of bills on the calendar to which there is no objection, beginning with Calendar No. 1230, at which point we ended consideration of bills on the last call of the calendar.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the clerk will proceed to call the calendar, beginning with Calendar No. 1230.

### REIMBURSEMENT FOR PERSONAL PROPERTY LOST AT YORKTOWN, VA.

The bill (S. 2180) to provide reimbursement for personal property lost, damaged, or destroyed as the result of an explosion at the naval mine depot, Yorktown, Va., on November 16, 1943, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, such sum or sums, amounting in the aggregate not to exceed $2,000, as may be required by the Secretary of the Navy to pay claims, including those of naval and civilian personnel of the Naval Establishment, for privately owned property lost, damaged, or destroyed as the result of an explosion at the naval mine depot, Yorktown, Va., on November 16, 1943: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

### ENSIGN FREDERICK MATTHEWS McCORD

The bill (S. 2132) for the relief of Ensign Frederick Matthews McCord, United States Naval Reserve, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, the sum of $187.90, to Ensign Frederick Matthews McCord, United States Naval Reserve, for the value of personal property destroyed as the result of a fire in officers' quarters, Ferry Inn Annex, at United States Naval Base No. 2, on December 14, 1943: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

### TEMPORARY APPOINTMENT OF CERTAIN PERSONNEL OF THE NAVY AND MARINE CORPS

The bill (S. 1985) to amend an act entitled "An act authorizing the temporary appointment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941, as amended, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That an act entitled "An act authorizing the temporary appointment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941 (Public Law 188, 77th Cong.), as amended (55 Stat. 603; 34 U. S. C., Supp. III, 350 and the following), is hereby amended by inserting before the period at the end of section 11 (a) said act a colon and the following: *"Provided*, That officers on the retired list of the Naval Reserve with pay pursuant to provisions of the act entitled 'An act making appropriations for the naval service for the fiscal year ending June 30, 1919, and for other purposes', approved July 1, 1918, may, while on active duty, be temporarily appointed to ranks or grades in a different branch or corps of the Naval Reserve under the authority of this act without loss of or prejudice to any rights, benefits, privileges, and gratuities enjoyed by them by virtue of their former status."

### REIMBURSEMENT TO CERTAIN NAVY PERSONNEL FOR PERSONAL PROPERTY LOST AT ASTORIA, OREG.

The bill (S. 2179) to reimburse certain Navy personnel for personal property lost or damaged as the result of a fire at the naval auxiliary air facility, Astoria, Oreg., on April 2, 1944, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, such sum or sums, amounting in the aggregate not to exceed $780, as may be required by the Secretary of the Navy to reimburse, under such regulations as he may prescribe, certain Navy personnel for the value of personal property lost or damaged as the result of a fire at the naval auxiliary air facility, Astoria, Oreg., on April 2, 1944: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

### AUTHORIZATION OF EXCHANGE OF LANDS AT EASTPORT, MAINE

The bill (S. 2067) to authorize an exchange of lands between the city of Eastport, Maine, and the United States, and the conveyance of a roadway easement to the city of Eastport, Maine, was considered, ordered to be engrossed for a

third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of War be and he is hereby, authorized to transfer, under such conditions as may be approved by the said Secretary, to the city of Eastport, Maine, without cost to the city of Eastport, Maine, all right, title, and interest in and to the following parcels of land situated on Moose Island, Washington County, Maine, metes and bounds descriptions of which are on file in the War Department:

Parcel 1. A parcel of land containing 8.94 acres, more or less, adjacent to and lying south of the southerly shore line of Carrying Place Cove, being that parcel of land formerly owned by Andrew J. Malloy and being bounded on the south by the northerly right-of-way line of Deep Cove or Barrett Road, on the east by a parcel of land formerly owned by Mrs. E. B. Townsend and on the west by a parcel of land formerly owned by David C. MacNichol.

Parcel 2. A parcel of land containing 9.81 acres, more or less, adjacent to and lying south of the southerly shore line of Carrying Place Cove, being that parcel of land formerly owned by Mrs. E B. Townsend and being bounded on the south by the northerly right-of-way line of Deep Cove or Barrett Road, on the east by the westerly right-of-way line of said road, and on the west by the easterly line of a parcel of land formerly owned by Andrew J. Malloy.

Parcel 3. A parcel of land containing 9.58 acres, more or less, adjacent to and lying between the southwesterly right-of-way line of the Maine Central Railroad Company and Maine State Highway No. 190, being bounded on the northeast by said right-of-way line and on the northwest by two parcels of land now or formerly owned by C. H. Bishop and W. J. Murphy, respectively.

SEC. 2. The Secretary of War, in consideration of the transfer hereinabove authorized, is further authorized, on behalf of the United States, to accept from the city of Eastport, Maine, without cost to the United States, all right, title, and interest of the city in and to the following-described parcels of land situated on Moose Island, Washington County, State of Maine, metes and bounds descriptions of which are on file in the War Department.

Parcel 1. A parcel of land containing 5 acres, more or less, adjacent to the northerly shore line of Carrying Place Cove, being bounded on the east by a tract of land now or formerly owned by R. C. Emery and on the west by a tract of land now or formerly owned by Melinda Taylor.

Parcel 2. A parcel of land containing 15.25 acres, more or less, adjacent to and lying west of the westerly right-of-way line of the Maine Central Railroad Company and east and south of a large parcel of land now owned by the United States of America.

Parcel 3. A parcel of land containing 4 acres, more or less, lying between the easterly right-of-way line of the Maine Central Railroad Company and the westerly right-of-way line of Indian or Carlow Island Road.

Parcel 4. A parcel of land containing 9.5 acres, more or less, adjacent to and lying easterly of that parcel of land described in section 3 hereof as parcel 1, being bounded on the north by the southerly shore line of Passamaquoddy Bay, on the west by a parcel of land belonging to the United States of America, and on the southwest by the northeasterly right-of-way line of Indian or Carlow Island Road.

SEC. 3. The Secretary of War is further authorized to transfer, under such conditions as may be approved by the said Secretary, to the city of Eastport, Maine, without cost to the city, a permanent easement for roadway purposes, in, over, and across the following-described parcel of land situated on Moose Island, Washington County, Maine, a metes and bounds description of which is on file in the War Department:

Parcel 1. A parcel of land containing 12.83 acres, more or less, lying in the north-westernmost corner of Moose Island, and being formerly owned by heirs of Anderson.

SEC. 4. The right to alter, amend, or repeal this Act is hereby expressly reserved.

## EXTENSION OF TIME FOR EXAMINATION OF MONTHLY ACCOUNTS OF DISBURSING OFFICERS OF THE MARINE CORPS

The bill (S. 2068) to amend an act entitled "An act to extend the time for examination of monthly accounts covering expenditures by disbursing officers of the United States Marine Corps," approved December 26, 1941, so as to extend the time for examination of monthly accounts of disbursing officers and special disbursing agents of the Navy and Coast Guard, was announced as next in order.

Mr. WALSH. Mr. President, House bill 5248, which is on the calendar, deals with identically the same subject matter as Senate bill 2068.

I ask unanimous consent that the House bill be substituted for the Senate bill, and that the Senate proceed to the consideration of House bill 5248.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Massachusetts?

There being no objection, the bill (H. R. 5248) to amend an act entitled "An act to extend the time for examination of monthly accounts covering expenditures by disbursing officers of the United States Marine Corps", approved December 26, 1941, so as to extend the time for examination of monthly accounts of disbursing officers and special disbursing agents of the Navy and Coast Guard, was considered, ordered to a third reading, read the third time, and passed.

Mr. WALSH. Mr. President, I ask unanimous consent that Senate bill 2068 be indefinitely postponed.

The PRESIDING OFFICER. Without objection, Senate bill 2068 will be indefinitely postponed.

The clerk will state the next business on the calendar.

## LEASE OF CERTAIN LANDS IN SAN DIEGO COUNTY, CALIF.

The Senate proceeded to consider the bill (S. 2056) to authorize the Secretary of the Navy to lease certain lands situated in San Diego County, State of California, which had been reported from the Committee on Naval Affairs with an amendment on page 2, line 1, after the word "thousandths" to insert "(0.258)", so as to make the bill read:

*Be it enacted, etc.*, That the Secretary of the Navy be, and he is hereby, authorized to lease for a period not to exceed 25 years, upon such terms and conditions as may be approved by the Secretary of the Navy, to the Southern California Telephone Co., a corporation, organized under the laws of the State of California, a parcel of land situated in section 32, township 9 south, range 6 west, San Bernardino base and meridian, consisting of two hundred and fifty-eight one-thousandths (0.258) of an acre, more or less, comprising a part of the United States Marine Corps training area, Camp Joseph H. Pendleton, San Diego County, Calif., and a parcel of land situated in Pueblo lot 1311 of the Pueblo Lands of San Diego County, Calif., consisting of an acre, more or less, comprising a part of the United States Marine Corps rifle range, Camp Matthews, in said county and State, the metes and bounds descriptions of which said lands are on file in the Navy Department, for the construction, maintenance, and operation of repeater station facilities: *Provided*, That when the lands shall cease to be used for said purposes the lease shall be automatically terminated and the lands shall revert to the United States.

SEC. 2. That the Secretary of the Navy be, and he is hereby authorized to execute on behalf of the United States all instruments necessary to accomplish the aforesaid purposes.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

## EASEMENTS FOR RAILWAY PURPOSES IN HAWAII

The bill (S. 2073) to authorize the Secretary of the Navy to convey to Oahu Railway & Land Co. an easement for railway purposes in certain lands situated at Halawa, Ewa, Oahu, T. H., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.* That the Secretary of the Navy be, and is hereby, authorized to convey to Oahu Railway & Land Co. an easement for railway purposes in and over a 40-foot strip of land at Pearl Harbor Navy Yard in Halawa, Ewa, Oahu, T. H., containing approximately two and two hundred and seventy-eight one-thousandths acres, metes and bounds description of which is on file in the Navy Department, in consideration of that company's waiving and relinquishing any and all claim to compensation for the taking by the United States of the company's right-of-way easement over and across approximately two and five hundred and seventy-seven one-thousandths acres of land described in condemnation proceedings pending in the District Court of the United States for the Territory of Hawaii entitled "United States of America, petitioner, against Certain Lands at Halawa, Ewa, Oahu, T. H., and Oahu Railway & Land Co., a corporation defendant", being civil No. 493.

## GRANT OF USE OF CERTAIN LAND TO THE CITY OF CANTON, OHIO

The Senate proceeded to consider the bill (S. 2181) to authorize the Secretary of the Navy to grant to the city of Canton, Ohio, for highway purposes only, a strip of land situated within the United States Naval Ordnance Plant at Canton, Ohio.

Mr. DANAHER. Mr. President, will the clerk please read the last line on page 1, and the first line on page 2, of Calendar No. 1238, Senate bill 2181?

The Chief Clerk read as follows: "25 feet in width off the north side of the northwest quarter, section 18, township 10, range 3, Canton, Stark."

Mr. DANAHER. Mr. President, I extend my thanks for the courtesy permitted me. In the bill on my file there are four more lines on the first page, and I merely wondered if the bill at the desk is the same.

The PRESIDING OFFICER. The Chair is informed that the bill is the same.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Navy be, and he is hereby, authorized to grant to the city of Canton, Ohio, for use as a public highway, under such conditions as may be approved by the Secretary of the Navy, all right, title, and interest of the United States of America in and to a strip of land containing approximately one and forty-four one-hundredths acres, twenty-five feet in width off the north side of the northwest quarter, section 18, township 10, range 8, Canton, Stark County, Ohio, and extending from Raff Road, southwest, west to the township line between Canton and Perry Townships.

SEC. 2. That if any part of the above-described lands hereby granted to the city of Canton shall be used for any other purpose or purposes, or shall cease to be maintained by the city of Canton for the purpose for which granted, such part shall revert to the United States.

TRANSFER OF CERTAIN LANDS WITHIN COLONIAL NATIONAL HISTORICAL PARK

The bill (S. 2133) to authorize the transfer of certain lands within the Colonial National Historical Park, Yorktown, Va., to the Secretary of the Navy, was announced as next in order.

Mr. WALSH. Mr. President, there is on the calendar a House bill which is identical with the Senate bill. I move that the House bill be substituted for the Senate bill and be now considered. The number of the House bill is H. R. 5331.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the House bill will be considered.

The bill (H. R. 5331) to authorize the transfer of certain lands within the Colonial National Historical Park, Yorktown, Va., to the Secretary of the Navy, was considered, ordered to a third reading, read the third time, and passed.

The PRESIDING OFFICER. Without objection, Senate bill 2133 will be indefinitely postponed.

MEDALS FOR UNITED STATES ANTARCTIC EXPEDITION, 1939–41

The bill (S. 1910) to provide for the presentation of medals to members of the United States Antarctic Expedition of 1939–41 was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Navy is authorized and directed to cause to be made at the United States mint such number of gold, silver, and bronze medals of appropriate design as he may deem appropriate and necessary, to be presented to members of the United States Antarctic Expedition of 1939–41, in recognition of their valuable services to the Nation in the field of polar exploration and science.

SEC. 2 There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this act.

The title was amended so as to read: "A bill to provide for the presentation of medals to members of the United States Antarctic Expedition of 1939–41."

NAVAL RESERVE OFFICERS' TRAINING CORPS

The Senate proceeded to consider the bill (S. 2195) to further amend section 22 of the act approved March 4, 1925, entitled "An act providing for sundry matters affecting the naval services, and for other purposes," by removing the limitation of the total personnel of the Naval Reserve Officers' Training Corps, and for other purposes, which had been reported from the Committee on Naval Affairs with amendments.

The first amendment was, on page 1, line 7, after the ward "by", to strike out: "striking also from such subsection the following: '*And provided further*, That the total personnel of the Naval Reserve Officers' Training Corps shall not exceed at any one time more than 7,200'," and insert "changing the last proviso of such subsection to read as follows: '*And provided further*, That until the expiration of 1 year after the cessation of hostilities in the present war as declared by the President or by concurrent resolution of Congress, the total personnel of the Naval Reserve Officers' Training Corps shall not at any one time exceed 24,000 and thereafter the total personnel of such corps shall not at any one time exceed 14,000.'"

Mr. DANAHER. Mr. President, will the Senator from Massachusetts please tell us whether or not there were public hearings on this bill?

Mr. WALSH. Yes; there were.

Mr. DANAHER. Have the hearings been printed?

Mr. WALSH. Yes; they have been.

Mr. DANAHER. Is there apparent from the hearings the basis upon which the number of 14,000 peacetime student cadets was arrived at?

Mr. WALSH. The Senator understands, of course, after reading the bill, that it has to do with the post-war naval program, and, perhaps, it is the first of the naval post-war programs. It provides for the elimination of what is known as the V–12 unit in the Navy and the substitution after July 1 of the R. O. T. C. as the student body, and the only student body outside the Naval Academy, into which young men may be inducted for the purpose of being trained as naval officers.

The figures 14,000 are assumed to represent the needs the Navy will have after the termination of the war. The number needed now is 24,000 and will decrease until the end of the war. Thereafter it is assumed that the number of young men who finish at the R. O. T. C. schools, provided there are 14,000 students in those schools, and the number who graduate from the Naval Academy will be sufficient to take care of the necessary increase in officers from year to year. In my opinion, the estimate is based upon the need of younger officers in a Navy that will be composed of at least 500,000 men.

Mr. DANAHER. The last fact to which the Senator from Massachusetts adverts has come to my notice for the first time. I never knew what size Navy it was contemplated to have in the post-war period and that it would require a continuing minimum force of 14,000 student-cadet officers.

Mr. WALSH. I think, perhaps, I took a liberty in mentioning the number, because no official announcement of it has been made. It is only an estimate I have heard made. But it is believed that this number of service students will be sufficient for what may be the post-war needs of the Navy for younger officers, namely, ensigns.

Mr. DANAHER. When the Senator refers to the number 14,000, does he mean that there are to be 14,000 students in training in any particular year or over the entire course of studies?

Mr. WALSH. Fourteen thousand altogether, covering a period of 4 years of training, so that the number of graduates each year with eliminations will be about 2,500.

Mr. President, I ask that the report of the committee be printed in the RECORD in view of the great interest on the part of the young men who are anxious to have a career in the Navy.

The PRESIDING OFFICER. Without objection, the report will be printed in the RECORD.

The report (No. 1229) is as follows:

The Committee on Naval Affairs, to whom was referred the bill (S. 2195) to further amend section 22 of the act approved March 5, 1925, entitled "An act providing for sundry matters affecting the naval service, and for other purposes," by removing the limitation on the total personnel of the Naval Reserve Officers' Training Corps, and for other purposes, having considered the same, report favorably thereon with amendments, and recommend that the bill, as amended, do pass.

The purpose of the bill, as amended by the committee, is to authorize a permanent increase in the number of students in the Naval Reserve Officers' Training Corps from 7,200 to 14,000 and to authorize a temporary increase to 24,000 until the expiration of 1 year after the cessation of hostilities in the present war.

The Naval Reserve Officers' Training Corps was established by act of Congress approved March 25, 1925, and authorized an enrollment of 2,400 students. Between 1926 and 1940 units were established in 11 universities. An act approved September 11, 1940, changed the limitation from 2,400 to 7,200 students. At the present time 6,500 students are enrolled and units are established at 27 colleges or universities.

The Naval Reserve Officers' Training Corps is an economical method of producing Reserve officers and the product is a well-trained naval officer, fully capable of taking his place in the fleet when the need for his services arises.

Departments of naval sciences and tactics are set up in the universities to provide essential naval training throughout a college course of normal length. In peacetime each student devotes approximately 4 hours per week to naval work during his 4 years in college. This is exclusive of outside preparatory time. The students participate in one or more practice cruises during which he receives practical instruction of his winter academic studies.

The curriculum of the Naval Reserve Officers' Training Corps course embodies navigation, ordnance and gunnery, marine engineering and electricity, seamanship, and communications. The students also study naval history, aviation, and military, and international law.

Upon graduation all students who have successfully completed the 4-year course in naval science and tactics and are physically qualified are given commissions as ensigns in the Naval Reserve or second lieutenants in the Marine Corps. A limited number are also commissioned in the line and staff of the Regular Navy and the Marine Corps.

The Navy Department informed the committee that graduates of the Naval Reserve

Officers' Training Corps have distinguished themselves as officers in the Regular Navy and Marine Corps, and during the last few years have proved an invaluable addition to the strength of the Naval Reserve in active service.

