Dr. Fred Whipple, Director of the Smithsonian Astrophysical Observatory, said:

"Weather forecasting, in my opinion, will become a science instead of an art. I predict that its value to the country will greatly outweigh the cost of the entire (space) program."

Dr. Wernher von Braun said that communication satellites will not only pay for themselves, "but pay for trips to the moon and other ventures in this business."

The few examples I have cited could be multiplied many times. They are the serious predictions of responsible and eminent men.

I am convinced that the expansion of knowledge and its applications can be speeded up by providing greater incentive for scientific and engineering efforts. Accordingly, I introduced a bill in Congress in April of this year, known as H.R. 6288. It calls for the creation of a Presidential Medal of Science, which is to be awarded to persons who make outstanding contributions in the physical, biological, mathematical or engineering sciences. Needless to say, achievements in the space sciences and technology are included. My bill was passed unanimously by the House of Representatives on August 19, 1959, and 2 days later by the Senate of the United States. I trust that this law will serve as an incentive for further scientific progress.

I am further convinced that the progress of space science and technology and the peaceful uses of outer space will be greatly facilitated by a full partnership of cooperating nations. Many projects in outer space, which could benefit all mankind, would be literally impossible without international cooperation, for example, if they required the use of worldwide tracking or telemetering equipment or of launching sites in certain geographical locations. Costs alone will prevent some nations, or even any one nation, from undertaking certain ambitious space operations. Some of these space projects can be done better and more cheaply if they are carried out as joint enterprises of two or more nations.

There is reason to hope that a good deal of international cooperation in the peaceful uses of outer space will be forthcoming in the foreseeable future. A good beginning has already been made. The cooperation of many nations in the International Geophysical Year (IGY) and the Committee on Space Research (Cospar) established by the International Council of Scientific Unions, has been most encouraging. Even the United Nations Ad Hoc Committee on the Peaceful Uses of Outer Space has produced some valuable results, although several nations have refused to participate in its work on the ground that its membership is unrepresentative. This situation should be corrected as soon as possible.

I propose that all governments interested in the peaceful uses of outer space should create a Committee on Space Cooperation, with fair representation from the Communist and non-Communist worlds. In my opinion, the Committee should be established within the framework of the United Nations. In any event, its functions would be the exploration and development of outer space in the common interest of all mankind. If subcommittees were subsequently formed in the various member nations, I would hope that in my own country, at least, suitable representation would be provided for science, industry, and the Government, and that both the legislative and executive branches of Government would be represented in its membership.

The challenge of outer space demands a full and true partnership, first among nations, then among science, industry, and government. To deny such participation in the peaceful exploits into outer space would widen the no man's land barrier presently existing between the Western and Communist worlds and would invite further full-scale competition. The discoveries then, on both sides, could easily be diverted, not to create a peaceful and closer knit world of abundance where no one need be in want, but to create even more menacing ways of destroying the world than we have today. Thus we would all be the losers in such competition.

Prior to attending this meeting, I addressed letters to both President Eisenhower and Prime Minister Khrushchev urging that they discuss this one area of possible agreement as a step toward world unity. I have further suggested that this proposal be given consideration by the United Nations and the NATO powers prior to the meeting of the heads of state.

An example of what can be done by joint peaceful cooperation is the agreement reached in April of this year between the United States and Canada in ionospheric research.

Another example is the agreement announced only July 29 of this year between the United States and Great Britain under which agreement British scientists will prepare the instrumentation for satellites to be put into orbit by the United States.

Still another forward step in the joint use of outer space is being taken by the International Telecommunications Union, which is meeting at this moment in Geneva.

I believe that agreement on space frequencies could set a pattern for multilateral cooperation in other space activities. Through their partnership in outer space, nations can learn the ways of meaningful cooperation on earth. Certainly cooperation is a more fruitful and more effective method than coercion—or even mere coexistence—if our goals are peace and abundance.

Whether mankind's emergence into outer space will serve the cause of peace is still a matter of hope, rather than conviction. It is true that space technology can be used for either peace or war. For that very reason, however, war has become all the more obnoxious and impractical. General Lemnitzer, the U.S. Army Chief of Staff, predicted recently that missiles will soon create "strategic nuclear disarmament," becoming so numerous and relatively invulnerable that no attack can prevent retaliation.

Regardless of such military considerations, I feel strongly that an arms race to dominate outer space must be avoided. National rivalries should be confined to the earth—and, if possible, buried there for all times.

Some observers have suggested that enterprises in outer space will provide mankind with a moral equivalent of war. Early in this century, the American philosopher and psychologist, William James, made the following comment:

"What we now need to discover in the social realm is the moral equivalent of war; something heroic that will speak to men as universally as war does and yet will be as compatible with their spiritual selves as war has proved itself to be incompatible."

We may reasonably conjecture that in the vastness of outer space man may at last find a moral equivalent of war, to evoke and satisfy his longing for adventure, his fascination with the unknown, his need to be challenged and tested to the final limit of his strength.

In addition, it is fortunate that space technology may provide the means, at long last, to maintain world peace. The risk of surprise attack, for example, could be minimized by a system of international satellite surveillance.

Perhaps the immensity of the cosmos and the new knowledge of its mysteries resulting from space exploration will bring the peoples of the world closer together in new patterns of cooperation. Is it too much to hope that man's mind and spirit will expand with the scope of his activities?

Let me conclude by saying that space can be, if we will, a way to world peace as well as abundance. If earthmen can get together on this one thing—the peaceful exploration of outer space—then that very space can be the way to the creation of a world of abundance, making war outmoded and unnecessary.

SENATE

TUESDAY, SEPTEMBER 8, 1959

(Legislative day of Saturday, September 5, 1959)

The Senate met at 9:30 o'clock a.m., on the expiration of the recess.

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

O Thou guide of our pilgrim way, out of all our frustrations and fond plans that have never come to fruition, out of all the bitter sense of failure to make of ourselves the sort of person we aspire in high hours to be, nevertheless, we come feeling that round our incompleteness flows Thy greatness and round our restlessness Thy rest.

Thou dost offer to us that abiding peace which is beyond the measure of man's mind. Always Thy still small voice, if we but listen, whispers even as we make our false choices, "Come unto me, all ye who labor and are heavy laden, and I will give you rest." Give us to see, we beseech Thee, that our misused freedom, our cheap pleasures, our fatal self-indulgence, so often bar us from Thee who art our very life. Forgiving our foolish ways:

"Take from our souls the strain and stress,
And let our ordered lives confess
The beauty of Thy peace."

Amen.

TRANSACTION OF ROUTINE BUSINESS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that we have the usual morning hour, for the introduction of bills, petitions, and memorials, and the transaction of other routine business, with the limitation on statements of not to exceed 3 minutes.

The PRESIDENT pro tempore. Is there objection?

Mr. MORSE. Mr. President, reserving the right to object—and I shall not object after we have a quorum call—I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

Mr. JOHNSON of Texas. Mr. President, do I not have the right to make an-

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other request before the Senator is recognized for the purpose of suggesting the absence of a quorum?

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator from Oregon cannot do that on a reservation to object.

Mr. MORSE. I did not hear the ruling of the Chair.

The PRESIDENT pro tempore. On a reservation to object the Senator from Oregon may not suggest the absence of a quorum.

Mr. MORSE. I wanted a quorum here before I completed stating my position on the record.

Mr. JOHNSON of Texas. Mr. President, a point of order. I make a point of order that the Senator has not been recognized for anything excepting to reserve the right to object. I am seeking recognition for some other requests to which I am sure the Senator will object, and then the Senator can be recognized in his own right, but I should like him to do that at the end of the other requests.

The PRESIDENT pro tempore. The Chair recognizes the Senator from Texas.

Mr. MORSE. May I complete my statement on my reservation?

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Oregon.

Mr. MORSE. Mr. President, in the course of time I shall not object to the morning hour with the usual 3-minute limitation, but in the absence of being allowed to have a quorum to hear the discussion, I will object now. Mr. President, I object.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Committee on Labor and Public Welfare be authorized to meet during the session of the Senate today.

Mr. MORSE. Mr. President, I object.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Committee on Banking and Currency be authorized to meet during the session of the Senate today to consider the housing bill.

Mr. MORSE. Mr. President, I object.

Mr. JOHNSON of Texas. Mr. President, 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:

Allott	Javits	Murray
Byrd, Va.	Johnson, Tex.	Pastore
Clark	Jordan	Russell
Eastland	Kuchel	Smith
Frear	Long, Hawaii	Symington
Green	Long, La.	Talmadge
Hayden	Morse	Thurmond

Mr. MANSFIELD. I announce that the Senator from Illinois [Mr. DOUGLAS], the Senator from Alaska [Mr. GRUENING], and the Senator from Missouri [Mr. HENNINGS] are absent on official business.

The Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New Hampshire [Mr. BRIDGES] is necessarily absent.

The PRESIDENT pro tempore. A quorum is not present.

Mr. JOHNSON of Texas. Mr. President, I move that the Sergeant at Arms be instructed to inform Senators that certain Senators desire their presence immediately in the Chamber, and to request their attendance.

The motion was agreed to.

The PRESIDENT pro tempore. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. AIKEN, Mr. ANDERSON, Mr. BARTLETT, Mr. BEALL, Mr. BENNETT, Mr. BIBLE, Mr. BUSH, Mr. BUTLER, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CAPEHART, Mr. CARLSON, Mr. CARROLL, Mr. CASE of New Jersey, Mr. CHAVEZ, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DIRKSEN, Mr. DODD, Mr. DWORSHAK, Mr. ELLENDER, Mr. ENGLE, Mr. ERVIN, Mr. FONG, Mr. FULBRIGHT, Mr. GOLDWATER, Mr. GORE, Mr. HART, Mr. HICKENLOOPER, Mr. HILL, Mr. HOLLAND, Mr. HRUSKA, Mr. HUMPHREY, Mr. JACKSON, Mr. JOHNSTON of South Carolina, Mr. KEATING, Mr. KEFAUVER, Mr. KENNEDY, Mr. KERR, Mr. LANGER, Mr. LAUSCHE, Mr. MAGNUSON, Mr. MANSFIELD, Mr. MARTIN, Mr. MCCARTHY, Mr. MCCLELLAN, Mr. MCGEE, Mr. MCNAMARA, Mr. MONRONEY, Mr. MORTON, Mr. MOSS, Mr. MUNDT, Mr. MUSKIE, Mr. NEUBERGER, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. ROBERTSON, Mr. SALTONSTALL, Mr. SCHOEPPEL, Mr. SCOTT, Mr. SMATHERS, Mr. SPARKMAN, Mr. STENNIS, Mr. WILEY, Mr. WILLIAMS of New Jersey, Mr. WILLIAMS of Delaware, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio entered the Chamber, and answered to their names.

The PRESIDENT pro tempore. A quorum is present.

Mr. JOHNSON of Texas subsequently said: Mr. President, I am informed that the notes of the Official Reporter are now available; and I should like to have the clerk read them, in accordance with the agreement previously entered into.

The Senator from Oregon was correct in his statement, and I was in error. I did not hear the statement the Senator from Oregon made, when he said he would object "now." I thought he said he would object. Therefore, I wish to state to the Senate that I was in error in my interpretation of what the Senator from Oregon said, and the Senator from Oregon is correct.

Mr. MORSE. Mr. President, will the Senator from Texas yield?

Mr. JOHNSON of Texas. I yield.

Mr. MORSE. It is not necessary to have the statement read. Once again the Senator from Texas has demonstrated his complete fairness when he finds himself in error. I hope I will always be as big as the Senator from Texas has been.

I do not believe we need take the time of the Senate to have the notes read, insofar as they relate to the little dispute in regard to what I did or did not say.

Instead, I suggest that we permit the Senator from Virginia to proceed with the presentation he wishes to make.

Mr. JOHNSON of Texas. I thank the Senator from Oregon.

Mr. BENNETT. Mr. President, let me ask whether it is the understanding that when the Senator from Virginia concludes his presentation, there will be a morning hour.

Mr. JOHNSON of Texas. I shall make such a request.

Mr. BENNETT. I thank the Senator from Texas.

ORDER FOR TRANSACTION OF ROUTINE BUSINESS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that when the Senator from Virginia concludes his presentation, the Senate have the usual morning hour, subject to a 3-minute limitation on statements.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

INTEREST RATES ON E AND H SAVINGS BONDS

Mr. BYRD of Virginia. Mr. President, I ask the Chair to lay before the Senate the unfinished business, which is H.R. 9035, relating to the issuance of series E and H savings bonds.

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

Mr. SYMINGTON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Missouri will state it.

Mr. SYMINGTON. Are we to have a morning hour?

Mr. JOHNSON of Texas. We were informed that would be objected to.

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

Mr. JOHNSON of Texas. I do not have the floor.

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

Mr. BYRD of Virginia. I yield a half minute.

Mr. MORSE. The Senator from Oregon objected to a morning hour before a quorum call, but made it very clear he would not object to a morning hour after a quorum call.

Mr. JOHNSON of Texas. In view of what took place, I would like to have the Official Reporter bring in the notes showing what the Senator said. I think the notes show that.

Mr. MORSE. I ask to have the notes read.

The PRESIDENT pro tempore. The Official Reporter will bring in the notes of what transpired before.

Mr. BYRD of Virginia. Mr. President——

The PRESIDENT pro tempore. We are waiting for the record.

Mr. HOLLAND. Mr. President, it seems there is some delay. I wonder if there would be objection to allowing the Senator from Virginia to proceed with the debate, with the understanding that when he completes his statement—and he always makes a short statement—we may go back to the matter of examining the notes.

Mr. SYMINGTON. Mr. President, I ask unanimous consent that what the distinguished Senator from Florida said may be agreed to by the Senate.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD of Virginia. Mr. President, the present law has a maximum interest rate of 3.26 percent on such bonds. The bill permits the maximum rate to be exceeded in case of a finding by the President that national interest so requires.

The problem in connection with savings bonds is that, beginning in the third quarter of 1956 and running to the current date, redemptions on series E and H savings bonds, with the exception of the first quarter of 1958, have continually exceeded cash sales of these bonds. In 1959 the sales of series E and H savings bonds have declined 10 percent in the first 8 months, with the downward trend of sales steepening in recent months. Moreover, the 1959 redemptions through August were 13 percent above a year ago, with the trend in this case also worsening. The excess of redemptions over sales of E- and H-bonds in July amounted to $156 million, the largest amount in any month since April 1946. Moreover, the excess of redemptions over cash sales of E- and H-bonds in the first 8 months of 1959 has amounted to $758 million, the largest cash loss for any January through August in the history of the savings bond program. Unfortunately, given the present interest rates, this excess of redemptions over cash sales is expected to continue in the future.

This problem of excess redemptions over sales in the case of savings bonds in large measure can be attributed to the increasing spread on yield which may be obtained on savings bonds and alternative forms of investment. The rate of return on E- and H-bonds is now much less favorable, relative to that on savings accounts and other forms of investment, than in earlier years. This can be shown by comparing the rates of yield for series E bonds and for different forms of investments competitive with E-bonds at the end of World War II and currently.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a tabulation showing a comparison of rates.

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

	End of World War II	Current yield
Series E bonds	2.9 percent	3¼ percent.
Long-term maturities of marketable Government securities.	2¼ percent	More than 4 percent.
Savings and loan shares	2⅝ percent	3⅝ percent.
Mutual savings bank deposits.	1⅝ percent	3¼ percent.
Commercial bank savings deposits.	Less than 1 percent.	2¼ percent.

Mr. BYRD of Virginia. Mr. President, while the interest rate on series E bonds has risen only about a third of 1 percentage point from the end of World War II to the present time, the interest rates on the competitive forms of investment have risen at least a full percentage point, and in some cases by about 2 percentage points. Although the interest rate on series E bonds during and after the end of World War II was significantly higher than that for long-term maturities on marketable Government securities, the current yield on the series E bonds is about a percentage point below the current yield on these marketable Government securities.

A. SUSPENSION OF THE INTEREST RATE CEILING ON SAVINGS BONDS

The importance of maintaining a large segment of the public debt in the form of savings bonds is generally recognized. The holding by the public of such bonds is an important means of checking inflationary pressures because it absorbs funds which otherwise might be in the market competing for consumer goods. In this same connection the savings bond program also promotes saving throughout the country, as is evidenced by the fact that some 8 million individuals regularly make purchases of these bonds under payroll savings plans. In addition, the encouragement of the savings bond program is desirable because the holders of this debt represent relatively long-term investors and on the average maintain their investments in these bonds for a period of approximately 7 years.

The bulk of the savings bonds outstanding today represent series E and H bonds. These represent more than $42.6 billion of the $50.3 billion of outstanding savings bonds on August 31, 1959. The series E and H bonds now can be held by all investors, other than commercial banks. These bonds are complementary in that E-bonds are at a discount—75 percent of original maturity value—while the H-bonds are issued at par but bear interest payable semiannually. In both cases the interest yield currently is 3¼ percent to the maturity of the bond. Of the $42.6 billion in E- and H-bonds outstanding on August 31, $37.9 billion represent the discount-type series E bonds and $4.7 billion the series H bonds which pay interest semiannually. In addition, approximately $7.6 billion in old series F, G, J, and K bonds are still outstanding although the sales of these bonds were discontinued after April 30, 1957.

The administration has presented to your committee plans to solve the savings bond problem by bringing the savings bond interest rate back approximately to the same relative competitive position with other forms of comparable investments which it held in 1952. It hopes to do this by providing a higher rate of interest on savings bonds. The administration has indicated that it would like to provide a higher interest rate not only for new bonds beginning with those issued as of June 1, 1959, but also with respect to the E- and H-bonds which are already outstanding. Thus, its present plans call for a rise in the interest rate on new issues of savings bonds from approximately 3¼ percent yield to maturity to a yield to maturity of approximately 3¾ percent. Similarly, an increase of approximately one-half of 1 percentage point would also be provided in the case of the future yield of outstanding E- and H-bonds, if held to maturity.

Your committee's bill grants the administration's request in that it permits the present 3.26 percent interest rate ceiling for savings bonds to be exceeded. However, it has provided that this 3.26 percent ceiling may be exceeded only when the President finds with respect to any offering that such action would be in the national interest.

As requested by the administration, your committee's bill also makes it possible to exceed the interest rate ceiling and raise the interest rate applicable to outstanding savings bonds on which the rates of interest have already been fixed. This too, however, requires a finding by the President, in the same manner as outlined above that the public interest requires this ceiling rate to be exceeded.

B. TIME LIMIT ON LIABILITY OF AGENTS FOR ERRONEOUS PAYMENTS OF SAVINGS BONDS

Under present law qualified paying agents authorized to cash in savings bonds for holders can be relieved from liability to the United States for losses only upon a determination by the Secretary of the Treasury that there was no fault or negligence on the part of the agent, regardless of the length of time elapsing before the loss is discovered. However, where there is a long period of time before the United States discovers a loss, it is difficult for the paying agents to prove that the loss resulted from no fault or negligence on their part.

In view of this the bill provides that the liability of the paying agent is to terminate at the end of 10 years after the erroneous payment, unless a written notice of the liability, or potential liability, has been given during the interval.

C. PERMITTING TRUST FUNDS TO OBTAIN BONDS AT THE ISSUE PRICE

Under present law Government obligations may be acquired on original issue by six Government trust funds only by purchasing the obligations at par. The trust funds involved are the unemployment trust fund, the Federal old-age and survivors insurance trust fund, the Federal disability insurance trust fund, the railroad retirement account, the special trust account for the payment of certain

bonds of the Philippines, and the highway trust fund.

To the extent that the Treasury in the future offers securities on occasion at slight discounts—or premiums—existing law prevents these trust funds from buying the securities from the Treasury on original issue at prices other than par. The bill amends existing law to provide that these trust funds may acquire obligations of the United States on original issue at the issue price, whether or not this is at par.

D. CLARIFYING EXEMPTION OF U.S. OBLIGATIONS FROM STATE OR LOCAL TAXATION

Present law provides that obligations of the United States are to be exempt from taxation by or under State or local authority. The Supreme Court has held that this includes the exemption of interest on U.S. obligations from taxation by or under State or local authority. It has been pointed out to the committee, however, that one State has taken the position that the statute as now worded does not prohibit a State from including interest on Federal obligations in computing "gross income" upon which taxable net income is determined.

The bill makes it clear that the exemption for Federal obligations extends to every form of taxation that would require either the obligation, or the interest on it, or both to be considered directly or indirectly in the computation of the tax, except nondiscriminatory franchise taxes on corporations and except estate or inheritance taxes.

E. NONRECOGNITION OF GAIN OR LOSS IN THE CASE OF EXCHANGES OF CERTAIN U.S. SAVINGS BONDS

The House bill contained a provision providing for the nonrecognition of gain or loss on the surrender to the United States of outstanding U.S. obligations solely in exchange for new U.S. obligations. This tax-free exchange was to be available only when so provided by regulations issued by the Secretary of the Treasury.

The committee has retained this provision of the House bill, but modified it so that it applies only to the exchange of series E savings bonds for series H savings bonds. Your committee believed it was desirable to limit the application of this nonrecognition provision to series E and H savings bonds, in view of the fact that the treatment of these bonds represents the primary subject of this bill, postponing for future consideration the application of this nonrecognition provision in the case of other bonds.

I hope this bill will be enacted.

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

Mr. BYRD of Virginia. I yield.

Mr. MONRONEY. I tried to follow very carefully the reading of the purpose of the bill. If I understood the distinguished chairman of the committee correctly, he mentioned that the interest rate would be 3¾ percent on series E and H savings bonds. Is that correct?

Mr. BYRD of Virginia. That is what the Treasury has announced it will be.

Mr. MONRONEY. Is it a fact that nowhere in the bill or in the report is there any limitation whatsoever set forth? Under the bill, as I read it, contrary to what has been contained in the news stories to the effect that this is an effort to raise the interest rates on E- and H-bonds from 3¼ to 3¾ percent, the President can, after the bill is enacted, raise the interest rate to 10 percent, 20 percent, or 30 percent. This bill gives the President unlimited power, as I read it and the report, to pay whatever interest he wishes, so long as it is on savings bonds.

Then, of course, a precedent will have been set, and it will be said that, having done this for savings bonds, we must make the interest uniform, and we can have the sky be the limit on interest, and pay whatever the President desires to pay on long-term regular, marketable bonds.

I think the bill has been sold to the country through perhaps erroneous advertising in the press that this bill raises the interest rate on series E and H bonds from 3¼ percent to 3¾ percent, when, in fact, there may be an unlimited raising of interest rates.

Mr. BYRD of Virginia. There is no limit in the bill, but the President must make a case and a finding that an increase is in the national interest. While there is no ceiling on the interest rate fixed in the bill, the Secretary of the Treasury, in order to prevent the deluge of sales of these bonds, has said that if the law is enacted he will issue bonds on the basis of 3¾ percent. He made the statement in view of the tremendous sales of savings bonds, which are now bringing only 3¼ percent interest, when one can buy other Government bonds on the market bearing interest rates of as much as 3¾ percent, approximately.

Mr. MONRONEY. But if the Secretary of the Treasury wishes to issue these bonds at 3¾ percent, why do we not say so, instead of giving the President unlimited authority—something no President in our history has ever possessed. I had the Legislative Reference Service of the Library of Congress do some research into this question. No President, George Washington included, has ever been given power to issue these savings bonds without an interest ceiling.

Mr. BYRD of Virginia. I may advise the Senator that in committee an amendment was offered to fix the maximum interest rate at 4¼ percent, but out of the 15 committee members present, the vote was 5 in favor and 10 against.

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

Mr. BYRD of Virginia. I yield.

Mr. ANDERSON. I offered an amendment in committee to put a 3¾-percent limitation on these bonds, exactly the same limitation we have on other long-term bonds. As the Senator from Virginia knows, I am going to offer that amendment in the Senate. So the Senator from Oklahoma will have an opportunity to vote on whether a limitation should be put on such bonds.

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

Mr. BYRD of Virginia. I yield.

Mr. PROXMIRE. Were hearings held on the bill?

Mr. BYRD of Virginia. There was no opportunity to hold public hearings, but the committee heard representatives of the Treasury Department. This bill was received from the House only very recently.

Mr. PROXMIRE. Did the Treasury give specific justification for removing the limit entirely?

Mr. BYRD of Virginia. The Treasury testified that it must be in a position to compete in the market.

If the Senator will look at the bond quotations, he will find there are a number of Government bonds selling at substantially below par which can be bought on the market today. Some of them will yield 4½ to 4¾ percent, and one can simply present the savings bonds to the bank, get his money, and buy these other bonds on the market.

The Secretary of the Treasury thought it would be very desirable to give this power to the President. But the President must make a public finding that an increase in interest is necessary if it exceeds the present maximum interest rate of 3.26 percent.

Mr. PROXMIRE. If I may ask the Senator one or two more questions, I sympathize with the objective of raising the interest rate on savings bonds to 3¾ percent. It is a fact of life which we must face. Perhaps it is desirable.

On page 2 of the report the history of interest on these bonds is indicated and it is pointed out that in 1957, when the administration asked that the interest rate be increased to 3¼ percent, instead of 3 percent, Congress then responded by providing a 3.26 percent limit. I am wondering why, in view of that precedent, the committee in this case recommends the removal of the ceiling entirely.

Mr. BYRD of Virginia. There was no ceiling in the bill when it came from the House. In view of the crisis, and it is a very serious crisis, that confronts us with respect to the selling of savings bonds, the committee thought we should trust the President and the Secretary of the Treasury to the extent provided in the bill, requiring that a public finding or proclamation will have to be made if the necessity to increase the 3.26 percent interest rate develops.

Mr. PROXMIRE. Is it not true that the President of the United States would always make a finding or come to a conclusion as specified on page 5 of the report? I understand the five principles set forth there must be met. Is it not true that the President would always, in good conscience, and perfectly sincerely, feel that way, anyway, if he wished to increase the rate to 4¼ or to 4 percent? Is not this merely language rather than a real restriction?

Mr. BYRD of Virginia. I do not agree with the Senator, because the factors are set forth.

The President has to consider these factors as to increasing the rate:

(1) The effect on the growth of the economy;

(2) The effect on the economic stability of the country;

(3) The interest rates paid on other major forms of savings and investments;

(4) The distribution of the public debt between savings bonds and other obligations; and

(5) The longrun effect of any offering made above the statutory ceiling on monetary policies and on economical debt management.

The Senator is aware of the fact that in the first 8 months of 1959 the sales of E- and H-bonds exceeded purchases in the amount of $758 million. I think the Senator recognizes that as a very serious fact.

Mr. PROXMIRE. I recognize that. That is why it is necessary for Congress to provide something.

Mr. BYRD of Virginia. These savings bonds of all kinds total approximately $50 billion—$42 billion in the E- and H-bonds and $8 billion in other savings bonds. If the holders of all these bonds should present them for payment, or sell them, this country would face a financial crisis of the first magnitude.

Mr. PROXMIRE. The Senator would agree wholeheartedly that the administration should be permitted to go up to 3¾ percent. My question is whether any information was elicited in the committee, from the Department or from any other source, to justify the removal of the ceiling entirely?

Mr. BYRD of Virginia. The committee thought we should do so, after careful consideration. The Ways and Means Committee of the House thought so. The House of Representatives thought we should do so. We gave the matter our best judgment. We thought it was a matter of extreme importance. I think a very critical situation faces us.

Mr. PROXMIRE. I thank the Senator.

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

Mr. BYRD of Virginia. I yield to the Senator from Utah.

Mr. BENNETT. Does the Senator think that reason No. 3—"the interest rates paid on other major forms of savings and investments"—represents a very real reason why the Treasury should be free to make its savings bonds competitive?

The Senator from Utah remembers that during the committee discussion it was pointed out that 4 percent is a very common rate for savings in the building and loan associations, and in some cases the rates are up as high as 4½ percent. In addition to the reasons which exist in terms of competition with other Government bonds, the use of building and loan associations as a form of savings has become increasingly important to the American people who have small amounts of money to save.

Mr. BYRD of Virginia. I agree with the Senator from Utah.

Mr. BENNETT. If the building and loan association rates are substantially above the rates on Government bonds, it seems to me the Treasury might be at a very real disadvantage, and there is no ceiling on the rate a building and loan association can pay.

Mr. BYRD of Virginia. I agree with the Senator from Utah. One can dispose of savings bonds and use the money to buy other Government bonds, some of which are selling as low as 81 cents on the dollar. A person can get as much as 4½ percent interest yield on his money.

Mr. BENNETT. That is correct. One can get as much as 4½ percent if one puts his money into some building and loan associations.

Mr. BYRD of Virginia. One can do it with other Government securities now.

Mr. PROXMIRE and Mr. JAVITS addressed the Chair.

Mr. BYRD of Virginia. I yield first to the Senator from Wisconsin.

Mr. PROXMIRE. Is it the position of the committee it might be the case that the administration would like to go higher than 4¼ percent interest on savings bonds, in order to be in a position to be more competitive vis-a-vis other forms of investment?

Mr. BYRD of Virginia. The Treasury has already announced the rate. The Treasury has done a very unusual thing. Prior to the passage of the bill the Treasury has announced that if the bill is passed it will issue bonds at 3¾ percent interest. That was done to stop the increasing sales of these bonds. I think the position of the Treasury is that it does not know what the future holds with respect to these matters. We have to put these savings bonds in a competitive position.

If we have any class of citizens in the United States entitled to a proper and just interest from the Government, it is the holders of these savings bonds. These are the small investors. Eight billion dollars worth of bond purchases have resulted from collections in payroll deductions from persons who wanted to purchase these bonds.

Mr. PROXMIRE. In the event the Congress should decide to limit the rate the Federal Government could pay on savings bonds to 3¾ percent or to 4¼ percent, that would not have any immediate effect on the Treasury, inasmuch as the Treasury has committed itself to selling bonds at 3¾ percent?

Mr. BYRD of Virginia. The Treasury has committed itself for the immediate present. Nobody knows what the future will hold with respect to the requirements.

I think we are confronted by a very serious condition. If one looks at the Wall Street Journal, one finds that not a single Government bond is selling at par today—not a single one—and that many of these bonds are selling at 85, and one is selling as low as 81 cents on the dollar.

Mr. PROXMIRE. Is it then the position of the Senator from Virginia that the administration should not have to come back to the Congress for further approval, if the administration should want to go above 3¾ percent interest or even above 4¼ percent interest, and should be able to meet the competition, based upon the judgment of the President and of the Secretary of the Treasury?

Mr. BYRD of Virginia. Based on the judgment of the President, in carrying out the policy, and considering the factors I have mentioned.

Mr. PROXMIRE. I thank the Senator.

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

Mr. BYRD of Virginia. I yield to the Senator from New York.

Mr. JAVITS. I think the Senator has covered very well the prejudice to savers and the fact that in the present market for interest rates if one had a ceiling it would very likely become a floor. In other words, if we provide a 4¼ percent interest ceiling it is very likely the rate will go to that and will be pressing against it immediately, whereas if we provide for flexibility the Government will be in a competitive position.

I have one other question which I should like to ask the Senator, as to the effect of passing the bill upon the long-term Treasury bonds, not on the savings bonds. I shall produce later in the day a series of answers from all Government bond dealers, to indicate that they feel the only way, at the present time, in which the market can be stabilized, or has a chance of being stabilized, in regard to long-term Treasury bonds, short of an interest rate increase on long-term Treasury bonds, is by an increased interest rate on the savings bonds. It is said that attrition is endangering the whole savings bond market; that is, the cash attrition of $156 million, which is a new high, which we lost, net, on the E- and H-bonds in July 1959, alone.

What I should like to ask the Senator is whether the committee gave consideration to those factors in respect to this bill, and thought that they would have an effect not only with regard to the selling of the savings bonds but also with regard to helping correct the very dangerous condition in which the whole long-term Treasury bond market now finds itself?

Mr. BYRD of Virginia. The Senate Committee on Finance did give consideration to that problem. As the Senator knows, there is no interest ceiling on bonds issued for less than a 5-year term. When the bonds go above 5 years the ceiling on interest is 4¼ percent. The Senator from Virginia would be glad to vote to remove that ceiling at this time. However, we were told if we did so the House would not agree and we would lose the savings bond rate increase. So the committee did not take up the question of increasing the 4¼ percent interest ceiling or taking off the ceiling on other bonds.

I will say to the Senator, I think of money as a commodity. I think that when money is scarce interest rates go up. When money is plentiful interest rates go down. I say that as a businessman who has had considerable experience in this field, and as a member of the Committee on Finance for 26 years. I say to the Senator from New York that at no other time in my 26 years have we faced a situation such as we face today, with the debt approaching $300 billion.

It was necessary for the Treasury to sell $13 billion worth of new bonds in this past year, and we had a deficit of $13 billion. In addition to that, a great percentage of our bonds are on a short-term basis. $85 billion worth of bonds must be refinanced in the coming year. I think we are in a very serious condition.

I say as one Senator—I know others do not agree with me—I would vote to take off the ceiling completely, and I would trust the Treasury Department and would trust the President of the United States to maintain the integrity of the bonds. When an investor looks at the bond quotations we see in the Wall Street Journal, he sees that not a single Federal bond is selling at par, yet when he looks at the stock quotations on the opposite page, he notes generally they are constantly going up, despite the fact that stocks are not paying in dividends any more than the bonds are paying in interest.

Mr. JAVITS. Mr. President, I should like to ask the Senator one other question. Would the Senator feel that, in fairness in the situation, the Treasury Department ought to make a special drive, if given the increased interest rate opportunity, to sell more savings bonds?

Mr. BYRD of Virginia. I agree.

Mr. JAVITS. It should not simply go along with the normal savings bond program.

Mr. BYRD of Virginia. I will say to the Senator, that is one of the purposes of this legislation.

Several Senators addressed the Chair.

Mr. BYRD of Virginia. I yield to the Senator from Alabama.

Mr. SPARKMAN. Mr. President, I invite the attention of the Senator from New York to this colloquy.

I notice one thing the committee has done which I think is a mistake. The committee has stricken out the House language which would make it possible to exchange the E- and H-bonds for other issues on the same basis that other bondholders are allowed to exchange bonds. When we talk about some incentive to buy savings bonds, I think the committee has taken away the best incentive which was in the bill.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. SPARKMAN. If the chairman would care to comment, I should like to have his comments in that regard. I certainly see no reason why the little people, who buy these savings bonds, should not have the opportunity, when a more desirable issue comes along, to exchange the bonds, as everybody else does.

At one time I asked Secretary Humphrey that question, and his answer was, "They can cash their savings bonds and buy the other bonds."

What happens, when the people cash their bonds, is that they must pay the income tax on the interest. I will not complain about that. I rather question the proposition of allowing a rollback of that tax liability. However, I do not make any great point of that. Not only does the holder of the bond have to pay income tax, but he must also go to a broker and pay a commission for buying the new bond. The holder of a $10,000 block of other bonds does not have to do that. He simply sends the bonds to the Treasury, and the Treasury makes the exchange. Why penalize the little man who holds these bonds, when he exchanges them? We talk about incentive, Mr. President. That is the way to build up incentive.

Mr. FREAR. Right along that line, would the Senator yield?

Mr. WILLIAMS of Delaware. I think I should like to reply because I believe the Senator from Alabama is in error on the point he has just made. The committee bill does provide that the holder of E-bonds can convert over into H-bonds and get tax deferment on their interest of the E-bond.

Mr. SPARKMAN. Into H-bonds, but I am talking about other bonds.

Mr. WILLIAMS of Delaware. I would have no objection to rolling over into other bonds, and I do not think the committee would. However, I call the attention of the Senator to the fact that what he is proposing in the House language is the right of banks to roll over, and that is what the Senate committee eliminated in our committee amendment.

Mr. SPARKMAN. As I understand, the House provision—I may be in error, and if so I certainly welcome being set straight—as I understand, the House provision would have allowed the holders of E-bonds and H-bonds to exchange them for other types of bonds, but the Senate struck that out, and allows E-bond holders to exchange them for H-bonds, and that is all.

Mr. WILLIAMS of Delaware. If the Senator will read the committee report, he will find that the Senate committee allowed the E- and H-bond holders all the authority which was extended under the House bill, but the Senate committee struck from the bill the language which would have permitted banks and insurance companies who hold these other marketable bonds which are selling at around 80 or 85, to exchange them and get the tax deferment.

Mr. SPARKMAN. That may be right, but that is not the way I read the language of the bill.

Mr. WILLIAMS of Delaware. I believe that the Senator will find that what is done is to confine this tax deferment privilege to E- and H-bond holders. We struck from the committee bill all the language which would have extended any tax deferment to the holders of marketable Government bonds in general. I believe the chairman of the committee will support me in that position.

Mr. SPARKMAN. I am not interested in the rollback. I do not know that the committee made a mistake in allowing that, if I understand what is meant by rollback, that is, the withholding of income tax liability until a later date.

Mr. FREAR. A deferment.

Mr. SPARKMAN. A deferment.

Mr. WILLIAMS of Delaware. We struck that out. The committee did not allow that except for holders of E- and H-savings bonds.