During the present war, the Naval Reserve Officers' Training Corps was inadequate to meet the increased needs for naval officers, and the Navy V-12 college training program was adopted. At the present time there are 131 undergraduate colleges in the V-12 program with a total enrollment of approximately 50,000 students. On July 1, 1945, it is expected that there will be not more than a total of 30,000 students and that this number will be reduced considerably thereafter. The committee was informed that no more students will be enrolled in the Navy V-12 program and that it is the intention of the Navy Department to reduce and finally eliminate the V-12 program and consolidate it with the Naval Reserve Officers' Training Corps units. It is believed that the expansion of the Naval Reserve Officers' Training Corps can best be accomplished by converting to this program the best facilities now in use by the V-12 program. This conversion of facilities would proceed progressively as the V-12 program is curtailed. Under this expansion the trainee complements at present Naval Reserve Officers' Training Corps colleges would be increased and new Naval Reserve Officers' Training Corps units established at certain universities and colleges. Those institutions to receive new Naval Reserve Officers' Training Corps units have been selected and quotas set in relation both to wartime conditions and peacetime conditions, and fall into two classes:

(a) Institutions with enrollments sufficiently large so that a peacetime Naval Reserve Officers' Training Corps can be supported, and

(b) Smaller colleges which have no commitment to the Army for Reserve Officers' Training Corps units and which have been enthusiastic and successful in administering the V-12 program.

If the bill is enacted into law, Naval Reserve Officers' Training Corps units will be established in approximately 23 additional colleges or universities, making a total of 50.

THE COMMITTEE AMENDMENTS

The bill as introduced removed entirely the limitation as to the number of students who could be enrolled in the Naval Reserve Officers' Training Corp. The committee is of the opinion that it is unsound to enact this legislation without specifying a definite limit on the number of students who may be enrolled. It therefore amended the bill to provide that not more than a total of 24,000 may be enrolled during the continuance of the present war and for a period of 1 year thereafter, and that during peacetime the total number of students shall not exceed 14,000.

The committee is of the opinion that it will be necessary to maintain a large Navy in the post-war era, and that the additional officers required, over and above the graduates of the Naval Academy, can best be obtained from graduates of the Naval Reserve Officers' Training Corps.

The bill was introduced at the request of the Navy Department and has been cleared by the Bureau of the Budget.

Mr. WALSH. Mr. President, this new plan will permit young men who want to make a naval career to go to the Naval Academy in the usual way by appointment or by other methods now existing and also permit them to enter the R. O. T. C. and take 4 years' college training and then apply for the regular naval service. There are now 27 colleges designated to give such training, and that number is to be increased, I understand, to approximately 50, but the total number of students expected to be in training after the termination of the war will be approximately 14,000. Many of the graduates of the R. O. T. C. who receive commissions will go with the Naval Reserves and a certain number selected for the Regular Navy.

Mr. DANAHER. Mr. President, I should like to ask one other question of the chairman of the Committee on Naval Affairs. Is there any provision in the plan to which the committee's attention has been called for taking men from the enlisted services and permitting them to obtain the benefit of the projected course?

Mr. WALSH. Yes, sir; in fact the only persons now being taken into V-12, the R. O. T. C., are enlisted men, because persons between 18 and 38 in civilian life are subject to the selective service. The V-12 unit, which is shortly to terminate, is now taking in only enlisted men, as it should, because, as the Senator knows, many enlisted men are not only high school graduates but college graduates. I might say to the distinguished Senator from Connecticut that this plan affords a very good solution to the problem of training future officers, and will prevent possibly a move for a second naval academy such as the one at Annapolis.

The Navy is very much interested and anxious to secure action on the bill during this session of Congress, and I assume that, if the bill passes, it will be approved by the House of Representatives.

Mr. DANAHER. I thank the Senator.

Mr. WALSH. I may say to the Senator from Connecticut that I think his questions were very timely, because the Navy sought to have unlimited authority without any restrictions as to the number of students, but, after going into the matter in detail, the committee decided, after consultation, to restrict the number provided in this bill. In the event they should require more, they could come before the committee and make the request. There has been a tendency, as the Senator will appreciate, both on the part of the Army and the Navy to obtain unlimited authority and power to provide as many schools as they think may be necessary and as many students as they think may be necessary; but the committee has restricted the number they can have now and the number they shall have afterwards. Therefore, the questions raised are very timely in view of the attitude the committee took in the matter.

The PRESIDING OFFICER. The question is on agreeing to the first amendment reported by the committee, which has been stated.

The amendment was agreed to.

The PRESIDING OFFICER. The next amendment will be stated.

The next amendment was on page 3, line 7, after the words "Naval Reserve" and the semicolon to strike out *"And provided"* and insert *"Provided further"*, and on the same page, after line 9, to insert *"And provided further,* That until the expiration of 1 year after the cessation of hostilities in the present war as declared by the President or by concurrent resolution of Congress, the total personnel of the Naval Reserve Officers' Training Corps shall not at any one time exceed 24,000 and thereafter the total personnel of such corps shall not at any one time exceed 14,000."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.,* That section 22 of the act approved March 4, 1925 (43 Stat. 1276), as amended, is hereby further amended by striking out of section (a) thereof the phrase: "by the act approved June 4, 1920, sections 33 and 34 (41 Stat. L. 776–779)", and by changing the last proviso of such subsection to read as follows: *"And provided further,* That until the expiration of 1 year after the cessation of hostilities in the present war as declared by the President or by concurrent resolution of Congress, the total personnel of the Naval Reserve Officers' Training Corps shall not at any one time exceed 24,000 and thereafter the total personnel of such corps shall not at any one time exceed 14,000," so that such subsection so amended will read as follows:

"SEC. 22. (a) A Naval Reserve Officers' Training Corps is hereby authorized to be established and operated under such regulations as the President may prescribe, which regulations shall, so far as may be practicable, conform to the provisions of the National Defense Act approved June 3, 1916, sections 40 to 53, inclusive (39 Stat. L. 191–194), as amended: *Provided,* That the powers conferred therein upon the Secretary of War with regard to the Reserve Officers' Training Corps are hereby conferred upon the Secretary of the Navy with regard to the Naval Reserve Officers' Training Corps: *Provided further,* That all expenditures in connection with the establishment and operation of the Naval Reserve Officers' Training Corps shall be specifically appropriated therefor: *Provided further,* That members of the Naval Reserve Officers' Training Corps shall be eligible for appointment as Naval Reserve officers under the same conditions as provided by law for the appointment of Naval Reserve officers from other citizens of the United States, and when so appointed shall have the same status and be entitled to the same benefits in all respects as provided by law for other members of the Naval Reserve: *Provided further,* That the word 'naval' wherever used in this section shall be construed to include Marine Corps: *And provided further,* That until the expiration of 1 year after the cessation of hostilities in the present war as declared by the President or by concurrent resolution of Congress, the total personnel of the Naval Reserve Officers' Training Corps shall not at any one time exceed 24,000 and thereafter the total personnel of such corps shall not at any one time exceed 14,000."

The title was amended so as to read: "A bill to further amend section 22 of the act approved March 4, 1925, entitled 'An act providing for sundry matters affecting the naval service, and for other purposes,' by changing the limitation on the total personnel of the Naval Reserve Officers' Training Corps, and for other purposes."

DISPOSAL OF CERTAIN MAIL MATTER

The Senate proceeded to consider the bill (S. 1971) to provide for the disposal of certain mail matter condemned by the Director of Censorship, which had been reported from the Committee on Post

Offices and Post Roads with amendments, on page 2, line 6, after the word "Allies", to insert "but no mail matter shall be disposed of under this act until the expiration of at least 90 days after the date of condemnation," and to add a section at the end of the bill, so as to make the bill read:

*Be it enacted, etc.,* That there is hereby established a committee composed of the Postmaster General and the Director of Censorship, or their alternates duly designated by them, which shall have authority to dispose of mail matter consisting of (1) printed matter containing propaganda material, and (2) printed matter mailed by or to or published by persons whose names are on the Proclaimed List of Certain Blocked Nationals, and (3) parcel-post packages or small packets containing articles of no monetary value or articles which may be used by the United States in the prosecution of the war, if such mail matter has been censored and condemned by the Office of Censorship as being inimical to the war effort of the United States or contrary to the interests of the United States or its Allies, but no mail matter shall be disposed of under this act until the expiration of at least 90 days after the date of condemnation. Such committee may promulgate such rules and regulations as it deems necessary to carry out the provisions of this act.

SEC. 2. This act shall expire upon the expiration of 6 months after the date of the termination of hostilities in the present war as proclaimed by the President or declared by concurrent resolution of the Congress.

Mr. DANAHER. Mr. President, I should like to ask the Senator from Tennessee if he would give us an illustration—and undoubtedly the committee had evidence before it—of what are considered to be "small packets containing articles of no monetary value or articles which may be used by the United States in the prosecution of the war"?

Mr. McKELLAR. I cannot say, but it was developed, both by the Post Office Department and the Bureau of Censorship, that there was a great deal of mail affected by the bill. I call the Senator's attention to the report, as follows:

The mail in question consists mostly of printed matter, the circulation of which was deemed disadvantageous to the war effort of the United States. Included are various kinds of pro-Axis propaganda. Also covered by the bill would be a large collection of parcels sent by or addressed to enemy territory or enemy nationals. Some of the parcels are without value, consisting of such things as sales samples, fancy calendars which are out of date, and so on. Other parcels contain goods of value. It can be said with respect to such goods that all of it is of enemy interest and much of it was on its way out of the country without permit and in violation of the law when intercepted by Censorship.

Although the Office of Censorship has authority to detain such mail, there is no statute under which it may make orderly disposal of it. The printed matter has a considerable salvage value and the packages in some instances contain materials which would be of value to the Army and Navy.

Altogether Censorship is detaining more than 497,000 pieces of mail in the classes enumerated in the bill. This material is occupying in excess of 10,000 square feet of storage space either in post offices or in buildings rented by the Government. The cost of storage in rented premises alone exceeds $7,500 annually, for which the Government is receiving no return whatever.

This proposal is recommended both by the Bureau of Censorship and by the Post Office Department, and the reasons stated in the report are what actuated the committee.

Mr. DANAHER. I thank the Senator. I had also read the report which he so ably read to us. I wondered if he could give us an illustration of the kind of parcel that could be said to be inimical to the war effort and yet of advantage to the United States.

Mr. McKELLAR. I am not sure any such suggestion was made in the hearings.

Mr. DANAHER. It says that in the bill.

Mr. McKELLAR. The purpose is to get rid of the matters referred to. I hope the Senator will let the bill pass.

The PRESIDING OFFICER. The question is on agreeing to the amendments.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

### DUAL EMPLOYMENT IN THE POSTAL SERVICE

The bill (H. R. 5154) relating to dual employment in the Postal Service and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

### BILL PASSED OVER

The bill (H. R. 4184) to amend section 321, title III, part II, Transportation Act of 1940 with respect to the movement of Government traffic, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDING OFFICER. The bill will be passed over.

### NATION-WIDE BIBLE READING

The joint resolution (S. J. Res. 139) designating period from Thanksgiving Day to Christmas of each year for Nation-wide Bible reading, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Resolved, etc.,* That the period from Thanksgiving Day to Christmas of each year is especially designated for Nation-wide Bible reading, in order that "in God we trust" as an expression of our national life may hold new and vital meaning for all our citizens.

The preamble was rejected.

### AUTHORIZATION FOR COMMITTEE ON APPROPRIATIONS TO REPORT URGENT DEFICIENCY BILL

Mr. McKELLAR. Mr. President, as Senators know, in the Committee on Appropriations we have under consideration the urgent deficiency bill. The subcommittee having charge of the bill having already agreed upon its report, there will be a meeting of the full committee this afternoon at 4 o'clock, when we hope to agree on the report. I do not know when the Senate will adjourn, therefore I ask unanimous consent that if we agree upon the report before 12 o'clock tonight, it may be printed and the bill placed upon the calendar.

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair). Is there objection? The Chair hears none, and it is so ordered.

### NATURALIZATION OF PERSONS WITH SERVICE IN WORLD WAR NO. 2

The bill (H. R. 1284) relating to the naturalization of persons not citizens who serve honorably in the military or naval forces of the United States during the present war was announced as next in order.

Mr. BILBO. I should like to have an explanation. In the absence of an explanation, I ask that the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

### INTERFERENCE WITH BROADCASTING

The Senate proceeded to consider the bill (S. 1957) to amend the Communications Act of 1934, as amended, so as to prohibit interference with broadcasting of noncommercial certified educational programs, which had been reported from the Committee on Interstate Commerce with an amendment, on page 3, line 4, after the word "conspire," to insert "for the purposes of this section", so as to make the bill read:

*Be it enacted, etc.,* That the Communications Act of 1934, as amended, is amended by inserting, after section 329, of such act, a new section, as follows:

"SEC. 330. It shall be unlawful for any person, or any person representing an organization or group, to interfere with, intimidate any person or persons, hinder, extort, delay, prevent, or conspire with other persons for the purpose of hindering, delaying, interfering with, or stopping the production or transmission, by means of any radio station of any noncommercial educational or cultural program presented by any academically accredited and tax-exempt educational institution, prepared and planned for presentation by radio or in the process of being transmitted by radio stations, and it shall likewise be unlawful for any person as a part of a group or organization to threaten or intimidate any other person for the purpose of preventing by group action the operation of any broadcasting station while preparing for or in the operation of broadcasting such noncommercial educational or cultural programs, unless such interference, work stoppage, or group action is part of a general action for other purposes and is of general and broader nature or purpose than to prevent or interfere with the broadcasting of such noncommercial educational and cultural programs: *Provided,* That such radio station or stations have agreed to broadcast such programs and that no service, money, or other valuable consideration is directly or indirectly paid or promised to, or charged or accepted by such station from any person for broadcasting or agreeing to broadcast such program, and no service, money, or other valuable consideration is directly or indirectly paid or promised to, or charged or accepted by the persons producing or participating in such program from such station or from any commercial sponsor, for services rendered in producing or participating in such program.

"DEFINITION

"'To conspire,' for the purposes of this section, shall mean to plan with others, to hold meetings for the purpose of planning, to take action as the result of a plan or purpose—such as united stoppage of work at a radio plant, or to write communications

urging interference by action or by word of mouth to induce action for the purpose of interference."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

JOINT RESOLUTION PASSED OVER

The joint resolution (S. J. Res. 92) directing the Federal Power Commission to inquire into and report to the Congress on various matters with respect to natural gas was announced as next in order.

Mr. REVERCOMB. Let the joint resolution go over.

The PRESIDING OFFICER. The joint resolution will be passed over.

LOUIS BECKMAN

The bill (H. R. 4111) for the relief of Louis Beckman was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF KIMBALL LEE BECKNER

The bill (H. R. 4786) for the relief of the estate of Kimball Lee Beckner was considered, ordered to a third reading, read the third time, and passed.

OLLIE BRASHEAR HEARCLDSON

The bill (H. R. 4363) for the relief of Ollie Brashear Hearoldson was considered, ordered to a third reading, read the third time, and passed.

FRANCIS D. STOVALL, JR.

The bill (H. R. 4927) for the relief of Francis D. Stovall, Jr., was considered, ordered to a third reading, read the third time, and passed.

MRS. BERTHA MACKLIN

The bill (H. R. 3138) for the relief of Mrs. Bertha Macklin was considered, ordered to a third readin, read the third time, and passed.

DR. H. L. KLOTZ

The bill (H. R. 4736) for the relief of Dr. H. L. Klotz was considered, ordered to a third reading, read the third time, and passed.

DR. J. SIMS NORMAN

The bill (H. R. 4921) for the relief of Dr. J. Sims Norman was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF DR. A. D. GIBSON

The bill (H. R. 3931) for the relief of the estate of Dr. A. D. Gibson was considered, ordered to a third reading, read the third time, and passed.

MRS. BERTHA GRANTHAM

The bill (H. R. 3192) for the relief of Mrs. Bertha Grantham was considered, ordered to a third reading, read the third time, and passed.

MARY AGNES LICHTEFIELD DROPPLEMAN

The bill (H. R. 3645) for the relief of Mary Agnes Litchtefield Droppleman was considered, ordered to a third reading, read the third time, and passed.

The title was amended so as to read: "An act for the relief of Mary Agnes Lichtefeld Droppleman and Fred J. Lichtefeld and Josephine Lichtefeld."

CLAIM OF TRUSTEES OF SAUNDERS MEMORIAL HOSPITAL

The bill (H. R. 5167), an act to confer jurisdiction upon the United States District Court for the Eastern District of South Carolina to hear, determine, and render judgment upon the claims of the board of trustees of the Saunders Memorial Hospital, was considered, ordered to a third reading, read the third time, and passed.

G. F. ALLEN

The bill (S. 2070) for the relief of G. F. Allen, chief disbursing officer, Treasury Department, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Comptroller General of the United States is authorized and directed to allow credit in the accounts of G. F. Allen, chief disbursing officer, Treasury Department, in an amount not to exceed $709.51, for items suspended or disallowed.

SEC. 2. The Comptroller General is authorized and directed to allow credit in the accounts of former disbursing clerks of the Division of Disbursement, Treasury Department, for items suspended or disallowed, not to exceed the amounts stated: M. V. Bates, former disbursing clerk, Treasury Department, Lansing, Mich., $33,774.03; Ivan Carrico, former disbursing clerk, Treasury Department, Charleston, W. Va., $8,376.77; W. F. Cramer, former disbursing clerk, Treasury Department, District of Columbia, $58.62; T. A. Dillon, former disbursing clerk, Treasury Department, Indianapolis, Ind., $127.50; O. Kanngiesser, former disbursing clerk, Treasury Department, Albany, N. Y., $21.47; D. E. Love, former disbursing clerk, Treasury Department, Santa Fe, N. Mex., $93.80; L. S. McCracken, former disbursing clerk, Treasury Department, San Francisco, Calif., $234.70; S. S. Ogdon, former disbursing clerk, Treasury Department, Jefferson City, Mo., $11.48; J. W. Reynar, former disbursing clerk, Treasury Department, Raleigh, N. C., $300.08; F. R. Shaw, former disbursing clerk, Treasury Department, Jefferson City Mo.,, $55.01; L. V. Witcombe, former disbursing clerk, Treasury Department, Harrisburg, Pa., $16,800.75.

SEC. 3. The Comptroller General of the United States is authorized and directed to allow credit in the accounts of G. F. Allen, chief disbursing officer, Treasury Department, and all former disbursing clerks operating under the Division of Disbursement for the amounts of all suspensions and disallowances raised and not covered by sections 1 and 2 of this act, or which may be raised, against the said chief disbursing officer and former disbursing clerks on account of payments made in accordance with vouchers certified by duly authorized certifying officers during the period December 16, 1933 to March 31, 1942: *Provided*, That the Secretary of the Treasury shall certify that in his opinion there is no evidence of fraud on the part of the said chief disbursing officer or disbursing clerks in connection with such payments.

SEC. 4. No charge shall be made against the certifying officer responsible for the certification of vouchers pursuant to the provisions of Executive Order No. 6166, dated June 10, 1933, and any charge heretofore made against any such officer, shall be removed, for the amount of any payment for which credit shall be allowed under sections 1, 2, and 3 of this act, where the head of the department or establishment concerned, or his duly authorized representative, shall certify to the Comptroller General of the United States that the payment appears to have been made without fraud on the part of the certifying officer.

SEC. 5. The Comptroller General of the United States is authorized and directed to allow credit in the accounts of W. O. Woods, former Treasurer of the United States, and W. A. Julian, Treasurer of the United States, for sums not to exceed $1,164.93 and $63,334.51, respectively, representing unavailable items in their accounts as former Treasurer and Treasurer of the United States: *Provided*, That any recoveries heretofore or hereafter made in respect of any of the foregoing items, may, in the discretion of the Comptroller General of the United States, be applied to offset unavailable items of a similar character hereafter arising in the accounts of the former Treasurer and Treasurer, respectively, upon a showing that such unavailable items have occurred without fraud on the part of the former Treasurer or Treasurer.

SEC. 6. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, the sum of $10,224.08, of which amount (a) not to exceed the sum of $30 shall be credited to the account of T. A. Dillon, former Treasury-State disbursing clerk, Indianapolis, Ind., disbursing symbol 45-01-30, to the extent necessary to adjust an overdraft resulting from an overpayment by check numbered 6,432,824, dated August 23, 1938; (b) not to exceed the sum of $1,728.46 shall be credited to the Treasurer's account to the extent necessary to adjust unavailable items resulting from certain shortages, the amount of a check paid on a forged endorsement, the difference between the value of a stolen package of currency and the amount recovered, and the value of three checks which were lost in the Office of the Treasurer of the United States after payment; and (c) not to exceed the sum of $8,465.62 shall be credited to the account of Edwin H. Dressel, superintendent, United States Mint, Philadelphia, Pa., to the extent necessary to adjust an unavailable item representing the contents of a bag containing gold coins the absence of which from a vault in the Philadelphia, Pa., Mint was discovered during February 1937, such coins having a face value of $5,000, and increment of $3,465.62 resulting from the reduction in the weight of the gold dollar.

LA VERNE WHIPPLE

The Senate proceeded to consider the bill (H. R. 3400) for the relief of La Verne Whipple, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "sum of", to strike out "$4,500" and insert "$3,000."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

ESTATE OF CECILE H. BURGETT

The bill (H. R. 5048) for the relief of the estate of Cecile H. Burgett was considered, ordered to a third reading, read the third time, and passed.

ELIMINATION OF CERTAIN CREDITS OF THE UNITED STATES

The Senate proceeded to consider the bill (S. 2071) to eliminate as uncollectible certain credits of the United States, which had been reported from the Committee on Claims, with an amendment, on page 2, after line 2, to insert a new paragraph as follows:

The necessary bookkeeping entries are hereby authorized and directed to be made on the books of the Government to accomplish the purposes of this act.

So as to make the bill read:

*Be it enacted, etc.*, That, at the close of the fiscal year 1945, there are hereby au-

thorized and directed to be eliminated, as uncollectible, from the accounts of the Treasury Department, the Post Office Department, and the General Accounting Office, the following items which have been carried as "Unavailable cash" since the year 1861: Assistant Treasurer of the United States, New Orleans, La., 1861, $31,164.44; Depositaries at Savannah, Ga., 1861, $205.76; Galveston, Tex., 1861, $83.36; Little Rock, Ark., 1861, $5,823.50.

The necessary bookkeeping entries are hereby authorized and directed to be made on the books of the Government to accomplish the purposes of this act.

Mr. BILBO. Will not the chairman of the committee give an explanation of the bill?

Mr. TUNNELL. Mr. President, the bill provides for eliminating from the accounts of the Treasury certain claims that were due by certain States before the War between the States. They are not collectible, of course. They have been carried as assets of the Government all these years. This bill is merely to straighten out the books.

The PRESIDING OFFICER. The question is on agreeing to the amendment reported by the committee.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

## NATURALIZATION OF PERSONS WITH SERVICE IN WORLD WAR NO. 2

Mr. CHAVEZ. Mr. President, while I was out of the Chamber a few minutes ago, calendar No. 1250, House bill 1284, was called, and the senior Senator from Mississippi [Mr. BILBO] asked that it go over, stating that he desired an explanation. I wonder if the Senate will give me unanimous consent to recur to the bill so that I may make a short explanation.

The PRESIDING OFFICER. Is there objection?

Mr. WHITE. What is the request?

The PRESIDING OFFICER. That the Senate return to Calendar 1250, House bill 1284, on page 10 of the calendar.

Mr. CHAVEZ. Mr. President, I am not a member of the Committee on Immigration, but I happen to know the purport of the bill. The report was submitted to the Senate by the Senator from Georgia [Mr. RUSSELL], after a complete investigation of cases of men born in foreign countries now serving or having served in the naval and military forces of the United States, which cases would come under the provisions of the bill.

I am sure that all Senators within hearing of my voice know that the Senator from Georgia is very diligent in investigating immigration cases, and on behalf of the Committee on Immigration he has reported the bill favorably.

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

Mr. CHAVEZ. Yes.

Mr. DANAHER. Is it not also the fact that the War Department and the American Legion have recommended the bill?

Mr. CHAVEZ. That is true. There are probably 50 or perhaps a hundred boys who are actually in combat duty whom this bill would relieve in the matter of their becoming American citizens. They must go through the hazards of fighting in battle, and should be assisted in the way the bill assists them to become American citizens. Every one who has considered the bill, including members of the Committee on Immigration consider it to be a very good bill. The American Legion, the Veterans of Foreign Wars, the Disabled Veterans favor the bill. Many other requests have come not only from my State but from other States, that the bill pass.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 1284) relating to the naturalization of persons not citizens who serve honorably in the military or naval forces of the United States during the present war.

Mr. DANAHER. Mr. President, in the committee amendment on page 2, line 17, I move to strike out the words "beyond the continental limits of the United States."

Mr. GEORGE. Mr. President, I shall ask that the bill go over if that be done. I have not had a chance to read the bill, but if the provision makes eligible individuals who serve outside of the United States, say the Philippines, or on islands in the Pacific——

Mr. DANAHER. Mr. President, let me call the Senator's attention to the letter of the Attorney General which appears in Report No. 1232 to accompany House bill 1284.

Mr. GEORGE. I shall be glad to hear it.

Mr. DANAHER. The Attorney General calls particular attention to this point:

> If a person in this category serves honorably in the armed forces of the United States, it would seem that he should be given the same opportunity to become a citizen of the United States that is accorded by existing law to a person who entered the United States legally.

Let me say to the Senator from Georgia that if there are two brothers, both of whom, let us say, were born in Canada and both of whom are in the American service, and if by accident of a War Department order one is ordered to service in France and the other is ordered to service, let us say, on the Panama Canal, the point is that one is eligible for citizenship and the other is not. Surely we do not want any such unfair discrimination. The real test is whether or not the soldier, having been ineligible for naturalization for one reason or another—he may have lost his certificate of legal entry—and who is now in the armed forces, shall become qualified.

Mr. GEORGE. I do not know what the effect of the Senator's amendment would be, but I should like to have the bill go over if the amendment is adopted, unless I can understand what it means. I presume the bill makes eligible for American citizenship individuals who are not now entitled to come in under the quota.

Mr. DANAHER. Not necessarily.

Mr. GEORGE. It might. The measure must amend the quota law; it must amend the general immigration act.

Mr. DANAHER. So there will be no question; I will withdraw the amendment.

Mr. BURTON. Mr. President, commenting on House bill 1284, which is recommended by the Committee on Immigration, it has already passed the House of Representatives, but the Committee on Immigration felt it might be wise to make it a little more restrictive. The purpose of it is especially this: There are many men in the armed services who had some irregularity relating to their entry into this country, and who, therefore, were unable to obtain prompt naturalization. The result was that they became involved in military service abroad under conditions which might get them into difficulty with the enemy, they not being American citizens. Therefore it is felt vitally important, and recommended by the War Department, the American Legion, and the Department of Justice, that the procedure be simplified so that they can be promptly made citizens. When the bill passed the House it was in a broad form, but when acted upon by the Committee on Immigration two amendments were inserted. One limited the measure to those who entered the service of the United States and began to reside here prior to September 1, 1943, so as to avoid its being made use of as an escape from immigration procedures in the future, but to cover those features where there had been some irregularities which could not otherwise be met. The other limited the measure to cases overseas, it being felt that those were the cases where the need would arise and where the soldiers would be put in jeopardy, whereas so long as they were in the United States they could follow the normal procedure.

As I understand, the objection has been withdrawn.

The VICE PRESIDENT. The amendmen tof the Committee on Immigration will be stated.

The amendment was on page 1, beginning in line 3 to strike out:

> That section 701 of the Nationality Act of 1940, as amended, is amended—
>
> (r) By striking out "who, having been lawfully admitted to the United States, including its Territories and possessions, shall have been at the time of his enlistment or induction a resident thereof" and inserting in lieu thereof the following: "who shall have enlisted or been inducted while in the United States, including its Territories and possessions."
>
> (b) By inserting after the words "no declaration of intention" a comma and "no certificate of arrival."

And insert;

> That section 701 of the Nationality Act of 1940 (56 Stat. 182–183; 8 U. S. C. 1001), as amended, is amended—
>
> (a) By striking out "who, having been lawfully admitted to the United States, including its Territories and possessions, shall have been at the time of his enlistment or induction a resident thereof" and inserting in lieu thereof the following: "Who shall have been at the time of his enlistment or induction a resident thereof and who (a) was lawfully admitted into the United States, including its Territories and possessions, or (b) having entered the United States, including its Territories and possessions, prior to September 1, 1943, being unable to establish lawful admission into the United States

serves honorably in such forces beyond the continental limits of the United States or has so served."

(b) By inserting after the words "no declaration of intention" the following: "no certificate of arrival for those described in group (b) hereof."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. BURTON. Mr. President, do I understand correctly that the committee amendment was adopted?

The VICE PRESIDENT. The committee amendment was adopted and the bill has been passed, as amended.

Mr. BILBO. Mr. President, is Calendar No. 1250, House bill 1284, being passed on?

The VICE PRESIDENT. That is the bill which was passed, as amended.

Mr. BILBO. I asked that the bill go over.

Mr. BURTON. I understood the bill had been brought up again for consideration and discussion.

Mr. BILBO. I do not object to discussion, but I objected to the bill and asked that it go over.

The VICE PRESIDENT. Without objection, the vote by which House bill 1284 was passed will be reconsidered, and the bill will be passed over.

Mr. BILBO subsequently said: Mr. President, a short time ago I objected to consideration of House bill 1284, Calendar No. 1250. I did not wish to be understood as having objected to the measure itself, but I wished to have an opportunity to examine the bill and the report. I have done so, and I am pleased to withdraw my opposition.

The VICE PRESIDENT. Is there objection to the present consideration of House bill 1284, Calendar No. 1250? The Chair hears none.

Mr. DANAHER. Mr. President, the bill has been considered and passed.

Mr. BILBO. Mr. President, I now withdraw my objection.

The VICE PRESIDENT. Is there objection to the present consideration of the bill? The Chair hears none. The question is on the passage of the bill.

The bill (H. R. 1284) was passed.

Mr. BURTON. Mr. President, am I to understand that the committee amendment has been agreed to, and that the bill has been passed as amended?

The VICE PRESIDENT. Yes; the committee amendment was agreed to.

The clerk will state the next bill on the calendar.

### PEARL SAIEVITZ HURWITZ AND RUTH LEVIN

The bill (H. R. 2373) for the relief of Pearl Saievitz Hurwitz and Ruth Levin was considered, ordered to a third reading, read the third time, and passed.

### MRS. AGNES WOLTERS

The bill (H. R. 2213) for the relief of Mrs. Agnes Wolters was considered, ordered to a third reading, read the third time, and passed.

### SENATOR FROM WASHINGTON

Mr. LUCAS presented the credentials of WARREN G. MAGNUSON, of Washington, appointed a Senator from that State for the unexpired term of Homer T. Bone, resigned, ending on the second day of January 1945, which were read, and ordered to be filed, as follows:

STATE OF WASHINGTON,
*Executive Department, Olympia.*

To the PRESIDENT OF THE SENATE OF THE UNITED STATES:

This is to certify that puruant to the power vested in me by the Constitution of the United States and the laws of the State of Washington, I, Arthur B. Langlie, the Governor of said State, do hereby appoint WARREN G. MAGNUSON, a Senator from said State to represent said State in the Senate of the United States, filling the vacancy therein caused by the resignation of Homer T. Bone.

In witness whereof I have hereunto set my hand and caused the seal of the State to be affixed at Olympia this 12th day of December 1944.

ARTHUR B. LANGLIE,
*Governor of Washington.*

By the Governor:
[SEAL] BELLE REEVES,
*Secretary of State.*

Mr. LUCAS. Mr. President, the Senator-designate from Washington is present in the Chamber, and ready to take the oath of office.

The VICE PRESIDENT. If the Senator-designate will present himself at the desk, the oath will be administered to him.

Mr. MAGNUSON, escorted by Mr. LUCAS, advanced to the Vice President's desk, and the oath prescribed by law was administered to him by the Vice President.

### LINDSEY HARCROW

The VICE PRESIDENT. The clerk will continue the call of the calendar.

The bill (H. R. 763) for the relief of Lindsey Harcrow was considered, ordered to a third reading, read the third time, and passed.

### GLADYS A. ENNIS AND OTHERS

The bill (H. R. 195) for the relief of Gladys A. Ennis as executrix of the estate of George Pearse Ennis, deceased, and Oscar H. Julius; and the Excelsior Automotive Service, Inc., was considered, ordered to a third reading, read the third time, and passed.

### PUGET SOUND BRIDGE & DREDGING CO.

The bill (H. R. 449) for the relief of the Puget Sound Bridge & Dredging Co., was considered, ordered to a third reading, read the third time, and passed.

### GALEN E. WALTER

The bill (S. 2088) for the relief of Galen E. Walter, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That sections 15 to 20, inclusive, of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, as amended, are hereby waived in favor of Galen E. Walter, Pony, Mont., who allegedly sustained an injury on May 9, 1942, while employed as a forest guard at the Gallatin National Forest, and his claim for compensation is authorized to be considered and acted upon under the remaining provisions of such act, as amended, if he files such claim within 6 months from date of the approval of this act: *Provided*, That no benefit shall accrue prior to the approval of this act.

### ELSIE HAWKE

The bill (H. R. 3584) for the relief of Elsie Hawke was considered, ordered to a third reading, read the third time, and passed.

### F. L. GAUSE AND THE LEGAL GUARDIAN OF ROSALIND AND HELEN GAUSE, MINORS

The Senate proceeded to consider the bill (H. R. 3996) for the relief of F. L. Gause and the legal guardian of Rosalind and Helen Gause, minors, which had been reported from the Committee on Claims with amendments, on page 1, line 5, after the words "sum of", to strike out "$10,000" and insert "$7,120.65"; and in line 9, after the words "sum of", to strike out "$12,500" and insert "$6,000."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

### A. L. RINKENBERGER AND JOHN FLOERING

The Senate proceeded to consider the bill (H. R. 2066) for the relief of A. L. Rinkenberger and John Floering which had been reported from the Committee on Claims, with amendments on page 1, line 6, after the words "sum of", to strike out "$5,000" and insert "$2,500"; and in line 7, after the words "sum of", to strike out "$10,000" and insert "$7,500."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

### MR. AND MRS. SEBASTIAN EGER

The Senate proceeded to consider the bill (H. R. 976) for the relief of Mr. and Mrs. Sebastian Eger which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "sum of" to strike out "$2,000" and insert "$1,000."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

### KELLY HOBBS

The bill (H. R. 4125) for the relief of Kelly Hobbs was considered, ordered to a third reading, read the third time, and passed.

### HENRY STOVALL

The bill (H. R. 1772) for the relief of Henry Stovall was considered, ordered to a third reading, read the third time, and passed.

### G. F. ODOM

The bill (H. R. 545) for the relief of G. F. Odom was considered, ordered to a

third reading, read the third time, and passed.

RECOGNITION OF OUTSTANDING SERVICE RENDERED BY FIELD MARSHAL SIR JOHN DILL

The joint resolution (S. J. Res. 158) recognizing the outstanding service rendered to the United Nations by Field Marshal Sir John Dill was announced as next in order.

The VICE PRESIDENT. The Chair will state that an identical joint resolution of the House is now pending before the Foreign Relations Committee, House Joint Resolution 317. Without objection, that committee will be discharged from further consideration of the joint resolution, and, without objection, House Joint Resolution 317 is passed, and the Senate joint resolution will be indefinitely postponed.

ESTATE OF EVERETT MAXWELL

The bill (H. R. 4674) for the relief of the estate of Everett Maxwell was considered, ordered to a third reading, read the third time, and passed.

ROSA LEE FOREMAN

The bill (H. R. 4309) for the relief of Rosa Lee Foreman was considered, ordered to a third read, read the third time, and passed.

EMPLOYEES OF THE UNITED STATES COURT FOR CHINA

The bill (H. R. 4080) for the relief of certain former employees of the United States Court for China was considered, ordered to a third reading, read the third time, and passed.

MRS. WILLIAM M. WATSON AND R. H. PRICE

The bill (H. R. 3323) for the relief of Mrs. William M. Watson and R. H. Price was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF EMMA B. FLEET

The bill (H. R. 4878) for the relief of the estate of Emma B. Fleet, deceased, was considered, ordered to a third reading, read the third time, and passed.

WILLIAM WEBER

The bill (H. R. 4200) for the relief of William Weber was considered, ordered to a third reading, read the third time, and passed.

MRS. FLORENCE ARMSTRONG

The bill (H. R. 4331) for the relief of Mrs. Florence Armstrong was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF FRANCIS A. COLLINS

The bill (H. R. 5034) for the relief of the estate of Francis A. Collins was considered, ordered to a third reading, read the third time, and passed.

BOARD OF COUNTY COMMISSIONERS OF VOLUSIA COUNTY, FLA.

The bill (H. R. 4815) for the relief of the Board of County Commissioners of Volusia County, Fla., was considered, ordered to a third reading, read the third time, and passed.

WILFRED T. PLANT, SR.

The bill (H. R. 4817) for the relief of Wilfred T. Plant, Sr., was considered, ordered to a third reading, read the third time, and passed.

MRS. ROSE POISSON

The bill (H. R. 3285) for the relief of Mrs. Rose Poisson, was considered, ordered to a third reading, read the third time, and passed.

MRS. ANNA CHANDLER

The bill (H. R. 3881) for the relief of Mrs. Anna Chandler, was considered, ordered to a third reading, read the third time, and passed.

HENRY CLAY WALKER

The bill (H. R. 4305) for the relief of Henry Clay Walker, was considered, ordered to a third reading, read the third time, and passed.

EXTENSION OF REISSUED LETTERS PATENT NO. 19,023

The bill (H. R. 2994) to extend Reissued Letters Patent No. 19,023, was considered, ordered to a third reading, read the third time, and passed.

IRA CANNON

The bill (H. R. 4105) for the relief of Ira Cannon was considered, ordered to a third reading, read the third time, and passed.

WASHINGTON ASPHALT CO.

The bill (H. R. 2903) for the relief of Washington Asphalt Co., was considered, ordered to a third reading, read the third time, and passed.

O. S. STAPLEY CO.

The bill (H. R. 3852) for the relief of the O. S. Stapley Co., was considered, ordered to a third reading, read the third time, and passed.