Mr. SPARKMAN. At the present time the holders of all bonds, except E- and H-bonds, can exchange them at any time for other issues simply by taking them to the Treasury and having the Treasury do it for them. They do not have to go to a broker to have it done; they have the Treasury do it. I do not understand why we do not extend that same privilege to the holders of E- and H-bonds. I do not understand why they too should not have the right to make the exchange on the same basis.

I remember, for instance, when the 3¼-percent issue came out in the spring of 1953, all that the holders of the old issues—2½ percent, 1¾ percent, and those low interest rate issues—had to do was to send their bonds to the Treasury. They simply swapped them for the new issue. Why should not the holder of the E-bond be permitted to do that? Instead, at the present time he must sell the bond, pay income tax on it, then go to a broker and pay a commission for buying the new desirable issue. I say these people ought to have the same privilege as other bondholders. That should be done particularly if we wish to give them an incentive to buy bonds. After all, I think the public generally has done a magnificent job in buying E- and H-bonds—to the extent of $42 billion, or something like that.

Mr. BYRD of Virginia. That amendment was adopted by a vote of eight to six.

Mr. SPARKMAN. I certainly hope the Senate will see fit to vote down that committee amendment, or at least write in a provision which will make it possible to exchange E- and H-bonds for other bond issues, just as the banks can do now, or as individuals can do, who buy big blocks of other bond issues. Let the little fellow have a chance.

Mr. WILLIAMS of Delaware. If the Senator from Alabama will check the record and talk with the Treasury Department, he will find that voting down the amendment of the Committee on Finance will not extend to the E- and H-bondholders the right to convert their bonds with the tax deferment into other types of marketable securities which are selling on the open market. If we vote down the amendment we will be extending to the banks which now hold E- and H-bonds and all the other types of bonds the right to convert those bonds. I do not know whether that should or should not be done, but I do not believe that there will be accomplished what is sought to be accomplished by the proposed action.

Mr. MONRONEY. Will the Senator yield?

Mr. FREAR. As has been stated here, this is a very important issue. I believe, however, the exchange of E- and H-bonds for new H-bonds is not the only important fact in the pending bill. I believe that the Senator from Alabama also stated that approximately $42 billion was outstanding at the present time in E- and H-bonds. Is that correct?

Mr. BYRD of Virginia. In E- and H-bonds.

Mr. SPARKMAN. I think it is E- and H-bonds.

Mr. FREAR. Is it not true that $38 billion of the $42 billion is in E-bonds?

Mr. SPARKMAN. That is right.

Mr. BYRD of Virginia. Yes.

Mr. FREAR. The maturity value of the $38 billion is $40 billion. Is that right?

Mr. BYRD of Virginia. Yes. That does not include the other class of savings bonds.

Mr. FREAR. I believe that the H-bonds bear interest payable either quarterly or semiannually. There is no accrued unpaid interest on H-bonds. Is that correct?

Mr. BYRD of Virginia. Yes.

Mr. SPARKMAN. That is right.

Mr. FREAR. The interest on E-bonds accumulates. In other words, a $100 bond sells for $75, and at maturity it is worth $100. The difference between the purchase price and the maturity value of E-bonds is not taxable as income until the bond is cashed.

Mr. BYRD of Virginia. Yes.

Mr. SPARKMAN. It is optional with the holder of the bond. He can take it either way.

Mr. FREAR. He can report it if he wishes to.

Mr. SPARKMAN. That is right.

Mr. FREAR. But he does not have to report it.

Mr. SPARKMAN. That is right.

Mr. FREAR. In the majority of cases, the interest on E-bonds is not reported. I believe the Treasury will substantiate that. I believe that was the testimony of the representatives of the Treasury Department who appeared before the committee; they gave that impression.

If we assume that approximately $40 billion of E-bonds are outstanding, and they are put into H-bonds on an exchange basis, we are relieving approximately, assuming that a person is in the 50-percent bracket, $10 billion. A 50-percent bracket means that $5 billion is what the Treasury would collect on that income by taxes if the taxes were not deferred. My point is that we are deferring tax liability to the extent of $5 billion, or approximately that, in the bill. Is that correct?

Mr. BYRD of Virginia. That is done already. The E-bond holders already have the privilege of making a choice whether to pay their taxes currently or when they cash the bonds. That is one of the inducements to people to buy the E-bonds. On the H-bonds, the interest is paid semiannually, and must be included in income tax returns as income.

Mr. FREAR. That is true, but there is a difference in the interest rate between the E-bonds and the H-bonds. If the holder of an E-bond wishes to exchange it for the higher rate H-bond proposed in the bill, he must make an exchange, in order to do so, and he does not have to pay taxes on the income or the interest rate on the original E-bond.

Mr. SPARKMAN. If my understanding is correct, the Senator is in error in referring to H-bonds as bearing a higher interest rate. It is my understanding that the interest rate is identical on the two types of bonds.

Mr. BYRD of Virginia. They both carry the same interest rate.

Mr. SPARKMAN. They both carry the same interest rate. However, there is this advantage. After an E-bond comes to maturity, it is advantageous to the holder to exchange it for an H-bond.

Mr. FREAR. I do not think the Senator from Alabama quite understood. Perhaps I did not make myself clear. The bill authorizes H-bonds at a higher interest rate than the present E-bonds.

Mr. SPARKMAN. But it also proposes to raise the rate on E-bonds. Both types of bonds carry the same rate of interest.

Mr. BYRD of Virginia. It is proposed to make this provision retroactive to June 1.

Mr. SPARKMAN. Yes; but they both carry the same rate of interest.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BYRD of Virginia. I yield.

Mr. WILLIAMS of Delaware. Under existing law, without any further legislation, the holder of an E-bond, whose bond is worth $100 when it comes due, may, with or without the proposed legislation, elect, under Treasury regulations, to extend it for another period of 10 years, and get the increased tax deferment. He can do that under existing law. The bill before us today provides that he may convert a $100 E-bond into an H-bond, which pays the same rate of interest, and get the tax deferment until he cashes his H-bond, and collect interest on the full $100, payable semiannually.

Mr. SPARKMAN. The Senator makes reference to the first period, during which the $75 bond increases in value to $100. When the extension period is over, he is through.

Mr. WILLIAMS of Delaware. That is correct unless he elects to transfer to H-bonds or extend the E-bond for another term.

Mr. SPARKMAN. The bond does not continue to draw interest beyond that time. Therefore, he is getting an advantage at that point by being able to exchange it for an H-bond. If I were able to do it, and went into the market and bought $10,000 worth of 3¼s or 4¼s, or whatever they may be, or if I were holding $10,000 of 2½s, the old issue, which is probably selling today in the 90s or 80s, I could exchange those bonds for a brandnew issue by sending my bonds to the Treasury. The Treasury would make the exchange for me, and I would get the advantage of going from the lower interest rate to the higher rate.

If I have $10,000 worth of E-bonds, why should I not have exactly the same privilege? Let us give to the little man who buys his bonds, perhaps, on the monthly payroll plan over a period of years, and who, in the course of time, accumulates a considerable holding, exactly the same privilege which we give to the buyers of big blocks of other issues.

Mr. WILLIAMS of Delaware. I agree that we should give this type of investor all the breaks. I agree with the Senator's statement, but I do not agree with the method by which the Senator says we can accomplish the desired result. In my opinion this bill would accomplish what the Senator says he wishes to do.

Mr. SPARKMAN. Only as between E- and H-bonds. It does not cover the field of general issues.

Mr. WILLIAMS of Delaware. Those are the only types of bonds with respect to which the Government guarantees the holder the full return of his money, plus interest.

Mr. SPARKMAN. I realize that; but when the holder of the E- or H-bond converts it into another type of bond, he is taking a risk. He is giving up the Government guarantee.

Mr. WILLIAMS of Delaware. That is correct; but I feel that in addition the E- and H-bonds should be issued at a rate of interest comparable to the rate paid in the general interest market. I have recommended publicly, and will do so again today, that the E-bond holder should be given not 3¾ percent, but 4 percent. If the Government is to sell these bonds, they will have to be issued on a 4 percent basis. I believe also that it would be a better bond if it were put on a 10-year basis, instead of carrying uncertain maturity dates, which are confusing. There are some outstanding E-bonds which run for 8 years and 11 months, some for 9 years and 8 months, and some which run the full 10 years. The result is a complete state of confusion among holders as to exactly when their bonds mature.

I suggested that they be put on a flat 10-year basis, so that people could remember the maturity dates. Then they should not be compelled to hold them to full maturity under penalty of losing their interest. If, because of unexpected sickness or emergency, they have to cash their bonds, they should be entitled to the bulk of the interest. I have proposed a more liberal formula which I have hopes the Treasury would adopt. I shall recommend it here today. I am not incorporating it in legislation, because it has always been the policy to allow the Treasury to have discretionary authority.

I am not concerned about raising this interest on E-bonds to 3¾ percent. I am concerned because I think it should be raised to 4 percent and will require a 4-percent bond to get the bond sales off dead center.

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

Mr. BYRD of Virginia. I yield.

Mr. FREAR. Did I correctly understand the senior Senator from Delaware to say that there were Government bonds that were not guaranteed to be payable at par on the maturity date?

Mr. WILLIAMS of Delaware. No. Certainly they will be paid at maturity

Mr. FREAR. Then I misunderstood.

Mr. WILLIAMS of Delaware. As I understood the Senator from Alabama, when he speaks of the right of the E-bond holder to convert such bonds into regular marketable securities, he states that there is no guarantee that they will be selling at par when the holder demands his money prior to the maturity date.

Mr. BYRD of Virginia. A savings bond can be cashed at face value after 60 days. With respect to other bonds, selling at 81, or something like that, the holder receives 100 cents on the dollar only if they are held to maturity.

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

Mr. BYRD of Virginia. I yield.

Mr. FREAR. Do I correctly understand, from the previous statement of the chairman of the committee, that the only advantage in exchanging E-bonds for H-bonds under the provisions of the bill before us is that the holders of E-

bonds could delay or defer the tax on the accumulated interest on the E-bonds, and at the same time get a bond on which he could receive interest payable semi-annually. That is the only advantage. I do not wish the chairman or anyone else to misunderstand my position. I am in favor of giving the Treasury Department the privilege of exchanging such bonds and deferring the tax on the interest until the H-bond has been sold or disposed of.

Mr. BYRD of Virginia. I have before me a copy of the latest quotations on Government securities. There is not a single Government bond selling at par. Some are selling as low as 81, and some are bringing an interest return of 4.78, or nearly 5 percent. There are only two issues of Treasury notes, coming due in the immediate future, which are selling at par. Treasury bills are selling at 4.59. They are 90-day paper.

I think we have a serious situation, which we must handle. If we do not do something about the savings bonds, and they are cashed in, we shall have a financial crisis of the first magnitude.

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

Mr. BYRD of Virginia. I yield.

Mr. SYMINGTON. As usual, I receive instruction when the able Senator from Virginia discusses the debt. I would vote to increase the interest rate on savings bonds. As regards long-term issues, back on March 23, 1959, the Treasury offered 12-year bonds at 4 percent, and received subscriptions of about $1½ billion, and sold only a little more than $600 million.

On February 28, 1958, the Treasury offered 3 percent 8½-year bonds, and received $6 billion of subscriptions, but sold only $1½ billion. In the opinion of the able chairman, is this because of inept management of the debt, or because of changing conditions?

Mr. BYRD of Virginia. The Senator is recognized as one of the best businessmen in the Senate. I think he will recognize that there has been a considerable change in conditions with respect to interest rates. The interest rate is governed by the demand for money. All interest rates have gone up. Banks have raised interest on savings in the last 60 to 90 days. Interest rates have gone up all along the line.

The Senator will recall that in 1954, Secretary Humphrey issued a 30-year bond for 3¼ percent. He was severely citicized, because it was alleged that his action resulted in an increase in the interest rates for private loans, and other borrowings. But those bonds finally went up to 112 and now they are selling around 87. In other words, a difference of 25 points in those bonds has developed within the last 5 years.

Mr. SYMINGTON. Will the Senator tell us what he believes is the major reason for the change?

Mr. BYRD of Virginia. If people can get greater interest on other securities than they get on Government bonds, they will make such investments and get better interest.

Mr. FREAR. Is that not also true with respect to Government-insured obligations which bear a higher rate of interest? Is not the money just as secure, as far as safety is concerned, in these other obligations as it is in Government bonds?

Mr. BYRD of Virginia. I did not hear the Senator's statement.

Mr. FREAR. In reply to the question of the Senator from Missouri [Mr. SYMINGTON], is it not true that there are obligations which are insured by the Government which pay a higher rate of interest, and in reality are probably just as good as the Government bonds themselves?

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

Mr. FREAR. I yield.

Mr. SYMINGTON. I was only referring to the time element. Only last March we were offering long-term, 12-year bonds at 4 percent and the Treasury accepted only about one-third of the subscription. The year before that we were offering 3-percent long-term bonds for 8½ years and the Treasury accepted less than a quarter of the subscriptions. It seems to me that a tremendous change has taken place over a short period of time. For example, in August 1957, the administration was saying that the way to correct this problem is to look before buying. In January 1958, they were saying the way to correct the situation is, in effect, to buy before looking. So I was wondering if the rapid change was due to an improvement or was due to the normal fluctuation of money rates.

Mr. BYRD of Virginia. If the Senator will tell me why the stock market has risen as it has, perhaps we can answer the question of interest on bonds.

Mr. FREAR. I should like to ask the chairman of the committee another question or two, if he would permit me.

In the light of our treatment of bills which come before the Finance Committee from the House under title 2, as the chairman very well knows, we struck a very important part from this bill. I believe the subject was discussed a little earlier today. That section concerned the sale of bonds other than savings bonds. I thought I understood the chairman to say that he was in favor of removing the limit on long-term bonds entirely and permitting the Secretary of the Treasury Department or the President to establish the interest rate.

I certainly think I could go along with some of that opinion myself. The part which may make some difference is that if we establish a ceiling on savings bonds higher than the established ceiling on other Government bonds, it will tend to dislodge money going into the Treasury to some extent. Is that true, or does the Senator feel that the purchasers of E- and H-bonds come from a certain segment of our economy, or the people who are in a certain economic class, and the others come from a different origin?

Mr. BYRD of Virginia. The Senator is correct. Of course, they can buy E-bonds to the extent of $10,000 a year, or H-bonds to the extent of $10,000 a year.

Mr. FREAR. The purchasers of the E- and H-bonds are limited to certain categories of buyers, is that not true?

Mr. BYRD of Virginia. They may invest $20,000 a year, but they can buy that amount every year.

Mr. FREAR. Are financial institutions permitted to buy E- and H-bonds?

Mr. BYRD of Virginia. No; they are not.

Mr. FREAR. So financial institutions by law must buy other types of Government bonds and are not permitted to buy the savings type bonds?

Mr. BYRD of Virginia. The Senator from Delaware [Mr. FREAR] has referred to the ceiling. I wish to make clear that of our $290 billion debt, $99 billion is for a term of less than 5 years and there is no ceiling on the interest rate. We have a ceiling for the long-term bonds of more than 5 years of 4¼ percent. The interest on savings bonds to which this bill relates is 3¼ percent.

Mr. FREAR. I agree with what the chairman has said, and that is my position on the bill we have before us. However, we struck the provision permitting the President to decide the rate and taking the ceiling off long-term bonds or bonds other than savings bonds. That is correct, is it not?

Mr. BYRD of Virginia. That provision was not in the bill as it came from the House.

Mr. FREAR. Part of it was, I believe.

Mr. BYRD of Virginia. The House did not include that.

Mr. PROXMIRE. Mr. President, will the Senator yield for a question?

Mr. BYRD of Virginia. I yield.

Mr. PROXMIRE. The crucial issue on the bill before the Senate for many of us is whether or not we should remove the limit entirely. I would like to call the attention of the distinguished chairman of the Finance Committee to his statement on April 15, 1957, when the issue we are now considering was before Congress. At that time he said:

> The Finance Committee gave consideration to two other issues in connection with this increase. The first was the question of whether or not there should be greater flexibility for the Treasury to increase interest rates on savings bonds if inflationary pressure should build up in the future. The Treasury originally requested that the statute provide that the savings bonds rate could be raised to 4¼ percent, even though they had only announced plans to sell a 3¼-percent bond. The House bill would raise the ceiling only to 3½ percent. The Finance Committee has further reduced the new ceiling to 3.26 percent, which will be adequate to sell the bonds described in the Treasury announcement of February 14.
>
> Let me say that the action of the Senate Finance Committee is an indication that the committee desires to discourage further increases in interest rates in financing Federal obligations.
>
> We felt strongly that the serious aspects of higher interest rates require that any further increase should be accompanied by a request for legislation. Experience in the past has indicated that the market for savings bonds declines slowly enough in an inflationary period as to afford ample time for additional legislation.

Why is that not precisely true today?

Mr. BYRD of Virginia. The answer is the conditions are entirely different now from what they were in 1957. In 1957 savings bonds were not being cashed in. In the last 8 months savings bonds cashed in exceed sales by almost $1 billion. An entirely different situation existed in 1957. They were sold at 3.26 then and were sold readily, but they are

not being sold now. To the contrary, they are being cashed in.

Mr. PROXMIRE. I recognize the rate should go to 3¾ percent. The proposal of the Senator from New Mexico under consideration provides for a tremendous flexibility all the way up to 4¼ percent, so they could compete and raise the rate from 3¾ to 4¼ percent without additional legislation.

Mr. BYRD of Virginia. That is a question for the consideration of the Senate.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Virginia yield?

Mr. BYRD of Virginia. I yield.

Mr. JOHNSON of Texas. Three committees are waiting for the Senate to recess.

Mr. MONRONEY. Mr. President, I should like to ask a question which would take only half a minute.

Mr. JOHNSON of Texas. Very well.

Mr. MONRONEY. Could the distinguished Senator from Virginia tell me what will be the interest rate which will be available on an E-bond held for 1 year and then cashed?

Mr. BYRD of Virginia. The interest rate of 3¾ percent for those who hold the bonds to maturity will be dated back to June 1.

Mr. MONRONEY. I am talking about the purchase of a $100 E-bond. If I wish to cash it a year from now, what interest will my $100 bond bear?

Mr. BYRD of Virginia. That is a complicated procedure. It will be approximately 1 to 1½ percent.

Mr. MONRONEY. I beg to disagree. I think it will keep the long elliptical curve, so that the holder will be closer to 1 percent in the market the first year.

Mr. WILLIAMS of Delaware. I have the rate. I will put the table in the RECORD.

Mr. MONRONEY. No hearings were held on this item; yet we are asked to suspend an alltime, historic procedure.

Mr. WILLIAMS of Delaware. Under the formula in effect at present on E-bonds, the Senator from Oklahoma is substantially correct. At the end of 1 year, if the E-bond is cashed, the rate of interest would be approximately 2 percent. That is one of the points I questioned in the colloquy with the Senator from Alabama [Mr. SPARKMAN]. I shall suggest later that the Treasury Department should issue these bonds on a basis wherein the bondholders will not be locked in, and that they can come nearer to getting 3¾ or 4 percent interest if, through no fault of their own, they are forced to cash their bonds before maturity.

In my opinion this should be done both from the standpoint of fairness as well as to increase sales.

I believe we are dealing with a different type of investor, a type who should be protected. I would be perfectly willing, if the Treasury felt it was too lenient, that they should restrict these sales to smaller amounts than those now in effect. But I think that at all times E-bonds should bear a reasonable interest rate in comparison with other interest rates, and that the buyers of such bonds will not be locked in and be forced to hold such bonds to maturity.

Mr. MONRONEY. Bankers tell me that the reason why the Government is being whipped to death is the competition, not so much because of interest rates, but because it is possible to get 4 percent or 3¾ percent from a building and loan association from the day the person makes his deposit. But unless a purchaser of an E-bond holds his bond up to 3 years, he will never get up to 3¾ percent.

Mr. WILLIAMS of Delaware. I am in complete agreement with your objective and I shall make a recommendation later today with respect to it.

Mr. MONRONEY. We need to modernize the program.

The PRESIDING OFFICER. Morning business is in order.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed the following bills of the Senate, each with an amendment, in which it requested the concurrence of the Senate:

S. 1944. An act to amend the Bankruptcy Act in regard to the verification of pleadings; and

S. 2219. An act to authorize appropriations for construction of facilities for the Gorgas Memorial Laboratory, to increase the authorization of appropriations for the support thereof, and for other purposes.

The message also announced that the House had passed the bill (S. 1845) to provide for the establishment of rates of basic compensation for certain positions in the Patent Office in the Department of Commerce, and for other purposes, with amendments, in which it requested the concurrence of the Senate.

The message further announced that the House had passed the following bills and joint resolutions, in which it requested the concurrence of the Senate:

H.R. 2982. An act to fix the official station of retired judges assigned to active duty;

H.R. 4150. An act to amend the Bankruptcy Act to authorize courts of bankruptcy to determine the dischargeability or nondischargeability of provable debts;

H.R. 4346. An act to amend the Bankruptcy Act to limit the use of false financial statements as a bar to discharge;

H.R. 5571. An act to exempt regular and classified substitute employees in post offices of the first, second, and third classes from residence requirements governing appointment and service of postmasters at post offices to which such employees are assigned;

H.R. 6067. An act to amend section 4544 of the Revised Statutes of the United States to provide that, if the money and effects of a deceased seaman paid or delivered to a district court do not exceed in value the sum of $1,500, such court may pay and deliver such money and effects to certain persons other than the legal personal representative of the deceased seaman;

H.R. 6309. An act to amend section 46, title 18, United States Code, with respect to transportation of water-hyacinths and seeds;

H.R. 6508. An act to grant minerals, including oil and gas, on certain lands in the Crow Indian Reservation, Mont., to certain Indians, and for other purposes;

H.R. 6672. An act to authorize longer term leases of Indian lands on the Agua Caliente (Palm Springs) Reservation;

H.R. 7605. An act for the relief of the State of Oklahoma;

H.R. 8343. An act relating to the preservation of acreage allotments on land from which the owner is displaced by reason of the acquisition thereof by a Government agency in the exercise of the right of eminent domain;

H.R. 8429. An act to amend the Subversive Activities Control Act of 1950 to provide for a procedure under which certain final orders of the Subversive Activities Control Board with respect to Communist organizations may be made applicable to successor organizations;

H.R. 8578. An act to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage under certain conditions;

H.R. 8582. An act to authorize the San Benito International Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande near Los Indios, Tex.;

H.R. 8694. An act to authorize the Starr-Camargo Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande, at or near Rio Grande City, Tex.;

H.R. 8708. An act to amend subdivision d of section 60 of the Bankruptcy Act (11 U.S.C. 96d) so as to give the court authority on its own motion to reexamine attorney fees paid or to be paid in a bankruptcy proceeding;

H.R. 8911. An act to provide for the presentation by the United States of a statue of Gen. George Washington to the people of Uruguay, and for other purposes; and

H.J. Res. 317. Joint resolution to change the designation of Child Health Day from May 1 to the first Monday in October of each year.

The message also announced that the House had agreed to the following concurrent resolutions, in which it requested the concurrence of the Senate:

H. Con. Res. 404. Concurrent resolution providing for printing additional copies of the compendium of papers entitled "Compendium of Papers Submitted on Revision of the Federal Income Tax Laws"; and

H. Con. Res. 405. Concurrent resolution providing for printing additional copies of the hearings entitled "Hospital, Nursing Home, and Surgical Benefits for OASI Beneficiaries."

HOUSE BILLS AND JOINT RESOLUTION REFERRED OR PLACED ON CALENDAR

The following bills and joint resolution were severally read twice by their titles and referred, or placed on the calendar, as indicated:

H.R. 2982. An act to fix the official station of retired judges assigned to active duty;

H.R. 4150. An act to amend the Bankruptcy Act to authorize courts of bankruptcy to determine the dischargeability or nondischargeability of provable debts;

H.R. 4346. An act to amend the Bankruptcy Act to limit the use of false financial statements as a bar to discharge;

H.R. 6309. An act to amend section 46, title 18, United States Code, with respect to transportation of water-hyacinths and seeds;

H.R. 7605. An act for the relief of the State of Oklahoma;

H.R. 8429. An act to amend the Subversive Activities Control Act of 1950 to provide for a procedure under which certain final orders of the Subversive Activities Control Board with respect to Communist organizations may be made applicable to successor organizations;

H.R. 8708. An act to amend subdivision d of section 60 of the Bankruptcy Act (11 U.S.C. 96d) so as to give the court authority

on its own motion to reexamine attorney fees paid or to be paid in a bankruptcy proceeding; and

H.J. Res. 317. Joint resolution to change the designation of Child Health Day from May 1 to the first Monday in October of each year; to the Committee on the Judiciary.

H.R. 5571. An act to exempt regular and classified substitute employees in post offices of the first, second, and third classes from residence requirements governing appointment and service of postmasters at post offices to which such employees are assigned; to the Committee on Post Office and Civil Service.

H.R. 6067. An act to amend section 4544 of the Revised Statutes of the United States to provide that, if the money and effects of a deceased seaman paid or delivered to a district court do not exceed in value the sum of $1,500, such court may pay and deliver such money and effects to certain persons other than the legal personal representative of the deceased seaman; to the Committee on Interstate and Foreign Commerce.

H.R. 6508. An act to grant minerals, including oil and gas, on certain lands in the Crow Indian Reservation, Mont., to certain Indians, and for other purposes;

H.R. 6672. An act to authorize longer term leases of Indian lands on the Agua Caliente (Palm Springs) Reservation;

H.R. 8582. An act to authorize the San Benito International Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande near Los Indios, Tex.;

H.R. 8343. An act relating to the preservation of acreage allotments on land from which the owner is displaced by reason of the acquisition thereof by a Government agency in the exercise of the right of eminent domain; and

H.R. 8694. An act to authorize the Starr-Camargo Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande, at or near Rio Grande City, Tex.; placed on the calendar.

H.R. 8578. An act to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage under certain conditions; to the Committee on Agriculture and Forestry.

H.R. 8911. An act to provide for the presentation by the United States of a statue of Gen. George Washington to the people of Uruguay, and for other purposes; to the Committee on Foreign Relations.

HOUSE CONCURRENT RESOLUTIONS REFERRED

The concurrent resolution (H. Con. Res. 404) providing for printing additional copies of the compendium of papers entitled "Compendium of Papers Submitted on Revision of the Federal Income Tax Laws," was referred to the Committee on Rules and Administration, as follows:

Resolved by the House of Representatives (the Senate concurring), That there be printed for the use of the Committee on Ways and Means, House of Representatives, five thousand additional copies of the compendium of papers entitled "Compendium of Papers Submitted on Revision of the Federal Income Tax Laws."

The concurrent resolution (H. Con. Res. 405) providing for printing additional copies of the hearings entitled "Hospital, Nursing Home, and Surgical Benefits for OASI Beneficiaries," was referred to the Committee on Rules and Administration, as follows:

Resolved by the House of Representatives (the Senate concurring), That there be printed for the use of the Committee on Ways and Means, House of Representatives, four thousand additional copies of the hearings entitled "Hospital, Nursing Home, and Surgical Benefits for OASI Beneficiaries".

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BYRD of Virginia, from the Committee on Finance, with amendments:

H.R. 47. An act to amend the Internal Revenue Code of 1954 to provide a personal exemption for children placed for adoption (Rept. No. 913).

By Mr. BIBLE, from the Committee on the District of Columbia, without amendment:

S. 2327. A bill to amend the act entitled "An act to provide for the better registration of births in the District of Columbia, and for other purposes" (Rept. No. 914);

S. 2445. A bill authorizing the conferring of the degree of master of arts in education on certain students who enrolled in the District of Columbia Teachers College prior to July 1, 1958, and who, prior to July 1, 1961, are certified by the president and faculty of such college as having met all requirements for the granting of such degree (Rept. No. 916);

S. 2466. A bill to authorize the establishment of a Junior College Division within the District of Columbia Teachers College, and for other purposes (Rept. No. 917);

H.R. 7145. An act to amend section 35 of chapter III of the act of June 19, 1934, entitled "An act to regulate the business of life insurance in the District of Columbia," as amended (Rept. No. 920); and

H.R. 7683. An act to provide that the tax exemption heretofore accorded the Veterans of Foreign Wars with respect to certain property in the District of Columbia, formerly owned by such organization but never used for its intended purpose, shall apply instead to other property subsequently acquired and used for that purpose (Rept. No. 919).

By Mr. BIBLE, from the Committee on the District of Columbia, with an amendment:

H.R. 8392. An act to amend the District of Columbia Stadium Act of 1957 with respect to motor-vehicle parking areas, and for other purposes (Rept. No. 921).

By Mr. BIBLE, from the Committee on the District of Columbia, with amendments:

S. 1870. A bill to provide for examination, licensing, registration, and for regulation of professional and practical nurses, and for nursing education in the District of Columbia, and for other purposes (Rept. No. 915);

S. 2439. A bill to authorize certain teachers in the public schools of the District of Columbia to count as creditable service for retirement purposes certain periods of authorized leave without pay taken by such teachers for educational purposes (Rept. No. 918);

H.R. 3030. An act to amend the act entitled "An act to authorize the establishment of a band in the Metropolitan Police force" so as to provide retirement compensation for the present director of said band after 10 or more years of service, and for other purposes (Rept. No. 977);

H.R. 3735. An act to make the Policemen and Firemen's Retirement and Disability Act amendments of 1957 applicable to retired former members of the Metropolitan Police force, the Fire Department of the District of Columbia, the U.S. Park Police force, the White House Police force, and the U.S. Secret Service; and to their widows, widowers, and children (Rept. No. 978); and

H.R.4283. An act to amend the District of Columbia Income and Franchise Tax Act of 1947, as amended, to provide that certain additional specified officers of the executive branch of the Federal Government shall be exempt from such act (Rept. No. 922).

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 1193. A bill for the relief of Eleanor Constan (Rept. No. 936);

S. 2309. A bill for the relief of Gim Bong Wong (Rept. No. 937);

H.R. 1455. An act conferring U.S. citizenship posthumously upon Gerardo Rafael Dobarganes y Torres (Rept. No. 939);

H.R. 1499. An act for the relief of Gordon Langlands Johnston (Rept. No. 940);

H.R. 1520. An act for the relief of Eva Gurman (Rept. No. 941);

H.R. 1701. An act for the relief of Mrs. Ellen Leschner (Rept. No. 942);

H.R. 2077. An act for the relief of Bernard Barrett (Rept. No. 972);

H.R. 2090. An act for the relief of Giuseppa Ferrante (Sister Candida) (Rept. No. 955);

H.R. 2390. An act for the relief of the city of Madeira Beach, Fla. (Rept. No. 943);

H.R. 2631. An act for the relief of the estate of Nathaniel H. Woods, deceased (Rept. No. 944);

H.R. 3111. An act for the relief of Rachel Nethery (Rept. No. 973);

H.R. 3410. An act for the relief of Mrs. Leonard O. Erickson (Rept. No. 945);

H.R. 4839. An act for the relief of Peter F. de Ullmann (Rept. No. 946);

H.R. 5257. An act to amend section 1915 of title 28, United States Code, relating to proceedings in forma pauperis (Rept. No. 947);

H.R. 5645. An act for the relief of Christopher J. Mulligan (Rept. No. 948);

H.R. 5747. An act to amend section 152, title 18, United States Code, with respect to the concealment of assets in contemplation of bankruptcy (Rept. No. 974);

H.R. 5910. An act for the relief of Zelda Glick (Rept. No. 949);

H.R. 6405. An act for the relief of Vukasin Krtolica (Rept. No. 950);

H.R. 6720. An act for the relief of Andrew Choa (Rept. No. 951);

H.R. 6886. An act for the relief of Liliana Caprara (Rept. No. 952);

H.R. 6954. An act for the relief of Frol Martin Simonov (Rept. No. 953);

H.R. 7256. An act for the relief of Miss Remedios Villanueva (Rept. No. 954);

H.R. 7518. An act for the relief of Rudolph Rozman (Rept. No. 956);

H.R. 7550. An act for the relief of Vartanouche Kalfayan (Rept. No. 957);

H.R. 7979. An act to waive section 142, of title 28, United States Code, with respect to the U.S. District Court for the Eastern District of Oklahoma holding court at Durant, Okla. (Rept. No. 958);

H.J. Res. 446. Joint resolution to waive certain provisions of section 212(a) of the Immigration and Nationality Act in behalf of certain aliens (Rept. No. 963); and

H.J. Res. 477. Joint resolution relating to the exclusion of certain aliens (Rept. No. 964).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

H.R. 1387. An act for the relief of Mrs. Mary D'Agostino (Rept. No. 975);

H.R. 2302. An act for the relief of Agnes Lorraine Pank (Rept. No. 959);

H.R. 6884. An act for the relief of Mrs. Barbara May Boswell (Rept. No. 960); and

H.R. 7605. An act for the relief of the State of Oklahoma (Rept. No. 961).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

S. 1703. A bill for the relief of Raul J. Hermitte and Ginette N. Hermitte (Rept. No. 938);

H.R. 2695. An act for the relief of the Inter-County Telephone & Telegraph Co., Fort Myers, Fla. (Rept. No. 976);

H.R. 5896. An act to provide for the entry of certain relatives of U.S. citizens and lawfully resident aliens (Rept. No. 962);

H.J. Res. 478. Joint resolution relating to permanent residence and deportation of certain aliens (Rept. No. 965); and

H.J. Res. 479. Joint resolution relating to the entry of certain aliens (Rept. No. 966).

By Mr. HART, from the Committee on the Judiciary, without amendment:

S. 1447. A bill to amend section 161, title 35, United States Code, with respect to patents for plants (Rept. No. 932).

By Mr. HART, from the Committee on the Judiciary, with amendments:

H.R. 1434. An act for the relief of Mrs. Elba Haverstick Cash (Rept. No. 933).

By Mr. KEFAUVER, from the Committee on the Judiciary, without amendment:

H.R. 3781. An act for the relief of Mrs. Anna Loftis (Rept. No. 934); and

H.R. 3782. An act for the relief of the estate of Willard Phillips (Rept. No. 935).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

H.J. Res. 465. Joint resolution approving certain additional powers conferred upon the Bi-State Development Agency by the States of Missouri and Illinois (Rept. No. 925).

By Mr. KEATING, from the Committee on the Judiciary, without amendment:

S.J. Res. 93. Joint resolution designating the first Sunday of June of each year as "Shut-Ins' Day" (Rept. No. 926).

By Mr. JOHNSTON of South Carolina, from the Committee on the Judiciary, without amendment:

H.R. 4821. An act to amend the act of August 12, 1955, Public Law 378, 84th Congress (69 Stat. 707), so as to provide additional relief for losses sustained in the Texas City disaster (Rept. No. 927); and

H.R. 4894. An act for the relief of the Georgia Kaolin Co. (Rept. No. 928).

By Mr. HRUSKA, from the Committee on the Judiciary, without amendment:

S. 1605. A bill granting the consent of Congress to the States of Kansas and Nebraska to negotiate and enter into a compact relating to the apportionment of the waters of the Big Blue River and its tributaries as they affect such States (Rept. No. 929);

H.R. 3096. An act for the relief of Peony Park, Inc., and others (Rept. No. 930); and

H.R. 7474. An act granting the consent of Congress to the compact entered into by the States of West Virginia and Virginia with respect to a certain part of the boundary between such States (Rept. No. 931).

By Mr. JACKSON, from the Committee on Interior and Insular Affairs, without amendment:

H.R. 3608. An act to authorize the Secretary of the Navy to acquire certain land on the island of Guam (Rept. No. 971); and

H.R. 7870. An act to amend the Revised Organic Act of the Virgin Islands, as amended (Rept. No. 970).

By Mr. JACKSON, from the Committee on Interior and Insular Affairs, with an amendment:

H.R. 4603. An act to amend the Organic Act of Guam for the purpose of permitting the government of Guam, with the consent of the legislature thereof, to be sued (Rept. No. 969).

By Mr. CHAVEZ, from the Committee on Public Works, with amendments:

S. 2628. A bill to establish the U.S. Study Commission on the Development of the Rivers, Ports, and Drainage Basin (and intervening areas) of the State of Alaska (Rept. No. 979).

SENSE OF CONGRESS ON DEPRESSED DOMESTIC MINING AND MINERAL INDUSTRY AFFECTING PUBLIC AND OTHER LANDS—REPORT OF A COMMITTEE—INDIVIDUAL VIEWS

Mr. ANDERSON. Mr. President, from the Committee on Interior and Insular Affairs, I report favorably, without amendment, the concurrent resolution (H. Con Res. 177) declaring the sense of Congress on the depressed domestic mining and mineral industries affecting public and other lands, and I submit a report (No. 968) thereon. I ask unanimous consent that the report be printed, together with the individual views of the Senator from Colorado [Mr. ALLOTT], the Senator from Idaho [Mr. DWORSHAK], the Senator from Iowa [Mr. MARTIN], the Senator from California [Mr. KUCHEL], and the Senator from Arizona [Mr. GOLDWATER].

The PRESIDING OFFICER. The report will be received, and the concurrent resolution will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from New Mexico.