F. L. RIDDLE

The bill (H. R. 1218) for the relief of F. L. Riddle was considered, ordered to a third reading, read the third time, and passed.

JOHN CASEY AND MARIE CASEY

The bill (H. R. 4016) for the relief of John Casey and Marie Casey was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF IDA M. RUTHERFORD

The bill (H. R. 2827) for the relief of the estate of Ida M. Rutherford was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF ANNIE BROWN

The bill (H. R. 4703) for the relief of the estate of Annie Brown was considered, ordered to a third reading, read the third time, and passed.

LEGAL GUARDIAN OF VIOLET DEGROOT

The bill (H. R. 3727) for the relief of the legal guardian of Violet DeGroot was considered, ordered to a third reading, read the third time, and passed.

ALBERT B. WEAVER

The bill (H. R. 4442) for the relief of Albert B. Weaver was considered, ordered to a third reading, read the third time, and passed.

CLARENCE G. DOELLING

The bill (H. R. 3279) for the relief of Clarence G. Doelling was considered, ordered to a third reading, read the third time, and passed.

CITY AND COUNTY OF SAN FRANCISCO

The bill (H. R. 3590) for the relief of the city and county of San Francisco was considered, ordered to a third reading, read the third time, and passed.

ARCHIE BERBERIAN

The bill (H. R. 3465) for the relief of Archie Berberian was considered, ordered to a third reading, read the third time, and passed.

MABELLE E. OLIVE

The bill (H. R. 4380) for the relief of Mabelle E. Olive was considered, ordered to a third reading, read the third time, and passed.

CLYDE H. PALMER

The bill (H. R. 5060) for the relief of Clyde H. Palmer was considered, ordered to a third reading, read the third time, and passed.

MRS. RUBY WINSCH

The bill (H. R. 4014) for the relief of Mrs. Ruby Winsch was considered, ordered to a third reading, read the third time, and passed.

HUBERT McMAHON

The bill (H. R. 3017) for the relief of Hubert McMahon, was considered, ordered to a third reading, read the third time, and passed.

FLOYD E. AND LENA MAE DRUMMOND

The bill (H. R. 3678) for the relief of Floyd E. and Lena Mae Drummond, was considered, ordered to a third reading, read the third time, and passed.

ACCOUNTS OF CLERKS AND MARSHALS OF UNITED STATES COURTS

The bill (H. R. 2969) to establish official checking accounts with the Treasurer of the United States for clerks of United States courts and United States marshals, was considered, ordered to a third reading, read the third time, and passed.

TRANSFER OF CERTAIN LAND FROM VETERANS ADMINISTRATION TO CITY OF LOS ANGELES, CALIF.

The bill (S. 2185) to authorize the Administrator of Veterans' Affairs to transfer by quitclaim deed to the city of Los Angeles, Calif., for fire-station purposes, the title to certain land located at Veterans Administration facility, Los Angeles, Calif., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Administrator of Veterans' Affairs be, and he is hereby, authorized and directed to transfer by quitclaim deed to the city of Los Angeles, State of California, the property hereinafter described and located at the Veterans' Administration facility, Los Angeles, Calif., subject to the conditions that the property shall be used for fire-station purposes and that 24 hours' fire protection be furnished to all

accessible parts of the Veterans' Administration facility, Los Angeles, Calif., without charge:

That portion of lot 2, block 23, subdivision of Rancho San Jose De Buenos Ayres, as per map recorded in book 26, pages 19 to 25, inclusive, Miscellaneous Records of Los Angeles County, bounded and described as follows:

Beginning at a point in the northeasterly line of Veteran Avenue, formerly Lookout Avenue, as described in deed recorded in book 5162, page 231, of deeds, records of said county, distant thereon eighteen feet northwesterly from the northerly line of that certain twenty-foot strip of land conveyed to the county of Los Angeles for drainage purposes, described in parcel 1 of deed recorded in book 7376, page 225, Official Records of said county, said point of beginning being distant along said northeasterly line of Veteran Avenue northwesterly seven hundred and thirty-three and eighty-five one-hundredths feet from the northwesterly line of Wilshire Boulevard, one hundred feet wide; thence northwesterly along said northeasterly line one hundred feet; thence northeasterly at right angles to said northeasterly line one hundred and fifty feet; thence southeasterly parallel with said northeasterly line of Veteran Avenue one hundred feet; thence southwesterly in a direct line one hundred and fifty feet to the point of beginning; containing three hundred and forty-four one-thousandths acre, more or less.

The deed authorized by this act shall contain the express reservation that should the city of Los Angeles, Calif., either fail to use the property for fire-station purposes or furnish twenty-four hours' fire protection to all accessible parts of the Veterans' Administration facility, Los Angeles, Calif., then all right, title, and interest in such property shall revert to and revest in and become the property of the United States, except in the event that such failure to so furnish fire protection is temporary and is due to conditions beyond the control of the city of Los Angeles. The deed shall further provide that in the event that all right, title, and interest in such property so revert to and revest in the United States, the city of Los Angeles may remove the buildings and structures then existing on such property upon condition that said city of Los Angeles restore the land as nearly as possible to its former condition without expense to the United States.

### CONVEYANCE OF CERTAIN EASEMENTS TO CHESAPEAKE & OHIO RAILWAY

The bill (H. R. 5453) authorizing the conveyance by the Secretary of the Interior to the Chesapeake & Ohio Railway Co., a railroad corporation, of certain perpetual easements near Afton, in Augusta and Nelson Counties, Va., being a portion of the Blue Ridge Parkway land of the Shenandoah National Park, was considered, ordered to a third reading, read the third time, and passed.

### LUMP SUM PAYMENT TO GOVERNMENT EMPLOYEES FOR ACCRUED ANNUAL LEAVE

The Senate proceeded to consider the bill (H. R. 4918) to provide for the payment to certain Government employees for accumulated or accrued annual leave due upon their separation from Government service, which had been reported from the Committee on Civil Service with amendments.

The first amendment was in section 1, on page 2, line 15, after the word "regarded", to insert "except for purposes of taxation."

The amendment was agreed to.

The next amendment was in section 3, on page 3, line 9, after the word "regarded", to insert "except for purposes of taxation."

The amendment was agreed to.

Mr. WALSH. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment offered by the Senator from Massachusetts will be stated.

The CHIEF CLERK. In section 2, on page 2, at the end of line 24, it is proposed to insert "shall be paid, upon the establishment of a valid claim therefor, in the following order of precedence: First, to the beneficiary or beneficiaries, if any, lawfully designated by the employee under the retirement act applicable to his service; second, if there be no such designated beneficiary, to the estate of such deceased employee."

Mr. WALSH. Mr. President, I have conferred with the Senator from California [Mr. DOWNEY] and he has no objection to the amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. WALSH].

The amendment was agreed to.

Mr. DOWNEY. Mr. President, I wish to offer several perfecting amendments to the bill so as to have the terms of the bill apply to employees of the District of Columbia.

The VICE PRESIDENT. The first amendment offered by the Senator from California will be stated.

The CHIEF CLERK. In section 1, on page 2, line 6, after the word "service" it is proposed to insert "or in or under the Government of the District of Columbia."

The amendment was agreed to.

The VICE PRESIDENT. The next amendment offered by the Senator from California will be stated.

The CHIEF CLERK. In section 1, on page 2, following the period in line 12, it is proposed to strike out "The" and insert "in the case of reemployment in the Federal service the."

The amendment was agreed to.

The VICE PRESIDENT. The next amendment offered by the Senator from California will be stated.

The CHIEF CLERK. In section 1, on page 2, line 14, after the word "receipts" it is proposed to insert a comma and the words "and in case of reemployment in or under the Government of the District of Columbia the sum so refunded shall be covered into the Treasury to the credit of the District of Columbia."

The amendment was agreed to.

Mr. TAFT. Mr. President, will the Senator explain exactly what the bill does? It has some relation to the program which we considered for unemployment compensation for Federal employees, which was discussed in the conference committee.

Mr. DOWNEY. No. I can say to the distinguished Senator that the bill merely provides a method by which accrued leave compensation may be paid to Government employees upon their discharge from the civil service. The report is very brief. If the Senator desires to have it read, I shall be glad to read it. It is entirely explanatory.

Mr. TAFT. I should like to know what the bill provides for employees that they do not now receive.

Mr. DOWNEY. It merely means that they will receive in a lump sum upon their discharge from the civil service any payment which is due them because of accruals, or because of not having taken vacations. Does the Senator wish to have the report read? It is very brief.

Mr. TAFT. Am I to understand that today if an employee is discharged, and has accumulated leave, he is permitted to remain on the pay roll for 3 or 4 weeks until he is paid?

Mr. DOWNEY. That is correct.

Mr. TAFT. Without performing any service?

Mr. DOWNEY. That is correct.

Mr. TAFT. Would this bill merely provide that in cases in which a discharge occurs, the money due him may be paid in a lump sum?

Mr. DOWNEY. That is correct. I will say to the distinguished Senator that it would cost the Government not 1 cent more.

Mr. TAFT. Is that the only purpose of the bill?

Mr. DOWNEY. That is its only purpose.

Mr. BURTON. Mr. President, I understand that there is also a benefit in connection with the death of an employee. The bill would enable the estate to collect a lump sum, which is, of course, a matter of convenience.

Mr. DOWNEY. That is correct.

The VICE PRESIDENT. The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. BURTON. Mr. President, I should like to ask the Senator from California if he will have placed in the RECORD, immediately following the discussion, the report of the committee, inasmuch as the printed report has not been placed on the desks of Senators.

Mr. DOWNEY. In accordance with the request of the Senator from Ohio, I send to the desk the report on the bill just passed, and ask that it be printed in the RECORD at this point.

There being no objection, the report (No. 1300) was ordered to be printed in the RECORD, as follows:

The Committee on Civil Service, to whom was referred the bill (H. R. 4918) to provide for the payment to certain Government employees for accumulated or accrued annual leave due upon their separation from Government service, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The purpose of the bill is to provide for a lump-sum payment for accumulated or accrued annual or vacation leave due to any officer or employee of the Government in the event of his separation from the service. Under existing law a separated employee can be compensated for accumulated and accrued leave only by being retained on the pay roll until he has received salary covered by the period of such leave.

The first section of the bill provides for payment to the separated employee equal to the compensation which he would have received had he remained in the service until the expiration of the period of his accumulated and accrued leave. In the event an employee who has received a lump-sum payment under the bill becomes reemployed in the Government service prior to the expiration of his leave period, he would be required, under the provisions of the bill, to refund to the Government an amount equal to the compensation covering the period between the date of reemployment and the expiration of such leave period.

Section 2 of the bill makes provision for making payment for accumulated and accrued annual leave to the estates of deceased employees.

Under section 3 provision is made for payment in the case of employees transferring to positions under different leave systems. In the past such payments have been prevented by the prohibition against receiving dual compensation.

The provisions of the bill will in many cases provide needed financial assistance to separated employees in returning to their homes and reestablishing themselves in other employment. In addition, the bill would provide other benefits, such as elimination of the problem of dual compensation; stop service credit on the last day of active duty; permit the immediate filling of vacancies due to the separation of employees; and would eliminate much time-consuming paper work and pay-roll sections, with a resulting saving of expenses to the Government.

The bill as passed by the House provided that lump-sum payments to employees thereunder should not be regarded as salary or compensation and should not be subject to retirement deductions. The committee recommends that this provision be amended where it appears in sections 1 and 3 so as to make it clear that it is not intended to exempt such payment from taxation.

The enactment of this legislation has been recommended by the Civil Service Commission.

## HEALTH PROGRAMS FOR GOVERNMENT EMPLOYEES

The Senate proceeded to consider the bill (S. 2201) to provide health programs for Government employees.

Mr. DOWNEY. Mr. President, I send to the desk a perfecting amendment which I wish to offer, and ask that it be stated.

The VICE PRESIDENT. The amendment offered by the Senator from California will be stated.

The CHIEF CLERK. On page 2, after the period in line 16, it is proposed to insert the following:

Wherever the professional services of physicians are authorized to be utilized under this act, the definition of physician contained in the act of September 7, 1916, as amended (U. S. C., 1940 ed., title 5, ch. 15, sec. 790), shall be applicable.

Mr. REED. Mr. President, let the bill go over.

Mr. DOWNEY. Mr. President, will the Senator withhold his objection for a moment?

Mr. REED. Very well.

Mr. DOWNEY. Let me say to the Senator that this is merely a perfecting amendment which defines the word "physician" as used in the bill.

Mr. REED. A hasty glance at the bill and the report of the committee indicates that it is of such a character as to require more discussion than is possible under these circumstances, and that it ought not to be passed on the call of the calendar.

Mr. DOWNEY. Let me say to the distinguished Senator that this amendment merely defines the word "physician" in the bill. It is a perfecting amendment.

Mr. REED. I have no objection to the Senator offering perfecting amendments. When they shall have been disposed of, however, I think the bill should go over.

Mr. DOWNEY. If the Senator will further withhold his objection, I should like to read the report on the bill. It is very brief.

Mr. REED. I have read it.

Mr. DOWNEY. No objection has been raised to the bill. It is acceptable to the physicians' societies, and all the civil service groups want it. The Civil Service Commission and other Government agencies favor it. All the bill provides is an authorization so that if Congress makes the appropriation, emergency dental care and emergency physical care may be provided in the various Governmental agencies, just as in the Senate we have a physician who provides a certain degree of medical attention. The bill would authorize such medical attention to be requested of Congress by the various agencies, but nothing could be done until an appropriation was made by Congress. So far as I am aware there is no objection to the bill from any source. It was favorably reported from our committee by unanimous vote. Under those conditions, I wonder if the Senator can see fit to withdraw his objection.

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

Mr. TAFT. Mr. President, I object.

Mr. REED. Mr. President, I did not withdraw my objection. The Senator from California has introduced a bill authorizing "the heads of departments and agencies, * * * within the limits of appropriations made available therefor, to establish by contract or otherwise health programs which will provide health services for employees under their respective jurisdictions." If that is not a rather sweeping measure, I do not know what one would be. Certainly it should receive more consideration than it can receive during the call of the calendar, when we are proceeding under the 5-minute rule. So, Mr. President, I maintain my objection.

Mr. DOWNEY. Mr. President, at this time I desire to read the very short report which accompanies the bill. It is Report No. 1299, and it reads as follows:

The Committee on Civil Service, to whom was referred the bill (S. 2201) to provide for health programs for Government employees, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The purpose of the bill is to provide for promoting and maintaining the physical and mental fitness of employees of the Federal Government. To carry out these purposes the heads of departments and agencies would be authorized, within the limits of appropriations made by the Congress, to establish health programs for their employees. Services provided under such programs shall be limited to treatments of minor illnesses and dental conditions and emergency cases of injury or illness sustained by an employee in the performance of his duty; preemployment and other examinations; referral of employees to private physicians and dentists; and education and preventive programs relating to health.

The Civil Service Commission is designated as the coordinating agency in the development of such services, and programs shall be established only upon recommendation of the Commission after consultation with the Public Health Service.

The enactment of this legislation has been recommended by the Civil Service Commission, the Public Health Service, the Bureau of the Budget, and a number of other Federal agencies.

I may say that such services have already been set up in many governmental agencies; and, as I have stated, such services are maintained here in Congress, as well as in other governmental agencies.

The VICE PRESIDENT. Objection being heard, the bill will be passed over.

## ESTABLISHMENT OF DISTRICT OF COLUMBIA AS A JUDICIAL CIRCUIT

The bill (H. R. 5518) to amend section 119 of the Judicial Code, was considered, ordered to a third reading, read the third time, and passed.

## REGISTRATION AND PROTECTION OF TRADE-MARKS

The Senate proceeded to consider the bill (H. R. 82) to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes, which had been reported from the Committee on Patents, with amendments.

The first amendment was, on page 5, in line 1, after the words "use of the", to strike out "goods", and insert "marks."

The amendment was agreed to.

The next amendment was, on page 16, after line 1, to insert "This subsection shall not be subject to the provisions of section 13 of this act."

The amendment was agreed to.

The next amendment was, on page 13, line 7, after the word "register", to insert "or any Government agency which believes that the public interest will be adversely affected."

The amendment was agreed to.

The next amendment was, on page 16, line 12, after the word "registered", to insert "except that the fee and verification herein provided for shall not be required of any Government agency."

The amendment was agreed to.

The next amendment was on page 17, in line 1, after the word "fee", to insert "or any Government agency which believes that the public interest is or will be adversely affected may without the payment of fee,".

The amendment was agreed to.

The next amendment was, on page 21, after line 16, to insert:

The Commissioner of Patents shall not be a necessary party to an inter partes proceeding under Revised Statutes 4915, but he shall be notified of the filing of the bill by the clerk of the court in which it is filed and the Commissioner shall have the right to intervene in the action.

The amendment was agreed to.

The next amendment was, on page 23, in line 24, after the word "register", to strike out "he may at any time apply to the Commissioner to cancel such registration," and insert "or whenever any Government agency believes that the public interest is adversely affected petition to cancel such registration may be filed with the Commissioner at any time."

The amendment was agreed to.

The next amendment was, on page 24, line 23, after the figure "42", to insert "(b)."

The amendment was agreed to.

The next amendment was, on page 25, in line 3, to strike out:

SEC. 28. Registration on the supplemental register or under the Act of March 19, 1920, shall not be filed in the Department of the Treasury or be used to stop importations.

The amendment was agreed to.

The next amendment was, on page 25, in line 20, after the word "registration," to strike out the colon and the words: "*Provided, however,* That the foregoing requirement as to notice shall be deemed fulfilled in respect to a registered mark used in connection with goods or services of foreign origin if the mark as used is accompanied by the notice of registration used in the country of origin of the goods or services to denote registration there."

The amendment was agreed to.

The next amendment was, on page 30, after line 6, to strike out:

(3) If goods bearing a registered mark have been put on the market by or with the authority of the registrant of a registered mark or in any package or other container bearing said mark and a notice that the goods may be resold only unaltered or unrenovated or in the original package or container and said goods or any part thereof have, without the authority of the registrant, been transferred to another package or container or been in any way altered or renovated, any person who shall, in commerce, make any use of or reference to said registered mark upon or in connection with the sale or advertising of such transferred or altered or renovated goods shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided.

The amendment was agreed to.

The next amendment was, on page 32, after line 11, to insert:

(6) That the mark whose use is charged as an infringement was registered and used prior to the publication under subsection (a) or (c) of section 12 of this act of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense shall apply only where the said mark has been published pursuant to subsection (c) of section 12 and shall apply only for the area in which the mark was used prior to the date of publication of the registrant's mark under subsection (a) or (c) of section 12 of this act.

Mr. McKELLAR. Mr. President, I should like to ask the Senator from Florida about the bill. It seems that there are a great many pages to it. Does it generally go over the patent law?

Mr. PEPPER. No; it relates only to the trade-mark law.

Mr. McKELLAR. Does it make changes in the trade-mark law?