NATIONAL MINING AND MINERALS POLICY—REPORT OF A COMMITTEE—INDIVIDUAL VIEWS

Mr. ANDERSON. Mr. President, from the Committee on Interior and Insular Affairs, I report favorably, without amendment, the bill (S. 1537) to establish a national mining and minerals policy, and I submit a report (No. 967) thereon. I ask that the report be printed, together with the individual views of the Senator from Colorado [Mr. ALLOTT], the Senator from Idaho [Mr. DWORSHAK], the Senator from Iowa [Mr. MARTIN], the Senator from California [Mr. KUCHEL], and the Senator from Arizona [Mr. GOLDWATER].

The PRESIDING OFFICER. The report will be received, and the bill will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from New Mexico.

AMENDMENT OF COMMUNICATIONS ACT OF 1934, RELATING TO JURISDICTION OVER COMMUNITY ANTENNA SYSTEMS—REPORT OF A COMMITTEE

Mr. PASTORE. Mr. President, from the Committee on Interstate and Foreign Commerce, I report an original bill to amend the Communications Act of 1934 to establish jurisdiction in the Federal Communications Commission over community antenna systems, and I submit a report (No. 923) thereon.

The PRESIDING OFFICER. The report will be received and printed; and the bill will be placed on the calendar.

The bill (S. 2653) to amend the Communications Act of 1934 to establish jurisdiction in the Federal Communications Commission over community antenna systems was read twice by its title, and placed on the calendar.

HOUSING ACT OF 1959—REPORT OF A COMMITTEE

Mr. JOHNSON of Texas. Mr. President, on behalf of the Senator from Alabama [Mr. SPARKMAN], from the Committee on Banking and Currency, I report an original bill to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes, and I submit a report (No. 924) thereon.

The PRESIDING OFFICER. The report will be received and printed; and the bill will be placed on the calendar.

The bill (S. 2654) to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes, was read twice by its title and placed on the calendar.

CONSTRUCTION OF CERTAIN BRIDGES—REPORT OF A COMMITTEE—MINORITY VIEWS

Mr. MANSFIELD. Mr. President, on behalf of the chairman of the Committee on Foreign Relations, the Senator from Arkansas [Mr. FULBRIGHT], I report favorably, without amendment, three brief bridge bills, namely, S. 2531, S. 2590, and H.R. 3180, and I submit one report (No. 980) thereon. I ask that the report be printed, together with the minority views of the Senator from Ohio [Mr. LAUSCHE].

The PRESIDING OFFICER. The report will be received, and the bills will be placed on the calendar; and, without objection, the report will be printed, as requested by the Senator from Montana.

The bills reported by Mr. MANSFIELD, for Mr. FULBRIGHT, are as follows:

S. 2531. A bill to authorize the San Benito International Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande near Los Indios, Tex. (Rept. No. 980);

S. 2590. A bill to authorize the Starr-Camargo Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande, at or near Rio Grande City, Tex. (Rept. No. 980); and

H.R. 3180. An act to extend for an additional 3 years the time within which the State of Michigan may commence and complete the construction of certain projects heretofore authorized by the Congress (Rept. No. 980).

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. BIBLE, from the Committee on the District of Columbia:

DeWitt S. Hyde, of Maryland, to be associate judge of the municipal court for the District of Columbia;

John Lewis Smith, Jr., of the District of Columbia, to be chief judge of the municipal court for the District of Columbia; and

Milton S. Kronheim, Jr., of the District of Columbia, to be an associate judge of the municipal court for the District of Columbia.

By Mr. JOHNSON of Texas (for Mr. EASTLAND), from the Committee on the Judiciary:

Joe J. Fisher, of Texas, to be U.S. district judge for the eastern district of Texas;

Bailey Aldrich, of Massachusetts, to be U.S. circuit judge for the first circuit;

Anthony Julian, of Massachusetts, to be U.S. district judge for the district of Massachusetts;

George L. Hart, Jr., of the District of Columbia, to be U.S. district judge for the District of Columbia;

Fred Kunzel, of California, to be U.S. district judge for the southern district of California;

Phillip Forman, of New Jersey, to be U.S. circuit judge for the third circuit;

Eugene R. Gilmartin, of Rhode Island, to be judge for the District Court of Guam; and

Paul C. Weick, of Ohio, to be U.S. circuit judge for the sixth circuit.

By Mr. JOHNSON of Texas (for Mr. KEATING), from the Committee on the Judiciary:

Charles M. Metzner, of New York, to be U.S. district judge for the southern district of New York; and

Lloyd F. MacMahon, of New York, to be U.S. district judge for the southern district of New York.

By Mr. FULBRIGHT, from the Committee on Foreign Relations:

Henry E. Stebbins, of Massachusetts, a Foreign Service officer of the class of career minister, to be Ambassador Extraordinary and Plenipotentiary to the Kingdom of Nepal; and

William A. M. Burden, of New York, to be Ambassador Extraordinary and Plenipotentiary to Belgium.

By Mr. HILL, from the Committee on Labor and Public Welfare:

Joseph A. Barnes, and sundry other candidates, for personnel action in the Regular Corps of the Public Health Service;

Lyle C. Kuhnley, and sundry other candidates, for personnel action in the Regular Corps of the Public Health Service; and

Phillip E. Searcy, and several other candidates, for personnel action in the Regular Corps of the Public Health Service.

BILLS AND JOINT RESOLUTION INTRODUCED

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

By Mr. PASTORE:

S. 2653. A bill to amend the Communications Act of 1934 to establish jurisdiction in the Federal Communications Commission over community antenna systems; placed on the calendar.

(See the reference to the above bill when reported by Mr. PASTORE, from the Committee on Interstate and Foreign Commerce, which appears under the heading "Reports of Committees.")

By Mr. JOHNSON of Texas (for Mr. SPARKMAN):

S. 2654. A bill to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes; placed on the calendar.

(See the reference to the above bill when reported by Mr. JOHNSON of Texas (for Mr. SPARKMAN), from the Committee on Banking and Currency, which appears under the heading "Reports of Committees.")

By Mr. JOHNSON of Texas (for Mr. HARTKE):

S. 2655. A bill to authorize the Secretary of the Army to lease a portion of the Kingsbury Ordnance Plant at Kingsford Heights, Ind., to Union Township of La Porte County, Ind.; to the Committee on Armed Services.

By Mr. MURRAY:

S. 2656. A bill to amend the Revised Organic Act of the Virgin Islands, as amended; to the Committee on Interior and Insular Affairs.

By Mr. GREEN:

S. 2657. A bill for the relief of the Rhode Island Tool Co.; to the Committee on the Judiciary.

By Mr. ELLENDER (by request):

S. 2658. A bill to dispose of Government owned surplus cotton and to prevent the reaccumulation of new surplus stocks; to the Committee on Agriculture and Forestry.

By Mr. JOHNSON of Texas (for Mr. HARTKE):

S.J. Res. 139. Joint resolution to establish a commission to formulate plans for memorials to the past Presidents of the United States; to the Committee on Rules and Administration.

(See the remarks of Mr. JOHNSON of Texas when he introduced the above joint resolution which appear under a separate heading.)

PRINTING OF PRAYERS OF SENATE CHAPLAIN

Mr. MORSE submitted the following resolution (S. Res. 188), which was referred to the Committee on Rules and Administration:

Resolved, That three thousand copies of the prayers offered by the Reverend Frederick Brown Harris, Doctor of Divinity, Chaplain of the Senate, at the opening of the daily sessions of the Senate and on other occasions of special interest to the Senate, during the Eighty-fifth Congress and the first session of the Eighty-sixth Congress, be printed and bound for the use of the Senate.

PRESIDENTIAL MEMORIAL COMMISSION

Mr. JOHNSON of Texas. Mr. President, on behalf of the Senator from Indiana [Mr. HARTKE], I introduce, for appropriate reference, a joint resolution to establish a commission to formulate plans for memorials to the past Presidents of the United States. I ask unanimous consent that a statement, prepared by the Senator from Indiana, relating to the joint resolution, may be printed in the RECORD.

The PRESIDING OFFICER. The joint resolution will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The joint resolution (S.J. Res. 139) to establish a commission to formulate plans for memorials to the past Presidents of the United States, introduced by Mr. JOHNSON of Texas (for Mr. HARTKE), was received, read twice by its title, and referred to the Committee on Rules and Administration.

The statement of Mr. HARTKE, presented by Mr. JOHNSON of Texas, is as follows:

STATEMENT BY SENATOR HARTKE

I have had introduced, for appropriate reference, a joint resolution to establish a commission, to be known as the Presidential Memorial Commission, for the purpose of considering and formulating plans for the design, construction, and location, in the Capital City or its environs, of a permanent memorial to past Presidents of the United States.

The Commission is to be composed of four Members of the U.S. Senate, four Members of the U.S. House of Representatives, and four persons to be appointed by the President of the United States. At the present time there are three monuments in this city dedicated to past Presidents—the Washington Monument, the Lincoln Memorial, and the Jefferson Memorial. Five past Presidents have statues—Presidents Buchanan, Garfield, Grant, Jackson, Lincoln, and Washington.

Just recently Congress established the James Madison Memorial Commission to consider and formulate plans for a memorial to this great President, and Congress also approved a national contest to design a memorial to our late President, Franklin D. Roosevelt. There is also a great deal of discussion for a memorial to Woodrow Wilson.

The joint resolution will provide a fitting memorial to all Presidents. As each President completes his term of office he, too, will be recognized in this memorial.

It is my hope that money for the construction of this Presidential memorial will be provided by private contribution. In order to permit this the joint resolution authorizes the Commission to accept gifts to be used in carrying out the provisions of the joint resolution or to be used in connection with the construction or other expenses of such memorial.

Any man who is outstanding enough to have served as a President of the United States deserves a memorial which will take its place in the architectural splendor of the Capital City. Certainly it will provide a real lesson in American history and will commemorate the true meaning of democracy.

MUTUAL SECURITY APPROPRIATIONS—AMENDMENT

Mr. MORSE submitted an amendment, intended to be proposed by him, to the bill (H.R. 8385) making appropriations for mutual security and related agencies for the fiscal year ending June 30, 1960, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. RANDOLPH:

Address delivered by him at the Upper Kanawha Valley Local Union's Labor Day celebration, Harris Memorial Park, Smithers, Fayette County, W. Va.; and United Mine Workers' Labor Day celebration, Comfort, Boone County, W. Va., on September 7, 1959.

By Mr. LONG of Louisiana:

Address delivered by him at graduation exercises of Loyola University May 27, 1959.

By Mr. JOHNSON of Texas (for Mr. HARTKE):

Excerpts from address delivered by Senator SYMINGTON before the Indiana Democratic Editorial Association, at French Lick, Ind., on August 29, 1959.

By Mr. HUMPHREY:

Address prepared by him entitled "The Weapons of Free Men."

RECESS

Mr. JOHNSON of Texas. Mr. President, I move that the Senate stand in recess, subject to the call of the Chair.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and (at 11 o'clock a.m.) the Senate took a recess, subject to the call of the Chair.

At 1 o'clock and 26 minutes p.m. the Senate reassembled when called to order by the Presiding Officer (Mr. BYRD of West Virginia in the chair).

TRIBUTE TO SENATOR DIRKSEN

Mrs. SMITH. Mr. President, as this session of Congress draws to a closing, I

want to express my appreciation and admiration for a Senator who, I feel, has made outstanding contributions to this session—the junior Senator from Illinois [Mr. DIRKSEN].

At the beginning of this session, when the Republican Members of the Senate met to choose their officers, I did not support the candidacy of EVERETT DIRKSEN for the position of Senate minority leader. I had my reservations.

But as I have watched him perform the duties of minority leader I have increasingly come to conclude that his election to that position was a very wise action by the Senate Republicans. If another election were to be held today, I would unhesitatingly vote for EVERETT DIRKSEN for the position of minority leader.

I have long known the remarkable ability of EVERETT DIRKSEN. I have long known his dedication to his work. For years I have closely observed the meticulous manner in which he does his "homework"—in which he drives himself to be so exhaustively informed on legislation and issues coming before Congress. Anyone who has served on a committee with him—such as the Appropriations Committee—could not help but witness this meeting after meeting.

But it has been in the execution of his duties as minority leader that other qualities have come to the forefront. He has shown a capacity for understanding. By that I mean not just the kind of understanding by which one agrees with another. Instead, I mean more the kind of understanding by which one can disagree agreeably—by which one can differ with another without rancor, without impugning the motives of the other, but with respect, and with willingness to listen to the other side.

He has shown a capacity for tolerance and patience. Within the ranks of the Republican Senators there are varying shades of opinions on many legislative issues. EVERETT DIRKSEN has extended tolerance and patience to all opinions and views. But he has not extended tolerance and patience in a patronizing manner or with a condescending attitude. He has done this without compromising his own principles and beliefs.

But he has not permitted his remarkable capacity for tolerance and patience to lapse into complacency. Characteristically, he speaks softly and in reasoned terms. But when the occasion has arisen in a fitting and appropriate manner he has spoken with fire and sharpness to defend principle and integrity. On these occasions, his firm mental fiber has surfaced through the exterior of his understanding, patience, and tolerance.

To me, one of his finest performances in this session was on that occasion when reference was made to the fact that he had not been on the Senate floor during some debate. When the junior Senator from Illinois, the distinguished minority leader, answered that charge he minced no words. He came straight to the point with devastating effectiveness—devastating because he spoke the truth—devastating because of the power and the vigor with which he spoke the truth.

And I think it was then that he most sharply displayed his capacity for leadership—because he did not just defend himself but instead he defended all Members of the Senate on both sides of the aisle regardless of their party affiliation. For what he said then, every Member of this body owes him gratitude. For he defended all Senators from that criticism too often leveled at Senators for being absent from the Senate floor during debate. He pointed out that he was absent from the particular debate referred to only because he was in a Senate-House conference trying to work out a labor bill.

But he did not make his defense on a personal basis. Instead he exposed the unfairness of such criticism when so often Senators were absent from the Senate floor and debate only because they were working hard in committee to try to get a bill to the Senate floor for a vote.

This was an act of leadership. It was only one of the many, many instances during this session when the minority leader has more than measured up to the exacting demands of leadership.

It so pointedly demonstrates that important quality of leadership by which a leader places his colleagues collectively ahead of himself. And it is one of the many reasons why I feel that the junior Senator from Illinois has been the best Republican minority leader during all the years it has been my privilege to serve in the Senate.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Maine yield to me?

Mrs. SMITH. I am very glad to yield to the majority leader.

Mr. JOHNSON of Texas. Mr. President, the gentle lady from Maine has long known the great admiration I have for her, and she justifies it again today by the very fine and generous statements she has made about one the most beloved Americans I know. There is no person who is more devoted to duty than EVERETT DIRKSEN. There is no person more dedicated to party than EVERETT DIRKSEN. There is no person who loves his country more than EVERETT DIRKSEN. I have never been associated or worked with a person of finer character or better disposition or greater capacity.

I thank the gentle lady from Maine for having the thoughtfulness and the generosity in her usual manner to call attention to these fine traits of character possessed by the minority leader.

Mrs. SMITH. Mr. President, I am sure that the distinguished minority leader will be most grateful for the Senator's statement.

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

Mrs. SMITH. I yield.

Mr. JAVITS. Mr. President, I, too, was one of the group who had another choice for minority leader when we began the session.

I am grateful to the distinguished Senator from Maine for bespeaking what I think is in the mind of every Member of that group, the fact that EVERETT DIRKSEN has served well, without seemingly even a recollection of our own position in respect to his leadership; that he has not only served his country well—and the Senator from Maine has said this magnificently—but also has served his colleagues well, in a perfectly even-handed way, without endeavoring in any way to impose his view, but, as she has said, eloquently expressing his view, as it is proper that he should for a man of such conviction.

I join in the expression of appreciation to the Senator from Maine for having said what needed to be said for all of us.

Mrs. SMITH. I thank the Senator.

DIVIDED SESSIONS OF THE SENATE

Mr. MAGNUSON. Mr. President, this is about the time in the session when I believe it is appropriate to call the attention of the Members of both Houses of Congress to a matter pertaining to their conduct of legislative business, a matter pertaining to their own responsibility under the Constitution with respect to the fiscal matters of the country. It is also a matter pertaining importantly to their personal conduct, and their health, in many cases.

I will eliminate the Senator from Washington, but there are many cases where long and tedious sessions of Congress have undermined many fine men in this body. I think what the Senator from Maine has had to say is probably a good example of that, and I am sure the majority leader and others agree with me.

So I am taking time to call the attention of the Senate to S. 2846, which I introduced at the last session. At this session the bill I introduced bears another number. It has been referred to the Committee on the Judiciary in the hope that perhaps, come January, Congress may have a look at it.

In this morning's Washington Post there appears an editorial relating directly to this subject and to other matters. I will not read the editorial, but I wish to quote one paragraph from it:

> It would be unthinkable for Congress to adjourn before completing action on badly needed legislation apart from the surplus disposal bill; civil rights, including extension of the Civil Rights Commission; the gasoline tax increase; a new public works bill; the foreign aid appropriation; stopgap housing authority; at least a minimal corrective on bond interest rates. These measures are too important for lick-and-promise consideration.

I do not know whether the Post was referring to my proposal or other proposals which I have discussed informally with the distinguished Senator from Utah and the distinguished Senator from New Mexico and other Members of this body, but at least it all relates to the same subject:

> A perfectly simple remedy has long been advocated. That is for Congress to recess in July, permit members to take a well-earned vacation with their families, and then reconvene for a cleanup session in October. It is too late, of course, for such a solution this year.

Then the editorial goes on to discuss some of the pressing matters before us now, pressing at least in the opinion of the editors.

I know there are some bugs in my proposal. This would be an important step, if Congress should decide to take it. It would be subject to many amendments and suggestions and alternatives. My proposal, in effect, as is indicated by the title of the bill, for a separate session of Congress each year to consider appropriation bills, to establish the calendar year as the fiscal year of the Government, and for other purposes. In other words, and I throw this out as a suggestion, the bill would provide that Congress divide itself into a legislative session and a fiscal session. Most legislative bodies do just that.

In other words, we would meet in January to consider important legislative matters, and then recess, to reassemble sometime in the fall—I suggest November. At that session we would consider primarily fiscal matters, with respect to which the Appropriations Committees and the Finance Committees of both bodies would hold hearings on the budget items which would be sent to the Congress in a budget message at the fall session. We would then make appropriations, and begin the fiscal year at the beginning of the calendar year.

My distinguished friend from Virginia [Mr. BYRD] knows that such a proposal involves many troubles and complications, but we must make a start somewhere, because I think it is obvious, from the condition in which we are at present, that it is pretty difficult to legislate as we should in the dying days of the session.

The proposed plan would also mean that we would have in one package our very important fiscal problems. We would know what Congress had authorized. We would then know whether we wish to raise taxes or appropriate money, or not. This would put the whole problem in better perspective. The people would see it in better perspective. The budget would be in better perspective. I think such a plan would do much toward achieving some of the objectives which the distinguished Senator from Virginia has discussed from time to time. The Senator from Mississippi [Mr. STENNIS] and the Senator from Rhode Island [Mr. PASTORE] know that some days in the Appropriations Committee, while we are considering appropriation items, the House or Senate is passing another bill on the same subject, while we are preparing to recommend an appropriation.

The Government is becoming big and complex. Federal taxes take about 20 percent of the gross national product at present. Under the proposed plan Congress could turn and study the various problems, the people would have a better understanding of what we had authorized, and what taxes and appropriations were necessary.

The proposed plan would also mean that Members of Congress could go home during the intervening time and talk with their own people. They could learn much about the feelings of the people with regard to whether or not they were willing to have further taxes taken out of their pockets.

At the present time we are under such pressure that at times it is almost impossible to know what we want to do. The suggested plan would give the Executive a better sense of perspective. Members of the executive department could study what Congress did in the legislative session, and tailor the budget accordingly.

That does not mean that Senators could not remain in Washington during the interval. The Senator from New Mexico [Mr. ANDERSON] has an interesting proposal as to the date. As I have said, there may be some "bugs" in my proposal.

In the intervening time, committees could be holding hearings on various subjects which were to be considered by the Congress in January. Committees could meet to consider nominations and treaties. I suppose there might be some emergency matters to consider.

It seems to me that we would have a better sense of direction, and the executive department would have a better sense of direction with respect to important fiscal matter. The whole Congress would have a better sense of direction with respect to the personal lives of Members.

The PRESIDING OFFICER. The time of the Senator from Washington has expired.

Mr. MAGNUSON. Mr. President, I ask unanimous consent to proceed for 10 more minutes.

The PRESIDING OFFICER. Is there objection?

Mr. JAVITS. Mr. President, reserving the right to object—and I shall not object, of course—will the Senator yield to me for 3 minutes? I must attend a committee meeting at 2 o'clock.

Mr. MAGNUSON. I must attend a meeting of the Appropriations Committee shortly.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New York?

Mr. MAGNUSON. I have no objection.

The PRESIDING OFFICER. The Chair hears no objection, and it is so ordered.

(Mr. JAVITS addressed the Senate. His remarks appear elsewhere in today's RECORD, under the appropriate heading.)

Mr. MAGNUSON. There were two or more further features contained in my original proposal, or resolution, at one time or another.

They relate to a much needed reform in our fiscal affairs. We talk about fiscal responsibility, inflation, and questions dealing with the budget, the needs of the people under the budget, the kind of budget we should have, and so forth.

We talk continually about the debt. Making the calendar year also the Government fiscal year would also, in my opinion, dictate a change in our bookkeeping system, so that the people might have a better understanding of balanced budgets, unbalanced budgets, what we owe, what we do not owe, and how much money we must borrow.

The Government keeps books like no one else. We consider what comes in, and what is appropriated for the year, and the difference is a deficit. There has been no indication to the American people at any time as to the capital assets of the Government. The Government does not keep records of capital assets, such as are kept by any well-operated company. There is much room for argument on this proposal. The argument is that the Government is not going to cease business, and therefore it does not make any difference what capital assets it has.

I do not suppose the American Telephone & Telegraph Co. will cease business. We probably would not let them do so. They have a list of capital assets. We have nothing.

It has been pointed out to the American people that some of the money we appropriate is not only reimbursable into the Treasury but in some cases it returns with interest. Many people misunderstand this operation. When we talk about borrowing and high interest rates, sometimes the American people have a conception that the Federal Government must borrow all the money it spends. The truth of the matter is we borrow only when we do not have the difference between what is in the cash register and what is paid out, which might be in some cases 1 percent of the Federal budget. This year it is more; and we should not have to do even that. Next year I hope we shall not have to borrow as much. The adoption of my proposal would serve to place our fiscal position in perspective.

I had inserted in the appropriation bill item for the General Services Administration a sufficient amount of money to make a real estate inventory, but the inventory will not be complete. It will show the value of what the Federal Government possesses and the cost at which it was acquired. In many cases the real estate is now worth millions but was acquired for nothing. However, even that information is helpful in our bookkeeping system.

We have a personal property inventory listing surplus of almost $7 billion. That is the latest figure I have received from the General Services Administration.

It seems to me that to divide the session in the way I have suggested, which most legislative parliaments in the world do, we could put all of this procedure in a better perspective. The Senator from Virginia [Mr. BYRD] has talked about the merit of this plan for years. We shall know what the Congress has authorized and then we shall sit down and ask, as one Representative in the House has said on many occasions, "Where are we going to get the money?"

That procedure is more sound than Congress authorizing a project one minute and at the last minute of the session, when Congress is trying to adjourn, when we do not know what our books reveal, appropriating money for it.

One problem is posed, I suggest. Perhaps it could be solved. It is suggested we might have a "lameduck" Congressman come back for this fiscal session. There might be one or two members of the Committee on Finance and the Committee on Appropriations in that category. Those happen to be committees

of the Senate which do not have too much of a turnover.

The Senator from New Mexico [Mr. ANDERSON] made the suggestion to me we might wish to swear in these people on December 1 so they will come to the Senate fresh from the election to discuss these matters. That may be the answer. However, it is surely something this Congress must face up to, because we cannot continue the way we are going.

The work of Congress is at best a 9-month job out of the year. We have 3 months to ourselves at home. There is no rest for any Congressman when he goes home, and there should not be, because the people want to see him. He is just as busy at home as he is here or busier. But there should be a time when he knows he can see his constituents.

Someone suggested to me that I am not the one to pose this matter. I refer to the care of our families. I understand those who have children must take them to school, bring them back to Washington, then someone in the family returns home, and the husband is here in Congress. Then the wife and family are here again. I do not think that type of living lends to good feeling and for sound legislation at this time of the year. However, I am not self-serving in this proposal, so I shall make that suggestion.

Mr. PASTORE. Will the Senator yield?

Mr. MAGNUSON. Yes, I yield to the Senator from Rhode Island.

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

Mr. MAGNUSON. I yield.

Mr. PASTORE. First, I congratulate the distinguished Senator from Washington, who is one of the Senate's most eligible bachelors, for taking it upon himself to plead the cause of us who have marital and family responsibilities. There are those of us who are separated from our families during these difficult days, arduous especially in the circumstances under which we are working at the moment. I think it is quite refreshing, after what we have experienced, for a period of a week, to have one our brethren who is not within our category of the family group to rise and espouse our cause in the eloquent way in which he has spoken.

I congratulate the Senator from Washington upon his splendid idea. He could not have chosen a more propitious time to promote our thinking on the important problem of using our time to greatest advantage so as to perform our duties here most expeditiously in the best interests of the people of the country.

Having witnessed the spectacle we have experienced for the past week or so, and the time-consuming tactics involved it becomes more essential than ever to use our time most advantageously, so that we may work on legislation calmly and patiently for the benefit of the people of the Nation.

I congratulate the Senator from Washton, and I thank him for yielding.

Mr. MAGNUSON. Mr. President, I yield to the Senator from Mississippi.

Mr. STENNIS. Mr. President, I also wish to encourage the Senator from Washington to continue his work on the very grave problem which he has so well outlined. I congratulate him upon the remedies which he has suggested. I myself am a convert to the idea of doing something toward regulating the sessions of the Senate, either by splitting the sessions or dividing the year into segments of work, so that we may better accommodate ourselves to the responsibilities and problems which confront us every year.

I am not in the category of those who have children attending school, but I am aware of the burden which is placed upon the children of Members of Congress. It is almost unbearable, and it is unnecessary. It should not be necessary to submit to it any longer. I hope the Senator from Washington will continue his excellent work in this field.

Mr. MAGNUSON. What the Senator from Mississippi has said is a part of the problem. I believe the real need today is to be able to adjust the fiscal responsibility of Congress. Congress, under the Constitution, has the control of the purse strings, which means the power to levy taxes and appropriate money. Therefore, these functions should be regulated in such a way that Congress can examine into and act upon them separately. I think much better work will be accomplished if Congress will function in that way.

The Budget Bureau in 1958—last year—when I submitted the proposal to them for their consideration, examined into it very carefully and expressed a wish to review it further. The Bureau of the Budget stated that the proposal raised very important questions which should be explored. They said:

> All of us can readily agree, I am sure, that there is considerable room for improvement in our budgetary and appropriation process.

So, Mr. President, even the Bureau of the Budget has become interested in such a proposal as this.

Mr. President, I ask unanimous consent to place in the RECORD, a statement I have prepared on this subject, which is similar to the one I made a couple of years ago on a bill to create fiscal and legislative sessions of Congress. Several editorials have been written about it. One which poses some of the questions I myself pose was published in the New York Journal of Commerce. I ask unanimous consent that that editorial also be printed at this point in the RECORD.

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

STATEMENT BY SENATOR MAGNUSON

BILL TO CREATE A FISCAL AND A LEGISLATIVE SESSION OF CONGRESS

Inflation is one of the major problems facing the country today. Federal spending is a major factor in the trend toward rising costs since National Government collects and spends around 20 percent of the gross national income. It is not only important, but also necessary that Congress be in a better position to judge our national fiscal policies, to eliminate waste, and to provide for necessary spending on the most economic basis possible.

With this in mind I am introducing a bill which would make possible the achievement of these objectives. Under the current system in which Congress must deal with measures like civil rights one week—and an appropriation bill the next—it is impossible for an adequate job to be accomplished. Moreover, toward the end of a session like this one it is pressed by the departments to get something passed so that salaries and Government obligations can be met.

Mine is a threefold bill whch will (1) provide for a regular annual fiscal session to be separate from the session on all legislative matters; (2) establish the calendar year as the Government's fiscal year; and (3) provide Federal accounting procedures which would insure a businesslike appraisal of the Government's fiscal position in the light of the President's annual budget.

In the fiscal session of Congress—beginning annually on the second Monday of November and extending until December 31—committees other than appropriations in either House, might still meet, hold hearings, or conduct studies and investigations of matters under their respective jurisdictions, but ordinarily the only measures which would be introduced, reported upon, or enacted would be money bills.

On the other hand, the present regular session of Congress beginning on January 3—and any special sessions—would ordinarily be confined to consideration of all other nonfiscal measures. These would be known as legislative sessions.

Treaties, nominations, or other measures whose consideration during a fiscal session is requested by the President as being in the national interest would provide certain necessary exceptions to the division of congressional business between legislative and fiscal sessions. Also action might be taken on required deficiency appropriations during a legislative session.

I view inauguration of fiscal sessions the logical and most practical solution to the ever-increasing problem of thorough and timely action by Congress on appropriation bills. We in Congress are as responsible as the executive branch to the Nation for the wise and prudent disposition of public funds.

Sandwiching work on money bills into ordinary legislative business makes it almost impossible to meet that national responsibility. By contrast, the fiscal session plan will permit Congress periodically to devote its entire energies to these important matters without the pressure, haste, and confusion which has become too often associated with the consideration of money measures.

Title I of the bill sets up the fiscal session and establishes the difference between this and the legislative session.

Title II of the bill amends title 5, section 156 of the United States Code, and other related statutes, to establish the calendar year as the Governments fiscal year—thus putting the Federal accounting cycle in step with universal business practice. The bill provides that the first calendar-fiscal year will be 1960, commencing immediately after the first fiscal session in November and December of 1959. Appropriations only for the period July 1 to December 31, 1959, would be made during the session of Congress beginning January 3, 1959.

Title III affects changes in the time of submission and content of the President's budget amending section 201 of the Budget and Accounting Act of 1921. Beginning in 1959 the budget for the succeeding fiscal year would be required to be submitted on or before July 15—or approximately 4 months prior to the beginning of the fiscal session during which it will be passed upon. The benefits of having the budget published and on record well in advance of its consideration by Congress are obvious.

In order that the fiscal position of the Government be reflected in a more businesslike manner this title requires the annual budget to incorporate two features not now required by law (1) a showing of the amount of proposed appropriations and expenditures which are reimbursable to the Treasury, and (2) a report on the total capital assets of the

Government and their value, as of the end of the last completed fiscal year.

These items are essential to give Congress and the American people a true picture of the Federal financial position. The effect of the size of the budget as a whole cannot be properly analyzed unless some overall differentiation is made between absolute and reimbursable expenses. Even more important is the long-overdue requirement that some accounting be kept of our Government's capital assets.

It is almost impossible to make an intelligent appraisal of the Nation's solvency in terms of debt alone for the same reasons that the indebtedness of a business or of an individual means nothing unless we also know something of their assets. The Federal Government today has the ownership of billions upon billions of dollars of lands, minerals, buildings, capital goods, supplies, and equipment. Inconceivable as it may seem to an outsider—no official accounting has ever been required to show the current value of this property—against which to measure the amount of our national debt. Surely this reform is now—more than ever—demanded.

The present measure is sincerely recommended for approval by the Senate.

[From the New York Journal of Commerce, Sept. 3, 1957]

TIME OUT FOR MONEY?

The 1st session of the 85th Congress has adjourned, leaving behind it a meager record of accomplishment. The President is disappointed, and well he might be.

Many aspects of his legislative program never saw the light of day in the session just ended. Moreover, some probably won't in the second session, either. The reasons are manifold. They include differences between the White House and Congress and differences within Congress, not to speak of the embattled civil rights issue which, in the course of the 1st session, stalled the legislative apparatus to an unusual degree.

But other Congresses have had their deep-rooted differences and their burning issues as well. Few in recent years have moved into the end of a session with a sense of well-organized accomplishment and without a backlog of unfinished business. As any 'teener sitting in the gallery could observe, the extraordinary manner in which the legislators go about their daily work hardly makes for efficiency.

A real question is whether the difficulties under which Congress works are not of the built-in variety. Does it really make sense to go on sandwiching legislative business-like civil rights in with appropriation bills in a confused and permanent merry-go-round? Can Congress do justice either to its legislative work or to the special and complex problems raised by Federal spending decisions by this helter-skelter, hit-or-miss approach.

We doubt it. And so does the author of an imaginative plan which appeared in the form of a bill just as the first session wound up its business. It is entitled the "Proposed Fiscal Act of 1957."

Introduced by Senator WARREN MAGNUSON, Democrat, of Washington, S. 2846 would go so far as to inaugurate a new special congressional session each year, beginning in November and convened just for the money bill part of the job. This separate fiscal session of Congress would supplement the regular session, in which legislative matters, exclusive of money bills, would be concentrated upon.

The theory underlying this approach is that the legislators need to devote their entire energies to the disposition of public funds if they are to shoulder the responsibility which they share with the Executive for the wise and prudent use of those funds.

There can be no mistake that a very radical change from present practices would attend the implementation of S. 2846. One effect would be to permit shifting the time for the President to submit his budget from January to mid-July. To accommodate the new procedure, it is proposed that the Government drop the present fiscal year, which runs from one midyear to another, and adopt a calendar year basis.

Presumably, this would mean that Congress, meeting in January, would proceed to act upon the legislative program proper after receiving the President's state of the Union address and Economic Report. By July 15, the President would submit his budget, based upon the legislative actions.

But the money bills would not be considered until the fiscal session, beginning the second Monday in November and lasting through December 31. The new fiscal year would begin in January, and Congress would then enter the new session, commencing once again the consideration of a new legislative program sans money bills.

So radical an innovation as the Magnuson bill contemplates is not likely to win friends overnight. Whether it will even get to first base is a question.

But it needs discussion and thought, if only because of the central idea of concentrating during a particular time and with special procedure upon the intricate but vastly important money bills, which, after all, serve as the conveyor belts for taxpayer money. Even more important, perhaps, is the opportunity which would be provided for Congress to look at appropriations as a whole after the legislative program as a whole has been bundled up. This last point is of the utmost importance.

While S. 2846 is certainly not the whole answer and, perhaps, may not even be a partially correct one, it focuses major aspects of the problem and, by its sheer boldness, may well push thinking off dead center. Even a cursory reading of the CONGRESSIONAL RECORD reveals the disorganization inherent in present legislative methods. Senator MAGNUSON is to be commended for having extricated himself from the fracas sufficiently to suggest that this is not only a helluva way to run a railroad but no way to run the Nation's business.

Mr. MAGNUSON. Mr. President, other editorials have been written on this subject. A few students of government have looked into this matter and have made suggestions and proposed changes. But my purpose today is to bring the matter before the Senate again. I thought this was an appropriate time to discuss it again, in the hope that all of us who have similar feelings about the problem might think about it, and then in January we might hold hearings on it before the appropriate committee or committees, in the hope that positive action may be taken.

It should not be necessary for us to stay in session all summer and privately complain, as perhaps all of us do, that we ought to do something about our own situation.

Mr. President, I yield to the Senator from Utah.

Mr. MOSS. Mr. President, I associate myself with the remarks made by the Senator from Washington. I congratulate him upon bringing this matter to the attention of the Senate. What he has said, based upon his long years of experience and wisdom, is certainly impressive to me. In the short time I have been in the Senate, some of the same ideas have occurred to me. I had even gone so far as to have a concurrent resolution drafted and had expected to offer it in the Senate. But I am happy to see that the Senator from Washington, in his bill, has touched on the points I had in mind, and I am very happy to support the bill. I hope the Senate will do something more about this problem than merely talk about it.

The PRESIDING OFFICER. The time of the Senator from Washington has expired.

AUTHORIZATION TO COMMITTEE ON THE JUDICIARY TO SUBMIT REPORTS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the chairman of the Committee on the Judiciary may submit sundry reports on bills ordered to be reported by the Judiciary Committee at its meeting today, including the immigration bill.

The PRESIDING OFFICER (Mr. BYRD of West Virginia in the chair). Without objection, it is so ordered.

RECOMMENDATIONS OF CIVIL RIGHTS COMMISSION

Mr. JAVITS. Mr. President, my purpose in taking the floor this afternoon is to send to the desk eight proposals for printing under the rule, to amend Senate bill 2391, the so-called civil rights bill, now pending before the Senate Committee on the Judiciary.

The PRESIDING OFFICER. The amendments will be received, printed, and referred to the Committee on the Judiciary.

Mr. JAVITS. Mr. President, these amendments include three proposals to which I wish to invite the atttention of the Senate specifically. Two were recommended this morning by the Civil Rights Commission. They deal with the preservation of registration and voting records for a period of 5 years, and restraints on voting registrars who deprive Negroes or others similarly circumstanced of the right to vote.

The third proposal is a substitute for a part of title 3, which was fought over in 1957. It embodies the intervention idea, enabling the Attorney General to intervene in suits at his discretion. It has an analogy in other phases of the law at this time.

I point out that the report of the Civil Rights Commission, which has been released today, is in my opinion a well-reasoned, middle-of-the-road document, proposing some solid, hard-headed recommendations drawn up by a bipartisan group representing all sections of the country and dedicated to the securing of constitutional rights for all citizens. I do not consider it radical or inflammatory.

The Commission is a six-man body, composed of three members from the South—Virginia, Florida, and Texas—and a member each from Indiana, Michigan, and the District of Columbia. Yet with respect to the two recommendations for which I am submitting amendments, there was not a single dissent.

These recommendations were the outgrowth of hearings before the Commission in connection with restraints and restrictions on voting.

With respect to a more controversial recommendation, No. 5, which would have the President appoint temporary Federal registrars to register persons to vote in Federal elections who are being deprived of the right to register, the only Commission member to dissent was John S. Battle, former Governor of Virginia. Governor Battle said in his own dissent that "substantial numbers of citizens under State registration and election laws are being denied the right to register, and thus the right to vote, by reason of their race or color."

I am studying the drafting of an amendment with respect to this recommendation as well, which I shall submit later.

I close by emphasizing the point that here was a representative Commission composed in part of some distinguished men from the South. It found itself pretty much of one mind with respect to two facts, first, that there was deprivation of the right to vote; and, second, that something very material must be done about it.

EXPANDED AGRICULTURAL RESEARCH PROGRAM

Mr. STENNIS. Mr. President, the House has passed a modified version of Senate bill 690 which provides a sound and constructive approach for agricultural research. This bill has been greatly improved, in that it gives proper balance between marketing utilization and production research. It establishes necessary machinery for increasing the effectiveness of our agricultural research program. This proposed legislation will benefit both farmers and consumers, and will greatly strengthen our agricultural economy. I hope the Senate will pass this bill at this session.

Research may not have seemed so important 20 years ago. That was before the world visualized space satellites, Salk vaccine, atomic energy, and traveling cross-country by commercial jet in 4½ hours. That was before the Government started spending money on intercontinental ballistic missiles, or shooting men into space. Today, research holds the key to progress; and in the case of agriculture, it is indispensable.

Unfortunately, agriculture has lagged far behind industry in the application of research. American industry is now expanding its research programs at a rate of almost $1 billion a year, and is reaping the startling results we read about almost daily in the press. But research in agriculture is progressing at a horse-drawn pace, and is rapidly falling behind the rate of development needed to sustain a changing agriculture.

In providing research assistance, the Government gives major attention to nonagricultural needs. Agriculture 20 years ago received about 40 cents of each Federal research dollar. It now gets less than 3 cents of this dollar. Of course, we cannot reduce research expenditures in the vital areas of national defense, public health, space exploration, and atomic power. But agriculture is still one of our big problems and a very vital part of our economy. We must do everything to insure our country's health and strength through efficient and economical farming.

We can greatly improve the efficiency in our Federal research program for agriculture by this bill, which provides, first, a balanced research effort, with emphasis where and when it is needed; second, imaginative and independent program appraisal, to insure effectiveness; and, third, coordinated and determined administration.

This proposed legislation offers a unique approach for bringing about proper balance in research and independent program appraisal, and will work toward improving research administration and strengthening the overall research effort.

The bill has two major features. First, and most important, is the establishment of an Agricultural Research and Development Commission as an independent agency in the executive branch of Government.

Establishment of the Commission is the most realistic way to achieve the coordination and direction which today are so seriously lacking in agricultural research. The seven-member body, appointed by the President and confirmed by the Senate, would review the total agricultural research effort and research programs of individual commodities. It would then recommend to Congress and the Secretary of Agriculture necessary changes in the research program.

Second, the bill will give additional authority to the Secretary of Agriculture to handle research contracts and grants more efficiently. Present law discourages qualified private organizations from undertaking Government research contracts for agricultural research and grants, due to redtape and unnecessary limitations.

Laws governing the use of public patents would also be liberalized, to encourage greater commercial use of discoveries made through Government-sponsored research. In addition, commercial use would be encouraged by direct sales promotion of these research results.

Mr. President, this bill, which has been given long and careful study by some of the most qualified agricultural minds, is a major step in developing a sound and forward-looking agricultural research policy. It is supported by national farm and commodity organizations. It is my firm conviction that this measure will greatly strengthen research, and will result in greater efficiency in the production, marketing and utilization of agricultural commodities. I am most hopeful that this agricultural research bill will receive the unanimous approval of the Senate.

REPORT OF COMMISSION ON CIVIL RIGHTS

Mr. ERVIN. Mr. President, I ask unanimous consent to have printed at this point in the body of the RECORD a statement prepared by me on the report of the Commission on Civil Rights.

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

STATEMENT BY SENATOR ERVIN ON REPORT OF COMMISSION ON CIVIL RIGHTS

Before discussing the report of the Commission on Civil Rights, I wish to make certain relevant observations.

SOLUTION OF RACIAL PROBLEMS

When all is said, racial problems can be solved only by good will, intelligence, and patience on the local level where men and women live, move, and have their being. Their solution cannot be dictated from above, either by dictators holding executive offices, or dictators occupying legislative offices, or dictators wearing judicial robes.

COMPULSORY INTEGRATION

For this and other reasons, I disagree with those who seek to compel the involuntary association of the races by executive action, judicial decree, or legislative fiat. Despite assertions by sincere persons, professional agitators, and political opportunists to the contrary, racial segregation is not the product of racial prejudice. It results from the exercise of a most precious American right—the freedom to select one's own associates. Observations in the North, the South, the East, and the West show that whenever Americans are at liberty to select their own associates, they virtually always select as their associates members of their own race. This is not strange because it harmonizes with the basic law of nature that like seeks like.

Compulsory integration is fundamentally wrong because it robs the people affected by it of the freedom to select their own associates.

PROPOSED CIVIL RIGHTS LEGISLATION

The constitutional and legal systems of America are the finest products of human experience and wisdom, and should be preserved at all costs for the benefit of all Americans of all races and all generations.

It is high time for Americans of all races in all sections of the country to wake up to the fact that advocates of the major proposals for civil rights legislation are trying to sell their constitutional and legal birthrights for a sorry mess of political pottage. This is true for the very simple reason that all major civil rights proposals are repugnant to our constitutional and legal systems.

The men who framed our constitutional and legal systems comprehended in full measure the everlasting truth that no man or set of men can be safely trusted with governmental power of an unlimited nature. In consequence, they were determined, above all things, to establish a government of laws and not of men.

To prevent the exercise of arbitrary power by government, they inserted in the Constitution of the United States the doctrine of the separation of governmental powers.

They utilized this doctrine in a twofold way. They delegated to the Federal Government the powers necessary to enable it to discharge its functions as a central government, and they left to the States all other governmental powers. It was this use of the doctrine of the separation of powers which prompted Chief Justice Salmon P. Chase to make this memorable remark in his opinion in *Texas* v. *White:* "The Constitution, in all its provisions, looks to an indestructible union, composed of indestructible States."

In their other utilization of the doctrine of the separation of powers, the framers of our constitutional and legal systems vested the power to make laws in the Congress, the power to execute laws in the President, and the power to interpret laws in the Supreme

Court of the United States and such inferior courts as the Congress might establish.

Time and space do not permit me to analyze in detail the provisions of the numerous proposals for civil rights legislation. It is indisputable, however, that the provisions of the major proposals in this field cannot possibly be reconciled with the fundamentals of our constitutional and legal systems.

This is true for these reasons:

1. They undertake to concentrate in the Federal Government the power to supervise and control all relations between the States and their citizens. In so doing, they are utterly repugnant to the constitutional principle that our indestructible Union is composed of indestructible States.

2. They single out certain groups of Americans on account of their race and undertake to make them the special favorites of the laws. In so doing, they are utterly repugnant to the basic American concepts that ours is a Government of laws rather than a Government of men, and that courts are created to administer equal and exact justice according to certain and uniform laws applying alike to all men in like situations.

3. They single out certain groups of Americans and undertake to confer upon them so-called civil rights by robbing State and local officials and all other Americans involved in civil-rights disputes of the basic and invaluable constitutional and legal safeguards created by the Constitution and the Congress to protect all Americans from bureaucratic and judicial tyranny.

NEW LEGISLATION UNNECESSARY

A study of existing statutes shows that new legislation in this field is wholly unnecessary.

Sections 1981 to 1992 of title 42 of the United States Code confer upon all Americans legal and equitable remedies sufficient to enforce all of their civil rights. To be sure, advocates of new legislation in this field do not like these statutes because they require that the rights devolving upon each American as a citizen or a man shall "be protected in the ordinary modes by which other men's rights are protected."

The concept of uniform laws is abhorrent to those who would single out certain groups and make them the special favorites of the laws.

Section 241 of title 18 of the United States Code provides heavy criminal penalties for those who "conspire to injure, oppress, threaten, or intimidate any citizen in the free exercise or enjoyment of any right or privilege secured to him by the Constitution or laws of the United States, or because of his having exercised the same."

Section 242 of title 18 of the United States Code provides criminal penalties for any State or local official who "willfully subjects any inhabitant of any State, Territory or District, to the deprivation of any rights, privileges or immunities secured or protected by the Constitution or laws of the United States."

Under these two criminal statutes, the Department of Justice can prosecute in a Federal court any State or local official who willfully denies any qualified person the right to register or vote, or any other right secured to him by the Constitution or laws of the United States. To be sure, the burden would rest upon the Department of Justice to prove such State or local official to be guilty by the testimony of credible witnesses having personal knowledge of the truth of the charge against such official.

Advocates of new legislation in this field do not like these statutes because they would deny to State and local officials legal rights which they are willing to accord to persons charged with murder, smuggling, dope peddling, counterfeiting, and other crimes.

REPORT OF THE COMMISSION

Although I opposed the creation of the Commission on Civil Rights, I nevertheless entertained the hope that the Commission would suggest something new and constructive in the field of racial relations. The report which has been released by the Commission today has robbed me of this hope.

The report is not a report in any real sense of the term. This is true because the report has many authors who entertain and express differing views. The major portion of the report is written by the staff of the Commission. The other portions of the report are written by individual Commissioners or groups of Commissioners.

The portion of the report written by the staff of the Commission consists of the same old cliches which have been used for years by those who make the advocacy of Civil Rights legislation and compulsory racial integration a profession.

The real character of the portion of the report written by the staff of the Commission is clearly revealed by the following statements of members of the Commission.

1. The statement of Commissioner Battle that "the report is not an impartial, factual statement, but rather, in large part, an argument in advocacy of preconceived ideas in the field of race relations."

2. The statement of Vice Chairman Storey and Commissioners Battle and Carlton that the portion of the report dealing with public education "is to a large extent argumentative and colored by the authors' views on the sociological and philosophical aspects of the school integration problem."

3. The statement of Vice Chairman Storey and Commissioners Battle and Carlton that "some parts of the foregoing report are argumentative, with suggestions keyed to integration rather than housing," and "suggest a fixed program of mixing the races anywhere and everywhere regardless of the wishes of either race and particular problems involved."

Time and space preclude me from discussing the report in detail. For this reason, I shall confine my observations to the proposal that the Constitution of the United States be amended so as to deprive the States of their present constitutional power to prescribe the qualifications of voters; the proposal that all colleges, both public and private, be deprived of all Federal grants to coerce them into integrating their student bodies; the proposal that the Commission on Civil Rights be made a permanent governmental agency so that its staff may assist in bringing about the integration of all public schools in Southern States; and the proposal that all federally assisted housing be integrated. I wish to note at this point that Vice Chairman Storey and Commissioners Battle and Carlton, who are far more familiar with the South than the other Commissioners, entered vigorous dissents to these proposals.

THE PROPOSED CONSTITUTIONAL AMENDMENT

The Constitution provides that "each State shall appoint, in such manner as the legislature thereof may direct, a number of electors equal to the whole number of Senators and Representatives to which the State may be entitled in the Congress" (art. II, clause 2); that "the House of Representatives shall be composed of Members chosen every second year by the people of the several States, and the electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State legislatures" (art. I, sec. 2); and that "the Senate of the United States shall be composed of two Senators from each State, elected by the people thereof, for 6 years. * * * The electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State legislatures" (amendment 17, clause 1).

If history shows anything, it shows that the framers of the Constitution were wise in permitting the States to prescribe the qualifications for voters. On one occasion, Congress rejected the wisdom of the Founding Fathers in this respect and undertook to let the National Government act in this field. This congressional folly resulted in the tragic era now known as Reconstruction, which culminated in the shameful episode in which Samuel J. Tilden, the duly elected candidate for the office, was robbed of the Presidency.

Despite this sad historical experience, it is proposed that the Constitution of the United States be amended so as to vest in every person of the required age and place of residence not actually confined in an insane asylum or a prison an absolute right to vote in any election held for any purpose in any political subdivision anywhere in the 50 States constituting the United States, even though he be an idiot or an unreformed felon under conviction for a crime involving moral turpitude. When all is said, the only reason assigned for the proposal that the States be robbed of the right to prescribe intelligence tests for voters and barred from depriving unconfined idiots and unconfined felons from the elective franchise is simply this: That it is alleged that in a comparatively few areas of the country supposedly qualified persons have been denied the right to register and vote, and that it would be easier to establish the truth of such allegations in the future if the only qualifications required of voters were the possession of a physical body, with or without intelligence or character, plus an attained age and a fixed place of residence.

For Congress and the States to heed this proposal for such a constitutional amendment would be about as sensible as using an atomic bomb to destroy a few rats.

As I have already pointed out, there are now sufficient Federal statutes to prevent or punish any provable charges that any qualified person is being wrongfully denied the right to register and vote in any of the 165,115 voting precincts in the 50 States comprising the Union.

THE PROPOSED DENIAL OF FEDERAL GRANTS

Coercion to compel conformity or to stifle dissent is inexcusable, whether exerted by individuals or by Government. For this reason, I deplore the proposal that executive agencies and departments of the Federal Government withhold all grants to colleges, both public and private, to coerce their administrators into integrating their student bodies. It is to be remembered that Congress makes these grants to facilitate the education of the boys and girls who attend these colleges in the capacity of students and who have no control whatever over their administration. This proposal seeks to visit the supposed sins of the administrators upon the innocent students with a vengeance.

THE PROPOSAL RELATING TO SECONDARY PUBLIC SCHOOLS

In an able opinion in *Briggs* v. *Elliott*, 132 Fed. Supp. 776, the late Chief Judge John J. Parker of the U.S. Court of Appeals for the Fourth District, one of the ablest and most distinguished jurists America has ever known, explained "exactly what the Supreme Court has decided" in the so-called school desegregation cases. Judge Parker said: "It has not decided that the Federal courts are to take over or regulate the public schools of the States. It has not decided that the States must mix persons of different races in the schools or must require them to attend schools or must deprive them of the right of choosing the schools they attend.

What it has decided, and all that it has decided, is that a State may not deny to any person on account of race the right to attend any school that it maintains. This, under the decision of the Supreme Court, the State may not do directly or indirectly; but if the schools which it maintains are open to children of all races, no violation of the Constitution is involved even though the children of different races voluntarily attend different schools, as they attend different churches. Nothing in the Constitution or in the decision of the Supreme Court takes away from the people freedom to choose the schools they attend. The Constitution, in other words, does not require integration. It merely forbids discrimination. It does not forbid such segregation as occurs as the result of voluntary action. It merely forbids the use of governmental power to enforce segregation. The 14th amendment is a limitation upon the exercise of power by the State or State agencies, not a limitation upon the freedom of individuals."

After acknowledging Judge Parker's interpretation of the so-called school desegregation cases to be sound, the portion of the report written by the staff of the Commission forthwith forsakes Judge Parker's sound interpretation for its own erroneous interpretation that the cases require the complete desegregation of all public schools in the South regardless of the wishes of the people of both races in particular districts, and urges that the Commission on Civil Rights be made a permanent agency to assist in bringing such desegregation to pass. I cannot refrain from observing at this point that the central theme of the portion of the report written by the staff of the Commission is the desirability of perpetuating the Commission on Civil Rights and the jobs of the members of its staff.

THE PROPOSAL TO INTEGRATE ALL FEDERALLY ASSISTED HOUSING

The sociological bent of the staff of the Commission on Civil Rights is disclosed by many portions of the report written by it. For example, it deplores the fact that many nonwhite American families live in second-hand homes—a statement equally applicable to the overwhelming majority of all white American families, both rich and poor. The portions of the report written by the staff of the Commission relating to housing recommend that "all federally assisted housing, including housing constructed with the assistance of Federal mortgage insurance or loan guarantees as well as federally aided public housing and urban renewal projects," be integrated, and thus supports the observation of Vice Chairman Storey and Commissioners Battle and Carlton that such parts of the report are "keyed to integration rather than housing," and "suggest a fixed program of mixing the races anywhere and everywhere regardless of the wishes of either race." As these gentlemen state, suggestions of this nature "if carried out in full, will result in delay and in many cases the defeat of adequate housing." This is undoubtedly true because Senators and Congressmen who believe that Americans should have the freedom to select their own associates are not likely to support a federally assisted housing program which is diverted from its primary purpose of providing shelter for American families to that of producing compulsory association of the races.

The statements in the portion of the report of the staff deploring blockbusting, expressing concern for the legitimate interest of white neighborhoods, and advocating expanding Negro residential areas seem to justify the inference that the staff of the Commission tolerates, if it does not actually favor, the continuance of conditions now prevailing in many American cities, which were succinctly described a few days ago in the following words in a letter which one New Yorker wrote to other New Yorkers, and which I have been granted the liberty of using: "May I ask whether we really do have integration here in New York, or whether we have integration only for poor people? That is, for the people who can't afford to move to the suburbs and can't afford to send their children to private schools. Are there any so-called champions of civil rights who now live in integrated areas or whose children are attending integrated schools?"

When all is said, the report of the Commission leaves me with the abiding conviction that the staff of the Commission is inseparably wedded to the propositions that Americans ought not to have the freedom to select their own associates, and that all possible governmental powers ought to be diverted from their primary functions to that of compelling the involuntary association of the races.

Mr. STENNIS. Mr. President, the recommendations of the Civil Rights Commission in its report are both extreme and shocking. The report in itself is a mere blueprint for complete federalization of all walks of life. The far-reaching proposals would extinguish more rights than they would protect.

If carried out, the proposals would effectively destroy the relationship between the States and the Federal Government in the field of suffrage, and even would provide for registration of voters by Federal officials in some instances. The Federal Government would assume virtually complete control in the field of education. Furthermore, there would be complete Federal control over all housing for which any Federal funds have been used in any way in years past.

The only step remaining to assure complete federalization of the Nation would be enactment of an FEPC bill to bring all employment under Federal control.

In education, the role of the Federal Government has been one of leadership and assistance, with some financial aid in limited fields. As outstanding examples, we can point with pride to our land grant colleges and our extension service and vocational education, as well as grants for research.

Yet the Commission recommends that we reverse completely this role of leadership and assistance, to one of bribery, coercion and punishment, resulting in the absolute destruction of these worthy programs. Coercion in the field of education has never been—and I trust it never shall be—the policy of the Congress.

Most of the recommendations in this report are clearly visionary and impractical. There are remedies within present law for any evils, real or imaginary, about which complaint has been made.

The division of thought among the members themselves shows how unwise and futile would be any attempt to enact Federal legislation in these fields.

Commissioner Battle has accurately described the report as being "neither impartial nor factual, but a mere argument in the field of race relations."

I am confident these unprecedented recommendations will be rejected flatly by the American people and the Congress.

All thinking Americans will arise to the challenge. Thus, in sounding the alarm, this report will have served its only useful purpose.

Mr. TALMADGE. Mr. President, the report of the Commission on Civil Rights is unparalleled for the arrogance and calculation by which it proposes to extend Federal power over the intimate lives and inalienable liberties of the American people.

It is confirmation of the worst fears of those of us who opposed its creation 2 years ago.

The effect of carrying out its recommendations—the worst, of which do not even carry the endorsement of a majority of the Commission members—would be to perpetuate that agency as an unconstitutional instrument of meddling and intimidation, from which no facet of the lives, fortunes, and property of all 177 million Americans would be immune.

The recommendation that Federal registrars be appointed to determine who is qualified to vote and who is not qualified to vote is unconstitutional on its face. Under the clear wording of paragraph 1, section 2, article I of the Constitution of the United States, the State is sovereign within the limitations of the 15th and 19th amendments as to the qualifications of voters.

Should the constitutional amendment proposed by three of the Commission members be submitted by Congress and ratified by the States, idiots, lunatics, and convicted felons would be permitted to vote. In fact, the proposed language is so broad that if a murderer managed to escape from prison on election day and make his way to the polls, he, too, would be permitted to cast a ballot.

Mr. LONG of Louisiana. Mr. President, will the Senator from Georgia yield to me?

Mr. TALMADGE. I am delighted to yield to my friend, the Senator from Louisiana.

Mr. LONG of Louisiana. Some States have laws which do not permit a person to have assistance when he goes into a voting registration booth. It is very difficult to say how such a civil rights proposal would be administered when a blind man came to vote, if he was not allowed to have assistance at the time when he was required to register and to vote.

Mr. TALMADGE. That is entirely correct; and I may add that the same would be true of idiots and lunatics.

Mr. ERVIN. And the only excuse that is given in connection with the proposal to rob the States of their right to prescribe intelligence tests for voters and bar them from depriving unconfined idiots and unconfined felons from voting is the allegation that there has been some deprivation of the right to vote, and that it would be easier to establish that a person has been wrongfully denied the right to vote, if the only qualifications a person has to meet in order to enjoy the right to vote is the physical possession of a body, with or without intelligence or character, plus the attainment of a certain age and a fixed place of residence.

Mr. TALMADGE. Mr. President, the able Senator from North Carolina has summarized the matter correctly.

Mr. ERVIN. But that is precisely what the report recommends.

Mr. TALMADGE. The Senator from North Carolina is correct.

The PRESIDING OFFICER. The time available to the Senator from Georgia, under the 3-minute limitation, has expired.

Mr. TALMADGE. Mr. President, I ask unanimous consent that I may proceed for 2 additional minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered; and the Senator from Georgia may proceed.

Mr. TALMADGE. Mr. President, the proposal that the Commission be given authority to bring about integration of schools has in it the seeds of unprecedented strife and chaos. Such efforts could only result in tension and violence in the States of the South, comparable to that which we now are witnessing in the metropolitan areas of States in other regions which for many years have followed policies of integration.

The proposed formula for forced race-mixing in public and private housing not only would nullify our constitutional guarantees of security of person and property, but also would, by resorting to the authority of executive orders, bypass established legislative procedure.

Such attempts already have been made in metropolitan areas such as New York and Chicago, and all of us have seen the sorry results. In Chicago there has been violence, arson, and lawlessness which have required the full-time attention of hundreds of policemen, in order to preserve order.

It is inconceivable how anyone could believe that if such a system cannot work in the integrated cities of the North, Midwest, and Far West, it could by any stretch of the imagination be successful in the South, where segregation is the mutually accepted social pattern.

Mr. President, I am confident that if the American people knew of the dictatorship and tyranny proposed in the report of the Commission on Civil Rights, they would rise up in righteous indignation, and would demand, as one, that this Congress not only not extend the life of the Commission, but, rather, that Congress abolish it forthwith.

I agree wholeheartedly with the dissenting opinion of Commissioner John S. Battle that the report is "an argument in advocacy of preconceived ideas in the field of race relations"; and I wish to state that I expect to have much more to say on the subject of this Commission and its future when the matter comes before this Senate for determination.

FIFTH ANNIVERSARY OF SEATO

Mr. WILEY. Mr. President, today marks the fifth anniversary of the Southeast Asia Treaty Organization—SEATO. The anniversary symbolizes a unique mark of progress in efforts between Far Eastern and Western nations to cooperate in promoting peace and security.

Freedom in the world, and particularly in southeast Asia, has a better chance of survival, because of the existence of the Southeast Asia Treaty Organization.

We recognize, however, that the 8-member organization—comprised of the United States, Great Britain, France, Australia, New Zealand, Pakistan, Thailand, and the Philippines—greatly needs strengthening.

In the days ahead, we can expect that SEATO will face the full gamut of Communist pressures—from the "sword" to the "carrot"—to spread their influence among the Asian nations, as well as around the globe. These tactics will include infiltration, subversion, alternating threats and promises, treaty making and breaking, propaganda barrages, and other attempts to increase their spheres of influence and control.

The Communist willingness to flagrantly violate the territorial integrity of other nations—exemplified by the Communist action in Laos, India, and Tibet—adequately demonstrates the scope of the ever-greater challenges and threats with which the Organization will be confronted.

Indeed, the stepped up, multipronged offensive by the Communists in Asia may well create for SEATO a "test for its life."

SEATO AID FOR LAOS?

If the United Nations fail to act quickly enough in response to the appeal of Laos for help, the next logical step may well be a request directly to SEATO for assistance.

Pledged by its own charter to act within the principles of the United Nations, the organization may, nevertheless, act independently of the United Nations, if that is required.

Foresightedly, the SEATO nations have already met to consider the factors in the situation.

Unfortunately, the Soviets again are acting as obstructionists to United Nations action; they are threatening to block the effort to obtain the facts in regard to the Laos crisis.

With the threat of the veto overhanging U.N. action, it is to be hoped that SEATO will grasp the opportunity and will demonstrate to the world its willingness and ability to be of all possible assistance.

In celebrating the fifth anniversary of SEATO, its member nations must, I believe, rededicate themselves and their resources to dealing effectively with the swelling tide of Communist aggressiveness in Asia, as well as around the globe. The degree to which they accomplish their objective may well determine whether the future of Asia is free or slave.

Mr. President, right now there is a real challenge to SEATO. In the morning newspapers we notice articles which state that the Communist group in the United Nations threatens to veto proposed action by the United Nations to send a group to obtain the facts in Laos. SEATO is not bound by any such provision; it can really "go to town" now, and can demonstrate what I believe it is important that it demonstrate—namely, a determination to take action to put out the Communist fire in Laos.

FEDERAL DEBT MANAGEMENT AND INTEREST RATES ON GOVERNMENT BONDS

Mr. SALTONSTALL. Mr. President, the time is at hand for an objective look at the problems of our Nation's debt management. The time is at hand for a frank appraisal of our country's credit standing and its ability to finance its obligations in the difficult times of international crises that lie ahead.

It is regrettable that the House of Representatives has not approved the President's proposal to remove the arbitrary ceiling on interest rates payable on long-term Government bonds.

Since early 1958 the United States has lost $2.8 billion of gold to other countries: its foreign exchange position is not as strong; savings bonds redemptions are rising; long-term U.S. marketable bonds are at their lowest point; and now our Treasury is being forced to resort to a method of financing which can only contribute to new economic problems and increased inflationary pressures by the failure to act on the President's request for increasing the ceiling on interest rates on the Government's long-term debt.

Unless we face this problem squarely, we may endanger the continued prosperity and well-being of our Nation and may endanger the record-breaking prosperity which we are now enjoying.

At stake in the President's proposal is the confidence of our people at home and of other free nations in the credit and fiscal integrity of the United States. If we permit an undermining of this confidence, it may lead to the weakening of our national security.

Our security depends, as we well know, not only upon our military strength, but also upon our fiscal integrity as well. Indeed, a healthy economy, enjoying real economic growth, is essential for the military and industrial capacity required to maintain our barriers against Communist aggression and to give the necessary confidence to our friends in other parts of the world that we have that capacity.

Every economic index reports rising levels of business activity, increased wages, and increased employment, with a gross national product approaching $500 billion annually.

Our free economy has recovered vigorously from the recession of last year. We are experiencing a true economic growth, and every indicator points to continued, steady progress ahead.

But the road ahead is not free from obstacles. The gravest danger to genuine economic growth and to real prosperity lies in inflation.

In the face of this ever-present danger, the House of Representatives has taken a grave step which I believe can only aggravate these pressures of inflation. The House has rejected the President's proposal to lift the arbitrary interest rate ceiling on the sale of Government bonds. It has failed to do so despite serious

warnings issued by the President, the Secretary of the Treasury, and, more lately, the chairman of the Senate Finance Committee.

This failure may gravely affect the security of this Nation, for as vital to our Nation's security as men and modern weapons is the confidence we can create in the United States Government on the part of our allies and other free nations abroad, as well as on the part of our people at home.

If the Treasury of the United States is hampered in financing its enormous obligations, that confidence is seriously impaired. If the Treasury must resort to unsound methods in order to meet its obligations, its credit and international confidence in the U.S. economy may be seriously injured.

A stable economy, one which is not hampered by constant erosion, through inflation, is vital to our Nation's security.

We know that there are many factors which contribute to the dangers of inflation. These include deficit Government financing, the wage-price spiral, improper debt management. The action of the House compels the Government to resort to short-term debt financing, and thus leads ultimately to improper debt management.

The Secretary of the Treasury has repeatedly stated that the interest rate ceiling must be lifted if the Government is to continue long-term financing of the national debt. The rejection of the President's proposal means, in effect, that the Government more and more will have to resort to short-term financing, which ultimately becomes similar to increasing the speed of printing presses. When the printing presses are speeded, the value of our dollar becomes less and the cost of our commodities becomes greater.

Money is a commodity. Like any other commodity, it is affected by supply and demand. It experiences the normal fluctuation price of any commodity in a free economy.

The President's request for removal of the 4¼-percent limit—a limit that is now completely out of line with market realities—is not a request to raise interest rates. Interest rates have already risen because of growing economic activity.

The request is for authority to permit the Treasury to compete in the money market and thus use the credit of the Government in a sound fashion. Just recently, because the Treasury was unable to sell bonds at a rate greater than 4¼ percent, it was forced to sell short-term notes and pay 4¾ percent interest in order to get its money.

Certainly we may expect that this will continue to be the case for some time to come. In fact, the net effect of the House action may create even higher interest rates in the short-term market.

Short-term money comes in large part from banks and corporations that temporarily have extra cash. It is used for temporary purposes—for self-liquidating investments, for the carrying of inventories, and other short-term needs. Long-term money, on the other hand, comes from savings, from insurance companies, pension funds—through companies and individuals. Some of it also comes from banks. Long-term loans are used for capital investments and for permanent increases in working capital.

There is always some flexibility between these two sources and the ultimate uses of money. Availability in excess of the needs for funds in the short-term area may lead to more long-term loans, and vice versa. Commercial banks and some of our other more flexible institutions make it possible to strike a balance if the price encourages such movement one way or the other.

Now that the price of long-term money has exceeded 4¼ percent, any movement of funds from short-term into the long-term market will be less likely. Since the Treasury will have to borrow in the short-term market to supply its needs, the price of short-term money will rise—in fact, it already has. And, we must never forget that long-term investments, though for the greater part institutional in character, directly represent personal savings by individuals. On the other hand, short-term lending is done largely by large corporations and commercial banks.

The decision of the House will thus help the large corporations and banks, because it increases interest rates they receive and, contrawise, it will injure the individual saver, the consumer, and the home owner who is able to save a little bit each month and put it into savings institutions and insurance. So it is the average citizen who will suffer by the refusal of the Congress to raise interest rates.

Finally, in refusing to lift the ceiling on the Government bond interest rate, there is a direct blow to the consumer, for it will add fuel to the fires of inflation and thus bring up the cost of living for every citizen.

This is demonstrated historically. If the Treasury sells bonds to the Federal Reserve System at pegged interest rates, we can expect an increase in the cost of living similar to that experienced after the last war, when that method of financing the national debt was used. For example, in the 5 years preceding March 1951, the Consumer Price Index rose from 78 to 110.3. When the interest rates were freed in the following 5 years, the cost of living rose only four points, or one-tenth as fast as it rose in the previous 5 years, when interest rates were pegged.

We want to encourage our citizens to save and to invest in our Nation's future. We must make it attractive for them to do so, and I am glad that legislation to this effect is now being considered by the Congress with relation to E- and H-bonds. This legislation will help to restore the savings bond program to the competitive position that it once held with relation to the savings institutions. Savings bonds which are held by millions of our citizens at the present time are not in a competitive position with other good investments as they once were. This legislation will help to make them so.

But this alone is not enough. I believe it is essential for Congress to make it possible for the Government to borrow its funds on a longer term basis than 5 years.

Congress must demonstrate that the United States is willing and able to preserve its fiscal integrity and to meet its responsibilities in the face of the greatest challenge ever to our freedom and our security and our leadership in the free world.

INTEREST RATES ON GOVERNMENT BONDS

Mr. SCOTT. Mr. President, on Wednesday, September 2, certain Senators entered into a colloquy in the Senate on the question of increasing the interest rate on Government bonds. During the course of this discussion an article by J. A. Livingston was "cussed" and discussed.

Mr. Livingston is the well-known economic commentator, whose syndicated column appears locally in the Washington Post, from which he was being quoted. He is also the distinguished financial editor of the Philadelphia Evening and Sunday Bulletin, who has been called upon time and again to testify before congressional committees, including the Joint Committee on the Economic Report.

Mr. Livingston does not need my defense. He is entirely capable of taking care of his own replies. I simply want to call to the attention of the Senate that his views and statements cannot be brushed aside lightly—they represent a considerable body of opinion.

I ask unanimous consent to include at this point in the RECORD his biography, which speaks for itself.

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

Joseph Arnold Livingston: economist; A.B., University of Michigan, 1925; newspaper reporter, 1925–30; executive editor, New York Daily Investment News, 1931–34; public utility editor, Financial World, 1935; economist, Business Week, 1935–42; WPB and Office War Mobilization and Reconversion, 1942–45; began column, "Business Outlook," now syndicated in United States and Canada, 1945; financial editor, Philadelphia Record, 1946; business columnist, Washington Post, 1947; financial editor, Philadelphia Bulletin, 1948——. Member, intensive review committee of Secretary of Commerce to analyze the program of U.S. Bureau of the Census. Member, American Economic Association, American Statistical Association, Financial Analysts Philadelphia.

Clubs: Cosmos, National Press (Washington); Franklin Inn (Philadelphia).

Author: "Reconversion—The Job Ahead," 1944; "The Sorret Challenge—An Economic Appraisal," 1956. Contributor to the "Encyclopedia Social Sciences," "Compton's Encyclopedia," also national publications. Home: 2110 Delancey Place, Philadelphia; also Tinicum, Pa. Office: Philadelphia Bulletin, Philadelphia.

Mr. SCOTT. Mr. President, certain easy-money advocates, including, I regret to say, some Members of this body, adhere still to the outworn theology of the economists of the Keyserling-Nathan school, who, I think, could be correctly characterized, so far as the present days are concerned, as "Neanderthal econo-

mists." They learned the technique during the depression. It is the only technique they know. They want President Eisenhower to deal with prosperity the way Franklin Delano Roosevelt dealt with the depression. It is not the same. It will not work.

In order that we may consider the fiscally responsible side of the picture, in contrast with that presented by the easy-money advocates presented on the floor of the Senate the other day, I should like to associate myself with the views expressed by Mr. Livingston and by most of the financial experts who have expressed opinions on this subject.

The absurdity of Congress voting authority to the Secretary of the Treasury to increase the public debt from $285 billion to $295 billion, and then fussing, fuming, and refusing to permit a discretionary increase in interest rates on bonds, is like the mother who gives her daughter an ample clothes allowance, but enjoins her from paying more than $7.50 for a dress, when the cheapest dress she can buy is $10.

Congress has told Secretary Anderson to base his 1959–60 financing on money market conditions which prevailed 40 years ago.

This is unrealistic and anachronistic. Any doubting Senator, before he votes on the President's request, ought to go to a bank and try to borrow long-term money at 4¼ percent.

I quote one of Livingston's poems on this subject:

> Congress, may I go into debt?
> Yes, Bob, name your target;
> Borrow whatever you have to get,
> But don't send bonds to market.

Mr. President, the root of the controversy is control versus freedom, Government intervention versus personal decision.

We have not yet learned how to control individuals, channel their energies, direct their decisions. We have not yet developed a foolproof way to decide the price of a loaf of bread, or the worth of an hour's work in the coal mines, or the rent of a home. But that, in effect, is what the advocates of cheap money, regulated money, are leading us to—regulation—though they may not realize or suspect it.

They feel that the Federal Reserve System can fix the price of money whenever and wherever it wants to do so. The fallacy of that was proved when Secretary of the Treasury Snyder wanted the Federal Reserve to peg Government bonds at 2½ percent. The insurance companies and banks dumped bonds on the Reserve banks because the 2½-percent rate was out of line with what they could earn on corporation bonds. They were not going to stint their policyholders in order to support the Government bond market.

What happened? The Reserve System got deluged with bonds. It was Atlas holding up the bond market, and the holders of Government bonds let Atlas "have it." Eventually, an accord between the Treasury and the Reserve System was worked out. The Federal Reserve stopped being Atlas. Senator DOUGLAS was one of the stanch defenders of the Reserve System in this fight.

If the Reserve Board were to follow the counsel of Senators CLARK, GORE and other easy-money advocates, it would become Atlas all over again. It would go into the market and buy Government bonds. Prices would rise. And holders would again let Atlas have it. The Reserve Board would be inundated by sales by banks, insurance companies, and other holders. The experience of the Commodity Credit Corp. would be recreated in Government bonds. Instead of holding wheat and corn and cotton, the Reserve Board would hold bonds.