Mr. PEPPER. It does make some changes. I should like the Senator to know that Mr. FRITZ LANHAM, for whom I know the Senator has such high regard, met with the Committee on Patents several times. The House has passed the bill three times. The Senate committee reported it favorably last year, but it was not reached in time to be passed during the last session. Recently we held hearings on the bill.

Mr. McKELLAR. What changes would the bill make in the trade-mark law?

Mr. PEPPER. The bill is somewhat of a recodification of the trade-mark law, let me say to the Senator.

Mr. McKELLAR. That is the point about which I was thinking. If it is a recodification of the entire trade-mark law, should it not be taken up at some other time, rather than now, under the 5-minute rule? The trade-mark law is very important. If the bill makes important changes—and from the fact that the clerk has been reading an amendment on page 32, I judge that it does—and if it is a recodification of all the trade-mark law, I ask the Senator if he will not allow its consideration to go over until some other time, when it can be discussed at greater length.

Mr. HAWKES. Mr. President, if the Senator will yield to me, I should like to make an explanation to the Senator from Tennessee. When he understands what the committee has gone through and that the bill has been before Congress for 6 years and that practically every essential feature of the bill, except the few amendments, has been approved by the House of Representatives twice and has been approved by the Senate twice, I think the Senator will not object to its present consideration. In other words, Mr. President, the bill was almost passed by the Senate during the last Congress, but at the last moment was sent back to committee for a simple amendment, and therefore did not become law.

When I tell the Senator from Tennessee that the bill will not become effective for a whole year after it is passed, and that any amendment which he or any other Senator may think is necessary can be taken up in the next session of Congress without any difficulty, I am sure he will not object to the present consideration of the bill.

I should like to read to the Senator a statement contained in the hearings on the bill, which refers to the things the bill will accomplish. It will take me only a minute or two to read it:

1. To put all existing trade-mark statutes in a single piece of legislation.

2. To carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled. Although it has solemnly pledged at inter-American conventions to do so, the United States has failed adequately to protect owners of trade-marks in the other American countries doing business with this country. As a result of this inaction our business organizations have not received reciprocal advantages in the other Americas. The bill remedies this matter, eliminates these sources of friction with our Latin-American friends, and will facilitate mutual trade in this hemisphere. These features make this bill of primary importance now.

3. To modernize the trade-mark statutes so that they will conform to legitimate present-day business practice.

4. To remedy construction of the present acts which have in several instances obscured and perverted their original purpose. These constructions have become so ingrained that the only way to change them is by legislation.

5. Generally to simplify trade-mark practice, to secure trade-mark owners in the goodwill which they have built up, and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions.

Mr. President, I may say that at the 2-day hearing which was conducted by the Senator from Florida [Mr. PEPPER] as chairman of the subcommittee, we were told over and over again that 90 percent of the business institutions of the country, both large and small, approved this bill. At the hearings there were represented many departments of the Government. The Department of Justice was represented. Practically every defect which was pointed out was cured. The bill now before the Senate has the approval of the business interests of the United States. They have worked for 6 years for such a bill. To reject the bill now would be almost a travesty on justice. We would have a full year after the enactment of the law to consider amendments to the law if anything wrong should develop with it. I urge the Senator from Tennessee not to object to the passage of the bill.

Mr. McKELLAR. Mr. President, the statement made by my distinguished friend the Senator from New Jersey [Mr. HAWKES] is very persuasive. Anything he says is always persuasive with me. I am not familiar with trade-marks. When the statement was made awhile ago that the bill would result in a recodification of the trade-mark law, I realized that the matter was important. Trade-marks are very important. It seems to me that a bill of this character, especially one which would not become effective for a year, should be brought before the Senate at some time when we can go thoroughly into it and discuss it fully. I know very little about trade-marks. I believe I have tried a few lawsuits concerning them, but they were tried many years ago. I do not have a clear recollection with regard to them. I am wondering if it would not be safer for us to have the matter of the recodification of all the trade-mark laws now on the statute books postponed until a time when the subject can be carefully examined instead of trying to examine it under the 5-minute rule during the last days of the Congress.

Mr. HAWKES. Mr. President, I have a very wholesome regard for my distinguished friend from Tennessee. He has been very helpful to me since I came to the Senate.

The Senator from Florida has said that the effect of the bill would be a recodification of the whole trade-mark law. I do not believe that would be the effect. I may say that the proposal now before us, with the exception of a few amendments, has been before the Senate for 6 years. We have had four hearings on the pending bill. We have spent thousands of dollars in connection with it. To say now to the people of the United States at this late date, after it has been acted upon by three Congresses, that we

do not know what it means, and to reject it in the expiring moments of this Congress, when a whole year will be allowed in which to amend the law, would, in my opinion, be inexcusable. I say to my dear friend, the Senator from Tennessee, that for the Senate to reject the bill now would be a reflection on Congress.

Mr. McKELLAR. Mr. President, I regret seeing a bill so important as the one now before us passed with so little consideration having been given to it. However, I shall not object.

Mr. O'MAHONEY. Mr. President, I regret very much being compelled to object. It will be observed that the bill was reported to the Senate on December 4. That was scarcely more than a week ago. It was reported with several amendments. The reason why the bill was not enacted during the several past years was the serious objection made to its terms. I know that in my office at the present moment there are communications from persons who are affected by the trade-mark law, and who object to some of the provisions of the bill. I have not had an opportunity to examine those communications, nor have I had an opportunity since the 4th of December to examine the report of the committee, or the amendments which have been suggested. Therefore, Mr. President, much as I regret doing so at this hour, I must object to the present consideration of the bill.

The PRESIDING OFFICER. Objection is heard, and the bill will be passed over.

Mr. PEPPER. Mr. President, I give notice now that at the conclusion of the call of the calendar I shall make a motion either to proceed to the consideration of this bill, or to fix a time for its consideration by the Senate.

Mr. HILL. Mr. President, I may say to my distinguished friend, the Senator from Florida [Mr. PEPPER], that the Senate has some very urgent matters to consider. I am not sure that the Senate can very well take up consideration of this bill immediately at the conclusion of the call of the calendar. There is a deficiency bill which will have to be passed, very likely tomorrow. We have certain nominations to consider, some conference reports, and other important matters which will have to be acted upon. I shall be glad to confer with the Senator about the matter.

Mr. PEPPER. Very well.

The PRESIDING OFFICER. The Chair asks the Senate to indulge the Chair in suggesting that Senators address the Chair so that the business of the Senate may be dispatched in an orderly way. The Chair will endeavor to recognize each and every Senator who desires to address the Chair, and will cooperate in every way in dispatching the business of the Senate.

### AMENDMENT OF DEPARTMENT OF AGRICULTURE ORGANIC ACT OF 1944

Mr. McKELLAR. Mr. President, I have been called to attend a hearing at 4 o'clock of the Committee on Appropriations on the deficiency bill. On page 22 of the calendar, is Calendar No. 1397, House bill 5566, an act to amend section 502 (a) of the Department of Agriculture Organic Act of 1944. The bill has been reported by the committee. I ask unanimous consent that the Senate proceed at this time to the consideration of House bill 5566.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and the clerk will state the bill by title for the information of the Senate.

Mr. TAFT. Mr. President, I object, without further consideration.

The PRESIDING OFFICER. Objection being made, the bill will be passed over, and the clerk will state the next bill on the calendar.

### EXEMPTION OF OFFICERS AND EMPLOYEES OF THE OFFICE OF SCIENTIFIC RESEARCH AND DEVELOPMENT

The Senate proceeded to consider the bill (H. R. 4446) to exempt certain officers and employees within the Office of Scientific Research and Development from certain provisions of the Criminal Code, which had been reported from the Committee on the Judiciary with amendments, on page 1, after line 4, to insert "or in section 19 (e) of the Contract Settlement Act of 1944 (Public Law 395, 78th Cong.)."

The amendment was agreed to.

Mr. FERGUSON. Mr. President, I ask that the bill go over.

The PRESIDING OFFICER. The amendment has been agreed to. Objection being heard, the bill will be passed over.

### ADDITIONAL JUDGE FOR THE DISTRICT OF DELAWARE

The Senate proceeded to consider the bill (S. 1817) authorizing the appointment of an additional judge for the district of Delaware, which was read, as follows:

*Be it enacted, etc.*, That the President of the United States, by and with the advice and consent of the Senate, shall appoint an additional judge of the district court of the United States for the judicial district of the State of Delaware, who shall possess the same powers, perform the same duties, and receive the same compensation and allowance as the present judge of said district.

Mr. DANAHER. Mr. President, I send forward to the desk an amendment and ask that it be stated.

The CHIEF CLERK. On page 1, line 6, after the word "who", it is proposed to insert a comma and "except where because of seniority other provision is made."

Mr. TUNNELL. Will the Senator explain what the amendment is?

Mr. DANAHER. Yes; I am happy to do so. I am in favor of the bill, and shall be glad to see it pass, but as it stands with the language appearing in lines 6 and 7, the additional judge, once appointed, "possess the same powers, perform the same duties, and receive the same compensation and allowance as the present judge of said district."

Obviously there is a difference in power between a judge who has occupied the bench for some time and one who is junior to him. Seniority rights and various prerogatives adhere to the senior position, and simply to the end that the senior rights of the senior judge may be protected, I have offered the amendment.

Mr. TUNNELL. I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Connecticut [Mr. DANAHER].

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

### STUDY OF SAFETY PROVISIONS BY UNITED STATES EMPLOYEES' COMPENSATION COMMISSION

The Senate proceeded to consider the bill (H. R. 4159) to amend section 33 of the act of September 7, 1916, as amended (39 Stat. 742).

Mr. LANGER. May we have an explanation of the bill?

Mr. PEPPER. Mr. President, I did not report the bill. It was reported by the chairman of the committee, the Senator from Utah [Mr. THOMAS]. I have talked with the Chairman of the United States Employees' Compensation Commission, which is interested in the bill, and she said the bill was merely to supply a procedural deficiency. They have jurisdiction, but there is some little deficiency which they thought should be corrected, and that is what is intended to be accomplished by the bill. I am sorry I cannot give the Senator more information, but I am sure the chairman of the committee, the Senator from Utah [Mr. THOMAS], would not have reported the bill from the committee if he had not investigated the situation.

The PRESIDING OFFICER. The question is on the third reading of the bill.

The bill was ordered to a third reading, read the third time, and passed.

### AUTHORIZATION OF CERTAIN TRANSACTIONS BY DISBURSING OFFICERS

The bill (H. R. 5062) to authorize certain transactions by disbursing officers of the United States, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

### COMPENSATION OF EMPLOYEES IN THE POSTAL SERVICE

The bill (S. 1882) to increase the compensation of employees in the Postal Service was announced as next in order.

Mr. BYRD. Mr. President, this is a bill which is very important, involving a permanent increase in the salaries of the employees of the Post Office Department, which I understand will aggregate about $130,000,000 a year. There is no report from the Postmaster General in the files. I therefore ask that the bill not be taken up under the unanimous consent Calendar, but be considered at some appropriate time when there can be a full discussion.

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

Mr. BYRD. I yield.

Mr. MALONEY. I am not very hopeful of being able to persuade him to change his view, but I should like to point out

to the distinguished Senator from Virginia that at the present time these postal employees, who have been for so long underpaid, are getting a special wartime bonus, and that the proposed increase would in substance replace the present bonus. There is a very slight addition in the amount of money which would be paid them.

I understand the House of Representatives had the bill on its program for this afternoon.

Mr. MEAD. Mr. President, if I may interrupt, I have a message that the House has just passed the bill.

Mr. MALONEY. I knew that the House was considering it, because I talked with the majority leader about it early today.

Unless the bill before us is passed at this time, it will mean it will go over again, as it has in the past. It will mean that this wage increase, which is not a large increase, will not be given to these employees for at least a long time to come.

With complete respect for the Senator from Virginia, I say that it seems to me we have been shadow boxing with the postal employees for a long time, and that we will still give them a bonus if the bill is not passed.

Mr. BYRD. If the Senator will yield, we are not giving a bonus in this bill, but a permanent increase.

Mr. MALONEY. Just a moment. I believe that the present bonus will be retained if the bill is not passed. I hope, as well as believe, that we are not going to curtail wages after the war, or in the future.

This is an important matter to these men. The hardest working of all the Federal employees are the postal employees. I think the raise is well deserved and long overdue, and I am very hopeful that the able Senator from Virginia will withdraw his objection.

Mr. BYRD. Mr. President, I merely wish to make clear to the Senate that this is not a bonus, it is a permanent increase in salary.

Mr. MALONEY. The Senator is correct.

Mr. BYRD. The present bonus will continue until July 1, 1945.

Mr. MALONEY. The Senator is correct.

Mr. BYRD. A $300 bonus.

Mr. MALONEY. The Senator is correct.

Mr. BYRD. Now it is proposed to give a $400 permanent increase in salary, and this should be thoroughly discussed and understood. It is an important matter. I am not saying I shall oppose the bill. I have a high regard for the work of the postal employees and want to see full justice done, but I want to know all the facts, which is not possible under the 5-minute rule.

The Postmaster General, as I understand, has not endorsed the bill. If he has, it is not a part of the record here. This is a bill of such importance that certainly we should not consider it under the 5-minute rule.

Mr. MALONEY. I should like to have the RECORD show that the senior Senator from Connecticut has endorsed the bill, and feels that it is a long overdue recognition of great service.

Mr. BYRD. The Senator from Virginia will endorse the bill if he feels it to be right, and after he obtains all the facts with respect to it, but will not endorse it until he does.

Mr. MALONEY. I am sure that is a fact. I feel sure that as he ascertains the facts, the Senator from Virginia, for whom I have so much respect, will endorse the bill. I was hopeful that we might speed up this wage increase, which would replace the bonus now being paid. We are giving the postal employees almost as much now as they would get under the program proposed in this measure. The bonus would then be dropped, and these men would be brought up to a nearly appropriate wage situation.

Mr. MEAD. Mr. President——

Mr. MALONEY. I yield to the Senator from New York.

Mr. MEAD. In view of the fact that my distinguished colleague, the senior Senator from Connecticut, has yielded to me, I wish to make one or two observations as the sponsor of the bill.

First of all, I just sent for and received a report from the Postmaster General on the bill, and I should be very glad to pass it on to my distinguished colleague, the Senator from Virginia. I wish to say to him in all fairness that the Postmaster General does not recommend the bill in its present form. I desire to state, however, as the sponsor of the bill, that the postal employees have not received an increase since 1925, 20 years ago. Twenty years ago the revenues of the Postal Service amounted to approximately $500,000,000 plus. Today they approach the billion-dollar mark, and these employees are doing all the additional work, with very few additional employees. If we pass this bill we are going to pay these employees out of the added revenue they are producing, rather than out of the United States Treasury. So they differ from those employees in other departments of the Government in that as the result of their efficiency and their increased productivity they are producing the money which will take care of the salaries included in the bill.

As the distinguished Senator from Connecticut said, the bill will abolish the bonus of $300 and add $100 annually to the amount of the bonus. In view of the fact that these hardworking employees have not had a raise in salary in 20 years, and in view of the fact that any number of Senators have come to me day after day asking when the bill is to be brought up, and in view of the fact that it was reported by the House committee unanimously, and passed by the House today practically unanimously, I am told, I do not see why we cannot take it up this afternoon.

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

Mr. MEAD. I gladly yield.

Mr. LA FOLLETTE. I find myself in complete agreement with everything that has been said by the senior Senator from Connecticut [Mr. DANAHER] and the junior Senator from New York [Mr. MEAD], but since the House has acted upon a similar measure this afternoon it would seem to me that the quickest way to obtain action, if action is to be had, would be to act upon the House bill, and I express the fervent hope that in the interim perhaps the Senator from Virginia [Mr. BYRD] after having an opportunity to look into this matter, will not object to our considering the House bill and acting upon it one way or the other before the present Congress adjourns.

Mr. MEAD. Mr. President, in that connection I will say to my colleague from Wisconsin that I am perfectly willing that the bill go over until the last bill on the Calendar has been acted upon, and at that time I shall ask that the House bill be substituted for the Senate bill, and that the House bill be passed.

Mr. LA FOLLETTE. I understand that the House bill has not yet been messaged to the Senate.

Mr. MEAD. We are checking on that.

Mr. LA FOLLETTE. After all, if action is to be had at this session of Congress, it will have to come on the House bill instead of on the Senate bill, because it would not do any good to send a bill over to the House when they have already passed an identical bill, and then Congress should adjourn. It would not result in a legislative enactment. I am hoping that perhaps the Senator from Virginia will look into the matter, because I agree with everything that has been said by the two able Senators who have previously spoken, and I do not know of any other measure which it seems to me is more meritorious or more deserving of consideration by this body.

Mr. MEAD. My understanding, if I may say so to my distinguished colleague, the Senator from Wisconsin, is that there is a possibility that the message from the House will come over at any time, and I am perfectly willing that the Senate bill go over until the end of the calendar, at which time I suggest taking up the House bill in lieu of the Senate bill.

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

Mr. MEAD. I yield.

Mr. BUTLER. I think the suggestion made by the Senator from New York is exactly the program that is to be followed for the moment, but I had previously arisen to make a statement which I now wish to make. For many months I have followed this bill, as every other Senator has, with a great deal of interest. It is a bill which, perhaps, should have been brought up when we had ample time for discussion, if discussion is desired, but I think we are all perfectly familiar with the situation, and in view of the meritorious service rendered by the men and women who are on the pay rolls as postal employees I hope a way may be found to act favorably on the matter today.

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

Mr. MEAD. I yield.

Mr. DANAHER. I should like to have the RECORD show that when we are conducting the business of the Senate on the unanimous-consent calendar the expression of a single objection is sufficient to defer action on a bill. I can assure the Senator from New York that, although debate is cut off in that way and

the matter is not before us and we cannot vote on it simply because one objection has been voiced, there are a great many friends of this proposed legislation on the floor of the Senate, and if under the rule the bill can be brought up the Senator from New York can be assured of very substantial support.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. MEAD. Can we not have an understanding that the bill be taken up at the conclusion of the call of the calendar.

Mr. BYRD. I have made objection, Mr. President.

The PRESIDING OFFICER. Objection is heard.

Mr. MEAD. I did not understand that objection had been made.

The PRESIDING OFFICER. The Senator from Virginia [Mr. BYRD] has made objection.

Mr. BYRD. I object to taking up the bill under the unanimous-consent rule.

Mr. President, the Postmaster General is opposed to the bill. For some reason, his letter is not included in the report presented to the Senate, although it is dated June 20, 1944.

Mr. President, I ask that the objection of the Postmaster General to this legislation, contained in his letter of June 20, 1944, be made a part of the RECORD.

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

OFFICE OF THE POSTMASTER GENERAL,
*Washington, D. C., June 20, 1944.*

Hon. KENNETH MCKELLAR,
*Chairman, Committee on Post Offices and Post Roads, United States Senate.*

MY DEAR SENATOR MCKELLAR: Reference is made to your request for a report upon S. 1882, a bill to increase the compensation of employees in the Postal Service.

This measure would repeal Public Law 25, approved April 9, 1943, which provided an additional compensation at the rate of $300 per annum for postal employees employed upon a salary basis and a 15-percent increase for employees paid on an hourly, fee, part-time, or per diem basis, as well as for fourth-class postmasters and special delivery messengers, with a limitation of an average of $25 per month. The measure would grant to postal employees upon a salary basis an increase of $400 per annum and a 23-percent increase for employees paid on an hourly, fee, part-time, or per diem basis as well as for fourth-class postmasters and special delivery messengers.

After very careful consideration this Department has reached the conclusion that no action should be had upon S. 1882 at this time and that a careful study should be made of the postal salary structure as a whole before permanent legislation is enacted.

The annual cost of Public, No. 25 which, by its terms, expires on June 30, 1945, is estimated at $93,784,000. S. 1882 is in the form of permanent legislation and it is estimated that the annual cost thereof would be approximately $128,784,000.

It has been ascertained from the Bureau of the Budget that this report is in accord with the program of the President.

Very truly yours,

FRANK C. WALKER,
*Postmaster General.*

Mr. BYRD. Certainly the Senate has a right to have information as to the position of the Postmaster General, which was omitted from the report.

Mr. BILBO. Mr. President, I want the RECORD to show at this point that I think this bill is right, righteous, long overdue, and should pass right now.

Mr. LANGER. A parliamentary inquiry. I want to know how we can be assured of a chance to vote on this bill before we adjourn.

Mr. AIKEN. Mr. President——

The PRESIDING OFFICER. The Chair would like to answer the parliamentary inquiry of the Senator from North Dakota.

Mr. AIKEN. Is it not perfectly in order for any Senator to move that the bill be considered at the conclusion of the call of the calendar?

Mr. LANGER. It has already been indicated that that will be done.

The PRESIDING OFFICER. In answer to the parliamentary inquiry made by the Senator from North Dakota, the Chair will state that at the conclusion of the call of the calendar any Senator who can obtain the floor may make a motion to consider any bill he wants to have considered, and the motion will be disposed of.

Mr. LANGER. I want to give notice that I shall do that as soon as the call of the calendar is completed.

## AMENDMENT OF MERCHANT MARINE ACT OF 1936

The bill (H. R. 4968) to amend section 511 (c) of the Merchant Marine Act, 1936, as amended, relative to deposit of vessel proceeds received from the United States in certain cases, and for other purposes, was announced as next in order.

Mr. AIKEN. Mr. President, may we have an explanation of the bill?

The PRESIDING OFFICER. An explanation is requested.

Mr. RADCLIFFE. Mr. President, the amendment contained in the bill has reference only to the operation of the ship-construction reserve fund now provided for by law. It does not create any new policy, but it makes it possible to carry out the policy already settled on whenever the performance under the policy has been prevented for certain reasons which were not anticipated and which were not due to any fault of the owner. Let me illustrate. Under existing law whenever an owner of a ship receives certain gains from the sale of the ship, he has the option within 60 days of putting that fund up in a ship-construction reserve, and if that is so deposited, it is not immediately subject to taxation. But the ends of taxation are met presumably later on by the application of a reduced depreciation reserve. I shall not attempt to explain that feature of the law, which the Senator from Vermont, I am sure, understands very well.

This is the purpose and reason for the pending bill. In view of the fact that that option must be exercised within 60 days after the gain is determined, and in view of the fact that the Treasury Department is of the opinion that the gain is determined as of the time when the title is taken to the ship, and since sometimes the Federal Government does not settle promptly for the payment of a ship, then it happens in such cases that the seller of the ship is deprived of the opportunity of exercising his option for making a deposit in such a fund.

Let me illustrate by two cases. Suppose the owner has two ships which he sells to the United States Government. The Government takes title to them immediately. In one case a payment of purchase money is made during the course of that year. Then at the end of that year, when the seller attempts to set up his tax returns, he is able to eliminate this item of taxable gains from his accounting for income taxes. The existing law so provides.

Let us suppose, however, that the Government has not made payment of purchase price during the course of the year, which has happened in some instances, and does not pay until several years later. Then when the payment is made the owner of the boat is not able to treat it as taxable gains under the general provisions of the law as ship construction reserve fund. He is, therefore, deprived, by reason of the failure of the Government to settle for the ship promptly, of an opportunity to carry out the general intent of the law as to the treatment of such taxable gains. Of course such an obstacle was not contemplated at the time the construction ship reserve fund law was passed. It was not realized that there would be some instances when these settlements would not be made promptly, therefore the general purpose of the law would thereby be thwarted. I have cited certain incidents. Other cases of application would be somewhat similar.

All the bill does is to lift the statute of limitations so that when the payment is received the seller can reopen the tax returns for the year of sale and reset it up as he would have done if the payment had been made to him during that current year.

Mr. AIKEN. In effect, this bill would extend the time within which the shipowner or ship operator could make his deposit in a tax-exempt reserve fund.

Mr. RADCLIFFE. In those cases where he has not received his money during the year of sale and has not had therefore the opportunity to make the election as to whether he would deposit in the ship construction reserve fund.

Mr. AIKEN. Does the Senator have any idea how much the amount involved is?

Mr. RADCLIFFE. I have not with me the figures showing what has been done. In all probability, in 50 percent of the cases the ship owners selling have not elected to set up such reserves.

Mr. AIKEN. Has this delay been due to the fact that the Commission and the shipowners could not agree?

Mr. RADCLIFFE. Yes. As the Senator knows, there have been some differences of opinion as between the Comptroller General of the United States and the Maritime Commission as to the basis of settlement. The delay has not been due in any way whatever to the owner. It has been due to reasons which he could not control.

Mr. AIKEN. As I understand, the bill has nothing whatever to do with the basis of settlement.

Mr. RADCLIFFE. Nothing whatever.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. AIKEN. I should like to ask what is the meaning of section 2 of the bill.

Mr. RADCLIFFE. Mr. President, I can explain that in a moment, I believe. When the owner attempts to carry out this policy of deposit, it is required under existing law that he enter into a contract for the construction of the ship, and then the operations of the law as to the fund would be based on that contract. In a few cases the owner is his own builder, and does not therefore enter into any contract with a shipbuilder. So if the owner builds his own ships, instead of entering into such a contract, he would under this bill be put on the same basis as though he had contracted for its construction. This is equitable since it places the shipowner in the same position if he does his own construction as though he let the work at contract.

Mr. AIKEN. I understand that the funds deposited in the tax-exempt reserve are placed there for the purpose of withdrawing them later and using them for the purchase of new vessels by the shipping company.

Mr. RADCLIFFE. For the building of new vessels.

Mr. AIKEN. For the building of new vessels?

Mr. RADCLIFFE. Yes.

Mr. AIKEN. If the funds are withdrawn for any other purpose, they are then subject to taxation?

Mr. RADCLIFFE. Immediately available; yes. If they are withdrawn for any other purposes they must be subject to immediate taxation.

Mr. AIKEN. Are the funds which are withdrawn taxable, or are they simply classed as income by the concern which withdraws them?

Mr. RADCLIFFE. They would be taxable as taxable gain, on the theory that the money had never been put up.

Mr. AIKEN. If after the war a company decides that it does not wish to continue in the shipping business because of heavy depreciation in the value of the property on hand, so that it has a very heavy loss, if it withdraws this money from the tax-exempt reserve fund, it would not have to pay any taxes on it, would it?

Mr. RADCLIFFE. The fund would be treated as taxable gain. What might be the taxable situation, in view of depreciation, or appreciation as the case might be, would depend, of course, upon the facts regarding any such taxpayer in any particular circumstances. But I do not think we can very well forecast what is going to be the situation with regard to any particular taxpayer who had deposited in such a fund and later withdrawn it.

Mr. AIKEN. As I understand, the bill does not affect that question.

Mr. RADCLIFFE. No; it does not.

Mr. AIKEN. I believe that that is something which should be considered by the Congress.

Mr. RADCLIFFE. I agree that it should be.

Mr. AIKEN. Otherwise there may be several hundred million dollars, made during this war, which will be absolutely tax free.

Mr. RADCLIFFE. That may prove to be correct.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 4968) to amend section 511 (c) of the Merchant Marine Act of 1936 was considered, ordered to a third reading, read the third time, and passed.

BERTHA LeFRANCQ

The bill (H. R. 4333) for the relief of Bertha LeFrancq was considered, ordered to a third reading, read the third time, and passed.

LUTHER MARCUS SMITH, A MINOR

The bill (H. R. 4345) for the relief of the legal guardian of Luther Marcus Smith, a minor, was considered, ordered to a third reading, read the third time, and passed.

ENID M. ALBERTSON

The bill (H. R. 3218) for the relief of Enid M. Albertson was considered, ordered to a third reading, read the third time, and passed.

LUDWIG WOLF

The bill (H. R. 4629) for the relief of Ludwig Wolf was considered, ordered to a third reading, read the third time, and passed.

MRS. JULIA TOLER

The Senate proceeded to consider the bill (H. R. 4367) for the relief of Mrs. Julia Toler, which has been reported from the Committee on Claims with an amendment on page 1, line 6, after the words "the sum of" to strike out "$3,000" and insert "$3,500".

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

WALTER LUNDMARK

The bill (H. R. 3995) for the relief of Walter Lundmark was considered, ordered to a third reading, read the third time, and passed.

MRS. PEARL W. PETERSON

The bill (H. R. 3484) for the relief of Mrs. Pearl W. Peterson was considered, ordered to a third reading, read the third time, and passed.

BRIG. GEN. LOUIS J. FORTIER

The bill (H. R. 4144) for the relief of Brig. Gen. Louis J. Fortier was considered, ordered to a third reading, read the third time, and passed.

MRS. NELLE JONES

The bill (H. R. 2543) for the relief of Mrs. Nelle Jones was considered, ordered to a third reading, read the third time, and passed.

HALL FARRIS

The bill (H. R. 3781) for the relief of Hall Farris was considered, ordered to a third reading, read the third time, and passed.

ALFRED F. ROSS

The bill (H. R. 4049) for the relief of Alfred F. Ross was considered, ordered to a third reading, read the third time, and passed.

JOSEPH W. STEEL

The bill (H. R. 4038) for the relief of Joseph W. Steel was considered, ordered to a third reading, read the third time, and passed.

DIEMER ADISON COULTER AND FRANCES ANDREWS COULTER

The bill (H. R. 2150) for the relief of Diemer Adison Coulter and Frances Andrews Coulter was considered, ordered to a third reading, read the third time, and passed.

ARCHIE BARWICK

The bill (H. R. 1556) for the relief of Archie Barwick was considered, ordered to a third reading, read the third time, and passed.

SANDY C. BROWN

The bill (H. R. 4549) for the relief of Sandy C. Brown was considered, ordered to a third reading, read the third time, and passed.

LILLIAN HILL

The bill (H. R. 3191) for the relief of Lillian Hill was considered, ordered to a third reading, read the third time, and passed.

JAMES LeROY EDEN

The bill (H. R. 3928) for the relief of James LeRoy Eden was considered, ordered to a third reading, read the third time, and passed.

THOMAS R. CLARK

The bill (H. R. 4593) for the relief of Thomas R. Clark was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF FLOYD M. ADAIR, DECEASED

The bill (H. R. 4322) for the relief of the estate of Floyd M. Adair, deceased, was considered, ordered to a third reading, read the third time, and passed.

ROBERT L. WHIDDON

The Senate proceeded to consider the bill (H. R. 4588) for the relief of Robert L. Whiddon, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "the sum of," to strike out "$3,935" and insert "$4,935."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

CLARENCE H. MILES

The bill (H. R. 2688) for the relief of Clarence H. Miles, was considered, ordered to a third reading, read the third time, and passed.

ROSE B. LUZAR

The bill (H. R. 2300) for the relief of Rose B. Luzar, was considered, ordered to a third reading, read the third time, and passed.

P. E. BRANNEN

The Senate proceeded to consider the bill (H. R. 4101) for the relief of P. E. Brannen, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "sum of" to strike out "$3,626.30" and insert "$4,195.06."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

ELEANOR PARKINSON

The bill (H. R. 3302) for the relief of Eleanor Parkinson, was considered, ordered to a third reading, read the third time, and passed.

HARRY V. HEARN

The bill (H. R. 3369) for the relief of Harry V. Hearn, was considered, ordered to a third reading, read the third time, and passed.

ROBERT ROWE AND MARY ROWE

The bill (H. R. 4212) for the relief of Robert Rowe and Mary Rowe, was considered, ordered to a third reading, read the third time, and passed.

EDWARD C. ROBBINS

The bill (H. R. 3414) for the relief of Edward C. Robbins, was considered, ordered to a third reading, read the third time, and passed.

MRS. ANNA ZUKAS

The bill (H. R. 3880) for the relief of Mrs. Anna Zukas, was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H. R. 4481) for the relief of William H. Crompton, was announced as next in order.

Mr. BILBO. Mr. President, I should like to have an explanation of the bill.

The PRESIDING OFFICER. The Senator from Tennessee [Mr. STEWART] is not present in the Chamber. Let the bill go over until his return.

Mr. BILBO subsequently said: Mr. President, after receiving a full explanation as to House bill 4481, for the relief of William H. Crompton, 1364 on the calendar, I withdraw my objection. The Senator from Wyoming has given me a full history of the case, and I withdraw the objection.

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 4481) for the relief of William H. Crompton, which had been reported from the Committee on Claims with an amendment, on page 1, line 6, after the words "sum of" to strike out "$5,000" and insert "$4,000."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

HAROLD MILLER

The bill (H. R. 4542) for the relief of Harold Miller was considered, ordered to a third reading, read the third time, and passed.

KARL LUNGSTRAS

The bill (H. R. 4213) for the relief of Karl Lungstras was considered, ordered to a third reading, read the third time, and passed.

JOHN McLAUGHLIN

The bill (H. R. 4451) for the relief of John McLaughlin was considered, ordered to a third reading, read the third time, and passed.

ANNE WATT

The bill (H. R. 3467) for the relief of Miss Anne Watt was considered, ordered to a third reading, read the third time, and passed.

M. GRACE MURPHY

The bill (H. R. 4525) for the relief of M. Grace Murphy, administratrix of the estate of John H. Murphy, was considered, ordered to a third reading, read the third time, and passed.

JESSIE SPRINGSTEEN AND JOHN SPRINGSTEEN

The bill (H. R. 4962) for the relief of Jessie Springsteen and John Springsteen was considered, ordered to a third reading, read the third time, and passed.

ESTATE OF MRS. PHOEBE SHERMAN AND MRS. HARRIETT W. VANDERHOEF AND ALLAN VANDERHOEF

The bill (H. R. 2354) for the relief of the estate of Mrs. Phoebe Sherman and for Mrs. Harriett W. Vanderhoef and Allan Vanderhoef was considered, ordered to a third reading, read the third time, and passed.

JOHN L. MacNEIL

The bill (H. R. 4631) for the relief of John L. MacNeil was considered, ordered to a third reading, read the third time, and passed.

M. SENDERS & CO.

The bill (H. R. 3814) for the relief of M. Senders & Co. was considered, ordered to a third reading, read the third time, and passed.

JOHN T. COOPER

The bill (S. 2002) for the relief of John T. Cooper was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Comptroller General is authorized and directed to credit the account of John T. Cooper, postmaster at Hartselle, Ala., in the sum of $179. Such sum represents a shortage in such account caused by the loss of such sum from the money-order cash drawer at such post office during the night of October 24, 1940.

CHRISTINE MANGRUM, LUSTER MANGRUM, AND NATHAN MANGRUM

The Senate proceeded to consider the bill (H. R. 2005) for the relief of Christine Mangrum, Luster Mangrum, and Nathan Mangrum, which had been reported from the Committee on Claims, with amendments, on page 1, line 6, after the words "sum of," to strike out "$3,500" and insert "2,000"; and in line 7, after the words "sum of," to strike out "$5,000" and insert "$4,500."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

HARLEY E. CARTER

The bill (H. R. 3709) for the relief of Harley E. Carter was considered, ordered to a third reading, read the third time, and passed.

ANTONIO RUIZ

The bill (S. 2123) for the relief of Antonio Ruiz was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury, not otherwise appropriated, to Antonio Ruiz, of Phoenix, Ariz., the sum of $5,000, in full satisfaction of his claim against the United States for compensation for the death of his two minor children, the late Samuel Ruiz and the late Rosalie Ruiz, who died as a result of personal injuries sustained by them when a United States Army airplane crashed into their home in Phoenix, Ariz., on April 22, 1944: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

OSCAR GRIGGS

The Senate proceeded to consider the bill (S. 1885) for the relief of Oscar Griggs, which had been reported from the Committee on Claims, with amendments, on page 1, in line 6, after the words "sum of", to strike out "$15,000" and insert "$4,505.14"; and in line 8, after the words "sustained by him", to insert "and for medical and hospital expenses incurred", so as to make the bill read:

*Be it enacted, etc.*, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Oscar Griggs, of Lauderdale County, Tenn., the sum of $4,505.14, in full satisfaction of his claim against the United States for compensation for personal injuries sustained by him and for medical and hospital expenses incurred, when he was shot on the night of December 29, 1943, by members of a party of soldiers of the United States Army, when in the performance of his duties as sheriff of Lauderdale County, Tenn., he was attempting to quiet a disturbance of such soldiers in the town of Ripley, Tenn.: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

G. F. ALLEN

The bill (S. 2189) for the relief of G. F. Allen, chief disbursing officer for the Treasury Department, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.*, That, notwithstanding the provisions of the act of February 28, 1929 (45 Stat. 1406), as amended by the act of April 22, 1940 (54 Stat. 148), authorizing the Secretary of the Interior to employ engineers and economists for consultation purposes on important reclamation work, the Comptroller General of the United States be, and he is hereby, authorized and directed to allow credit in the account of G. F. Allen, chief disbursing officer of the Treasury Department, for the sum of $1,000, base pay, and $48.30, overtime, a total of $1,048.30, paid by him to Dr. Paul S. Taylor, of Berkeley, Calif., as compensation in excess of $5,000, plus overtime, for personal services rendered during the period from July 1, 1943, to June 13, 1944, and to cancel any claims against the said Dr. Paul S. Taylor and the pay-roll certifying officers of the Department of the Interior for the excess compensation so paid.

SEC. 2. The Comptroller General of the United States is further authorized and directed to allow, out of the unexpended balance of the appropriation for salaries in the Office of the Secretary, Department of the Interior, for the fiscal year ending June 30, 1944, the claim of the said Dr. Paul S. Taylor for the sum of $375, base pay, and $18.11, overtime, a total of $393.11, representing the balance due him for compensation for personal services which he rendered during the period from June 14, 1944, to June 30, 1944, as a consulting economist of the Department of the Interior.

HERMAN WEINERT, JR.

The bill (H. R. 3639) for the relief of Herman Weinert, Jr., M. D., was considered, ordered to a third reading, read the third time, and passed.

QUEEN CITY BREWING CO.

The bill (H. R. 3614) for the relief of the Queen City Brewing Co. was considered, ordered to a third reading, read the third time, and passed.