Government bonds are not and have not been as attractive to buy as recent issues of corporation bonds. The interest-rate ceiling on Government bonds has been fixed by Congress at 4¼ percent. Corporation bond interest rates have no ceiling. So insurance companies, investment trusts, and so on, buy corporate new issues when they come out. The reasoning is this: If our economy is sound, the corporations are sound. There is not too great a difference in quality between a bond of a great corporation and the Government. Therefore, because the 4¼-percent ceiling is noncompetitive, the Treasury is forced out of the long-term bond market. Institutional investors go elsewhere with their money.

But this is only part of the problem as Senator DOUGLAS so well understood in his defense of the independence of the Reserve System in 1949 and 1950. When the Reserve Board buys Government securities, it introduces what has been aptly described as high-powered money into the banking and credit system. For example, if the Federal Reserve Bank of Philadelphia buys $1 million of Government bonds, it thereupon creates $1 million of reserves for some commercial bank in Philadelphia, or Atlanta, or Chicago, or San Francisco. The banking system, in turn, can use that million dollars to make loans or buy securities up to $5 million. It can create $5 million in new deposits. Federal Reserve dollars are five times as powerful as ordinary dollars.

If the Reserve Board were to flood banks with extra reserves—for that is what these Senators advocate—then the banks, in turn, would be willing, anxious, and able to make additional loans. We would have our prosperity compounded into inflation.

This was a good policy during the depression. Then the Reserve banks evolved the technique of buying Government securities to make credit ample. That is an excellent device during periods of low employment, low prices, and economic distress. But it is a completely wrong policy during a period of economic prosperity which approaches boom proportions. These "loose money" Senators have a depression psychosis. They know what to do in a depression, but do not know how to deal with prosperity.

South American governments learned that they could not control the price of coffee. We learned in the twenties we could not control the world price of wheat. Price-fixing cartels have always failed. So must a congressional attempt to deep-freeze long-term Government bonds.

The U.S. Government bonds and notes are an international security. They are held all over the world. But if the rate on these securities is forced down artificially—if the price is forced up artificially—then the bonds will be dumped on this market, on the Federal Reserve Board, and when the dumping is all over, the Treasury will be worse off, not better off. Its securities, instead of being widely distributed, will have been resold to the Reserve Board. At the same time, the commercial banks will have excess reserves. They will be inclined to make loans freely; people having access to easy money, will speculate in all sorts of ways—not only in stocks and real estate, but also will take risks greater than they would assume with less credit in buying and selling businesses, in opening new businesses. It is easy to be venturesome during prosperity. Prosperity dulls caution and encourages daring, even recklessness. It leads men to take risks which they would not take in less encouraging times. They can see only success, not failure. Avarice—yearning for the success of others—leads to unwise ventures. Do we want to give full rein to such human failings?

If we do, then let us turn the Federal Reserve System into a backdoor printing press for the Treasury. That is what the easy-money advocates would do—whether they recognize it or not. Their program requires the Reserve to buy Treasury bonds and then issue its own money for them—all for the purpose of reducing the price of money to bank borrowers and to the Treasury.

All history says that cannot but fail. The 1789 revolutionary government of France tried to do this when it issued assignats on seized church lands. The assignats became worthless and now are to be found as collectors items among numismatists.

There are times when it is the Reserve Board's responsibility to make credit easy. It responded to this responsibility during the recession of 1948–49, during the recession of 1953–54, during the recession of 1957–58. It is Congress' responsibility to define the broad policy of the Reserve System, but it is not sensible, not smart, of Congress to get into the technique and minutiae of monetary management—telling the Reserve whether to buy bonds or sell bills. That is for market experts, not legislators.

If this were a period of economic difficulty, I could understand the desire for easy money and low interest rates. But the gross national product is at an all-time high, notwithstanding a nationwide steel strike. The Reserve Board is not throttling progress or expansion. It is just the other way. It has fostered the recovery from the recession and now we are in an era of historic prosperity. Premier Khrushchev will see not only how well off the American family is but also how successfully our system of economic choice operates. He will see that the Government does not have to intervene in every decision in order to have a robust economy and a rising standard of living. The proponents of easy money

will, if they succeed, lead us to interest-rate fixing, then price fixing, then wage fixing. It is all of a piece. Can it be that they know not what they do? Or is a brass collar, regimented economy their aim?

No one has the wisdom to determine the proper interest rate of U.S. issues—neither the President, Secretary Anderson, William McChesney Martin, Jr., the Reserve Board Chairman, nor the Congress. Only the buyers and sellers of bonds can set the price in the marketplace—and it varies from day to day.

When the Government—through congressional decree—puts the rate too low, people will not buy Government bonds. We have recent evidence of that in the increase in redemptions and a decrease in sales in E- and H-bonds. Buyers of savings bonds are not experts in finance. Yet even they came to realize they were getting a bad deal. The President, therefore, asked Congress to eliminate the interest-rate ceiling on the E- and H-bonds to do justice to investors in these bonds. He also asked for elimination of the ceiling on marketable bonds, to give Secretary Anderson the tools he needs to do his job of financing the $290 billion debt. The President is not in favor of higher interest rates. He is in favor of fairness and justice to bond buyers and to the citizens of the country. It is Congress' task to give the Treasury flexibility in setting its interest rates.

The prices at which the Treasury sells bonds or other securities are public. If the prices are too low—if the rate is too high—this can be readily determined by comparing the rate with other securities. Instead, we have put the Treasury in the position of a grocer who tries to sell 4¼ pounds of beans for $1, when the grocer next door is selling 4½ or 4¾ pounds for the same price. It cannot be done.

One suspects that the loose-money advocates in Congress not only do not know money, they do not know beans.

Mr. President, I ask unanimous consent to include with my remarks in the RECORD sundry articles and editorials from Life magazine, the Philadelphia Inquirer, and Time magazine.

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

[From the Philadelphia Inquirer]

UNSOLVED INTEREST PROBLEM

The bill to end the 3¼ percent ceiling on U.S. savings bond interest rates, which was passed by the House Friday and given speedy approval by the Senate Finance Committee Saturday, makes a necessary adjustment in the Government's borrowing authority but does not go far enough.

Legislation also is needed to remove the ceiling of 4¼ percent on interest rates for long-term marketable securities issued by the U.S. Treasury.

The Eisenhower administration seeks authority to raise the interest rates on series E and H savings bonds to 3¾ percent and on long-term marketable securities to 4¾ percent. Both increases are urgently required for the Government to maintain effective borrowing power in the face of intensified competition for investment dollars.

Series E and H savings bond sales declined 10 percent in the first 8 months of 1959 compared with the corresponding period last year. At the same time there was a 13 percent increase in savings bond redemptions. A higher interest rate is needed to stimulate savings bond sales and encourage owners of bonds to hold them.

In the case of long-term Treasury securities, there simply is no market for them at 4¼ percent when many other high grade bonds are available that offer a higher return. The Government is forced to issue short-term notes that are costly and inflationary.

A higher interest rate on long-term Treasury securities would save the taxpayers money and put the Government on a sounder financial basis.

[From Life magazine]

HOW BOND RATES AFFECT YOU

Nobody in his right mind thinks that Congress would ever imperil the national defense by refusing to pay the Pentagon's bills. And if it did so there would be such an outburst of indignation that Congress would get cracking.

But the reverse of this is happening. The management of the public debt is also of vital concern. Yet Congress is refusing to give the Treasury the powers it needs to manage the public debt in a sound and orderly way. There has been no outburst of public indignation because the issue is difficult for laymen to grasp.

They had better grasp it, for it effects the value of their savings and the security of their future. By its failure to act, Congress is driving up interest rates and adding to inflationary pressures. Here are the simple facts:

The dead hand of the past—a World War I measure passed in 1918—puts a ceiling of 4¼ percent on long-time Government bonds and savings bonds. It is these bonds, bought by insurance companies, trust funds and the savings of individuals, which should carry as much as possible of the public debt because they check inflation by taking savings out of the scramble for goods.

This 41-year-old ceiling on bond interest makes it increasingly harder for the Treasury to sell new bonds. Institutions and individuals, since they can get better rates from other securities, refuse to buy them. Since 1946, for example, life insurance companies have reduced their holdings of Government bonds from 45 percent of their assets to a mere 7 percent. Many individuals cash in their savings bonds.

Instead of putting out long-term bonds with interest rates high enough to make them marketable, the Treasury has been forced to raise the needed money by short-term paper (e.g., 91-day notes), which are bought chiefly by commercial banks. Since they are virtually the same thing as cash, these notes can be used by the banks to expand their loans. They can lend $5 of new money for each $1 of Treasury notes they own. This has an immediate inflationary effect.

Furthermore, this "monetizing" of the debt tends to drive up interest rates as the Government competes with other borrowers for scarce money. In the last fortnight, for example, the rate on 91-day notes has just risen to 3.8 percent, the highest level since the bank crisis of 1933. If this trend continues, even short-term interest rates may soon exceed the 4¼-percent ceiling on long-term bonds. This freakish result is made more likely by Speaker RAYBURN'S announcement last week that Congress won't act this year on the President's reiterated request for lifting the interest ceiling. Such inaction undermines the dollar by raising doubts abroad as to its soundness and damages the Government's credit, just as it does the economy itself.

Some leaders are urging the President, on his return, to take the issue to the voters as he did on labor reform. If Congress adjourns without action, the President may call it back in special session. But voters themselves can help speed the necessary action by letting their Congressmen know that they back the President. He has stated the issue very clearly:

"The vital interests of all Americans are at stake because excessive reliance on short-term financing can have grave consequences for the purchasing power of the dollar. * * * Let me state as plainly as I can that this is not legislation to increase interest rates. * * * We always seek to borrow as cheaply as we can. To prohibit the Treasury from paying the market price for long-term money is just as impracticable as telling the Defense Department that it cannot pay the fair market price for a piece of equipment. The result would be the same in either case: the Government could not get what it needs."

[From the Washington Post, Sept. 6, 1959]

PRICE OF PROSPERITY IS HIGH MONEY RATE

(By J. A. Livingston)

Prosperity—and that's what we are having despite the prolonged steel strike—can only be had at a price.

We—you and I and everyone else—are paying for record personal income, high employment, and a construction boom, in the higher price of money. Interest rates have gone up again.

This isn't going to please some Congressmen who favor plenty of credit at a low price. And most emphatically it doesn't please Wall Street. Stock prices sold off within 5 minutes after the First National City Bank of New York announced that the prime rate would be 5 percent instead of 4½ percent. Other banks across the Nation followed.

The prime rate is the price of money to banks' biggest and best customers, customers such as Sears, Roebuck, General Motors, Continental Can, and so on. Yet, when the prime rate notches up, the rates charged smaller businessmen go up. The costs of financing homes, automobiles, trips to Europe rise, too. States, cities, towns and school and water districts also have to pay more when they borrow.

BONDS VERSUS STOCKS

Immediately bonds went down in price, and that's why Wall Street "spazzed." Many U.S. Treasury securities sold at all-time lows. Government issues can now be bought to yield better than 4½ percent. Many tax-exempt municipal bonds yield 4½ and 5 percent. Excellent corporate bonds yield 5 percent plus. This puts pressure on stocks.

Numerous high-grade industrial stocks yield only about 3 percent. But the lure of higher dividends to come and the fear of inflation have persuaded most investors to accept the lower return. But how long can this go on? That's what canny Wall Streeters wonder.

A higher price for money was an inevitable consequence of prosperity. The Nation's banks are "loaned up." Their customers are borrowing $12 billion more than a year ago. To meet this demand, commercial banks have sold $3 billion in Government bonds. Also, they, themselves, are borrowing about $1 billion from the Federal Reserve System, some $800 million more than a year ago.

THE INFLATION ILLUSION

The jump in interest rates reemphasizes the deep schism in Washington. President Eisenhower, Secretary of the Treasury Anderson, and Federal Reserve Board Chairman Martin argue that easy money leads to inflation. In the period since 1955, we've had a 13-percent rise in per capital personal income. But only 30 percent of the advance was real. Seventy percent was the result of higher prices.

The Reserve has supported Secretary Anderson's request to Congress for elimination of the 3.26 percent ceiling on savings bonds

and the 4¼ percent ceiling on long-term marketable Government bonds.

Many Democratic Congressmen reject this thesis. They say credit restraint fosters inflation by curbing production. If we had more goods, prices wouldn't advance.

POLITICAL ISSUE IN 1960?

Anderson has been unable to get the Democratic Congress to eliminate the 4¼-percent interest rate ceiling on long-term Government bonds. However, the 3.26 percent ceiling on E- and H-bonds is likely to be raised to 3¾ percent in a last-minute push.

This monetary issue will persist long after the steel strike is settled. It could become a major campaign issue in 1960—a repeat of the Bryan-McKinley cross-of-gold contests of 1896 and 1900.

What Congressmen, in all political honesty, are groping for is an answer to this question: How do you raise the standard of living of everyone efficiently and satisfactorily?

President Eisenhower answers: Through a balanced budget and restraint on the money supply. If the money supply is restricted, then businessmen and labor unions won't be able to make price-boosting wage agreements.

APOLOGIA FOR MONEY RESTRAINT

Prof. Sidney Weintraub, in his recent book, "A General Theory of the Price Level, Output, Income Distribution, and Economic Growth," expressed the countervailing argument. He says prices depend not on the money supply but on the level of wages.

Therefore, he would suggest that before companies in basic industries, such as steel, autos, rubber, aluminum, etc., raise wages and prices, they should first publish their plans. This would subject their decisions to public reaction, probably to public hearings. The argument against this proposal is that ultimately it would force the Government to intervene directly.

Hence, the administration leans toward indirect restraint, even though—as the postwar record shows—it hasn't stopped inflation. Defenders of monetary policy apologize for its poor performance by saying: "A continually unbalanced budget is bound to have an inflationary impact on prices." I am one of these apologists.

[From Time, Sept. 7, 1959]

MONEY: TOWARD A CRISIS

Congress' refusal to act on the administration's debt-management program last week continued to disrupt the market for Government and corporate securities. Even as President Eisenhower drafted a special message urging Congress to lift the 4¼ percent interest rate ceiling on long-term Government bonds, the Treasury announced that it had to pay 3.824 percent interest on short-term (91-day) bills, the highest since the bank holiday of March 1933.

The effects of the Treasury's reliance on short-term borrowing in the midst of an overall tightening of the money supply (Time, Aug. 31) were readily apparent. By drawing $1.6 billion in new cash during the last month, Treasury financing—despite Federal Reserve Board buying support—boosted the rate on 26-week Treasury bills to a record 4.15 percent. The yield on most long-term Government bonds was more than 4 percent for the first time since the 1930's, and some yields rose as high as 4.8 percent. Corporate bond yields also rose; unable to sell their public-utility offerings at the issued price, three Manhattan underwriting syndicates broke up.

Unless Congress acts, the troubles of the Treasury and the money market will worsen in October and November. Then, to raise about $7 billion to finance the seasonal deficit and another $8.9 billion to meet debt coming due, the Treasury will have to go to market with more short-term issues.

CRIME IN THE NATION'S CAPITAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the body of the RECORD an article entitled "Crime in the Capital—An Intimate Message From Washington," written by Josephine Ripley, which appeared in the Christian Science Monitor for September 4, 1959.

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

CRIME IN THE CAPITAL—AN INTIMATE MESSAGE FROM WASHINGTON

(By Josephine Ripley)

While President Eisenhower dedicates himself to the prevention of violence in world affairs, and Congress votes defense billions as a war deterrent, a high tide of crime is surging through the streets of the Nation's capital.

Congress has been investigating it. The police department is throwing its limited force into the battle against it.

The crime wave has been on the increase for the past 3 years. The strength of the police force has not. Only recently has this dangerous situation reached headline proportions, in purse snatchings and attacks which have involved prominent women and Members of Congress.

Capital residents can take no comfort from the fact that while major crimes have increased from 15,793 in 1957 to 17,865 in fiscal 1959, the authorized strength of the police force—2,508—is the same today as it was 2 years ago.

In 1957 it was found impossible to recruit even that many policemen because the salary was too low to be attractive. Salaries have been increased since then and the force today is at full strength—minus a few on military leave.

Congress, which holds the purse strings, is at last considering making more money available for a bigger police force. Hearings have been held before the Senate Appropriations Committee. There is some evidence that the police department, with an assist from lawbreakers who have been picking prominent victims, has made a persuasive case for more funds.

Among victims of attacks in recent months, mostly purse snatchings, have been Mrs. Donald Quarles, wife of the former Deputy Secretary of Defense; the wife of a prominent newspaperman, Mrs. Edgar Ansel Mowrer; a Senator's wife (unnamed); Representative CHARLES DIGGS, JR., Democrat, of Michigan, threatened with attack by a young knife-bearing gangster when he tried to go to the rescue of a man being kicked and beaten by the ruffians; Representative FRANK THOMPSON, Democrat, of New Jersey, who was squirted with acid by a passenger in a small truck as he was driving to the Capitol in the morning.

Within the past month a young Army officer was shot when he tried to scare away a gang tampering with his car. A newspaperwoman who lives near the Capitol was the subject of threatening letters delivered surreptitiously to her home.

Many of these crimes or attempted crimes are by juveniles—a fact pointing up the shortage of juvenile court judges in the District. Congress has authorized only one, and this one has been so swamped with cases that trials are delayed for months while the delinquent often roams the streets committing new offenses before being brought to account for the original one.

A bill to provide two additional judges for juvenile courts is now under consideration. Attorney General Rogers has promised that if approval is given to this request, one will be chosen from each political party.

The police department is particularly handicapped because crime is no longer concentrated in certain areas. Gangs circulate in almost all neighborhoods, including high-class residential areas. Nor do they confine their activities to dark or remote sections.

One woman was set upon on a well-lighted street near one of the city's large hotels and in the company of two women friends. Mrs. Quarles was waiting for her car on a well-lighted corner when she was knocked down by a pickpocket.

The police department is supplied with a list of the precincts in which these incidents occur. Out of the city's 14 precincts, "from 9 to 11 are on almost every list," according to an officer in the department.

Men are promptly deployed to these areas and roving patrols are stepped up, along with additional men on street patrol.

The Juvenile Bureau of the Youth Aid Division of the department sends a special patrol to question juveniles found loitering in areas where robberies have occurred, to find out if they live nearby, and if not why they are hanging around.

Police Chief Robert V. Murray and District Commissioner Robert E. McLaughlin are now considering the possibility of using trained dogs on police patrol. "The recent sharp rise in muggings and other street assaults has lent urgency to the need for a decision in using dogs," according to the Commissioner.

Dogs are being used effectively in a number of cities, including nearby Baltimore, where they accompany officers on night patrol.

Meanwhile many women venture with caution on the street at night, and keep their car doors locked if driving. Public agitation is making itself felt in new pressure on Congress for funds to protect the Nation's Capital from this shocking invasion of violence and crime.

Mr. MANSFIELD. Mr. President, we have heard a good deal about some of the well-known persons who have been subjects of muggings, thefts, and other crimes, such as Mrs. Donald Quarles, wife of the former Deputy Secretary of Defense, the wife of a prominent newspaperman, Mrs. Edgar Ansel Mowrer, Representative CHARLES C. DIGGS, JR., a Member of the other body, the acid throwing on Representative FRANK THOMPSON, and other events; but I daresay there are a lot of unreported incidents in the Capital which never reach the pages of newspapers.

I should like to express the hope that before this session is completed, the other body will pass a bill adding at least one of the two needed additional juvenile court judges necessary to cope with these depredations in the Capital City.

I think this Capital is extremely fortunate in having the kind of efficient police force it has because it is one of the best in the country. In my opinion, and I am sure I am joined by all my colleagues as well as the people of Washington, the head of the police department, Chief Robert Murray, is one of the best police chiefs in the country, as well.

Again, I express the hope that not only will the Appropriations Committee, which I understand will consider various appropriation bills today, provide for the addition of at least 100 policemen to the District of Columbia police force at the present time—I really wish it could be 250—and that next year it would see to it that a 500-man increase is included in the budget, and that, at the same time—I repeat—in the other body there is provided at least one of the two additional juvenile court judges needed to take care of a situation which is rampant

in the Capital at the present time. The need for these judges is now if we are to cope with a dangerous and growing situation.

THE STEEL STRIKE

Mr. CLARK. Mr. President, as the days go by and there appears to be no indication of a settlement of the steel strike, I am exceedingly concerned about not only the effect upon the national economy, which is very grave and serious indeed, but about the effect on unemployment in my own State, where so many thousands of men have been put out of work because of the strike, and where additional thousands have lost their jobs in subsidiary industries by reason of the fact that those industries cannot get the steel which is needed to continue operations.

I am particularly concerned that there appears to be no break in the negotiations, and I am beginning to wonder to what extent the position of the negotiators on behalf of the steel companies is a proper position and an adequate one.

There appeared in the August 20 issue of the Reporter magazine an article entitled "Roger Blough's Crusade," written by Paul Jacobs, a competent and reputable reporter. I ask unanimous consent that the article may appear at this point in my remarks.

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

ROGER BLOUGH'S CRUSADE

(By Paul Jacobs)

This is in many ways a very odd strike. The steel negotiations have differed from the pattern of recent years on points both great and small.

For the first time in many years, the negotiations have literally been taking place—at the steel companies' request—across a table. Hitherto, company and union representatives ranged themselves casually about a room, talking from comfortable armchairs.

Also for the first time, two of the company negotiators have been taking detailed notes of what is said—thereby ensuring that nothing candid or unofficial may be said.

There have been—again by the companies' choice—no informal contacts of any kind between the two camps: no breakfasts, no cocktails, no corridor conversations.

The steel companies have confronted the union with a set of negotiators consisting of three lawyers and an industrial engineer, R. Conrad Cooper, who is chairman of the negotiating committee. In contrast to some of their predecessors, who had been operating heads of steel plants, these men are front-office administrative personnel.

The steel companies have let it become known that before the contracts expired in June and even before negotiations had begun, they had leased office space in the Chrysler East Building for their negotiating team and its staff—the lease to run until October 15.

Only a few months ago, there was no reason to anticipate such oddities as these. What seemed to be in the offing was a routine set of complicated negotiations, interrupted by a routine strike during which the companies would use up their inventory and the workers their vacation pay and some unemployment-insurance benefits, and ending with a modest wage increase to be followed by a small rise in steel prices. Hardly anyone took very seriously the florid pre-crisis rhetoric of either side, and speculation centered on the duration of the inevitable strike and the size of the inevitable wage-price settlement. The brokerage firm of Goldman, Sachs advised its clients: "We recommend purchase of the better steel equities at this time. A steel strike when labor contracts expire on June 30, appears very possible. If more than normal wage increases are granted, we would expect compensating price increases."

What made the prognosis even more hopeful were some well-known facts. First, the steelworkers, with vivid memories of the recent recession, were in anything but a militant mood; and while the union leaders were insisting on a wage increase, it was widely reported that they would settle for a cluster of fringe benefits. Second, public opinion was nervous over the issue of inflation, and the steel companies were in a position to sweep the ground away from under the union simply by announcing a token lowering of some of their prices—a step that their record profits would have made relatively painless. It was precisely because the union leadership was so alarmed at this possibility that it took such a dim—and unimaginative—view of those friendly liberal economists who were urging it openly to forego a wage claim in return for a cut in steel prices: it thought the companies might be only too happy to make a gesture in this direction, a gesture that public opinion would accept for the reality.

But the steel companies seemed to have new ideas of their own. New and yet old.

THE HIGH CHARGE OF THE OLD GUARD

The principal spokesman for these ideas is Roger M. Blough, a lawyer, who was elected in 1955 as board chairman of United States Steel. Blough is a smalltown boy who was a high school principal before becoming a corporation lawyer. Though he didn't come up from rags, as Steel's publicity people try to suggest, he has certainly risen to riches.

Unlike Myron Taylor and Ben Fairless before him, who were on friendly terms with the union leaders and who believed in good labor relations, Blough is aloof and hard, with a distinct sense of mission. This mission, as he sees it, is to free American industry from its bondage to the trade unions, to restore to capitalist enterprise its ineluctable prerogatives, and to disabuse Government of any notion that it ought to meddle in economic and industrial problems. This "new" line is, of course, really an old one. In fact, what Blough has done is to offer vigorous leadership to the Old Guard of American industry—the Taft-Knowland enthusiasts who think President Eisenhower is "soft" on liberalism. One of his allies in his current campaign is Charles White of Republic Steel, an old supporter of professional hate salesman and rabid antiunionist Joseph Kamp. For a long time it was assumed that an industrialist like White was a relic of an earlier period, soon to be extinct. But the rise to top executive power of corporation lawyers like Blough—men with strong, preconceived ideas, with no firsthand knowledge of the steelworkers' community and the role of the union in it—has breathed new life into the species.

To be sure, they are not having everything entirely their own way. Within the steel industry itself there are many—momentarily silenced—who think Blough is riding for a fall. Thus, Iron Age, the industry's magazine, has editorialized against his approach, warning that this kind of toughness could only result in eventual Government intervention.

The aluminum industry, whose wage policies are traditionally patterned after those of steel, has refused to join steel in its all-out fight and, in extending its present contract with the union, has agreed to make any wage increase retroactive. (A similar offer by the steel union, which might have averted the present strike, had been turned down flatly by Blough.) It is no secret that the Mellon group in Pittsburgh has many doubts about the new-old look in labor relations. General Lucius Clay of American Can, which had cut its prices on the basis of an assumption that steel was going to do likewise, is said to be more than a little annoyed.

RED-HOT IRON

Nevertheless, Blough is in charge. It is he who has set the tone for the full-page newspaper ads featuring a Russian worker with the caption "Will he take away our American steel worker's job?" (It is characteristic of Dave McDonald's leadership of the Steelworkers that the union's ads in reply almost always featured a photograph of—Dave McDonald.)

Early in the negotiations, the companies proposed the simple abolition of the cost-of-living clause in the previous contract, by which wages were protected against inflation. The union people could scarcely believe their ears. How could they possibly go back to their membership with what was in effect a wage cut, at a time when steel profits were sky-high?

In addition, the company later demanded that eight changes—affecting such things as working conditions, vacations, and supplementary benefits—be made in the contract as a precondition for any possible wage increase, no matter how small. Even the companies now admit that this was a serious tactical error. Some featherbedding doubtless exists, but it has never been considered a serious problem in the steel industry. If anything, the contrary is the case: rising productivity and the ensuing technological unemployment are a real headache for the union. Moreover, while the highly paid steelworkers do not have much heart in striking for more money, they take very seriously indeed any attempt to encroach on their hardwon privileges within the plant. A man will far more readily fight to the bitter end for his right to go to the toilet without first getting a supervisor's permission than he will for eight cents an hour. Every plant manager knows that; every shop steward knows it; it is precisely over such matters that the majority of "unofficial" strikes take place.

The net effect of all this was to convert a reluctant strike into a solid one. The steelworkers now feel that their union itself is in danger; and they are rallying behind it. The opposition to McDonald within the union (he is not the most popular of leaders) has been crushed in the stampede to close ranks.

But it is possible that Roger Blough does not see things in this light. His is a very private vision. One of the lawyer-negotiators for the industry, John Morse, has said that the companies have no plans to try to reopen the mills "unless the strikes goes on for a very long time and there is a revolt among the membership." It is exactly the sort of statement to alarm and infuriate every union leader in America. For steel is a pacesetter; and if management can actually conceive of breaking an official, industry-wide strike—which means breaking the steel union—then so can other companies. There can be little doubt that if the the steel industry tries to operate its mills during the strike, labor relations in America will take a long step back toward the tooth-and-claw pattern of an earlier period.

In the meantime, the White House is maintaining a hands-off policy, to the exasperation of Secretary of Labor Mitchell and to the bafflement of just about everyone else. It is hard to believe that President Eisenhower is genuinely intimidated by Blough's threat that if there is any settlement as a result of Government intervention he may push through a price increase regardless of the consequences. More likely, the President is sufficiently impressed by Blough's posture as the leader of a campaign against inflation to give him a relatively free rein.

And yet, for a variety of reasons, the Government may finally be forced to intervene. If the strike continues much longer, the loss to the Government in revenue—from corporate taxes, individual income taxes, and tax refunds—may be such as to produce a sizable budget deficit in 1960. Senator LYNDON JOHNSON has already asked Secretary of the Treasury Robert B. Anderson for an estimate of such revenue losses.

Next year is an election year—for the Republican Party if not for President Eisenhower. And it is impossible to imagine that the Republican leadership wants to campaign on a record of having stood idly by while the worst economic disruption of two decades broke out in the midst of a prosperous America.

Mr. CLARK. Mr. President, I have no way of knowing whether Mr. Jacobs' review of the situation is correct, but if it is correct, even in part, I suggest it is high time that the top executives of the steel corporations sat down with the leaders of the United Steel Workers of America to work out a sensible solution of this problem, instead of trying to turn the clock back and leaving their representation to lawyers who have never had the slightest personal experience in the operation of steel mills.

Mr. CLARK subsequently said: Mr. President, earlier in the morning hour I spoke briefly on the subject of the steel strike and its effect in my Commonwealth of Pennsylvania.

At this point I ask unanimous consent that two memorandums, one on the effect of the work stoppage in the steel industry, and the other on steel work stoppage halting unemployment decline, may appear in the RECORD at the conclusion of my earlier remarks.

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

The effects of the work stoppage in the steel industry on employment in Pennsylvania are being surveyed weekly by the Bureau of Employment Security and reports made to Gov. David L. Lawrence at regular intervals according to William L. Batt, Jr., secretary of labor and industry. The following is the most recent report prepared as of September 1, 1959:

Effects of the steel industry work stoppage on employment in Pennsylvania, as of Sept. 1, 1959

		Change from Aug. 25
Workers in industries covered by the Pennsylvania unemployment compensation law unemployed as an indirect effect of the work stoppage in the steel industry	35,104	+2,866
They are distributed by industry as follows:		
Nonmanufacturing industries, subtotal	23,952	+885
Mining	15,808	+236
Construction	4,672	+335
Transportation other than railroads	1,610	+107
Trade and service	1,491	+189
Public utilities	371	+18
Manufacturing industries, subtotal	11,152	+1,981
Metals and metal products	7,555	+1,499
Stone, clay and glass	2,321	+339
Lumber	256	+17
Chemicals	323	+32
Other manufacturing	697	+94
Railroad workers, most of whom are covered for unemployment compensation through the Federal railroad unemployment compensation program, are unemployed as an indirect effect of the steel work stoppage	13,697	+740
Steelworkers directly involved in the work stoppage and are not drawing Pennsylvania unemployment compensation benefits	168,200	None

The following tabulation shows the workers directly and indirectly affected by the steel work stoppage in the various Pennsylvania State employment service administrative districts:

PSES administrative district	Steelworkers directly involved	Workers indirectly affected	
		Railroad	Other
Total	168,200	13,697	35,104
7. Pittsburgh	91,800	8,122	8,423
2. Allentown	21,200	978	1,111
8. Greensburg	17,600	1,091	14,935
6. Altoona	13,300	1,111	5,481
9. Erie	8,000	199	1,689
1. Philadelphia	7,800	550	2,351
5. Harrisburg	7,300	576	495
4. Williamsport	1,200	458	284
3. Wilkes-Barre	0	602	245
10. Stroudsburg	0	10	90

The 67 counties are divided into the following Pennsylvania State employment service districts:

District No.	District office	Counties
1	Philadelphia	Philadelphia, Delaware, Bucks (southern portion).
2	Allentown	Northampton, Lehigh, Berks, Bucks (except southern portion), Montgomery, Chester.
3	Wilkes-Barre	Susquehanna, Wayne, Wyoming, Lackawanna, Luzerne (except western and southern portions).
4	Williamsport	Potter, Tioga, Bradford, Clinton, Lycoming, Sullivan, Union, Snyder, Montour, Columbia, Northumberland, Luzerne (western portion).
5	Harrisburg	Mifflin, Juniata, Perry, Dauphin, Lebanon, Cumberland, Lancaster, Franklin, Adams, York, Fulton.
6	Altoona	Elk, Cameron, Jefferson, Clearfield, Centre, Indiana, Cambria, Blair, Huntingdon, Somerset, Bedford.
7	Pittsburgh	Lawrence, Butler, Beaver, Allegheny.
8	Greensburg	Armstrong, Westmoreland, Washington, Greene, Fayette.
9	Erie	Erie, Crawford, Warren, Mercer, Venango, Forest, Clarion, McKean.
10	Stroudsburg	Pike, Monroe, Carbon, Schuylkill, Luzerne (southern portion).

Both continued and initial claims for unemployment compensation filed in Pennsylvania during the week ending August 28 decreased from the previous week's totals according to William L. Batt, Jr., secretary of labor and industry. Continued claims dropped from 166,814 for the week ending August 21 to 165,718 for the week ending August 28. This week's total includes 19,515 continued claims filed during the week by workers indirectly idled as a result of the current work stoppage in the steel industry. However, the increase in the number of such claims (1,400) over 1 week ago did not offset decreases from other sources. Fewer layoffs in construction, better work schedules in some segments of the apparel and textile industries plus claimants exhausting their benefit rights accounted for the major portion of the decline.

Initial claims (new unemployment) dropped from 22,899 to 22,570 during the week ending August 28. Batt stated that this week's total includes 2,533 initial claims filed by workers indirectly idled as a result of the work stoppage in the steel industry bringing the cumulative total of such claims to 25,366 since the start of the current work stoppage. The current decline resulted from fewer initial claims from primary and fabricated metals, bituminous mining, construction, food processing, transportation equipment, and chemicals. Partially offsetting these decreases were sizable increases from apparel, textiles, nonelectrical machinery, and anthracite mining.

During the week 150,521 unemployment compensation checks amounting to $4,205,003 were issued to regular unemployment compensation claimants.

Unemployment compensation reference table

	Week ended Aug. 28	Preceding week	Same week	
			1 year ago	2 years ago
Initial claims	22,570	22,879	31,442	20,714
Continued claims	165,718	166,814	270,731	135,075

Unemployment compensation fund data

a. Unemployment compensation fund balance as of Aug. 28, 1959 (including Federal advance on Apr. 6, 1959, of $96,440,000)	$213,975,797
b. Balance in the fund as of Aug. 29, 1958	195,151,738

STEEL WORK STOPPAGE HALTS UNEMPLOYMENT DECLINE

The 6-month decline in unemployment in Pennsylvania was halted in August as a result of the work stoppage in the steel industry, William L. Batt, Jr., secretary of labor and industry, announced today.

Estimated total unemployment increased 4,000 between mid-July and mid-August. This brought the total number of idled workers up to 385,000, or 7.7 percent of the total civilian labor force. In mid-July the rate of unemployment was 7.6 percent in Pennsylvania, in comparison with 5.2 percent for the Nation. United States figures for August are not yet available.

Although the 168,000 steelworkers directly involved in the steel work stoppage are not counted as part of the unemployed, workers laid off in allied industries as an indirect effect of the work stoppage are included. Such secondary unemployment amounted to approximately 39,000 in mid-August, and was concentrated principally in the mining, railroad, construction, and manufacturing industries. The manufacturing industries chiefly affected were those producing metals and metal products and stone, clay, and glass products.

Batt observed that the rise in unemployment between July and August was contraseasonal. In addition, he indicated that, were it not for the steel work stoppage, a further substantial seasonal decline in unemployment would have occurred.

The August unemployment total was still 92,000 above the prerecession level of 266,000 in August 1957 when 5.6 percent of the civilian labor force was unemployed. However, the current level is 121,000 below that of August of last year when, as a result of the recession, 479,000 workers were unemployed, representing 10.2 percent of the total civilian labor force.

THE NATIONAL URBAN LEAGUE: SOLVING RACIAL PROBLEMS THROUGH UNDERSTANDING

Mr. KEATING. Mr. President, as the National Urban League holds its 1959 annual conference here in Washington, it can look back with justifiable pride on nearly 50 years of efforts to solve the complex problems of race relations. In the area of "social progress," as the league terms it, this unique organization, through the wisdom, courage, and dogged determination of its leaders, has made great strides.

With remarkable patience and insight, the league has worked all across America

to promote better understanding and cooperation among all our people. Its members have most ably promoted the Urban League's slogan that "American teamwork works."

At a time when relations between the races are not what we would like them to be, and at a time when racial tensions are high in some areas, the program of the Urban League is vital and necessary. The league deserves the cooperation of all men of good will as it works toward its goal of insuring that every American is given the chance to develop and contribute his talents to the good of his community and his Nation.

Mr. President, two of the significant addresses made at the 1959 annual conference of the National Urban League have come to my attention. One was delivered by Dr. Lester A. Granger, executive director of the league and a longtime distinguished leader in its work. Another address was by Julius A. Thomas, the league's director of industrial relations. I ask unanimous consent to have both speeches printed in the RECORD.

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

ABSTRACT OF SPEECH BY DR. GRANGER

Race in American life has been repeatedly and badly mangled in its handling as an issue during the past 100 years. The wonder is not so much that a racial problem still remains today in dangerous proportions as that so much impressive progress has been made during the past half century in the face of bungling and cynical exploitation of the issue of race.

Ever since the opening of the Civil War the race problem has been used by unscrupulous elements cleverly to advance their own interests, whether they be financial or political, or merely the release of neurotic and psychotic impulses.

In this category fall the reconstruction period and Ku Klux Klan; the establishment of a color bar when the American labor movement was first organized; continued racial discrimination by rank and file labor groups even today; the notorious draft riots that swept New York City during the Civil War, and caused the symbolical lynching of Negroes; the tolerated continuance of lynching up to recent years; the iron-band imposition of racial discrimination in employment and the passage of jim-crow laws in a third of the States of the country, striking heavily at the dignity, the security and the right to self-expression of a majority of the Negro population.

Such practices and policies were carried on during the second-half of the 19th century to such a degree that the average observer would have been forgiven for relinquishing hope during the early years of the 20th century of ever seeing any appreciable dent being made in the size and shape of the American race problem.

That this is no longer true as we stand on the threshold of the Urban League's golden 50th anniversary in 1960 is due in large measure to the wisdom, courage, and determination shown by the men and women who founded our movement. For they demonstrated what was for that time a remarkable clearsighted understanding of the complexities of the American race problem.

At the same time they evidence a devoted faith in a basically simple method applied to the problem's eventual solution, namely, tying the interests of the racial minority into the overall interest of the community to the end that Americans of different races would increasingly learn to understand and trust each other, and by working together solve the problems of not only the minority but of the total community-at-large.

The fact that a problem is complicated as the race problem is complicated does not necessarily mean that efforts to solve it must be complicated to the point of tangled confusion. One of the reasons why such rapid progress in the field of racial problems has been made during the past quarter century is that a clear distinction has been made between the judicial and legislative struggle, on the one hand, and the effort to develop social progress on the other.

It is this latter effort which the league accepted as its responsibility, and which the league almost alone among American organizations has carried forward for 50 years. Not always, it is true, with clear public understanding of the special nature of the league's importance or the special accomplishments which the league has recorded over the years.

Only recently, as the legal fight has proven not to be so quickly and easily won, as was once thought possible, have colored and white Americans begun to realize that a struggle for the social, economic and political emancipation of a racial minority can no more be achieved through one method alone than a wide-ranging battle can be won solely by the sudden thrust of a regiment of tanks. A one-front battle effort can be quickly isolated, and its leadership destroyed; a one-front drive for equality of opportunity in American life would be defeated before it should be started.

Nineteen-sixty, therefore, as our golden 50th anniversary, comes during a period of near-miraculous timeliness. We are in the midst of a strong sweep of social change in every area of racial relationships.

We have an opportunity, therefore, during our year-long observance of our 50th anniversary as an interracial movement professional in our nature and democratic in our objectives, not only to evaluate our past record but also to analyze the needs revealed in current changes and to plan our next 5 to 10 years on the basis of today's new needs.

We must find a way clearly to tell our message to the American people, for once the people listen no matter what their race or political affiliation—so long as they have a belief in the democratic way of life—they must see the vital role played by the Urban League movement in American community affairs today.

For instance, tomorrow's scientists and technicians, that league-sponsored program aimed at providing Negro youth with incentives for success, becomes not merely an effort to encourage training today for tomorrow's job, but also a powerful contribution toward a stable generation of Negro youth for today and tomorrow.

Our program in housing is concerned today with problems of slum clearance, tenant relocation and urban renewal. But this includes the interim protection of tens of thousands of Negro families displaced by slum clearance. More, it means a more orderly planning today for the elimination of racial ghettoes tomorrow.

Our program of industrial relations constitutes an effort to raise the job level of 7 million Negro workers. But this means, also, raising the income level of 5 million Negro families. And all of this adds up to abolition of the race label on poverty, social disorganization, crime, and disease. It means a better America and this Americans must see.

Our interracial planning actively carried on by 3,000 white and colored American leaders throughout the country constitutes the substitution of authenticated face for irrational passion. It offers promise of solid future growth in stable racial relationships, instead of temporary amelioration of racial tension arrived at through opportunistic concessions and temporary appeasement.

When the American public, with our help, understands more widely that this is what the Urban League stands for, then that public will understand why the Urban League slogan is "American teamwork works."

STATEMENT OF JULIUS A. THOMAS, DIRECTOR OF INDUSTRIAL RELATIONS FOR THE NATIONAL URBAN LEAGUE

About 16 years ago it was my privilege to join the staff of the National Urban League. My position was designated as director of industrial relations. I must admit that I was scared half to death as I contemplated the size of the job we were endeavoring to do.

This position in the national office was comparatively new, although the Urban League had long been identified with the employment problems of Negro workers. Well do I remember the employment offices to be found in most local league offices around the country. It isn't always realized that the Urban League was the first community service agency to provide a "free employment service" such as we conducted in those early days.

As we discussed the objectives of league movement during the first few months I was in the national office, it seemed clear that our program needed something new. This was during the early days of the war. The demand for labor had all but dried up the so-called labor reserves. President Roosevelt had issued Executive Order 8802 and the flow of labor was regulated by the War Manpower Commission.

After considerable discussion with staff and board members it was generally agreed that we should endeavor to do several things that were not ordinarily done by social work agencies. Among these let me mention a few.

1. It was recognized that by and large many important industrial and business concerns knew little or nothing about the Urban League except that it was considered a "respectable group of nice people." To a certain extent this usage of Urban League was shared by a substantial segment of the labor movement. We decided, therefore, that we had to tell our story to an increasing number of management and labor leaders.

2. It was realized also that we needed to find a medium through which we could extend our areas of influence with the help of interested labor and business leadership.

Essential in the approach to a revamped industrial relations program is manpower, which I am sure you realize. We called together one or two longstanding friends and a half dozen new friends to help us crystallize our thinking. The Management Advisory Council, organized in 1945, was one of the first steps. The Trade Union Adivsory Council, formed several months later, was the second.

"In what way can an organization like the Urban League make a solid impact on employment and labor union practices?" was the question we put to these committees. The replies were varied as you might suspect but one central point was echoed again and again. It was this: You must get to know the appropriate officials in industry and labor and you must find ways of influencing their thinking as well as their behavior as it relates to our program.

This was no simple job although there was more interest in the Negro worker than we had known before World War II. One by one we approached top people in some of our industrial giants. Much to our surprise we found most of them receptive to our representations. Our management advisory committee, headed by Winthrop Rockefeller, began to recognize the soundness of our operation. Soon we were able to add other leaders of industry. Our trade union committee, led by Tom Young, began to show evidence

of vigor and we were able to expand its membership.

Much of this is well known to most of you and I will not attempt to detail the action inspired by this combination of industry, labor and Urban League teamwork. I do, however, wish to note that we incorporated other new approaches in our relationship with Government agencies. The plan of operation with the Government Employment Service was one byproduct of our many discussions with Government officials.

We also sharpened our guidance and placement program. Career conferences were proposed to colleges and high schools. The pilot placement program was successfully carried on. In these and other ways we earned an enviable place in the esteem of many persons and organizations that know of us only as "a place to get a job."

We face today a new era in Urban League industrial relations and vocational services. This new era stems from many recent developments affecting labor integration. First, I think, is the enactment of fair employment practice laws and ordinances in 18 States and 42 cities. Almost 100 million Americans live in these States and cities.

The Federal Government, through Executive and administrative orders, has taken positive action to reduce employment discrimination based on race and religion. The normal expansion in the population and the labor force—4 million more people and 800,000 more workers—have vastly increased the number and variety of jobs to be done by all American workers. And I can name other influences that have altered the context in which we work.

Against this background what should be the new role of the league's industrial relations and vocational services program? Carlton Yeldell will discuss the implications of our programing with organized labor. Bill Douthit will project our role vis-a-vis Government agencies.

Briefly, I want to talk about the things we can do more of with industrial and business management.

First, let's look at our assets:

1. We have a larger and better trained staff of professional personnel than we ever have had.

2. There is growing recognition, if not universal public understanding and approval, of what we have been endeavoring to do for the past 48 years.

3. We have supporting allies in a strong commerce and industry council and an active trade union council at the National League and comparable groups at many local leagues.

How then do we get the best average and mileage out of these resources? Again speaking primarily of our management relationship, let me venture these observations.

The corporations (29) representing the membership of our National Commerce and Industry Council employ almost 4 million workers and include almost every major industry and business field in our economy. I have often wondered what would happen if we concentrated a major part of our effort on just these 29 corporations. In addition, we can name 60 important national enterprises whose managements know us and are willing to work with us on many of our industrial relations problems and projects. Altogether we are in a position to influence the performance of nearly 100 national enterprises in the matter of Negro employment.

The next question, it seems to me, is how do we take full advantage of these relationships?

I shall not attempt to answer this question fully. I strongly urge you, however, to study carefully the speech to be heard Thursday morning when Al Watters of General Foods addresses the conference.

I do wish to point out a few things that seem to me important for further discussion.

First of all, I do not think we have organized effective followup of our national contacts in our industrial relations programing.

This is not a critical observation. The cold fact is we just do not have sufficient manpower either in the national office or in most local leagues to do the job we are all capable of doing. But a major part of our shortcomings in this regard is a result of inadequate communications—a subject we have discussed and will discuss many times during this conference.

Specifically, we in the national office have not given you a complete report on what we have done and are doing to enlist the participation of these corporations in the league's program. And, I might add, we in the national office do not get as much information from local affiliates regarding the performance of the hundreds of local units of these corporations.

An official of one of our council corporations said to me a few days ago "most of the hiring takes place where the work is being done in the local plant. After you have convinced us there still remains the job of bringing along the local plant management. We'll do our part, but we can use your help."

And this is the attitude we encounter in the majority of multiplant corporations when we discuss our program.

These remarks have extended far beyond my plan and I have just begun to give you what I believe to be the future role of the Urban League in the field of industrial relations. For example, I have not mentioned another item that always pops up when we work at this. I am referring to management procedures in corporations.

Almost every corporation has its own methods of dealing with mangement problems. So a corporation executive, once he has decided to go along with our program, proceeds to tell us how to get things done in his corporation, how not to make mistakes that will hamstring our program. These are the nuances of our job—but they are important.

Finally, let me say I believe we have come of age in the projection of our goals to a significant segment of industrial and business leadership. I hope, therefore, that this conference and the months ahead will afford an opportunity to assess our progress to date and to move forward with a full head of steam towards the realization of our goal:

To every man a chance, his God given chance to develop his talents and abilities to the highest possible level and by so doing make secure for himself, his community, and the Nation the heritage of freemen.

TRIBUTE TO THE URBAN LEAGUE

Mr. KEATING. Mr. President, this morning's Washington Post and Times Herald carries a well-merited editorial tribute to the National Urban League, which today launches its annual conference. The league which has labored so diligently, patiently and successfully in the troubled field of interracial relations, can look back with understandable pride upon its accomplishments.

I wish the league continued success in the days ahead as it carries on with its important and constructive endeavors. Mr. President, I ask unanimous consent to have printed in the RECORD the editorial from the Washington Post and Times Herald.

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

RACIAL CONCILIATOR

In 60-odd major cities around the country the National Urban League has worked patiently and resourcefully for half a century—through persuasion rather than through litigation—to promote understanding between the white and colored races, to open up economic opportunities for Negroes and to foster full Negro participation in the life of the community. Wherever it has operated, it has rendered useful and healing and constructive service. And it is a pleasure to record that this is particularly true of the Washington Urban League. We extend a warm welcome, therefore, to the 800 delegates asesmbling this morning for the league's 1959 annual conference on the theme, "Community Planning for Equal Opportunity." The beneficent and thoughtful efforts of the Urban League have never been more needed than now. We hope the conference will be a most fruitful one.

RIGHT TO VOTE FOR ELECTORS IN THE DISTRICT OF COLUMBIA

Mr. KEATING. Mr. President, the Constitutional Amendments Subcommittee of the Senate Committee on the Judiciary is scheduled to hold hearings on a joint resolution which Senators BEALL, CASE of South Dakota, and I have introduced to permit the residents of the District of Columbia to vote for electors for President and Vice President and for three delegates in the House of Representatives. The purpose of this resolution, in a word, is to extend democracy to Americans who live in the District of Columbia.

Editorials in the Washington Post and Times Herald and the Evening Star in the past several days have enthusiastically endorsed the proposed amendment to the Constitution. These editorial comments, while not surprising, are very heartening and inspiring to those of us interested in this extension of citizenship rights to the residents of the Nation's Capital. I believe these editorials will be of interest to all Members of the Senate, and I therefore ask unanimous consent that they be printed in the RECORD at this point.

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

[From the Washington Evening Star, Sept. 6, 1959]

GOLDEN OPPORTUNITY

The hearings, of necessity, must be brief. Congress is approaching the session's end. There is not much time. But we of Washington should find great satisfaction, and suddenly renewed hope, in the fact that Senate hearings on a proposal to amend the Constitution, permitting residents of this American Capital the right to vote for President, Vice President, and Representatives in Congress, have been scheduled for next Wednesday, with chances for favorable action.

The list of potential witnesses, ready and willing to testify in favor of this proposition, is a long one. We know of no issue on which there seems to be greater unanimity of opinion. The fundamental but long withheld right of American residents in this city to vote for President, Vice President, and Representatives in Congress, has won general acceptance. Witnesses could fill volumes with their arguments, to be added to those already in the archives.

But why? What more is there to be said on this subject? Otherwise qualified voters in a city of 850,000—the disqualification being residence in the American Capital—suffer the most wholesale and indefensible discrimination in the whole catalog of denied

civil rights. These citizens, these voteless Americans, can be given the right to representation in their Government by a simple amendment of the Constitution that corrects an understandable oversight when it was written. That amendment will not make the District a State. It will not impair, reduce or divide the wise and exclusive control by Congress over its seat of government.

What it does do is to permit residents of this city to vote for President and Vice President, preserving at the same time the concept of the District of Columbia as the Federal City, but permitting its citizens representation in the electoral college they would enjoy if the District was a State; and the right to send three Delegates to the House, with such powers as Congress by legislation may choose to give them.

The brevity of further hearings on that proposition would be a virtue. The need for removing a flagrant contradiction of what we stand for as a nation is self-evident. The resolution for amendment of the Constitution should find a place on the Senate Calendar and receive the favorable action of the Senate at this session.

[From the Washington Evening Star, Sept. 7, 1959]

THE VOTING AMENDMENT

Generally speaking, there have been two forms of constitutional amendment designed to permit residents of Washington to vote for President, Vice President, and Representatives in Congress.

One form is an enabling amendment, merely conferring on Congress the power to prescribe by legislation the degree of representation the District is to have in the electoral college and in Congress.

An example of the other form is the pending Senate Joint Resolution 138, on which Senator KEFAUVER has announced hearings for Wednesday. Introduced by Senator KEATING, of New York, it is a combination of amendments proposed by him, by Senator CASE of South Dakota, and Senator BEALL, of Maryland. It allows three Delegates in the House of Representatives, with such powers (voting or voteless) as Congress may define by legislation, and gives to the District the number of electors for President and Vice President to which the District would be entitled were it a State.

We have always thought the enabling form of amendment the wiser approach, for it permits changes in the degree of representation that experience and population growth might suggest. It has been argued, moreover, that what might seem adequate representation in Congress today, could very well become wholly inadequate in the future and reasonable flexibility is desirable.

But if Congress prefers to spell out the degree of representation in a constitutional amendment, surely the amendment should provide for three Delegates in Congress, with such powers as Congress may define, rather than three Delegates in the House of Representatives, thus closing the door, without further amendment, to any future representation in the Senate.

We would enthusiastically support any form of amendment that can muster the support of two-thirds of House and Senate and three-fourths of the States and permit residents of Washington to vote—for President and Vice President and Representatives in Congress. But we hope the amendment will not foreclose the prospect that the District may one day be represented in the Senate, as well as the House. Hawaii and Alaska, with a combined population less than that of the District, are now represented in the Senate by four Senators; in the House by two Representatives, whose number will increase with the population.

If by constitutional amendment the District would be entitled to three Delegates, with powers later to be defined by Congress, surely the division of these three Delegates as between House and Senate should also be left to Congress.

[From the Washington Post, Sept. 8, 1959]

THE FRANCHISE AMENDMENTS

Two of the proposed constitutional amendments that are moving toward a vote in the Senate are almost above controversy. Senator HOLLAND'S resolution, which has the approval of a Judiciary Subcommittee and of enough cosponsors to pass it by the required two-thirds majority, would outlaw poll taxes in the States. Senator KEATING'S resolution to allow residents of the District of Columbia to vote in presidential elections is less favored in the number of its sponsors, but it is so solidly based on democratic principles that any objection to it is difficult to imagine.

Originally Senator KEATING had intended to attach his proposed amendment to the anti-poll-tax measure. We think he was well advised to keep the issues separate to avoid any possible consolidation of opposition. It is highly desirable, moreover, that each proposed change in the Constitution stand on its own merits. Nevertheless, it would be good strategy to advance the two measures at the same time.

Some opposition to the abolition of the poll tax may be heard from the five States which still require such levies. But to the country as a whole taxing the ballot is as obsolete as property qualifications for voting. The country has waited long enough for the five States to bring their own laws into conformity with 20th century democracy.

As for the Keating resolution, the only conceivable argument against it is that it does not give the District full representation in Congress as well as the presidential electoral system, although it does provide for three Delegates in the House and they could be made voting Representatives if Congress should so decide. Even a limited vote for presidential electors, however, would be a long step forward from this community's total disfranchisement, and it should have no adverse effect on home rule. To both of these propositions we respond in the language that Justice Holmes once used to indicate his concurrence in a Supreme Court opinion: "Wee—Mussoo—I float in a fairy bark to the bight and serenely anchor there with you."

SENATOR COOPER FIGHTS WASTE IN OUR DEFENSE EFFORT

Mr. KEATING. Mr. President, few men in our Nation today have devoted greater study to or achieved greater understanding of the problems of our Defense Establishment than the distinguished Senator from Kentucky [Mr. COOPER]. His vast experience in a broad range of fields and his keen interest in maintaining the military might of our country in the face of the threat of international communism, have led him to make a series of proposals to revamp our defense organization.

The Senator from Kentucky [Mr. COOPER] revealed a number of his ideas recently as my guest on a television program, and his comments have drawn interesting editorial comment from all over the country. I ask unanimous consent to have printed in the RECORD an editorial on this subject from the Dallas Morning News of August 26, 1959.

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

PROBLEMS OF WASTE IN NATIONAL DEFENSE

In his book "Crusade in Europe," Dwight Eisenhower made a significant statement. He said, "All war is waste." Every attack wastes lives. Every preparation wastes money. The commander's dilemma is to decide whether the results can justify the inevitable waste.

Senator JOHN COOPER, the Kentuckian, appealing to the President personally to stop waste in the Pentagon, is both right and wrong. All preventable waste should be ended. That far he is right. But what often proves to be waste is necessary. That far he is wrong.

The only nation prepared to fight a war is the aggressor which decides whom it is going to attack and when. It can stock the latest arms for that moment. Every nation dedicated to peace but determined to prepare against war is committed to the inevitable waste in stock piling, obsolescence, research.

This is not to say that we cannot save more than we have saved. Schematically, Senator COOPER'S plans for legislation to effect defense economy have appeal. But when you come up to the practical coordination of research for such varied elements as Army, Navy, Air Force, you do not find it so simple. By the way, there is a lot of waste in the Senate, too.

YELLOWTAIL DAM

Mr. MURRAY. Mr. President, I ask unanimous consent to have printed in the RECORD immediately following these remarks an editorial entitled "May Get Action Next Year on Yellowtail Dam," which was published in the August 31 issue of the Billings Gazette.

The senior Senator from Arizona [Mr. HAYDEN] will remember the author of this editorial, Tom Stout, as a Member of the 63d and 64th Congresses from 1913 to 1917.

Drawing upon his rich experience in Government and newspaper work, Mr. Stout tells how even back in the period when he was serving in Congress, more than 40 years ago, Montana citizens were working for Yellowtail Dam. He mentions, in particular, the work of John Harris, then a resident of Hardin, who made repeated trips to Washington and once took Mr. Stout up to the site of the proposed dam. I mention this bit of history to point up the extreme delay in getting such a needed and worthwhile project underway.

Granted it takes years to draw up the plans and arouse public sentiment in favor of worthwhile resource development projects, but in this instance, almost half a century has elapsed since the time that the benefits of this site were first visualized.

Congress authorized this project 15 years ago. The Congress proposed a settlement with the Crow Indians, for right-of-way payment, which the President unfortunately vetoed. Then the Congress proposed another settlement, to which the President agreed, yet he refused to put any construction money in the budget, and opposes the project just as he opposes other needed new starts.

I remember very well the contributions toward the dam made by John Harris, about whom Mr. Stout writes. Tom Stout himself is too modest to say so, but as a Member of Congress and as a leading editor in our State he, too, has played a major role in the long fight for Yellowtail Dam.

We still have not turned over one spade of dirt as far as actual construction goes. We would have turned over that first spade of dirt several years ago had it not been for the opposition of the present administration to new starts.

I devoutly hope that, as the headline suggests, we will finally get this great project into construction next year.

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

MAY GET ACTION NEXT YEAR ON YELLOWTAIL DAM

In an address before the Senate, Monday, August 17, Senator MIKE MANSFIELD, of Montana, expressed disappointment over the failure of a Senate-House conference committee to agree upon appropriation of $3 million for making a start on the construction of Yellowtail Dam in the canyon of the Big Horn River some 40 miles southwest of Hardin in Big Horn County. The Senate Committee on Appropriations included an allocation of the funds in a measure previously approved by public work subcommittee, but when the bill went to a conference committee, the House Members of that committee declined to accept the item which was, therefore, deleted from the bill.

Replying to the statement by Senator MANSFIELD, Senator CARL HAYDEN, of the Senate Appropriations Committee, and also chairman of the subcommittee on public works, explained why it was not considered feasible to make the appropriation at the current session but did say that the funds for starting actual construction of the dam should be made available for the 1960–61 fiscal year.

The cost of this project is fixed at $100 million, but, unless this inflationary spiral is reversed, that cost may rise as time goes on. Also, the history of many of these Government dam projects shows that in all too many instances, the final cost of the undertaking greatly exceeds the estimated cost made at the time the project was authorized. This has something or other to do with the way many of the bureaus of our Federal Government transact business.

It may be assumed that most of the older residents of this section of Montana and some of the later arrivals know the history of the Yellowtail Dam project. Actually, agitation for the construction of this dam was begun not too long after the Reclamation Bureau in the Department of the Interior was established in 1902. There was much to recommend the construction of this dam. First was the advantage which would accrue from the reclamation of several thousand acres of semiarid land. Next was the fact that the site of the structure up there in the Big Horn Canyon was one of the most nearly ideal to be found anywhere in the Western States.

The construction of projects of that kind in States of the West and particularly the Great Plains area, for the irrigation of arid and semiarid lands was the chief reason for the establishment of the Reclamation Bureau under the terms of a measure introduced by Senator Newlands, of Nevada. During his second term, 1905–1911, Senator Thomas H. Carter, of Montana, did much toward establishing that bureau on a firm foundation and for obtaining money for the Lower Yellowstone, Huntley and Sun River projects in Montana.

John Harris, a resident of Hardin until he moved to Chicago in his later years, spent years trying to promote a start on Yellowtail Dam. He made repeated trips to Washington during those years and really kept alive the movement favoring the dam even when success appeared all but hopeless to most of the other backers of the plan.

Harris made some trips to the National Capital while the writer was down there and once, during a vacation period, took us up to the site of the proposed dam. It was then a rugged trip but worth the trouble.

The engineers for the Reclamation Bureau have long recognized the merits of the plan for building a dam up there and have conducted exhaustive surveys and done considerable other preliminary work, but efforts to get started on the project were stymied by an inability to reach an agreement with members of the Crow Indian Council on the damsite and the land to be inundated by the lake created by the dam construction.

While there are some differences between the Federal Government and the Indian council still to be disposed of, there is no longer any substantial hindrance to the start of construction except the lack of an appropriation of funds by the Government and, as Senator HAYDEN has promised our Montana congressional delegation, that will probably be forthcoming after the next session of Congress—at least a sum sufficient to make a good start on the project.

Yellowtail will be a multipurpose dam as are most of those now being constructed by the Federal Government. In addition to making possible the irrigation of a large area of land, it will be equipped with generators to produce a great deal of electric power and serve as an important unit of the upper Missouri River flood control system.

The hundred million or more dollars to be spent for the construction of the dam and the additional sums required to construct an irrigation system and facilities for the generation of electric energy will contribute greatly to the economic progress of this southeastern section of Montana. The progressive little city of Hardin will share with Billings many of the advantages resulting from this project. Members of the Crow Indian Tribe are already assured of a substantial sum of cash for the damsite and land which they will surrender to the Federal Government.

TRIBUTE TO DR. H. TRENDLEY DEAN

Mr. HILL. Mr. President, my colleagues in the Congress who have been interested in the great strides made by American dentistry in recent decades will be interested in knowing that the American Dental Association has announced the retirement of Dr. H. Trendley Dean from the office of secretary of the Association's Council on Dental Research.

At the time of his appointment in 1953 as the first full-time secretary of the Council on Dental Research, Dr. Dean had just completed more than 30 years of outstanding service as a dental officer in the Public Health Service. His retirement from Federal service came after 5 years as the first director of the National Institute of Dental Research.

In his long and distinguished career as an officer in the Public Health Service, scientist, and veteran of two World Wars, Dr. Dean has been the recipient of numerous honors and awards made by many national and international scientific bodies in recognition of his notable contributions in the field of dental research.

Dr. Dean's achievements in the study of fluoridated water and its effect on dental health by themselves would have assured him lasting fame as a research scientist. But of even greater significance was his application of the techniques of epidemiology to the investigation of dental diseases. It is not inconceivable that Dr. Dean's work on the fluorides has resulted in public health measures whose ultimate benefit to mankind in the reduction of dental decay may be comparable only to the effect of vaccination programs on the infectious diseases.

Before speaking further of Dr. Dean's outstanding work as an epidemiologist and public health authority on fluoridation and oral diseases, I would like to go back and review some of the earlier highlights in the life of this dedicated scientist.

Trendley Dean was born before the turn of the century in the small midwestern town of Winstanley Park, long since a part of the city of East St. Louis, Ill. His forebears were among the town's early settlers and their contributions to the history of the community are well-known to longtime residents of the area. In 1916, he received his D.D.S. from St. Louis University. The following year he entered the Dental Corps of the U.S. Army and served in France as a Captain until 1919.

Dr. Dean joined the U.S. Public Health Service 2 years later as an acting assistant dental surgeon. During the next 10 years he served in a variety of Public Health Service posts including the U.S. Marine hospitals in St. Louis, Boston, New York, and San Francisco.

In 1931, Dr. Dean was assigned to the newly renamed National Institute of Health, formerly called the Hygienic Laboratory. As the first dental officer on the scene, he was given the task of establishing a dental hygiene unit. This became the forerunner of the present day National Institute of Dental Research. Dr. Dean headed the dental research program at NIH for the next 17 years. In 1945–46 he was detailed for special duty as colonel with the Army Dental Corps in Europe. Upon the founding of the new Dental Institute by Congress in 1948, he was wisely named as its Director.

Dr. Dean began his work on the problem of fluoridation in his first year at NIH. Investigators studying the relationship between fluorides in drinking water and a dental disease known as mottled enamel had reported that certain areas in the southwestern section of our country had water supplies which contained large amounts of fluoride. They believed this accounted in some way for the high incidence of mottled enamel among the people using those water supplies.

Dr. Dean set out to discover what the relationship was, and if fluorides were responsible for the condition, how much fluoride had to be present before mottling occurred. Working closely with his associates at NIH, Dr. Dean was able to demonstrate conclusively that excessive fluoridation caused the mottling effect. Through further investigations he determined the minimum amount of fluorides necessary to cause fluorosis. In contrast to the 8 to 1 million ratio in certain fluoridated water areas, he determined the optimum level of fluoride to water concentration to be 1 part fluoride to 1 million parts water. Later, he and his associates developed efficient and economical methods for removing excess fluorides

from drinking water and adding them when advisable.

In subsequent studies Dr. Dean made his momentous discovery of the inhibitive effect of fluoridated drinking water on dental caries. This most significant observation led directly to the current widespread public health measure of controlled fluoridation.

At the beginning of 1959 about 35 million people in nearly 1,800 communities in the United States were using fluoridated water.

After more than 10 years' study by the Dental Institute, it has been demonstrated beyond a doubt that fluoridation of public water supplies can reduce tooth decay by as much as 65 percent in certain age groups. Our children, even those whose teeth had already calcified before fluoridation was begun, are the principal beneficiaries of this program.

Over the years, Dr. Dean's professional interest has by no means been limited to the study of fluoridation. During his service with the Armed Forces, he studied other oral diseases, especially trench mouth, as it related to military populations. Throughout his career he has encouraged young investigators and, due mainly to his efforts, a well-balanced scientific staff carries on broad programs of clinical, laboratory, and epidemiological studies in dental health at the National Institute of Dental Research today. Dr. Dean has been prominent in pointing out the need for combining specialized dental research with work in the basic biological sciences.

Time and again Dr. Dean has been honored for his many contributions to the dental profession. He holds the Gorgas Medal and Award of the Association of Military Surgeons the Jarvie Fellowship Medal of the Dental Society of the State of New York, the John M. Goodell Prize of the American Public Health Association. He has been cited by the Georgetown University School of Dentistry with its award of merit. He is the only dentist ever to have been accorded the honor of delivering the Holme Lecture at the London University Hospital Medical College. He is an honorary member of the Royal Society of Medicine and the Finnish Dental Society, and will become an honorary member of the American Dental Association during its centennial session in September of this year.

Dr. Dean was also the first dentist to be made a member of the American Epidemiological Society and the Washington, D.C., Academy of Sciences. He is a past president of the International Association of Dental Research and a former vice president of the Federation Dentaire Internationale.

While an officer in the Public Health Service and more recently with the American Dental Association, Dr. Dean contributed over 90 professional papers dealing for the most part with his epidemiological studies to various scientific, public health, dental, medical, and engineering journals. Time and again he has ably represented his profession at scientific and professional meetings in the United States, Europe, and Latin America.

Now, after a lifetime devoted to improving the health of his fellow men, H. Trendley Dean has retired from the public scene.

Speaking for his countless friends and associates, I extend to him warm congratulations on his richly deserved retirement after so many years spent in humanity's service. I know that as a veteran public servant and eminent man of science Dr. Dean looks forward to maintaining all the cherished associations of his past.

We, his friends and admirers, wish him well and trust he will enjoy many more fruitful years with us.

LOSS TO CITIES BY VETO OF HOUSING BILL

Mr. McGEE. Mr. President, I invite the attention of the Senate to an editorial which was published in the Denver Post of last Sunday, September 6, 1959. Since this is an editorial which comes from a paper which is not Republican but is independent in its thinking, I think the interpretation which is placed upon the President's veto of the housing bill last week is of great significance, and I therefore ask unanimous consent that the editorial from the Denver Post, entitled "Cities Lost on Ike's Housing Veto," be printed in the RECORD.

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

CITIES LOST ON IKE'S HOUSING VETO

President Eisenhower has won another veto fight, but at a great cost. This was the veto of the second housing bill (he vetoed the first one, too), which the Senate Friday failed by five votes to override.

The costs are mainly two. Whatever chance there existed this year of cooperation between the Republican administration and the Democratic Congress is now lost.

But more important, the Nation's cities have lost what was an excellent, though minimum, program in public housing, urban renewal and other urban programs.

Since housing legislation is the Federal Government's main contribution to the health of a national asset—its cities—it is easy to see how much loss of this bill will hurt. The cities will continue to subsidize a tremendous farm program but fail to share in much of a program themselves.

Congressional leaders were at their bitterest Friday after the veto, and they can hardly be blamed. While the President was in Europe patching the Atlantic Alliance, the same group of advisers who misguided him on the first housing bill did it again.

Congress had come a long way down the road to meet the President on housing policy. The second bill was a pared-down version of the first bill, which had been pared down from the bill the Senate first passed, which had been pared down from the original Democratic proposals.

The President, at a time when compromise was wise, has yet to take the first step.

How far is one side in a divided Government expected to go in meeting the views of the other? The Democratic Congress has been elected, too, just like the President, and more recently, to boot.

The use of the veto, when used indiscriminately, thwarts majority rule. In this case, it has allowed a conservative coalition of Republicans and southern Democrats to thwart the majority, no doubt with a deal for the Republicans to go easy on civil rights thrown into the bargain.

What will happen now is questionable. The Democratic leadership may swallow its pride and go back to work on still a third housing bill.

Even so, Congress is likely to let the Federal Housing Administration go hang before surrendering completely to the President, and with justification.

The next bill may go a little way more toward the President's position, but there aren't enough days left in this year for Congress to move all the way over to the White House demands.

The genius that has made progress possible in America is the finding of common ground on which to take action. If no legislation is enacted on housing this year (and therefore no progress made) the onus will be on those who refused to search for common ground.

THE FARMER AND THE OVERALL ECONOMY

Mr. SYMINGTON. Mr. President, recently the Kansas City Star published an editorial, which was fundamentally sound, entitled "The Farmer Is Still an Important Citizen."

This editorial contains a thoughtful discussion of the role of the farmer in the changing American economy. It points out the important role the farmer has played in our economic development in the past, and the important role he should play in the future.

In summation the editorial says:

In its dilemma agriculture requires the understanding of the urban population. In fact, it also demands greater understanding from farmers themselves. Agriculture is involved in vast changes—declining farm population, the increase in the size of farms and mechanization. The changes bring problems of adaption of technology, of staggering surpluses, and increased costs. The complex situation perplexes the experts.

Mr. President, I ask unanimous consent that the editorial from the Kansas City Star of Sunday, August 30, 1959, entitled "The Farmer Is Still an Important Citizen," be printed at this point in the RECORD.

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

THE FARMER IS STILL AN IMPORTANT CITIZEN

As we near the end of summer, this growing season is producing crops that approach last year's alltime record. Let's take our hats off to the farmer and take a good look at what he is doing for this country. For the moment let's deemphasize agriculture's price troubles.

The farm problem has dominated the agricultural scene for so long that it has become almost a legend. The public has become accustomed to day-by-day argument over farm programs, surpluses, subsidies, and parity. No wonder many people who are not fully familiar with the situation look upon the farmer as a man who can't run his own business and one who is always looking for a handout from the Government.

He does have his troubles, let's not deny it. But does America have any greater asset than its farmers?

Food is more important to the human race than any other product. In America, we haven't the slightest worry about where it is coming from. A great highway building program, industrial expansion, the production of luxury items, all can be undertaken with confidence in adequate manpower. Each year more and more people can be spared from the farm. This isn't true in many countries.

If our major worry were producing enough food we couldn't spare the manpower to turn out the many things that are a part of the modern American way of everyday living. Even in war, this country has not gone hungry. It has been the breadbasket for its allies.

Our farmers are producing this abundance with fewer and fewer workers. In the earliest years of the Nation, nearly all people were farmers. A man, who had the help of his family, produced enough for that family. Today's farmer produces enough for himself and 23 other persons. This point can't be overemphasized. If we are to be an industrial Nation, these other 23 people must have plenty of food and fiber. Economic progress halts whenever a nation fails to produce the necessities of life with less and less labor.

The farm surpluses troublesome to farmers and the Government, are in effect insurance. We are virtually guaranteed an abundance for months and years ahead. These surpluses bear down upon farm prices. It is ironic that the farm efficiency which produces the surpluses is so often costly to the farmer. In effect the farmer pays for the insurance against hunger in this country instead of collecting on it at the marketplace. We don't want continued surpluses that are too big to handle.

While the housewife may regard food prices high at the store, farm organization authorities point to the fact that an hour's work will buy more food today than ever before in history. Also, more and more of the cost of food is represented in the expenses of delivery, processing, retailing and built-in maid service.

No longer do you buy a live chicken and take it home to be killed and cleaned. In fact, more and more foods are fully prepared for cooking or even serving on the table. These services all add to the food bill.

Farmers resent charges that their prices account for the high cost of living. The reverse is true. In the cost of living index food prices have either held stable or dropped. If food had been going up, like everything else, obviously the cost of living today would be much higher than it is.

Last year Americans spent $57.7 billion for food. The farmers who grew it received about 36 percent of that amount.

So much has been said about farm subsidies that the average person may well believe that farmers alone have benefited from Government largess. Here again farm organizations, some of which are clearly unsatisfied with current farm programs, point out that farm subsidies are only a part of the benefits handed out through Government channels to American business. The tariff, they suggest, is the greatest subsidy ever granted business and labor. Its costs are hidden as the public pays through prices at the market rather than in taxes as in the case with farm subsidies.

Subsidies helped build the railroads, ships, and airlines. Government payment of postal deficits subsidizes mail costs of magazines and other publications. Government contracts assure profits to manufacturers of war materials. In fact, an extremely impressive list of subsidies can be developed by those who wish to make the point that farmers are not alone in getting financial assistance from Uncle Sam.