CONFERRING JURISDICTION ON UNITED STATES DISTRICT COURT OF MAINE

The bill (H. R. 3250) to confer jurisdiction upon the United States District Court of Maine was announced as next in order.

Mr. LANGER. Mr. President, may we have an explanation of the bill?

Mr. BILBO. Mr. President, I should like to have an explanation of it.

Mr. WHITE. Mr. President, the bill would authorize the United States District Court of Maine to entertain a suit against the Government of the United States for damages which resulted to a State bridge through the collision with the bridge by a United States vessel—a lighthouse tender, I believe. I understand that a lighthouse tender ran into the bridge. Some persons allege it did so because of the defective eyesight of the master of the vessel. It did damage to the extent of approximately $6,000 or $6,500. Question arises both as to the matter of liability and the amount which may be due if the Government of the United States is liable.

The bill would merely confer jurisdiction on the United States District Court of Maine to entertain that suit.

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

Mr. WHITE. I yield.

Mr. CONNALLY. Does the bill expressly give consent that the Government be sued?

Mr. WHITE. I think it involves that question. It confers jurisdiction on the United States District Court of Maine to hear and determine the question of liability. I suppose that is tantamount to consent on the part of the Goverment to be sued.

Mr. CONNALLY. It should be clear whether the Government consents to be sued.

Mr. WHITE. The bill has been reported favorably from the Claims Committee. I understand it also has had the approval of the Navy Department and, I believe, of the officials of the Lighthouse Service. I believe the vessel involved was a lighthouse tender. At any rate, it was a vessel attached to the Lighthouse Service.

The maximum amount involved is approximately $6,000. Whether the amount of liability would eventually be found to be less than that sum, I do not know.

Mr. BILBO. Mr. President, let me inquire whether the claim has ever been in litigation?

Mr. WHITE. No, Mr. President; the claim has never been in litigation.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 3250) was considered, ordered to a third reading, read the third time, and passed.

USE OF CHECKS AND MONEY ORDERS IN PAYMENT OF TAXES

The bill (H. R. 5565) to authorize collectors of internal revenue to receive certain checks and money orders in payment of taxes and for revenue stamps was considered, ordered to a third reading, read the third time, and passed.

TRANSFER OF CERTAIN LAND IN NACOGDOCHES COUNTY, TEX.

The Senate proceeded to consider the bill (H. R. 5551) to transfer certain land in Nacogdoches County, Tex., to the United States Forest Service.

Mr. CONNALLY. Mr. President, this bill would affect 24 acres of land already belonging to the Farm Credit Administration. The bill would merely transfer title to the land to the United States Forest Service in order to enable the Forest Service to cooperate with a State college in the area involved in regard to experimentation and the study of forestry.

Yesterday I received a telegram from some lumber interests which had been opposed to the bill. They had acted, however, under a misapprehension, and withdrew their objection today. Therefore, I have no objection to the bill, and hope that it will be passed.

Mr. BILBO. Does the Senator from Texas mean to say that the land belongs at the present time to a Government agency?

Mr. CONNALLY. It belongs to the Farm Credit Administration.

Mr. BILBO. And the title to the land would be transferred to the Forest Service?

Mr. CONNALLY. Yes.

Mr. BILBO. What has the Farm Credit Administration had to do with the land?

Mr. CONNALLY. The land involved what was formerly a resettlement project which did not succeed, and the land remains.

Mr. BILBO. Would a consideration pass?

Mr. CONNALLY. No.

The PRESIDING OFFICER (Mr. DOWNEY in the chair). The Chair is interested in the discussion now taking place, and particularly in the correct pronunciation of the county.

Mr. CONNALLY. The county is Nacogdoches County. I may say to the present occupant of the chair, and to other Senators, that the name "Nacogdoches" is of Spanish origin. Nacogdoches is a very old settlement, and during the time Mexico was a part of Spain the Spaniards maintained one of their governmental headquarters at Nacogdoches. There still stands there an old fort which was built for protection against the Indians. Later, when Mexico rebelled against Spain and set up her own government, Nacogdoches was still a city of considerable importance.

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

Mr. CONNALLY. I yield.

Mr. HATCH. I am somewhat puzzled about the bill. I have no intention of objecting to it; but I have in my mind the fact that Texas is one of the States of the Union which holds title to all its land. The Federal Government has never had title to land in Texas.

Mr. CONNALLY. The Federal Government now has title to a number of areas which are under the Federal Forest Service.

Mr. HATCH. I shall not object to the bill, but Texas is one of the States which has always held title to its own lands.

Mr. CONNALLY. The Senator is correct, but I understand that the land in question adjoins a forest preserve located in Texas which belongs to the Federal Government. There is no conflict involved.

The PRESIDING OFFICER. The question is on the third reading and passage of the bill.

The bill was ordered to a third reading, read the third time, and passed.

EXCHANGE OF LANDS IN ANGOSTURA IRRIGATION PROJECT, SOUTH DAKOTA

The bill (H. R. 5563) to authorize the Administrator of the Farm Security Administration to exchange certain land of the United States within the Angostura irrigation project, Hot Springs, S. Dak., for certain land owned by the city of Hot Springs, S. Dak., was announced as next in order.

Mr. BYRD. Mr. President, I should like to have an explanation of the bill.

Mr. BUSHFIELD. The bill relates to a tract of land belonging to Hot Springs, located in southwestern South Dakota. It contains 480 acres of land which was purchased with the idea of locating an airport there. The Civil Aeronautics Authority had given its approval for the

construction of the airport. After the purchase of the land it was discovered that it would not be suitable for use as an airport. The Farm Security Administration owns 472 acres located 3 or 4 miles away. Negotiations were had for the exchange of the two tracts, the city of Hot Springs owning 480 acres of prairie land, and the Farm Security Administration owning 472 acres of land of the same kind. The Farm Security Administration and the city of Hot Springs decided that they wanted to make the exchange, but the counsel for the Farm Security Administration said that the exchange could not be made without Federal legislation. Therefore the bill now before the Senate would authorize the two municipal authorities to do what they desire to do.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

CHIEF OF CHAPLAINS, UNITED STATES NAVY

The bill (H. R. 1023) to establish a Chief of Chaplains of the United States Navy was announced as next in order.

Mr. CHANDLER. Mr. President, I should like to hear an explanation of the bill from the Senator from Massachusetts.

Mr. WALSH. Mr. President, the chaplains in the Navy, because of the large increase in their number, have for some time past been desirous of forming a separate corps and being given greater authority than they now have.

We discovered differences of opinion between the various denominations of the Protestant churches, the fundamentalists, and other groups. Finally, I am happy to say, all the groups representing the various evangelical churches, the fundamentalists, the Catholic church, and the Jewish church agreed on the bill as it passed the House. The bill seeks, first of all, to give to one chaplain the rank of admiral.

Mr. CONNALLY. How many would have that title?

Mr. WALSH. Only one. And it is desired to have the Chief of Chaplains placed within the Bureau of Personnel of the Navy. The bill would not grant as much as the chaplains would like to have. I think they would like to have an independent organization of their own, but they have all agreed to the bill in its present form, and are very happy at the solution reached.

I am very happy to say that all parties left the committee room blessing us and blessing each other, and asking for the passage of the bill.

Mr. CHANDLER. Mr. President, would the appointment under the bill continue only for the duration of the war?

Mr. WALSH. It would continue during the war. We are endeavoring to shape all our legislation of a similar character with the idea that later there will be a reorganization of the departments of the Navy, and a new program of authority mapped out after we know the size and extent of the various naval bureaus.

The bill is desirable because the number of chaplains is large and they have rendered magnificent service. They are entitled to have one of their members receive the dignity of the rank of admiral.

Mr. CHANDLER. I agree with the Senator from Massachusetts, and I express the opinion now that the bill will take care of the situation for the chaplains during the war and for 6 months after the war. It is the intention then to review the entire matter.

Mr. WALSH. Yes; and what has been said is not only true with regard to the chaplains. This organization of the Chaplains Corps is permanent, but, of course, subject to change when the war ends.

Mr. HILL. Mr. President, I wonder whether, by the passage of this bill, the chaplains of the Navy and the chaplains of the Army would be placed on about an equal basis?

Mr. WALSH. Yes, they would be placed on approximately an equal basis. There has been some feeling on the part of the friends of the chaplains of the Navy—there is such an organization—that the Navy has not given as much authority to its Chief of Chaplains as does the Army to its Chief and comparisons were presented to the committee as between the Army and the Navy. The rank being proposed would approach, if it did not equal, the authority given to the Chief of Chaplains of the Army.

Mr. HILL. The bill would come near to bringing about parity between those two positions.

Mr. WALSH. Yes.

Mr. HILL. Mr. President, I think that is much to be desired. I do not think there should be any disparity between the two positions of equal importance within the two important branches of the service.

Mr. WALSH. Of course, after all, the administration of the office depends on the personality of the man.

Mr. HILL. Certainly.

Mr. WALSH. Unfortunately, there was some differences of opinion about the treatment of some of the smaller religious denominations in the Navy, while in the Army there has been little or no difference of opinion.

Mr. WILLIS. Will the Senator from Massachusetts yield?

Mr. WALSH. I yield.

Mr. WILLIS. I should like to add to what the Senator has said, in answer to the question of the junior Senator from Alabama, that the power given to the chaplain of the Navy does not exceed the power given to the man of the same rank in the Army, so that there will be no rivalry on the part of the Army to further advance their chaplains.

Mr. BILBO. Mr. President, will the Senator from Massachusetts yield?

Mr. WALSH. I am glad to yield.

Mr. BILBO. The bill has just come to my notice, and as I understand there will be one chaplain selected from all the chaplains in the naval service, who will take the rank of rear admiral, and the emoluments of the office. Just how is the chief chaplain to be selected from all the chaplains?

Mr. WALSH. The President of the United States will select him, but of course upon the recommendation of the Secretary of the Navy, and back of him on the recommendation of the head of the Bureau of Personnel. The appointment will be made by the President of the United States and the Senate will have a chance to confirm the nomination.

Mr. BILBO. As I understand, the Senator said the Secretary of the Navy would make the recommendation to the President.

Mr. WALSH. Yes. That is so in the case of all higher ranking naval promotions, although the President himself can disregard this practice, and I believe he does occasionally, and make his own appointments. The general practice is for the Bureau of Personnel to submit names of officers who are available, or who are selected for promotion, to the Secretary of the Navy, and the Secretary of the Navy in turn submits them to the President, who makes the final decision. Again, I wanted it to be noted that this applies only to the highest ranking officers.

Mr. BILBO. In other words, the chaplains of all the different denominations will have nothing to do with making the selection of the chief chaplain?

Mr. WALSH. No; they will not. It will interest the Senator to know that it was argued before our committee that the Chief of Chaplains should be a layman, and not a clergyman.

Mr. DANAHER. Mr. President, has the Senator a copy of the bill before him?

Mr. WALSH. Yes.

Mr. DANAHER. On page 2, line 6, should there be a comma after the word "President"?

Mr. WALSH. I do not see any objection to it, but I really do not think it is necessary. I have not usually observed commas before the word "or."

The PRESIDING OFFICER. Does the Senator from Connecticut desire to embody the comma in the form of an amendment?

Mr. DANAHER. No. I was wondering whether by explanation of the Senator from Massachusetts we could clear up whether a comma should be there, or if there should be one after the word "engaged" in line 6.

Mr. WALSH. Unless it is really necessary, I wish the Senator would not suggest it, because we might have some difficulty having the amendment approved by the House, unless the Senator really thinks it is necessary.

Mr. DANAHER. As it reads now—and perhaps the Senator may clear it up—it provides "That until the termination of the wars in which the United States is now engaged by proclamation of the President," and so forth. I wondered if the Senator wanted it left that way.

Mr. HATCH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from New Mexico?

Mr. WALSH. I yield.

Mr. HATCH. I have been quite interested in the discussion which has been proceeding, but there was so much conversation I could not understand what was said. I merely wanted to make a point of order.

The PRESIDING OFFICER. The Senator from Massachusetts has the floor.

Mr. WALSH. I have nothing further to add.

The PRESIDING OFFICER. Is there objection to the immediate consideration of House bill 1023?

There being no objection, the Senate proceeded to consider the bill, which had been reported by the Committee on Naval Affairs with an amendment to strike out all after the enacting clause and to insert:

That until the termination of the wars in which the United States is now engaged by proclamation of the President or such earlier date as the Congress by concurrent resolution may fix, there shall be in the Chaplain Corps of the Navy one officer, designated as Chief of Chaplains, under the Chief of Naval Personnel, who shall shall be entitled to hold the temporary rank of rear admiral, and shall receive the pay and allowances of a rear admiral of the lower half while serving in such grade.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3961) authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes.

The message also announced that the House had passed a bill (H. R. 4715) to increase the compensation of employees in the Postal Service, in which it requested the concurrence of the Senate.

ENROLLED BILL AND JOINT RESOLUTION SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the Vice President:

S. 198. An act to amend further section 2 of the Civil Service Retirement Act, approved May 29, 1930, as amended; and

S. J. Res. 155. Joint resolution to consider a site and design for a National Memorial Stadium to be erected in the District of Columbia.

AUTHORIZATION FOR COMMITTEE ON FOREIGN RELATIONS TO REPORT DURING THE RECESS.

Mr. CONNALLY. Mr. President, I ask unanimous consent that as chairman of the Committee on Foreign Relations, acting for the committee, I may have up to midnight tonight to file a report on the nomination of Archibald MacLeish to be Assistant Secretary of State, and that it may be considered as filed today.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

(Mr. CONNALLY subsequently from the Committee on Foreign Relations reported favorably the nomination of Archibald McLeish, of Virginia, to be Assistant Secretary of State.)

The PRESIDING OFFICER. The clerk will state the next bill on the calendar.

SEWARD, ALASKA

The bill (H. R. 4502) to amend the act of Congress approved May 20, 1935, entitled "An act concerning the incorporated town of Seward, Territory of Alaska," as amended, was considered, ordered to a third reading, read the third time, and passed.

MARY LOVIS ELLIOTT

The bill (H. R. 1643) for the relief of Mary Lovis Elliott was considered, ordered to a third reading, read the third time, and passed.

WILLIAM H. LINHART

The bill (H. R. 2016) for the relief of William H. Linhart was considered, ordered to a third reading, read the third time, and passed.

CONVEYANCE TO ARIZONA AND CALIFORNIA OF A RAILROAD HIGHWAY BRIDGE

The bill (H. R. 4910) authorizing the Atchison, Topeka & Santa Fe Railway Co. or its successors to convey to the States of Arizona and California jointly or separately an existing railroad highway bridge, was considered, ordered to a third reading, read the third time, and passed.

RIGHTS-OF-WAY AT INDIAN ROCK DAM AND RESERVOIR, PA.

The bill (H. R. 5219) to provide for the granting of rights-of-way for pipe lines for petroleum and petroleum products and for telephone and/or telegraph lines through and across lands of the United States within the area of Indian Rock Dam and Reservoir, located in York County, Pa., was considered, ordered to a third reading, read the third time, and passed.

COMPENSATION FOR USE OF PRIVATELY OWNED AIRPLANES WHILE TRAVELING ON OFFICIAL BUSINESS

The bill (H. R. 4547) to amend the act of February 14, 1931, as amended, so as to permit the compensation on a mileage basis, of civilian officers or employees for the use of privately owned airplanes while traveling on official business, was considered, ordered to a third reading, read the third time, and passed.

DISPOSAL OF CERTAIN BLOOD PLASMA RESERVES

The joint resolution (S. J. Res. 148) authorizing the disposal of certain blood plasma reserves was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Resolved, etc.*, That so much of the reserves of liquid, frozen, or dry-blood plasma or serum albumin established from funds appropriated under the heading "Emergency funds for the President" in the Independent Offices Appropriation Act, 1942, or from funds appropriated for emergency health and sanitation activities (national defense) under the heading "Public Health Service" in the Labor-Federal Security Appropriation Act, 1943, and required by law to be held in reserve for casualties resulting from enemy action, as the Surgeon General of the Public Health Service determines are no longer needed for the purpose for which established or are likely to become ineffective prior to use if kept in reserve, may be disposed of by such Surgeon General by transfer or release to Federal, State, or local public-health authorities or to Federal or other public or nonprofit hospitals: *Provided*, That any cost incidental to such transfer shall be borne by the transferee.

DECLARATION OF PORTION OF ILLINOIS & MICHIGAN CANAL TO BE UNNAVIGABLE

The Senate proceeded to consider the bill (H. R. 4626) to declare a portion of the Illinois & Michigan Canal an unnavigable stream.

Mr. DANAHER. Mr. President, to the bill presently under consideration I do not believe I have any objection, but I should like to have an explanation of the purpose sought in declaring a portion of the river to be nonnavigable.

Mr. BREWSTER. Mr. President, this is a bill in which the whole Illinois delegation in both Houses is interested. I think the Senator from North Carolina [Mr. BAILEY] shares somewhat my doubts as to whether, under the Constitution, we can declare a stream to be nonnavigable. That is a point which I have discussed with the Senator. I assume that if it is nonnavigable, then it does not come under certain constitutional limitations. I do not know whether there are any precedents on this point.

Mr. BAILEY. Mr. President, the bill was introduced in the House by Representative SABATH. The whole idea is that there seems to be a small stream which is not navigated at all, which is needed for some other purpose, and Representative SABATH desired the bill to be passed by the Senate, it having passed the House, to find the stream nonnavigable, so that certain construction may be done on it. I do not know about the constitutional question, whether Congress can say that a stream is navigable or not. If the Senate is not ready to pass on that question there is no reason on earth why I should insist that we proceed to debate at this late date, and if objection is heard I feel that at any rate I have discharged my obligation to the House. I am not insisting on action.

Mr. HATCH. I think I shall object.

Mr. LUCAS. I hope the Senator from New Mexico will not object to the passage of the bill.

Mr. HATCH. Mr. President, I am perfectly willing to withhold my objection. When the Senator from North Carolina said he doubted whether the Senate ought to act on this matter from a constitutional standpoint, then I objected. That was all.

Mr. DANAHER. I was trying to find out why we were declaring a certain canal nonnavigable at a time when by so doing we would yield whatever jurisdiction we have on the ground that those waters may be navigable.

Mr. BREWSTER. Everyone in the locality affected seems to be agreed that it

is a matter which would apparently serve the public welfare.

Mr. DANAHER. I was wondering how we would do it, if we would do it as a matter of law or as a matter of fact, and if facts have been found to show that we have no jurisdiction on the ground that in fact the canal is nonnavigable. Things of that kind went through my mind as I looked over the bill. I was wondering what the committee had in mind. So far as I am concerned I have no objection to the bill.

The PRESIDING OFFICER. The question is on the third reading and passage of the bill.

The bill (H. R. 4626) was ordered to a third reading, read the third time, and passed.