Of course, the fact that someone else has or is receiving a subsidy does not automatically indicate that farmers, also, should be put into a Government program. Neither does the amazing job of producing food necessarily suggest that they should have Government aid. The Nation faces a practical problem of finding a workable plan. The farmers are dissatisfied with their present lot, despite 30 years of Government programs. This fact indicates that subsidies do not automatically solve their problems.

Too many people are ready to suggest adoption of any kind of a government price support program on the theory that others are getting theirs, too. Conceivably, if farmers were better off without any programs, it would be logical to eliminate the programs. We don't think this is going to be done, but the theory holds just the same.

Agriculture is tremendously important to the economy of the Nation. Kansas City always has realized this fact. It was given a forceful demonstration in the spring of 1958 when improving conditions on the farm sparked a strong pickup in business.

Agriculture is a dynamic industry despite its price troubles. Since 1940 total farm output has increased 40 percent. During the same period the number of farmers or farmworkers has dropped faster than at any time in history. Today's farmer produces as much in an hour as he did in 2 hours in 1940. Nonfarm labor and manufacturing productivity, on the other hand, have increased slightly less than 50 percent in the same period.

Recently C. Peairs Wilson, director of the School of Agriculture at Kansas State University, compiled data to show the status of agriculture in the American economy. He found among other things:

Agriculture is the biggest buyer, seller and borrower in the United States.

The inventory of farm machinery alone is greater than the assets of the American steel industry and five times that of the automobile industry.

Agriculture uses 6½ million tons of finished steel a year—more than is used in a year's output of passenger cars. It consumes 17½ billion gallons of crude petroleum—more than is used by any other industry—and 285 million pounds of raw rubber—enough to make tires for 6 million motorcars. Agriculture takes 22 billion kilowatt hours of electrical power—more than enough to serve Chicago, Detroit, Baltimore, and Houston for a year.

Each year farmers purchase farm supplies worth about $16 billion.

The agricultural plant each year increases its use of capital, of science and technology, of management and research.

There are twice as many jobs in industries that serve farmers as in farming.

The U.S. population is increasing rapidly. Right now it is about 177 million. A conservative estimate used by Government authorities is that the population will grow from the present 177 million to 230 million by 1975. This means total farm production must be increased another 35 to 45 percent by that time. No one doubts that it will be done. Presumably there will come a day in the distant future when the country, along with all others, may face food shortages. But this generation in America has no fears.

What does this summation of the farm situation suggest?

First, we should not discount the importance of farming to the Nation just because we have no worries about food or because farmers presumably are always caught in price troubles. Per capita income on farms is about half the income of nonfarm employment. This is disparity. A way to change it must be found.

In its dilemma agriculture requires the understanding of the urban population. In fact, it also demands greater understanding from farmers themselves. Agriculture is involved in vast changes—declining farm population, the increase in the size of farms and mechanization. The changes bring problems of adaption of technology, of staggering surpluses and increased costs. The complex situation perplexes the experts.

Because of their strength, industry and labor unions have been able to a large degree to take care of themselves. Farmers, as individuals, have turned to the Government in the hope of getting a better share of national income. Years of dissatisfaction suggest that the Government programs to date have not been successful. More changes are in order.

Let's not count the farmer out. He's a mighty important fellow to have around.

THE KHRUSHCHEV VISIT

Mr. SYMINGTON. Mr. President, a thought-provoking article "The Khrushchev Visit: Dangers and Hopes," by Dr. Henry Kissinger, associate director of the center for international studies at Harvard University, was published Sunday in the New York Times magazine.

This article about the planned visit points out that issues are far more important than personalities.

Included in the issues which must be resolved with the Communists are: First, suppression of freedom in Europe; second, refusal to accept control of arms; third, continued pressure on peripheral areas, including Laos; and, fourth, the current unprovoked threat on Berlin.

The article points out what we all realize, but do not like to talk much about, namely, the fact that Khrushchev has already obtained more than he asked for, a summit meeting at the top—plus what is even more important to him, a meeting without our allies present.

The article points up the West now hangs on Mr. Khrushchev's erratic announcements, with ourselves and our allies split as to what should be done.

We have now seated East Germany at Geneva.

We are in a paradoxical military position. Our strength lies largely in the hydrogen weapons of our strategic striking forces, but few people believe we would unleash those bombs over the Berlin issue.

Nevertheless, our conventional forces have been reduced to where they are an insufficient deterrent against the Communists.

At the time we said we would not give an inch, we were continuing to reduce our military forces. A realist like Khrushchev could only be encouraged by such action.

A sentence in this article every citizen could well read says:

> We may be deflected from the long-overdue reexamination of our policies, both diplomatic and military, if the impression is created that the fact of a conference is more important than the substance of what it achieves.

Regardless of any planned trips, every informed person is now asking, What will these visits do to NATO?

The article presents the issue squarely when it continues:

> We have never had too much difficulty obtaining Soviet agreement in principle. The frustration has arisen because principle has proved impossible to translate into action. Free elections, control of arms, German unification, are slogans to which the Soviet Union agreed and which nevertheless mark the disappointment of our hopes for a peaceful world.

Mr. Kissinger says:

> At the very least, the Khrushchev visit will have gained time, and that in the nuclear age is a precious commodity.
>
> But time is neutral. It is an ally only of those with the energy and conviction to use it properly.

But time can be more than neutral. It can be negative because time, once lost, can never be regained.

I agree with this article when it says:

If we employ it [time] to change the attitudes which produced this crisis, the exchange of visits may mark a turning point in postwar history. If we use it to justify the continuation of our present course we shall have purchased a lull that will make disaster inevitable.

What informed person would want to argue with the next-to-last paragraph of the article:

We must admit to ourselves that we are in grave danger. We have to strengthen allied unity. The West has to develop more conviction about its programs than it mustered at the Geneva foreign ministers' meeting. We must remedy the military weakness that invites constant Soviet pressure. It simply does not make sense for NATO, comprising twice the manpower and three times the industrial resources of the U.S.S.R., to assert that it is unable to afford what is so plainly required for its survival.

And most important, who would disagree with its last sentences:

A policy concerned primarily with equilibrium and normalcy is not equal to the challenge of a revolutionary period. Deeper values are at stake than the ability to produce consumer goods. Our task, as that of every generation, is to make our belief in freedom and human dignity relevant to our times. To do this, it is necessary that we end the obsession with Soviet intentions and seek to become clear about our own.

Mr. President, I ask unanimous consent that Mr. Kissinger's article be printed at this point in the RECORD.

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

THE KHRUSHCHEV VISIT: DANGERS AND HOPES

(By Henry A. Kissinger)

(An observer warns of the hazards in the Soviet Premier's talks with the President, and suggests a course for the West to take to turn them to its own advantage.)

In 9 days Premier Khrushchev is to arrive in the United States. His every gesture will be watched for significance; his every smile will be reported as a harbinger of a happier world; his every affirmation of the desirability of peace will be taken as a sign that Soviet policy has entered a new phase.

In these circumstances it seems almost ungracious to express a word of caution. But it is dangerous for democracies to act as if all issues could be reduced to personalities. The cold war is not the result of a misunderstanding between our leaders and those of the Soviet Union. It is the product of a conscious Soviet policy which includes the suppression of freedom in Eastern Europe (it is less than 15 months since the execution of Imre Nagy of Hungary); the Soviet refusal to accept schemes for the control of arms; Communist pressure on all peripheral areas, of which Laos is only the most recent example; the unprovoked threat on Berlin. A solution of the cold war can be found only in relation to these issues.

The exchange of visits will assist the cause of peace only if it provides a basis for dealing with these problems. It will be beneficial to the extent that it gives the Soviet leader an incentive to reverse a course which has repeatedly brought the world to the brink of war. Yet the circumstances in which the visits will take place do not inspire optimism in this respect. If Mr. Khrushchev compares his position now with what it was last November, when he first threatened Berlin, he may well conclude that bellicosity has its rewards. As a result of his pressure on Berlin, accompanied by threats of missile and nuclear attacks, Mr. Khrushchev has already gained the following points:

(1) A meeting at the top without withdrawing the threat to Berlin. Whatever the desirability of a visit by Mr. Khrushchev to the United States in the abstract, under present conditions it is a Soviet tactical victory. From the start of the Berlin crisis, we insisted that we would not go to a summit conference under duress, that there had to be some "progress" at a lower level before the heads of state convened. Throughout, Mr. Khrushchev has mentioned that the foreign ministers could settle nothing and that the "heavyweights" should talk. The threat to Berlin has not been withdrawn; the Geneva foreign ministers' meeting was a complete failure. Yet Mr. Khrushchev has done better than achieve a four-power conference. He has been invited to meetings with the President from which our allies are excluded.

(2) A demonstration of the lack of purpose in the West. The immediate reaction to the Soviet threat to Berlin was a public debate on what concessions might be made and public accusations of bad faith and irresolution among the Allies. Three weeks before the foreign ministers' conference there was still no agreed Western position, and the tentativeness with which the Western plan was presented revealed that the West lacks a clear conception of the purposes for which it might strive.

Rather than concentrating on restoring its unity or developing its own program, the West has been obsessed with determining Soviet intentions. Delegations of political leaders from most countries of the Atlantic community and from almost every political party have descended on the Communist capital. Moscow has become the focus of diplomatic activity. The West has hung on Mr. Khrushchev's erratic pronouncements as if it could do nothing save in reaction to Soviet moves. The Eisenhower-Khrushchev meetings are the culmination of a trend which has seen the Western alliance dangerously close to being split, with each ally essaying his own diplomatic approach.

(3) A hardening of the dividing lines in Germany. The attempt by Germany to pursue an isolated policy in the center of the Continent has produced disaster for Europe twice within a generation. One of the important goals of our policy must therefore be to retain Germany as a willing member of the Western community. If Germany should feel forsaken by its allies, it may seek to realize its aims by separate dealings with the East. And among these aims, unification will always occupy a key role. Thus for us a great deal depends on demonstrating that only Soviet intransigency keeps Germany divided. Any other course will in time produce what we should fear most: a dissatisfied, militant power in Central Europe.

When an East German delegation was seated at Geneva, a major step was taken not only toward the perpetuation of the division of Germany but toward our acceptance of the East German puppet regime. This was underscored by the lack of conviction with which the Western plan for German unification was presented and the haste with which it was pigeonholed at the first sign of opposition. After the first week in Geneva, the foreign ministers dealt with only one problem: the transformation of our position in Berlin, for which the quid pro quo was to be the withdrawal of a Soviet threat. We were asked to give up our rights while the Soviets would give up a menace. By accepting what amounted to a proposal that we solve problems the Soviet Union had created, we were placed in the demoralizing position of letting our well-established rights be called in question with no better argument than that they had become abnormal.

(4) The demonstration of a basic weakness in Western military policy. In our belief that deterrence is best achieved through the threat of maximum destructiveness, we have placed our principal reliance on nuclear weapons and strategic bombing. We were thus caught in the dilemma of deciding whether Berlin is worth the tens of millions of casualties of an all-out nuclear war. And it does not matter how determined we really are: if the Soviet leaders doubt our resolution they may provoke the crisis we are striving to avoid.

President Eisenhower is reported to have expressed puzzlement that our repeated warnings that we would fight for Berlin have apparently failed to impress Mr. Khrushchev greatly. The reason is not hard to find: our threat to resort to our only strategy has lost its credibility, not because our leaders are irresolute but because the threat of all-out war has become inherently implausible.

Moreover, once Soviet pressure had begun, few of our actions were calculated to reinforce our words. We did nothing to remedy the weakness of NATO's ground forces; on the contrary, we reduced both our Army and the Marines. We kept stressing the priority of long-range balance over readiness as if we did not face an immediate crisis. These actions may have encouraged a Soviet belief that our show of determination was bluff, that in our quest for relief from the burdens of military expenditures we might be induced to give up our other interests.

When we assess the exchange of visits between the President and Premier Khrushchev in this context, the potential dangers of the meetings emerge clearly. In my opinion, they are:

(1) The risk of euphoria. Some of our allies seem to feel that anyone who warns against overoptimism seeks to avoid a settlement. This is not true; no one can be opposed to a genuine end of the cold war. But we must guard against succumbing to the illusion of relaxation while the causes of the cold war remain unsolved and new crises build up in an atmosphere of blandness and normalcy. And there is a grave danger that the American people will be lulled into complacency by abstract protestations of good will; that we will confuse personal affability with a change of attitude. We may be deflected from the long-overdue reexamination of our policies, both diplomatic and military, if the impression is created that the fact of a conference is more important than the substance of what it achieves.

(2) Weakening allied ties. One of the characteristics of the postwar period has been the decline in power and influence of Europe. But one of the paradoxical results of Europe's new status has been a tendency to exaggerate its weakness. As a result, Europe has not fulfilled all her potentialities for political initiative.

It is important that the conferences between the President and Mr. Khrushchev do nothing to increase this sense of impotence. Our European allies must not be given the impression that matters affecting their most vital interests can be negotiated without their participation. No one who has read the President's remarks in the course of his European trip could suspect that Mr. Eisenhower would betray our allies. But separate conversations could underscore the junior position of our partners and be a blow to their self-respect.

We must take care that we do not reduce any future summit meeting to ratifying decisions taken by the United States and the U.S.S.R. Mr. Khrushchev has already sought to exploit this possibility. He has stated that after his meeting with the President there might be a conference including our European allies plus Poland, Czechoslovakia,

and Hungary. We must guard against having our allies reduced to the status of the East European satellites.

President de Gaulle's reported plan to visit Moscow, following the Macmillan trip to Russia and the Eisenhower-Khrushchev exchange, indicates that a situation could come about in which allied unity—in the diplomatic field, at least—would be little more than a formal pose. If the principle of separate dealings becomes established, we may well be the victims of the next phase of Soviet policy, when an attempt may be made to appeal to our allies against us.

(3) The demoralization of the free world. It is a Soviet goal to reduce contemporary issues to a clash of personalities in an effort to make us forget that the cold war has been caused by specific Soviet aggressive actions and that it can be ended only in relation to these issues. The more the Soviets can give the impression that crises stem from individuals (Adenauer's rigidity, Truman's failure to follow Roosevelt's policies, etc.), the more uncertain the free world will become, for in any Soviet-provoked crisis the West will be tempted to blame its own leaders or to search desperately for a new approach that will somehow end all tensions. Mr. Khrushchev may indeed make the ultimate decisions in the Soviet Union—as many advocates of conversations at the top maintain. It is nonetheless dangerous for democracies to permit a dictatorship to impose its manner of conducting affairs on them too completely.

Now that the invitation to Mr. Khrushchev has been issued, we must consider how the exchange of visits can be made to bring the best results.

It is likely that Mr. Khrushchev suffers from severe misconceptions about the nature of American society. Although it is not easy to imagine what the Soviet leader is likely to see in a cross-country trip of 6 days to change the attitudes of a lifetime, he should learn of the unity of the American people. Unless Soviet doctrine blinds him completely, he may come to understand, if he ever doubted it, that America has no aggressive designs, that it is unthinkable for the United States ever to initiate hostilities. At the same time, he may realize that the American people will be as one in resisting any attempt to achieve world domination. He could gain an appreciation of our strength and our productive capacity.

Mr. Khrushchev cannot fail to notice the sincerity of the President when Mr. Eisenhower says, as he has repeatedly, that in a nuclear war both sides must lose, but that, if the Soviet Union is prepared to seek security through negotiations and to forego the quest for empire, it will find us conciliatory and imaginative. And the conversations between Mr. Eisenhower and Mr. Khrushchev will demonstrate our desire for peace to the rest of the world.

Nevertheless, we face a delicate task in the forthcoming meetings. If we negotiate about specific settlements we may disrupt the Western alliance by giving our allies the impression that major decisions are being taken in their absence. On the other hand, if we confine ourselves to generalities we may confuse our people. In that case it will never be clear what was decided upon. Misinterpretation or misunderstanding will be encouraged. We shall not be able to convey even to the Soviet leaders our understanding of the causes of current tensions and the means to overcome them.

We have never had too much difficulty obtaining Soviet agreement in principle. The frustration has arisen because principle has proved impossible to translate into action. Free elections, control of arms, German unification are slogans to which the Soviet Union agreed and which nevertheless mark the disappointment of our hopes for a peaceful world.

It therefore seems important that we tell Mr. Khrushchev frankly of the perils of his present course, that we put before him as concretely as possible what we consider to be a stable world and invite him to detailed negotiations later on in which our allies will participate. If nothing is achieved by the visit but an agreement to end the methods which made a travesty of the Geneva foreign ministers' meeting and to negotiate seriously, a great deal will have been gained.

Yet we shall not succeed in this effort unless we develop a much clearer conception of our purpose in the world. If we are unable to define positive goals we shall continue to oscillate between an excessive reliance on personalities and a frantic search for tactical expedients, confusing flexibility with bargaining technique.

We cannot carry out President Eisenhower's determination to explore every avenue that might lead to peace unless we are clear about what we understand by the elements of a peaceful world. A dispatch from Washington by James Reston in the New York Times of August 12 indicates our difficulties: "Now that President Eisenhower has agreed to talk to Premier Nikita S. Khrushchev, the hunt is on here for specific proposals to talk about."

Our people must be told of the perils we face and the task before us. They must understand that the cold war cannot be ended by a smile; that it requires specific adjustments expressed in a concrete program. An improvement in the atmosphere is a useful first step, but it will prove as ephemeral as the "spirit of Geneva" if we use it as an excuse to relax our effort.

At the very least, the Khrushchev visit will have gained time, and that in the nuclear age is a precious commodity. But time is neutral. It is an ally only of those with the energy and conviction to use it properly. If we employ it to change the attitudes which produced this crisis, the exchange of visits may mark a turning point in postwar history. If we use it to justify the continuation of our present course we shall have purchased a lull that will make disaster inevitable.

We must admit to ourselves that we are in grave danger. We have to strengthen allied unity. The West has to develop more conviction about its programs than it mustered at the Geneva foreign ministers' meeting. We must remedy the military weakness that invites constant Soviet pressure. It simply does not make sense for NATO, comprising twice the manpower and three times the industrial resources of the U.S.S.R., to assert that it is unable to afford what is so plainly required for its survival.

The ultimate problem far transcends that of communism. Indeed we will be able to deal with communism effectively only to the degree that we act constructively with respect to tasks much more directly in our control, such as increasing the cohesion and growth of the Western World and fostering the development of the emergent nations. Here many opportunities await only our dedication and imagination. A policy concerned primarily with equilibrium and normalcy is not equal to the challenge of a revolutionary period. Deeper values are at stake than the ability to produce consumer goods. Our task, as that of every generation, is to make our belief in freedom and human dignity relevant to our times. To do this, it is necessary that we end the obsession with Soviet intentions, and seek to become clear about our own.

HOUSING VETO HURTS OREGON

Mr. NEUBERGER. Mr. President, a recent editorial in the Washington Post and Times Herald succinctly summarized the views of many regarding President Eisenhower's veto of the second housing bill passed by Congress this session. The Post stated:

> The President's successful veto of the omnibus housing bill can be seen as a triumph of sterile doctrine over a serious public need.

Mr. President, as the Post editorial points out:

> Because of the need, and because of the noncontroversial features of the vetoed bill, one last effort must be made to pass some form of legislation. Supporters of Federal housing programs can be given some wry pessimism, however, about an administration that seems to keep the nurse buried under a mattress while the front door sags on its hinges.

During the last few days I have received several messages from Oregon commenting on the consequences of the President's action.

Dr. Harry Dillin, president of Linfield College, wired me that his school has started building a dormitory and cafeteria. Without a housing bill to aid financing, construction will likely be halted.

A. L. Bell, president of the Salem Home Builders Association, has informed me of the concern of his organization regarding housing legislation and urging legislation this year.

C. Henry Bacon, Jr., president of the Douglas Fir Plywood Association, telegraphed me that "the effect of a slowdown in home construction will be serious for every plywood manufacturer and employee because of our great dependence on home building."

The administration, by its continual advocacy of a tight money policy and refusal to support even minimal Federal housing programs, is retarding efforts to insure that all Americans have a decent dwelling place and creating a serious threat to the economic health of those lumber-producing States who rely on residential construction markets.

Mr. President, I ask unanimous consent that there appear at the conclusion of my remarks the entire editorial, "Housing Holocaust," from the September 5, 1959, issue of the Washington Post and Times Herald; the text of the three telegrams to which I referred; and my statement submitted to the Senate Housing Subcommittee earlier this year in behalf of an adequate Federal housing program.

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

[From the Washington Post, Sept. 5, 1959]

HOUSING HOLOCAUST

The President's successful veto of the omnibus housing bill can be seen as a triumph of sterile doctrine over a serious public need. That the bill was imperfect was clear even to the Senators who sought vainly to override the veto. But after Mr. Eisenhower vetoed a more costly housing bill last July, an effort was made to frame legislation which would be more acceptable to the administration. Yet an all-or-nothing mood seemed to prevail in the White House (and the Bureau of the Budget), and the specter of spending was invoked again in rejecting the pared-down, $1.05 billion measure. Mr. Eisenhower felt the legislation went too far, and he supported his case in part by overstating the bill's cost.

What makes the President's action so regrettable is that it may well rule out any housing legislation before adjournment—despite his professed hopes to the contrary. The urban renewal program is touching the bottom of its funds and the Federal Housing Administration has already run out of mortgage insurance authority, and lack of legislation may mean the death of this noncontroversial program. Perhaps in assembling an omnibus measure the Senate was ill-advised to tack on an unrelated college-classroom loan program—but surely a single termite on a rafter does not require the razing of a barn.

Fiscal, rather than policy questions, were stressed most in the President's veto message. Assuredly the administration faces pressing budgetary problems, although the President's successful (and proper) veto of the public works bill should reduce them. But in terms of priority, how many items rank higher than the need to help restore blight-infected cities to greater health? The veto message came the same week that slum-bred gang wars became a central concern in New York. Because of the need, and because of the noncontroversial features of the vetoed bill, one last effort must be made to pass some form of legislation. Supporters of Federal housing programs can be forgiven some wry pessimism, however, about an administration that seems to keep the purse buried under a mattress while the front door sags on its hinges.

McMINNVILLE, OREG., *September 5, 1959.*
Senator RICHARD NEUBERGER,
Washington, D.C.:

Last week Linfield started building dormitory and cafeteria hoping housing bill would be approved or veto overrider. Because of tight money and no housing loan our board meets next week for decision to stop construction. Is there likelihood of some housing bill for colleges in this session.

HARRY DILLIN,
President, Linfield College.

PORTLAND, OREG., *September 6, 1959.*
Hon. RICHARD NEUBERGER,
Senate Office Building:

Acceptable housing bill of utmost importance to Oregon. National Home Week good time to break.

A. L. BELL,
President,
Salem Home Builders Association.

TACOMA, WASH., *September 5, 1959.*
Hon. RICHARD NEUBERGER,
U.S. Senate, Washington, D.C.:

Regret to learn housing bill has been vetoed. On behalf of the 40,000 employees and 123 manufacturers in the fir plywood industry on the west coast, our industry has asked me to urge you to bend every effort to pass a housing bill before adjournment. The effect of a slowdown in home construction will be serious for every plywood manufacturer and employee because of our great dependence on home building.

C. HENRY BACON, Jr.,
President,
Douglas Fir Plywood Association.

[From hearings before the Committee on Banking and Currency on Housing Act of 1959, Jan. 22, 23, 26, 27, and 28, 1959]

STATEMENT OF RICHARD L. NEUBERGER, A U.S. SENATOR FROM THE STATE OF OREGON

Our Federal Government has a clear duty to insure that all Americans are able to secure adequate housing. Despite vigorous efforts by many in Congress, this responsibility has not been effectively discharged in the last half decade.

An estimated 13 million substandard dwelling units exist in the United States today. Net household formation and destruction of old residential structures creates a demand for approximately 1.4 million net units each year. If the Nation's present slums are to be eliminated and current housing needs met, at least 2 million homes a year must be constructed for a period of at least 20 years. We have come no closer to this goal than 1.3 million during the last 6 years.

Government's failure to meet its obligation has been both unintentional and deliberate. Some have failed to realize the magnitude of the problem. Others argued that the workings of the economy would solve the shortage. Still others seemed to hope that the situation would just go away. But the need remains—large, uncorrected, and omnipresent.

Housing demand, as opposed to need, depends on a variety of factors; individual economic well-being, new family formation, migration of population, obsolescence, vacancy rates, and ease of financing. The first and last elements are of critical importance. Unlike the others, they can—and should—be directly influenced by Government action.

Both factors are of concern to this subcommittee. Housing not only provides shelter; it also provides jobs.

Gross national product is approaching an annual rate of $450 billion—the highest in history. Yet, 4 million persons—6 percent of the labor force—are unemployed. This problem of poverty amongst plenty spurred passage of the depressed areas bill in 1958. It dictates consideration of the stimulatory effects of housing legislation.

In 1955, the value of private nonfarm residential construction in the United States amounted to $18.7 billion. In 1956, the figure was $17.6 billion and in 1957 value totaled $16.6 billion. (Preliminary statistics for 1958 indicate an increase in value, in part a reflection of the rising price level.)

These statistics reveal two pertinent facts: Residential construction represents a significant segment of national income and this sector of the economy has exhibited a continuous downward trend over the last 3 years for which accurate calculations are available.

Lumber and wood products manufacturing is a major supporting industry in the field of residential construction. In 1956, over 80 percent of nonfarm one-family houses, for which building permits were issued or work started, were frame dwellings. Twenty-four percent were wood-faced.

The manufacture of lumber and wood products is the largest manufacturing employment factor in the State of Oregon. Over 75,000 persons are employed within this classification by some 3,859 establishments, 164 of which employ 100 persons or more. (This total constitutes more than 10 percent of total national employment in this category.) Approximately 56 percent of all persons employed by manufacturing firms in Oregon are engaged in the production of lumber and wood products. Dollar value added by manufacture in 1956 was $573,672,000.

Oregon produces nearly one-fourth of the Nation's boards and planks. About three-fourths of this supply is utilized in residential construction. If residential construction is down, the lumber industry is down. This is axiomatic.

In 1958 lumber production nationally hit the lowest level in 13 years, despite an upturn in the final part of the year. Output was estimated at 32 billion board feet—3.3 percent less than in 1957. The last year production dipped below the 1958 level was in 1945. Consumption last year was estimated at about 36.1 billion feet, a figure near the 1957 amount but considerably below the levels of the preceding 7 years.

A major factor in this poor lumber market year was housing. In February 1958 the private seasonally adjusted annual rate for housing starts dropped to 915,000. An upsurge in the second half of the year resulted in a total of 1,130,600 starts for the year and private seasonally adjusted annual rate of 1,430,000 in December. Whether this pace will continue in 1959 remains doubtful. As the New York Times year-end report on the lumber industry stated:

"Lumbermen were hopeful of some improvement in lumber markets this year after 3 years of decline * * * These hopes were conditioned by fear that limits on credit might hamper homebuilding, one of lumber's principal outlets. Credit has been tightened in recent months and probably will have some effect on housing in the early part of this year."

The fear of lumbermen is well founded. Monetary manipulation of credit policy has drastically affected residential construction in the past. Examination of effective interest rates and monthly seasonally adjusted private housing starts over the past 6 years reveals a remarkably consistent inverse relationship.

Administration attempts to restrain expansionary tendencies in the spring of 1953 caused a marked rise in interest rates in the early part of that year. A decline in housing starts followed. The recession of 1953–54 saw an easing of credit restriction. Housing starts began a steady climb, reaching a high in late 1954. Recession recovery began in the third quarter of 1954 and the administration initiated a policy of restraint. Shortly thereafter housing starts began a long downward trend which continued until the second quarter of 1958. Although in the fall of 1957 there were numerous signs that pointed to a decline in economic activity, the administration failed to reverse its tight money policy until late in November.

Despite difficulty of computing time lags and assessing other pertinent factors, there is no doubt of the causal relationship between the cost of mortgage money and new residential construction.

INTEREST RATES ON E AND H SAVINGS BONDS

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Is there further morning business? If not, morning business is closed.

The Chair lays before the Senate the unfinished business, which is H.R. 9035.

The Senate resumed the consideration of the bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

Mr. ANDERSON. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc and that the bill, as amended, be treated as original text for purpose of further amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The committee amendments, agreed to en bloc, are as follows:

On page 3, line 17, after the word "for", to strike out "another nontransferable obligation of the United States" and insert "a series H United States savings bond"; on page 4, line 1, after the word "which", to strike out "the obligation" and insert "such obligation of the United States or such series H bond, as the case may be"; at the beginning of line 4, to insert "of such obliga-

tion of the United States or of such series H bond"; on page 6, in the heading, line 13, to strike out "Obligations" and insert "Savings Bonds"; after line 17, to strike out:

"SEC. 1037. Certain exchanges of United States obligations.

"(a) GENERAL RULE. When so provided by regulations promulgated by the Secretary in connection with the issue of obligations of the United States, no gain or loss shall be recognized on the surrender to the United States of obligations of the United States issued under the Second Liberty Bond Act in exchange solely for other obligations issued under such Act.

"(b) APPLICATIONS OF SECTION 1232.

"(1) EXCHANGES INVOLVING OBLIGATIONS ISSUED AT A DISCOUNT.—In any case in which gain has been realized but not recognized because of the provisions of subsection (a) (or so much of section 1031(b) as relates to subsection (a) of this section), to the extent such gain is later recognized by reason of a disposition or redemption of an obligation received in an exchange subject to such provisions, the first sentence of section 1232(a)(2)(A) shall apply to such gain as though the obligation disposed of or redeemed were the obligation surrendered to the Government in the exchange rather than the obligation actually disposed of or redeemed. For purposes of this paragraph and section 1232, if the obligation surrendered in the exchange is a nontransferable obligation described in subsection (a) or (c) of section 454—

"(A) the aggregate amount considered, with respect to the obligation surrendered, as gain from the sale or exchange of property which is not a capital asset shall not exceed the difference between the issue price and the stated redemption price which applies at the time of the exchange, and

"(B) the issue price of the obligation received in the exchange shall be considered to be the stated redemption price of the obligation surrendered in the exchange, increased by the amount of other consideration (if any) paid to the United States as a part of the exchange.

"(2) EXCHANGES OF TRANSFERABLE OBLIGATIONS ISSUED AT NOT LESS THAN PAR.—In any case which subsection (a) (or so much of section 1031 (b) or (c) as relates to subsection (a) of this section) has applied to the exchange of a transferable obligation which was issued at not less than par for another transferable obligation, the issue price of the obligation received from the Government in the exchange shall be considered for purposes of applying section 1232 to be the same as the issue price of the obligation surrendered to the Government in the exchange, increased by the amount of other consideration (if any) paid to the United States as a part of the exchange.

"(c) CROSS REFERENCES.—

"(1) For rules relating to the recognition of gain or loss in a case where subsection (a) would apply except for the fact that the exchange was not made solely for other obligations of the United States, see subsections (b) and (c) of section 1031.

"(2) For rules relating to the basis of obligations of the United States acquired in an exchange for other obligations described in subsection (a), see subsection (d) of section 1031."

And, in lieu thereof, to insert:

"SEC. 1037. CERTAIN EXCHANGES OF UNITED STATES SAVINGS BONDS.

"(a) GENERAL RULE.—When so provided by regulations promulgated by the Secretary under section 22 of the Second Liberty Bond Act, no gain or loss shall be recognized on the surrender to the United States of series E United States savings bonds in exchange solely for series H United States savings bonds.

"(b) APPLICATION OF SECTION 1232.—In any case in which gain has been realized but not recognized because of the provisions of subsection (a) (or so much of section 1031(b) as relates to subsection (a) of this section), to the extent such gain is later recognized by reason of a disposition or redemption of a series H bond received in an exchange subject to such provisions, the first sentence of section 1232(a)(2)(A) shall apply to such gain as though the series H bond disposed of or redeemed were the series E bond surrendered to the Government in the exchange rather than the series H bond actually disposed of or redeemed. for purposes of this subsection and section 1232—

"(1) the aggregate amount considered, with respect to the series E bond surrendered, as gain from the sale or exchange of property which is not a capital asset shall not exceed the difference between the issue price and the stated redemption price which applies at the time of the exchange, and

"(2) the issue price of the series H bond received in the exchange shall be considered to be the stated redemption price of the series E bond surrendered in the exchange, increased by the amount of other consideration (if any) paid to the United States as a part of the exchange.

"(c) CROSS REFERENCES.—

"(1) For rules relating to the recognition of gain or loss in a case where subsection (a) would apply except for the fact that the exchange was not made solely for series H bonds, see subsection (b) and (c) of section 1031.

"(2) For rules relating to the basis of series H bonds acquired in an exchange for series E bonds, see subsection (d) of section 1031."

And on page 10, in the wording after line 12, after the word "States", to strike out "obligations" and insert "savings bonds."

THE NEED FOR A REALISTIC INTEREST RATE

Mr. BENNETT. Mr. President, there is no more serious or difficult problem facing our country today than the economic one. The combination of persistent inflation, plus a $12½ billion increase in the national debt during the last fiscal year, plus the pressure of rapid recovery and growth, all coming at once, have accentuated the difficulties of debt management. In such a time, the Secretary of the Treasury should be free to take any needed action to handle his job, and certainly should not be plagued by a World War I interest ceiling.

Unfortunately, the situation has seemed to some of the administration's political opponents to offer them a political issue—easy money. They have labored and belabored it for at least 2 years, but it seems to the Senator from Utah that all it has brought them so far is a sense of frustration. In spite of all they have said, most economists and commentators, as well as the public, stand with the President in calling for conservative economic policies. So deep is this frustration that responsible newswriters and commentators such as J. L. Livingston, who does a syndicated economic column, and Edward Collins, of the New York Times, have been attacked and ridiculed here on the floor of the Senate because they do not follow the easy money line.

At this point I ask unanimous consent to insert in my remarks the column of Mr. Livingston which appeared in the Washington Post on September 6.

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

PRICE OF PROSPERITY IS HIGH MONEY RATE

(By J. A. Livingston)

Prosperity—and that's what we're having despite the prolonged steel strike—can only be had at a price.

We—you and I and everyone else—are paying for record personal income, high employment, and a construction boom, in the higher price of money. Interest rates have gone up again.

This isn't going to please some Congressmen who favor plenty of credit at a low price. And, most emphatically, it doesn't please Wall Street. Stock prices sold off within 5 minutes after the First National City Bank of New York announced that the prime rate would be 5 percent instead of 4½ percent. Other banks across the Nation followed:

The prime rate is the price of money to banks' biggest and best customers, customers such as Sears, Roebuck, General Motors, Continental Can, and so on. Yet, when the prime rate notches up, the rates charged smaller businessmen go up. The costs of financing homes, automobiles, trips to Europe rise, too. States, cities, towns, and school and water districts also have to pay more when they borrow.

BONDS VERSUS STOCKS

Immediately, bonds went down in price, and that's why Wall Street "spazzed." Many U.S. Treasury securities sold at alltime lows. Government issues can now be bought to yield better than 4½ percent. Many tax-exempt municipal bonds yield 4½ percent and 5 percent. Excellent corporate bonds yield 5 percent plus. This puts pressure on stocks.

Numerous high-grade industrial stocks yield only about 3 percent. But the lure of higher dividends to come and the fear of inflation have persuaded most investors to accept the lower return. But how long can this go on? That's what canny Wall Streeters wonder.

A higher price for money was an inevitable consequence of prosperity. The Nation's banks are "loaned up." Their customers are borrowing $12 billion more than a year ago. To meet this demand, commercial banks have sold $3 billion in Government bonds. Also, they, themselves, are borrowing about a billion dollars from the Federal Reserve System, some $800 million more than a year ago.

THE INFLATION ILLUSION

The jump in interest rates reemphasizes the deep schism in Washington. President Eisenhower, Secretary of the Treasury Anderson, and Federal Reserve Board Chairman Martin argue that easy money leads to inflation. In the period since 1955, we've had a 13-percent rise in per capita personal income. But only 30 percent of the advance was real. Seventy percent was the result of higher prices.

The Reserve has supported Secretary Anderson's request to Congress for elimination of the 3.26-percent ceiling on savings bonds and the 4¼-percent ceiling on long-term marketable Government bonds.

Many Democratic Congressmen reject this thesis. They say credit restraint fosters inflation by curbing production. If we had more goods, prices wouldn't advance.

POLITICAL ISSUE IN 1960?

Anderson has been unable to get the Democratic Congress to eliminate the 4¼-percent interest rate ceiling on long-term Government bonds. However, the 3.26-percent ceiling on E- and H-bonds is likely to be raised to 3¾ percent in a last minute push.

This monetary issue will persist long after the steel strike is settled. It could become a major campaign issue in 1960—a repeat of

the Bryan-McKinley cross-of-gold contests of 1896 and 1900.

What Congressmen, in all political honesty, are groping for is an answer to this question: How do you raise the standard of living for everyone efficiently and satisfactorily?

President Eisenhower answers: Through a balanced budget and restraint on the money supply. If the money supply is restricted, then businessmen and labor unions won't be able to make price-boosting wage agreements.

APOLOGIA FOR MONEY RESTRAINT

Prof. Sidney Weintraub, in his recent book, "A General Theory of the Price Level, Output, Income Distribution, and Economic Growth," expressed the countervailing argument. He says prices depend not on the money supply but on the level of wages.