PERMISSION TO CHARLES REX MARCHANT AND OTHERS TO ACCEPT CERTAIN MEDALS

The joint resolution (S. J. Res. 106) granting permission to Charles Rex Marchant, Lorne E. Sasseen, and Jack Veniss Bassett to accept certain medals tendered them by the Government of Canada in the name of His Britannic Majesty, King George VI, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Resolved, etc.*, That Charles Rex Marchant, Lorne E. Sasseen, and Jack Veniss Bassett, employees of the Civil Aeronautics Administration, Department of Commerce, be authorized to accept and wear British Empire medals, Civilian Division, tendered by the Government of Canada in the name of His Britannic Majesty, King George VI, in recognition of their gallant services in rescuing four crew members from a crashed and burning Canadian bomber in September 1942, and that the Department of State is hereby authorized and permitted to deliver the above medals to Charles Rex Marchant, Lorne E. Sasseen, and Jack Veniss Bassett.

The PRESIDING OFFICER. That completes the calendar.

ORDER OF BUSINESS

Mr. HILL obtained the floor.

Mr. McFARLAND. Mr. President, will the Senator yield to me for the purpose of moving that Calendar 1247, House bill 4184, to amend section 321, title III, part II, Transportation Act of 1940, with respect to the movement of Government traffic, be made the unfinished business?

Mr. HILL. Mr. President, I should like to yield for any question the Senator may want to ask, but I cannot yield to the Senator from Arizona for that purpose at this time. I wish to say to the Senator that he has been most diligent in his efforts to get that bill before the Senate for consideration. The Senator knows, however, that the Senate has been engaged in consideration of the flood-control bill and more recently the river and harbor bill. He also knows that we have had the crop-insurance bill under consideration and finally concluded action on it today. Then we took up the calendar so we might get rid of as many bills as we could in as short a time as possible.

I will say to the Senator from Arizona that there are pending a number of matters of the first urgency, which have to be acted upon before the Congress can recess or adjourn for the Christmas holidays. For instance, there is the deficiency appropriation bill which the Senate Committee on Appropriations will undoubtedly report today and which will undoubtedly be ready for action tomorrow. Then we have, as the Senator knows, a number of nominations before us. We have the nominations already on the calendar from the Senate Committee on Military Affairs for membership on the Surplus Property Disposal Board.

The distinguished Senator from Texas [Mr. CONNALLY], the chairman of the Foreign Relations Committee, has just reported from that committee nominations in the State Department. Those nominations will have to be acted upon.

The distinguished Senator from North Carolina [Mr. BAILEY] is here now with the conference report on the river and harbor bill. That conference report will have to be acted upon, and I am advised that it may require some debate. It may take some time for its disposition.

Under the circumstances, much as I regret it, it is not possible for me to yield at this time to the Senator from Arizona [Mr. MCFARLAND] for the purpose of making a motion to take up the bill he has in mind. I will say further to the Senator from Arizona that I do not know what the President will do with reference to the bill passed the other day proposing to freeze certain social-security tax rates; but if that bill comes back, and of course Senators know that it may come back, we will have to dispose of that question also. So, much as I regret to do so, and much as I admire the Senator's diligence in the matter, I cannot yield for the purpose he has in mind at this time.

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

The PRESIDING OFFICER (Mr. DOWNEY in the chair). The Senator from Alabama refuses to yield to the Senator from Arizona.

Mr. McFARLAND. Will the Senator yield for an observation?

Mr. HILL. I yield for a question.

Mr. McFARLAND. I wanted to make an observation. I want to express my appreciation to the distinguished acting majority leader for feeling and expressing his feeling that I have been diligent in regard to this bill. Quite a number of Members of the House do not share that view. The bill was passed in the House, I believe, on May 25 of this year. It was passed in the House by a division vote of 236 to 16. The Senate committee has held exhaustive hearings on the bill, and it has been on the calendar since November 28. I feel personally that it is a bill on which the Senate should vote. Whether we pass it or not is beside the question. We owe that courtesy to the House of Representatives. I hope the acting majority leader will cooperate with me and help me get this measure up for a vote if possible. I realize that the deficiency bill is important. So far as conference reports are concerned, even if a bill is made the unfinished business, as the acting majority leader well knows, conference reports take precedence, and other measures must stand aside for them.

Of course, the executive session has nothing to do with making a bill the unfinished business in legislative session. So I hope that when we finish the deficiency bill the acting majority leader will be willing to cooperate with me and help me bring this bill to a vote.

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

Mr. HILL. Does the Senator wish to ask a question about the bill?

Mr. BILBO. I wish to make an observation.

Mr. HILL. I yield to the Senator from Mississippi.

Mr. BILBO. Mr. President, I appreciate the interest which my friend from Arizona has in this bill. I have been working on it for about 2 months. The more I read the bill the better I understand it, the further I am from giving my consent to letting it become a law without at least 30 days' discussion.

I should like to go home for Christmas. I have not missed spending Christmas in my home for 10 years; but this bill is so vital to the people of the United States, and there is so much involved in it that I would forego the pleasure of a Christmas holiday rather than see the bill become a law. With all due deference to my good friend from Arizona, it is the most outrageous, vicious, unreasonable, and unheard of piece of legislation that was ever dropped into the legislative hopper. It is a Christmas present to the railroads of the United States of at least $1,000,000,000 plus 16,000,000 acres of land.

Mr. McFARLAND. Mr. President, will the Senator from Alabama yield to me to make one observation?

Mr. HILL. I yield to the Senator from Arizona.

Mr. McFARLAND. If the bill is such an outrage as the Senator from Mississippi has indicated, surely he would not require 30 days to convince the United States Senate to that effect. That is all the observation I wish to make.

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

Mr. HILL. I yield.

Mr. WHITE. I should like to add a brief word with respect to the legislation in which the Senator from Arizona has indicated an interest.

First of all, I sympathize with the disinclination of the Senator from Alabama [Mr. HILL] to have the bill brought up now. It has had long consideration. It was passed by the House of Representatives. Hearings have been held upon it by a subcommittee of the Senate Committee on Interstate Commerce, and great labor has been expended in connection with it. The Senator from Arizona has been indefatigable in his attention to it. The Senator from Vermont [Mr. AUSTIN] has given it constant and painstaking study. I very much hope that at some time before we adjourn there may be an opportunity for the Senator from Arizona to present the proposed legislation to the Senate and have the Senate act upon it.

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

Mr. HILL. I yield.

Mr. CHANDLER. I join with the Senator from Maine in earnestly requesting our distinguished acting majority leader to give every consideration to the request of the Senator from Arizona [Mr. MCFARLAND], cooperate with him, and, if possible, let him get his land grant bill up before the end of the session.

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

Mr. HILL. Does the Senator wish to make an inquiry?

Mr. MEAD. I wish to make an inquiry of the acting majority leader.

Mr. HILL. I am glad to yield.

Mr. MEAD. I should like to inquire as to the possibility of bringing up, now, tomorrow, or in the immediate future, a bill which I introduced, having to do with the compensation paid postal employees. Since we have discussed it, the bill has passed the House by a vote of 133 to 1, and has been messaged over to the Senate. It is now on the desk. It could be taken up by unanimous consent. Probably it cannot be taken up if there is objection, because of the impending adjournment.

I should like to have an understanding with the leaders as to whether we can take up the bill now by unanimous consent, or at some date in the immediate future.

Mr. BYRD. Mr. President——

Mr. HILL. I yield to the distinguished Senator from Virginia.

Mr. BYRD. I am entirely willing to have the bill taken up tomorrow. I have no purpose to delay it. However, there are certain facts which I wish to ascertain. I do not fully understand why the letter from the Postmaster General is not made a part of the record. I have addressed an inquiry to the Postmaster General for further information. I shall object to taking up the bill this afternoon, but I shall not object to taking it up tomorrow.

Mr. MEAD. That is agreeable to me, Mr. President. The clerk of the Committee on Post Offices and Post Roads has stated that the reason he did not include the letter from the Postmaster General was that the Postmaster General was supposed to send up another letter. If the bill can be taken up tomorrow, or at any time in the immediate future, that will be satisfactory to me.

Mr. HILL. Mr. President, I wish to cooperate with my distinguished friend from New York in every way possible; but it is not possible for me now to say to the Senator that at a certain time tomorrow, or at any time tomorrow, his bill can be taken up. Other bills are awaiting consideration. When a bill comes before this body, we never know exactly how long the bill may be under consideration.

Mr. MEAD. If it is taken up before the holidays, that will be entirely agreeable to me.

Mr. HILL. All I can say to the Senator at this moment is that I shall be glad to keep in touch with him and cooperate with him in any way I can. The Senator asks to have it taken up by unanimous consent. Some other Senator may object, and there may be protracted debate.

Mr. MEAD. I hope I may have the cooperation of the distinguished acting majority leader if I ask unanimous consent to have the bill considered some time tomorrow, after my distinguished colleague from Virginia receives the information for which he is looking.

Mr. HILL. After the distinguished Senator from Virginia has received the information he is seeking, I shall be delighted to confer with the distinguished Senator from New York with reference to the bill.

Mr. MEAD. That is satisfactory to me.

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

Mr. HILL. I yield.

Mr. WHITE. I should like to have it understood that the Senator from Maine is not a participant in the assurances given the Senator from New York by the Senator from Alabama, carefully guarded as they are.

The PRESIDING OFFICER. The Chair lays before the Senate a bill coming from the House of Representatives.

The bill (H. R. 4715) to increase the compensation of employees in the Postal Service, was read twice by its title and ordered to be placed on the calendar.

## REPORTS OF THE COMMITTEE ON APPROPRIATIONS

Mr. MCKELLAR. Mr. President, from the Committee on Appropriations, I report back favorably, with amendments, the bill (H. R. 5587) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1944, and for prior fiscal years, and to provide supplemental appropriations for the fiscal years ending June 30, 1945, and June 30, 1946, and for other purposes, and I submit a report (No. 1384) thereon.

Also, from the Committee on Appropriations, I report back favorably, with an amendment, the bill (H. R. 5590) to increase clerk hire, and for other purposes, and I submit a report (No. 1385) thereon.

The PRESIDING OFFICER. Without objection, the reports will be received and the bills will be placed on the calendar.

Mr. MCKELLAR. Let me announce that it is my intention to move at some time tomorrow that the Senate proceed to consider the deficiency appropriation bill.

## EXECUTIVE SESSION

Mr. HILL. 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 MESSAGES REFERRED

The PRESIDING OFFICER (Mr. DOWNEY in the chair) laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committee.

(For nominations this day received, see the end of Senate proceedings.)

## EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. WALSH, from the Committee on Naval Affairs:

Vice Admiral L. Calhoun, United States Navy, to be a vice admiral in the Navy, for temporary service, to rank from the 27th day of February 1942;

Commodore Oscar Smith, United States Navy, to be a commodore in the Navy, for temporary service, to rank from the 12th day of April 1943, and to continue while serving as deputy chief of staff to the commander in chief, United States Atlantic Fleet;

Col. John T. Walker to be a brigadier general in the Marine Corps for temporary service from the 4th day of October 1942;

Col. Merwin H. Silverthorn to be a brigadier general in the Marine Corps for temporary service from the 1st day of April 1943; and

Col. Maurice C. Gregory to be a brigadier general in the Marine Corps for temporary service from the 7th day of May 1944.

By Mr. CONNALLY, from the Committee on Foreign Relations:

Joseph C. Grew, of New Hampshire, to be Under Secretary of State;

Nelson A. Rockefeller, of New York, to be an Assistant Secretary of State;

W. L. Clayton, of Texas, to be an Assistant Secretary of State;

Brig. Gen. Julius C. Holmes, United States Army, of Kansas, to be an Assistant Secretary of State;

James C. Dunn, of New York, to be an Assistant Secretary of State; and

Hallett Johnson, of New Jersey, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary to Costa Rica;

By Mr. MCKELLAR, from the Committee on Post Offices and Post Roads:

Sundry postmasters.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will proceed to state the nominations on the Calendar.

## FOREIGN SERVICE

The legislative clerk read the nomination of Norman Armour, of New Jersey, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Spain.

Mr. HAWKES. Mr. President, let me make a brief comment regarding the Honorable Norman Armour, of New Jersey, who has been nominated by the President to be United States Ambassador to Spain. I believe that most of my friends and almost everyone I know who knows Mr. Armour feels that he will be an excellent ambassador, and we will be very proud to have one of our New Jersey citizens appointed to that very difficult and important post. The Honorable Norman Armour is a man of broad diplomatic experience in many of the most important embassies throughout the world, and I am sure he will put his great experience to good use in the important post of Ambassador to Spain.

The PRESIDING OFFICER. The question is will the Senate advise and consent to this nomination?

The nomination was confirmed.

## SURPLUS PROPERTY BOARD

The legislative clerk read the nomination of Robert A. Hurley, of Connecti-

cut, to be a member of the Surplus Property Board.

Mr. WHITE. Mr. President, there will be some discussion of the two nominations of members of the Surplus Property Board. I ask that the nominations be passed over.

The PRESIDING OFFICER. The nominations will be passed over.

Mr. CHANDLER. Mr. President, I should like to inquire of the acting majority leader and the minority leader whether the plan is to proceed with the consideration of the Surplus Property Board nominations tomorrow.

Mr. HILL. I will say to my distinguished friend the junior Senator from Kentucky that the plan is to have the Senate proceed to consider executive business at a rather early hour tomorrow.

Mr. HATCH. Mr. President, will the Senator give us some indication about what hour that will be?

Mr. HILL. I will say that, if possible, we would like to have the deficiency appropria ion bill passed, because no doubt that bill will have to go back to the House, and perhaps it will involve a conference which may take some time. So we would like to have the deficiency appropriation bill disposed of the first thing during the session tomorrow.

Mr. McKELLAR. Mr. President, let me say to the Senate that I do not think it will take a great deal of time to dispose of the deficiency appropriation bill. I do not think it has many controversial amendments; at least, I hope it does not. I do not think the consideration of the bill will take a great deal of time. I think we will be able to dispose of it early during tomorrow's session.

Mr. HATCH. I asked the question because some of us have engagements tomorrow for which we must plan. I understood the Senator from Alabama to say that it is the plan to take up certain nominations tomorrow. That was as far as the Senator had gone in making his announcement.

Mr. HILL. Yes; after the deficiency appropriation bill is disposed of, we expect to take up certain nominations, both the nominations reported from the Committee on Military Affairs, about which the Senator from Kentucky has inquired, and the nominations reported from the Committee on Foreign Relations.

Mr. CHANDLER. Can the acting majority leader tell us which group of nominations will have the right-of-way? Will the nominations from the Committee on Military Affairs be considered first, or will the State Department nominations be considered first?

Mr. HILL. Of course, Mr. President, when the Senate goes into executive session tomorrow, the nominations from the Committee on Military Affairs, in which the Senator from Kentucky is particularly interested, will be first on the calendar.

Mr. CHANDLER. The State Department nominations will automatically go over until the day after tomorrow, I suppose, if they are reported today.

Mr. HILL. Oh, no; they would be regularly on the calendar tomorrow.

Mr. CHANDLER. Would they not be subject to objection tomorrow on the ground that it was the first calendar day after the nominations had been reported?

Mr. HILL. Oh, no. They will be ready to be considered tomorrow.

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

Mr. HILL. I yield.

Mr. AUSTIN. In view of the possibility that the Surplus Property Board nominations will be considered early during the session tomorrow, I wish to state that the hearings on the nominations will probably be ready for distribution tomorrow morning. If Senators are sufficiently interested to wish to read the hearings, which are not long, relatively speaking, they will be available early enough so that they can be read before 12 o'clock tomorrow.

Mr. CLARK of Missouri. Mr. President, let me say that if the State Department nominations are considered at an early hour in tomorrow's session, I am in a position to state that they will not be acted upon until a late hour.

The PRESIDING OFFICER. The clerk will proceed to state the other nominations on the calendar.

### COAST GUARD

The legislative clerk read the nomination of Capt. LeRoy Reinburg, to be commodore for temporary service to rank from October 1, 1944.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

### COAST AND GEODETIC SURVEY

The legislative clerk proceeded to read sundry nominations in the Coast and Geodetic Survey.

The PRESIDING OFFICER. Without objection, the nominations in the Coast and Geodetic Survey are confirmed en bloc.

### POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters be confirmed en bloc, and that the President be immediately notified of the confirmations of the nominations.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc, and the President will be immediately notified of the confirmations of the nominations.

Mr. HILL. I ask unanimous consent that the President be notified forthwith of all confirmations of nominations made today.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith of all confirmations.

### RECESS

Mr. HILL. As in legislative session, I move that the Senate take a recess until 12 o'clock tomorrow.

The motion was agreed to; and (at 5 o'clock and 25 minutes p. m.) the Senate took a recess until tomorrow, Friday, December 15, 1944, at 12 o'clock meridian.

## NOMINATIONS

Executive nominations received by the Senate December 14 (legislative day of November 21), 1944:

### IN THE NAVY

Capt. Lester T. Hundt, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as commander, naval air training bases, Pensacola, Fla., and until reporting for other permanent duty.

Capt. Charles J. Parrish, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as chief of staff and aide to commander, Hawaiian Sea Frontier.

Capt. Fred D. Kirtland, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving in the Pacific Ocean areas and until reporting for other permanent duty.

Commodore Marion C. Robertson, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving under commander, United States naval forces in Europe, and until reporting for other permanent duty.

## CONFIRMATIONS

Executive nominations confirmed by the Senate December 14 (legislative day of November 21), 1944:

### FOREIGN SERVICE

Norman Armour, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Spain.

### COAST GUARD OF THE UNITED STATES

#### PROMOTION

LeRoy Reinburg, to be a commodore, for temporary service, to rank from October 1, 1944, while serving as commandant, Coast Guard yard, Curtis Bay, Md., or in any other assignment for which the rank of commodore is authorized.

### COAST AND GEODETIC SURVEY

#### TO BE JUNIOR HYDROGRAPHIC GEOGETIC ENGINEERS WITH RANK OF LIEUTENANT (JUNIOR GRADE), TO RANK AS INDICATED

William B. Page, from September 10, 1944.
Norman Porter, from October 1, 1944.

### POSTMASTERS

#### ARKANSAS

J. Fred Ball, Newport.

#### FLORIDA

Gladys L. Stalls, Moore Haven.
Guy H. Stapp, Oxford.
Weeta M. Brown, Plymouth.

#### GEORGIA

Charles A. Randolph, Tucker.

#### ILLINOIS

Iva E. Hanson, Itasca.

#### KANSAS

Howard R. Ellis, Haviland.

#### KENTUCKY

Gertrude Stuteville, Bonnieville.
Roy O. Harmon, Gravel Switch.
Frances J. Salt, Magnolia.

#### MAINE

Harold M. Smith, Hollis Center.

#### MICHIGAN

John H. Hausler, Boyne Falls.
John L. O'Brien, Lake Leelanau.
Basil L. Jankowski, Maple City.
Miles S. Ansbaugh, Reading.
Edwin C. Hess, Sanford.

#### MINNESOTA

Clyde H. Ferrell, Montrose.

#### VERMONT

Clarence P. Dudley, East Montpelier.
Daniel Henley, Richmond.