Therefore, he would suggest that before companies in basic industries, such as steel, autos, rubber, aluminum, etc., raise wages and prices, they should first publish their plans. This would subject their decisions to public reaction, probably to public hearings. The argument against this proposal is that ultimately it would force the Government to intervene directly.

Hence, the administration leans toward indirect restraint, even though—as the postwar record shows—it hasn't stopped inflation. Defenders of monetary policy apologize for its poor performance by saying: "A continually unbalanced budget is bound to have an inflationary impact on prices." I am one of these apologists.

Mr. BENNETT. Mr. President, so strong is the desire of the "easy money" advocates for immediate power that by denying the Treasury full freedom they are apparently willing to assume the responsibility for the consequences of that denial of freedom.

The bill before us is a denial to the Secretary of full freedom, because it preserves the 4¼-percent ceiling on interest on long-term marketable U.S. bonds imposed in 1918.

Under the circumstances under which we are now working, I shall support the bill as it came from the Finance Committee and shall oppose any amendments if they are offered. But the ultimate need to solve this problem by providing the Secretary with full freedom still remains and the reasons why the ceiling should be lifted must be made clear if this record is to be complete. That is the purpose of this statement.

I repeat, I do not intend to offer any amendments to the bill as it came from the committee, and I shall support the committee's position, and oppose any amendments.

Congress was asked earlier by the Secretary of the Treasury to remove the 4¼-percent interest rate limit on new issues of marketable Government bonds having a maturity in excess of 5 years and the 3.26-percent limit on savings bonds. The issues involved are simple, yet fundamental. One does not have to be an economist to understand them. I propose to outline these issues and to answer some of the arguments made against the proposal. I shall do so in nontechnical terms.

Basically, what is at stake here is a further demonstration by the Congress that it intends to defend the value of the dollar, that it stands firmly opposed to countenancing inflation as a way of life, and that it has not succumbed and will not succumb to the centuries-old blandishment that true wealth can be created by printing money.

Now why is it necessary to reaffirm by a positive vote that this Congress is determined to defend the dollar? The reason stems from the unfortunate fact that an increasing number of people in this country and abroad are questioning the dollar's future value. They are aware of the depreciation of its purchasing power in recent years and are disconcerted by what they regard as the failure of Government to come to grips with inflationary factors. As a result something quite new in our history is taking shape, namely, a growing expectation of continuing inflation, creeping or otherwise.

This expectation of inflation, which affects saving, investment, and spending decisions, must be dispelled and the Congress is the only body able to do it. The proposal now before us is an opportunity to help do just that, and we should vote for it overwhelmingly.

The people of this country must have full confidence in the dollar if they are to save on the scale needed to finance high employment. Confidence in the dollar is essential if savings are to expand to the extent necessary to finance the economic growth that we all believe in. It is necessary if economic security for the American people is to become other than a mockery. Finally, unless we affirmatively stand for a sound dollar, we shall be inviting various economic controls, including wage controls, the loss of individual freedom, and possibly forced saving.

So this proposal, while it does not go all the way, is a constructive proposal. It is put forward because the administration and, I am confident, a majority of the Congress believes in these goals of high employment, economic growth, protection of the security of the people, and the preservation of individual liberty.

Just as a sound dollar is the keystone of our economic and financial structure, so also the credit of the U.S. Government is the keystone of all credit. Unless there is confidence that the securities issued by the U.S. Treasury will not only be paid back in full but will be paid back in dollars worth as much as the dollars originally invested in them, there can be and will be no confidence in the enduring values of any other credit instruments. Already there are signs on every hand that an increasing number of savers and investors are becoming mistrustful of bonds and other fixed income obligations and are seeking to hedge against inflation risks by buying common stocks, regardless of how high they may be, and investing in real estate and other forms of property. This flight from bonds is the same thing as a flight from the dollar.

It is unnecessary to remind the Senate that long-term fixed interest obligations in the form of bonds and mortgages are the main vehicles through which the savings of the country are channeled into homebuilding, farm improvements, business expansion, and modernization, as well as the financing of Federal, State, and local governments' projects. That is why it is so important, if we really believe in high employment, economic growth, and security, to restore full confidence in the dollars in which bonds and mortgages will be eventually repaid.

The tragic situation today is that the long-term bonds of the U.S. Government are no longer sought after by investors as the safest and most attractive investment available in the world. Yet they should be. To me it is ignominious that the Treasury of the richest and most powerful Nation in the world is literally in a position where it cannot sell any new securities with a maturity of over 5 years.

There are three simple reasons for this: The first is that the demand for savings to finance the Federal Government, State and local governments, home building, business, and agriculture now exceeds the available supply of new savings. This is typical of periods of active and expanding economic activity. When demand exceeds supply, prices always tend to rise; and interest rates, which represent the price of savings or capital, are no exception. Thus those seeking to borrow from the limited supply of savings must be willing and able to bid at competitive rates.

The second reason is that both at home and abroad people with money to invest are becoming increasingly fearful that inflation is inescapable in what Professor Sumner Slichter has called "a pressure group State." Consequently investors tend to demand an even higher interest rate as at least a partial offset to the expectation that they will be paid back in less valuable dollars. To quote Professor Slichter again, he wrote in the July 23, 1959 issue of the Commercial and Financial Chronicle:

One must concede that present long-term interest rates are not adequate compensation for the hazards of owning high-grade bonds.

Most of us were brought up to believe that good bonds are about the safest and most conservative form of investment. But now, because of the expectation of inflation, even men like Professor Slichter consider them hazardous.

Finally, the third reason is that 41 years ago, in 1918, under completely different circumstances, the Congress imposed a statutory limitation of 4¼ percent on Government bonds having a maturity in excess of five years. There is no need to remind this Congress that 41 years ago, when this interest rate ceiling was voted, all bonds of the U.S. Government were exempt from Federal income taxes whereas today all new issues of government securities are fully taxable. Furthermore, 41 years ago the Treasury was not competing against bonds issued under governmental credit programs backed by Federal insurance and guarantees. These latter bonds are a comparatively recent development, and they carry higher interest rates than straight Treasury obligations. The Congress should recognize these changes.

Before going into the reasons why I believe the interest rate straightjacket must eventually be removed so that the Treasury can sell long-term bonds, I should like to dispose of an argument that is frequently made against the proposal. It is said, "Why worry about in-

flation when there is no inflation?" Critics point to the fact that for the past several months two particular economic indices have been stable, namely, the cost of living index and the index of wholesale commodity prices. This was true up to 2 or 3 months ago, but it is too soon to decide whether the recent rise in these indexes represents a trend; but there is a rise. The same thing was true in the late 1920's. I seem to remember, however, that in 1929 there was a great inflation in the stock market, in real estate, in the use and abuse of credit and in the mistaken idea that we were in a new era. That inflation was followed by the worst depression in our history.

Those who would stand pat on the 4¼-percent interest ceiling also say that if there is any inflationary psychology or inflation fear abroad in the land today it is due to scare talk by the administration, the Federal Reserve Board, and various business interests. They could not be more mistaken. The inflationary fears that exist today are no new development. They have been with us a long time. Fourteen years ago, in 1945, President Truman stated, "Inflation is our greatest domestic problem." Again in 1947 he said, "Our chief worry is still inflation."

Inflation was with us then; it has been with us ever since, though in brief periods its manifestation in certain price levels has been temporarily dormant. Today's dollar is worth 38 percent less than in 1945 and 23 percent less than in 1947 when President Truman issued his two warnings. What we are proposing is to inoculate against this sickness of the dollar before another epidemic of price increases breaks out. Fear of inflation is a matter of daily comment in newspapers and magazines, and on radio and television. Reputable advisers are constantly telling investors that because of inflationary probabilities it is safer to speculate in the stock market and in real estate than to invest money in high-grade bonds, including the bonds of the U.S. Government. Is it not time to reverse the topsy-turvy conditions that cause advice such as this?

Why is it essential that the Treasury be free to compete in the marketplace in order to sell long-term bonds? I am not arguing that there is any particular merit in long-term bonds as such. What I do argue is that there are very grave risks, inflationary risks, in having too much of any debt structure in the form of very short term securities. Again the reasons are simple, and they are chiefly two.

The first risk applies to the Government just as it applies to any person or business that is in debt. If a debtor has more short-term obligations than he can pay off when they fall due, then he is in the unhappy position of being at the mercy of lenders who may not be in a position or may not desire to renew the loans. But if the borrower has so arranged his finances that the due dates on his debts are spread over a long period of time he can probably meet his periodical principal payments without undue strain. If he is not able to do so, he can probably refinance without difficulty because the sums involved in each maturity might be relatively small.

The second reason is that very short term Treasury securities such as those maturing within a year are virtually the equivalent of money. Owners can allow them to mature, or they can sell them in almost unlimited quantities, literally over the telephone and with virtually no risk that the transaction will result in a loss. Since interest is paid on short-term governments, it is little to be wondered that businesses and financial corporations consider such paper a superior medium for the temporary investment of any surplus funds they may have on hand. But when they need—and this is particularly true of businesses—to turn part of their temporary funds into additional inventories and receivables to finance a higher volume of business, or to invest in new plant and other improvements, the first thing they dispose of is their short-term Government issues. These conditions usually arise when business is at a high level after the early stages of recovery, as in 1956 and 1957. The liquidation of short-term Government paper by business corporations in those 2 years was not in the millions, but in the billions.

The trouble is that under such conditions there are not sufficient buyers outside of the commercial banking system to absorb the sales or to refinance maturing issues. Consequently, the commercial banks or the Federal Reserve, or a combination of the two become the residual buyers. They become the residual buyers because they, and they alone, have the power to create new credit. This increases the money supply at the very time that production is pressing against the limits of capacity and the upward pressure on prices and wages is already becoming evident even without the injection of additions to the supply of money. Nothing could be more inflationary. It is to minimize this danger that the Treasury must be given the tools to sell long-term bonds at interest rates that will attract investors.

If Congress could stop the clock, there would be less urgency to remove the interest rate ceiling. Unfortunately, Congress cannot stop the clock any more than Canute could stop the tides. Treasury obligations which today are due in 13 months will be due in 12 months a month from now and what is now due in a month will have to be paid off by refinancing. If, during the remainder of the present fiscal year, the Treasury is forced to finance entirely in bills, notes, and certificates due within a year, the short-term debt will have risen from its present figure of $76 billion to $100 billion. This would mean that the Treasury would be faced with the appalling task of refinancing an average of $2 billions every week.

Let me put it another way. Since short-term Government securities are purchased not for permanent or semi-permanent investment, but as a temporary alternative to cash, the Treasury and the Federal Reserve have at all times to recognize that they are relying on unreliable holders—that is, on owners who are here today but may be gone tomorrow. Thus, the Treasury's floating debt often becomes hot money that can be moved around at a moment's notice to be spent or invested as the owners see fit.

Up to now I have been talking about the internal inflationary risks of having the Treasury completely reliant on relatively short-term securities in its financing. Let me now turn to another area, namely, our position in international finance.

Until comparatively recently we did not have to pay too much attention to what foreigners might think about the stability and strength of the dollar. This is no longer the case. The leading industrial nations of the free world have not only recovered from the devastation of their productive capacities caused by the war, they have also restored their currencies. They have built up their holdings of gold. They have increased their short-term balances in this country from about $5 billions in 1947 to $17 billions, which is more than they need to transact their business here.

Thus, we are no longer in the uniquely sheltered position that prevailed during the earlier postwar years. On the contrary, we are a part of a community of nations composed of many countries that are highly productive, efficient, aggressive, and, more important, soundly financed.

The critics of the proposals before us seem to ignore these obvious facts. They appear to be under the illusion that we can safely dismiss the unpleasant prospect that foreigners are in a position to reduce their holdings of dollars very substantially and will probably do so if they lose confidence in the dollar's value as compared to gold or other currencies. We cannot trifle with this risk. If a foreign run of the dollar should ever start and gain momentum, the rug would be pulled from underneath our whole financial structure, for the base of that structure is built on our gold reserves. We are already losing large amounts of gold, largely because our merchandise exports are falling and our imports are rising. Let us not compound this problem by flirting with experiments in economic theory by following policies of loose fiscal management and easy money.

We must never forget that the industrial countries of Western Europe and Japan experienced severe inflations before restoring their currencies. They know all the devices to which governments resort when they attempt to disguise the symptoms of inflation without attacking the causes. One of the best known of these devices is to follow what seems to be the easy way to finance the government, namely, to rely almost exclusively on short-term debt issues especially if they are sold directly or indirectly to the commercial banks and the central banking system. These nations know this from experience. They also know that our Government, the World Bank, the International Monetary Fund, and many others have consistently warned all nations of the dangers inherent in this method of financing.

I am not an alarmist. However, I do want to emphasize with all the power at my command that we must put and keep our financial house in order to avoid any possibility of a foreign exchange

or gold crisis that might arise if foreigners started putting their money out of this country. There could be no greater catastrophe, not only to ourselves, but to the whole free world.

One of the arguments put forward against removing the 4¼ percent interest ceiling is that it will tend to push up all interest rates. What we need, if we are to foster economic growth and employment, it is said, is lower interest rates. One proposal to achieve this goal is to have the Federal Reserve buy long-term Government bonds and not confine itself, as has been its practice, to short-term Government issues. The inference is clear that if only the Federal Reserve would accommodate the Treasury in this way the prices of long-term bonds would rise, and interest rates would fall and thus there would be no reason to eliminate the 4¼-percent ceiling.

Well, we tried this device in the postwar period. Finally, in 1951, the policy had to be abandoned. It had to be abandoned because when owners of long-term Government bonds saw that prices were being supported at artificial levels they dumped their holdings on the Federal Reserve by the billions. Of course, they dumped them. Any sensible investor would when he could get an artificially high price and put the proceeds to work to better advantage. Today if the Federal Reserve were to embark on any such policy of artificial support and manipulation, there could be no stopping. It would be the greatest handout to the owners of long-term Government bonds, including the banks, that could possibly be imagined. I, for one, am against any such handout.

Not only would it be a handout, it would be highly inflationary and would be so interpreted both at home and abroad by all those who know the full implications of manipulated attempts to escape the disciplines of free and open markets. Once started, there would be no stopping. It would become like the farm program about which none of us, I am sure, is happy. The difficulty is that once one has started this type of artificial support operation it seems to become extremely difficult, if not impossible, to unscramble the eggs.

Let us suppose for a moment that technically it would be possible for the Federal Reserve to fix interest rates on Government securities and that it could do so without being forced to buy most of the long-term debt now held by private investors. How in a free country could it control all other interest rates, of which there are many? How could it prevent an investor from selling a long-term Government bond to the Federal Reserve at let us say 3½ percent and reinvesting the money in some other obligation at a higher rate or putting it into common stocks, real estate, foreign securities, or even spending it? Not even big government, not even the Federal Reserve, has the power or the resources to regulate what millions of investors and millions of borrowers are willing and able to do.

It could be argued also that if the 4¼ percent interest ceiling is removed all interest rates would rise. I don't believe anyone can make this prediction with any confidence. But there is one prediction that can be made with complete assurance. If the Congress fails to pass this bill and if it fails to pursue other anti-inflationary policies, there is no telling how high interest rates will go. And here again, the reason is very simple. As people become more convinced of the inflationary trend, the less willing they will be to save. Even more important, the less willing they will be to put what they do save into mortgages, bonds, and other fixed income obligations. As the supply of savings available for bonds and mortgages declined, so also would borrowers want to increase their borrowings because they would become convinced that they could pay off their debts in depreciated dollars. Inevitably declining supply and rising demand would force up interest rates. That has been the experience throughout the world whenever inflation has been tolerated.

Some people have tried to create the impression that an aye is a vote for those who favor high interest rates and is, therefore, a vote for further inflation. Of course, this is not the case. An aye vote is not a vote in favor of high interest rates; it is a vote which recognizes that relatively high interest rates now prevail because the demand for savings exceeds the supply.

It is, of course, true that interest represents a cost of doing business, but its importance has been greatly exaggerated. Since interest is deductible before paying Federal taxes, the net interest burden is only approximately 48 percent of the gross interest rate. Furthermore, long-term borrowing by business represents only a small part of the capital employed. For these two reasons, interest is one of the least important items of business expense. Tremendously more important is the increased volume of capital that is needed to finance business under inflationary conditions of rising costs of materials, supplies, and labor.

This is conspicuously true in the case of the burden of interest on home mortgages. The cost of building a typical ranch house, for example, has increased about 75 percent since 1940 due to the inflation of costs. This means that the prospective home owner must not only put up more cash as a downpayment but must also borrow more dollars if he wants to finance the same type of house he could have bought for 75 percent less only a few years ago. The burden of paying off the principal of this increased mortgage falls upon the homeowners after tax income and is far greater than any increased burden resulting from changes in interest rates paid out of earnings before taxes.

Now, finally, we have before us the proposed removal of the 3.26 percent interest ceiling permitted on savings bonds. When savings bonds were first conceived as an investment for people of modest means, bought usually on regular savings of small amounts through payroll deductions and other plans, they were by far the most attractive savings medium. They carried a higher rate of interest than was available elsewhere, they could be cashed at any time without loss, and they had many other advantages. These conditions no longer apply. The rates at 3.6 percent aren't competitively attractive and Congress has not yet done all it can to assure that the bonds can be redeemed without loss of purchasing power. How can we in good conscience urge the average citizen to buy these bonds?

Quite aside from the moral involved, there is a very practical aspect. The people of this country have decided, in the aggregate, that presently available savings bonds are overpriced. In the past 2 months alone the public has redeemed $736 millions more bonds than it has purchased. This has obviously added to the Treasury's refinancing problems.

The Treasury's problem can and will be solved. Of this I am confident. The first and basic step is to eliminate any cause of fear as to the future of the dollar. Fear of continuing deficits, even in times of active business, high employment, and large profits, must not only be removed but Congress and the administration must continually aim for substantial budgetary surpluses in good times. A confinement of expenditures and appropriations to items having the highest priority would help more than anything else to produce the surpluses needed to reduce the Government debt. This, in turn, would release funds for investment in further economic growth and would be a powerful influence in reducing interest rates.

In addition, sooner or later the Treasury must be given the necessary tools with which to finance the debt soundly. The Treasury must be able to offer competitive rates in all maturities of its financing and refinancing. It must be able to avoid the inflationary danger of becoming almost totally reliant on short-term issues, which are the practical equivalent of money. All of this would also bolster foreign confidence in the dollar. Finally, the Treasury should be able to offer to the citizens of this country through savings bonds, the finest and safest securities in the world; and for them our citizens should be willing to pay a fair rate of interest. It is for these reasons that the proposals now before us are of such vital importance.

Mr. President, we are going to have an opportunity at this time to handle this part of the problem.

As I said when I began these remarks, although I believe this bill does not go as far as it must go sooner or later, I am going to support the bill in the form in which it came from the committee; and I shall oppose any amendments.

In these remarks I have purposely confined my comments to some of the principal issues. As I said at the beginning of my remarks, the pending bill to eliminate the interest rate ceiling is a constructive proposal. It is designed to foster economic growth, high employment, and the protection of the dollar. A vote in opposition to removal of the interest ceiling sooner or later will be a vote in favor of more inflation, will provide further support for inflationary

psychology, further weakening the confidence of investors in mortgages and bonds, and will increase the appetite for common stocks and other property regarded as inflationary hedges. Failure to remove the interest rate ceiling will pose the risk of large gold outflows, with serious consequences for the United States and the entire free world. Last, but by no means least, failure to enact this bill will be a deterrent to savings. These savings are vitally needed to finance the capital investment which is a fundamental prerequisite for sustainable economic growth.

Mr. President, this concludes my formal statement.

I should like to offer for the RECORD—and I ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks—a statement made by Marriner S. Eccles, published on August 2, 1959. Mr. Eccles was once Chairman of the Board of Governors of the Federal Reserve System, and he has long been regarded as an important authority in this field.

The PRESIDING OFFICER. Is there objection?

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

INFLATION CURBS RAISE INTEREST—SO BONDS DRAG

(By Marriner S. Eccles)

There seems to be a general lack of understanding of the economic factors which determine the interest rate. It is thought by many, including some influential congressional leaders, that the Federal Reserve can control interest rates while at the same time maintaining stable money, which is its primary objective.

The Federal Reserve can influence the growth in the supply of money as well as restrict it.

To permit an expansion greater than the growth in the national product under present conditions, would have the effect of diminishing the purchasing power of the dollar. This is inflation and if allowed to continue will lead to ever-increasing interest rates.

Under boom conditions—when the supply of money is held in check to prevent inflation—the demand for credit exceeds the supply, and interest rates are bid up. Such is the present situation.

You cannot have low interest rates in a booming economy without bringing about a dangerous inflationary situation. Only an economy in a state of declining activity produces an excess in the supply of money and credit and hence lower interest rates.

Of course, the Government can control interest rates temporarily, as during the war when it controlled everything else—wages, prices and so on—but when such controls are taken off, and the excess supply of money released, inflation is inevitable.

A large part of the postwar price inflation was a result of the Federal Reserve purchasing billions of dollars of Government securities at fixed prices in order to prevent an increase in interest rates. This was during the period when the Government had a balanced cash budget.

The Treasury and White House, over the strong protest of the Federal Reserve, required this action be taken.

The result was that an excess amount of bank reserves was created which brought about an inflationary expansion of commercial bank credit and of the money supply.

The present administration and the Federal Reserve are trying to avoid making this mistake by curbing the growth of bank credit and allowing the interest rate to rise.

Under present conditions the aggregate savings by individuals and business are inadequate to meet private investment demands and at the same time finance the large public deficit of the States and Federal Government. Hence we find interest rates going up, even though there is a growth in the money supply equal to the growth in the national product, at stable prices.

There is no effective substitute for larger savings combined with curbs in public spending as a means of preventing inflation and increasing interest rates.

It is a fallacious idea to think that the bankers control this situation and are greatly benefited by high interest rates. On the contrary, this condition causes the banks to pay increasing interest rates for savings deposits and time funds and depreciates the value of mortgages and bonds held in large amounts by the banking system.

At present, this offsets any benefits arising from increased interest rates.

The real beneficaries of the higher interest rates will be the millions of people who put their money in savings accounts in banks and building and loan companies, or those who purchase bonds and mortgages at the present high interest rates. In short, the savers.

The need is for Congress to deal with the causes of the higher interest rate, rather than to oppose an increase. The Government cannot expect to keep interest rates from rising as long as it has to finance a large budgetary deficit in times of prosperity.

The effect of this deficit under present conditions is inflationary and tends to discourage savings on the part of the public and to increase the need for credit.

A statement I made last March before the Joint Congressional Committee on the Economic Report bears repeating. It is this:

"I want to say again, that to achieve our objectives will always be a source of great political and economical controversy because everyone wants a greater share of the economic pie than it contains.

"Government and other public bodies want more money to spend; the leaders of organized labor want more pay and fringe benefits for less hours of work; business presses for further profits; and increasing ranks of oldsters call for higher pensions.

"However, everyone expects these benefits in dollars of stable purchasing power.

"Unfortunately, all the economy has to divide are the goods and services it is able to produce—and not the amount of money it could create, which is, of course, limitless.

"In our society, this situation is creating a dilemma for the Members of Congress whose constituents want easy money, lower prices, higher wages, greater profits, and fewer taxes.

"Only a combination of the Government, Congress, and the Federal Reserve can successfully deal with these diverse forces. To do this adequately it would be necessary for them to agree on the problems and have the courage to act, regardless of political conditions."

Mr. LAUSCHE. Mr. President——

Mr. BENNETT. Mr. President, at this time I am happy to yield to my friend, the Senator from Ohio.

Mr. LAUSCHE. Mr. President, I wish to make a brief statement in my own time.

However, the question I was going to ask the Senator from Utah is whether it is a fact that in ordinary business, a person who becomes involved financially usually has imposed upon him, when he goes to borrow, the need to borrow on a short-term obligation.

Mr. BENNETT. That is entirely true. The Senator from Ohio will remember that in 1928 and 1929, that situation reached the point where people were loaning call money at 12 percent, in order to maintain the terrific inflation. And certainly it is impossible to get money any shorter than that.

Mr. LAUSCHE. In 1932 and 1933, I was on the common pleas bench; and I had coming through my courtroom the foreclosures on chattel mortgages, conditional sales agreements, and notes. I saw the frequency with which the debtor was saddled with short-term and, frequently, demand obligations.

I think we can expect that, whenever a person is in financial involvement—either as an individual or a businessman—and when he goes to borrow money. The lender usually expects a demand obligation or a short-term obligation.

I ask the Senator from Utah to express an opinion on that subject.

Mr. BENNETT. I have been a borrower, both personally and for business purposes, over the years; and I know there is nothing more difficult to face than the realization that the man who is lending you money is not willing to extend your note to the extent you hoped he would, or if he serves notice on you that he expects to be paid the next time the note becomes due.

Mr. LAUSCHE. Is it not also a fact that the nations of the world that finally have suffered economic collapse through a breakdown of the stability of their currency have found that one of the last steps preceding the collapse was the effort to keep themselves alive by short-term borrowings?

Mr. BENNETT. When inflation gets really blazing, I think everything related to currency and money is found to be in a short-term situation. I have heard it said that toward the end of the German inflation of the 1920's, the German people insisted on being paid twice a day, because if they did not spend their morning earnings by the time night came, by the next day much of the value of what they had earned would have dissipated.

Mr. PROXMIRE. Mr. President, will the Senator from Utah yield?

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Does the Senator from Utah yield to the Senator from Wisconsin?

Mr. BENNETT. I am glad to yield.

Mr. PROXMIRE. I thank the Senator from Utah for yielding to me. I shall detain him only briefly.

This morning, I asked the chairman of the committee—and now I ask the Senator from Utah, for whom I have the greatest respect; and I serve with him on the Banking and Currency Committee, and I know he is a man of great competence—whether there is any justification for what seems to me to be the real issue in regard to the Anderson amendment, namely, whether there should be a statutory limitation of some kind on the interest on savings bonds, or whether there should be no limitation whatsoever.

Can the Senator from Utah justify the proposal to remove entirely the limitation, as contrasted with the Anderson

amendment, which, as I understand, would provide a great deal of flexibility, but would provide a limit of 4½ percent.

Mr. BENNETT. I am sure the Senator from New Mexico expects to discuss that point at great length.

I should like to make just one comment on it: The Treasury has announced that it expects to issue these bonds—if given permission to do so—at 3¾ percent. But I think if the limit were imposed at 4¼ percent, in the face of the present general market conditions, in which the interest rates are very fluid, and people expect them to continue to rise, I would be inclined to say, "Well, they have a 4¼-percent limit, so that is where they are really expected to go, and they will stop when they reach that point. So I think I will wait until the interest on the bonds is changed from 4¼ to 4¾ percent."

Therefore, for that psychological reason, I do not believe it would be wise to do that.

Mr. PROXMIRE. Does the Senator from Utah mean that if there is any limit, he would prefer a 3¾-percent limit to a 4¼-percent limit?

Mr. BENNETT. I would prefer no limit at all; and I expect to support the action taken by the committee.

Mr. ANDERSON. Mr. President, if the Senator from Utah will yield to me, let me say that the limit permissible under the bill is 100 percent. Does the Senator from Utah think that point would be reached?

Mr. BENNETT. I do not understand exactly the interrogation of the Senator from Mew Mexico.

Mr. ANDERSON. The Senator from Utah said he thought the ceiling would rise from 3¾ percent to 4¼ percent. But under the bill, an increase of 100 percent would be possible.

Mr. BENNETT. I do not think that is the limit; there might be a 1,000-percent increase.

Mr. ANDERSON. In fact, could not it continue to infinity?

Mr. BENNETT. I think that, psychologically, people react to specific things; and when there is no limit, people are willing to follow the changes which occur normally in the market.

Mr. ANDERSON. Would the Senator from Utah relate that to the present 4¼-percent ceiling; and will he name one bond now at 4¼ percent that comes under the 4¼-percent limitation?

Mr. BENNETT. I am not prepared at the moment to give such an example.

Mr. ANDERSON. Of course not, because there is no such example.

Mr. CARLSON. Mr. President, I wish to compliment the Senator on a very fine speech with regard to the problems of financing our debt structure at the present time. The Secretary of the Treasury and the President have stressed certain proposals which they feel are necessary in order to carry out a proper funding of the national debt. We are probably going to meet today some of the necessities in the bill before us, but I share the views of the Senator from Utah that it will be only a matter of time before we shall have to approach this problem on a proper basis and deal with the entire bond market, instead of with only the E- and H-bonds.

It is interesting to note that even out in the country, so to speak, this problem is being thought about. I have an editorial from a newspaper in a small town in western Kansas. I read one or two paragraphs from that editorial:

> Paradoxically, the only way out of the Treasury's plight is through the removal of all controls on interest rates for Federal financing. This might result in unprecedently high interest rates temporarily. But only for a little while.
>
> Supply and demand again would come into play. The high rates would so discourage private borrowing of every sort that soon there would be a surplus of investment funds. That in itself would begin to force interest rates back down.

Mr. President, I ask unanimous consent to have the entire editorial made a part of my remarks.

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

CONGRESS FORCES HIGHER INTEREST RATES

> The odds are that in the near future if you want to borrow money to build a home, buy a new car, or refinance an old loan, you will have to pay a higher rate of interest. If you do, you can properly blame Congress.
>
> The majority in Congress suffers from the delusion it can hold interest rates down by law. It has refused the request by the administration that present ceilings on the rate the Government can pay on longtime loans be raised. In so doing it is forcing up all interest rates.
>
> This week the Treasury had to pay 3.8 percent to obtain 91-day loans, the highest since the bank holiday. The 4¼-percent ceiling today makes it impossible for the Government to borrow on a long-term basis. So increasingly it must do its refinancing through short-term borrowings.
>
> Supply and demand have superseded congressional controls. The requirements of the Government are so great in proportion to the short-term funds available, the rates will go on up.
>
> Paradoxically, the only way out of the Treasury's plight is through the removal of all controls on interest rates for Federal financing. This might result in unprecedently high interest rates temporarily. But only for a little while.
>
> Supply and demand again would come into play. The high rates would so discourage private borrowing of every sort that soon there would be a surplus of investment funds. That in itself would begin to force interest back down.

Mr. CARLSON. I thank the Senator from Utah.

Mr. BENNETT. I thank my friend and fellow member of the committee for his very fine observations.

I yield the floor.

Mr. BUSH. Mr. President——

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. BUSH. First I wish to compliment the distinguished Senator from Utah upon his splendid presentation this afternoon. It is one of the best speeches on this subject I have ever heard. It is quite in keeping with his usual thoroughness in dealing with such serious matters.

Mr. President, I ask unanimous consent that I may yield for 5 minutes to the distinguished Senator from Ohio [Mr. LAUSCHE] without losing my right to the floor. The Senator from Ohio has an engagement and has asked me to do this. I should like to do it without losing my right to the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. LAUSCHE. Mr. President, I am very grateful to the Senator from Connecticut for yielding to me.

We are asking the citizenry of our country to buy E and H savings bonds at an interest rate far below the rate which they may receive from bonds of municipalities, State governments, and private corporations. I believe that that expectation is wrong and that therefore we must raise the interest rate on E- and H-bonds.

I want, however, to direct my remarks to what I believe is a very deplorable situation existing in the method in which our Government bonds are held. My comparison will be of the holdings in 1946 compared with the holdings in 1959.

I have chosen the year 1946 because it was at that time, generally, that the holdings were at their highest point following World War II.

In 1946 there were $279 billion worth of bonds outstanding. In May 1959 there were $286 billion, $7 billion more than there were in 1946.

One lesson that is to be learned from those figures is that, although we were supposed to have had unprecedented prosperity between 1946 and 1959, we have not reduced the debt, but the debt has gone up. I humbly submit that good government, good husbandry, and good economic practices demanded that in the period of prosperity that debt should have been reduced.

What were the holdings in 1946? What are they in 1959? Which segment of the economy has remained firm, unselfish, devoted, and patriotic toward its Government, and which segments have failed in their responsibility? These figures to me are shocking.

Commercial banks, in 1946, had $93 billion worth of bonds. In 1959 they have $63 billion. They unloaded bonds in the sum of $30 billion. I suppose they unloaded their bond holdings and invested their money in mortgages which bring a higher rate of interest, and enjoy the guarantee of repayment made by the Federal Government. The banks reduced their holdings by 30 percent.

I now come to the insurance companies. In 1946 the insurance companies had $24 billion in Government bonds. In 1959 they have $12 billion. They got rid of $12 billion worth of bonds in the last 13 years.

So the commercial banks have dumped $30 billion and the insurance companies $12 billion worth of bonds in the last 13 years.

Now we come to the third segment of the economy that dumped its bonds, and that is the mutual savings banks.

They held $11 billion worth of bonds in 1946, and they now hold $7 billion worth of bonds. They have gotten rid of $4 billion worth of bonds, and I suppose they are investing their money in mortgages, getting a higher rate of interest, and also enjoying the guarantee of the Government in the loans which they make.

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

Mr. LAUSCHE. My time is limited. I shall gladly yield if the Senator will offer me a bit more time.

Mr. BUSH. Mr. President, I do not control the time. I asked unanimous consent to yield 5 minutes to the Senator from Ohio. If I may have another 5 minutes on that same basis, I shall be glad to request it.

Mr. ANDERSON. Mr. President, is there any limitation of time on the bill?

Mr. BUSH. There is no limitation of time. I asked unanimous consent that I might yield 5 minutes, without losing the floor, to the distinguished Senator from Ohio, who had an engagement.

I ask unanimous consent to have another 5 minutes on the same basis.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CARLSON. Does the information from which the Senator from Ohio is reading show the holdings of tax-exempt securities held by the commercial banks, insurance companies, and mutual savings banks?

Mr. LAUSCHE. It does not.

Let us go to the other side of the coin. Which segments of the economy have been faithful and devoted to their Government? I look at the column dealing with the holdings of Government bonds by individuals—that is, holdings of E- and H-bonds.

This shows that in 1946 the individuals of our Nation held $64 billion worth of bonds, and they now hold $65 billion worth.

There is another column dealing with the holdings of State and local governments. In 1946, the State and local governments held $6.7 billion worth of bonds, and they now hold $18.2 billion worth, an increase of some $12 billion.

There is a third class of investors; that is, the trust foundations and others. They increased their holdings of bonds by $9 billion.

Mr. President, the point I am trying to make is that the commercial banks, the insurance companies, and the mutual savings banks have reduced their holdings of bonds by $46 billion in the last 12 years. The individual, with a soul, kept buying the Government bonds.

I think the Senate is justified in asking the insurance companies, "Why have you $12 billion less worth of bonds in your portfolio in 1959 than you had in 1946?"

We are justified in asking the commercial banks, "Why have you $30 billion less worth of bonds in your portfolio in 1959 than you had in 1946?"

The banks may answer, "We were asked to divest ourselves of our holdings because, when we hold bonds, we can turn them in to the Federal Reserve and convert them into cash."

But the insurance companies can give no such answer.

In the last 6 or 8 months, the individuals have begun to sell their bonds. I can understand why. If an individual is told that the commercial banks, the insurance companies, and the mutual savings and loan companies do not want Government bonds, why should the individual, as an ordinary person, want to buy those bonds?

I submit to my colleagues that in this question there should be a consideration which supervenes the cold profit of the dollar. There is in it the patriotic responsibility not only of the individual but also of the banks, insurance companies, and mutual savings banks.

Hail to the individual of our country. He has had faith in his Government. He has increased his bond holdings.

I can look with nothing but contempt upon those commercial institutions which, solely for the purpose of making profit, have divested themselves of their bond holdings.

Finally I say to those companies, "If you expect to continue coldly in your business approach, beware, the day may come when by your own conduct you will destroy the structure from which your great profits grew."

I have been reading from the Treasury bulletin of August 1959, and the statistics which I have quoted are shown on page 53 of that document. There is no question about their correctness. These institutions which have divested themselves of their Government bond holdings owe an explanation to the public for their seemingly mercenary action.

The PRESIDING OFFICER. The Senator from Connecticut has the floor.

Mr. BUSH. Mr. President, the distinguished Senator from New York [Mr. JAVITS] asked me to yield to him for 5 minutes. If I may do so without losing my right to the floor, I ask unanimous consent that I may yield to the Senator from New York for 5 minutes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and it is so ordered.

Mr. JAVITS. Mr. President, I have sought the floor at this time because some time ago I made a proposal in a Senate speech for the inauguration on the part of the United States of a campaign to sell peace bonds in lieu of savings bonds, with a higher interest rate and a special issue which would appeal to the patriotism of Americans, as well as to their instincts for thrift.

Mr. President, it seems to me that everything which has happened so far endorses that idea, fortifies it, and almost mandates it upon the administration. In the first place, the effort to take the interest rate ceiling off the long-term Treasury bond issues, or even to raise that ceiling, we see has come to naught. The only thing we are left with, in the bill before us, is the effort to take the ceiling off the interest rate on savings bonds, which is exactly what I was talking about.

Secondly, Mr. President, it has now become clear that the real hope for taking the pressure off the long-term bond market is to make the savings bonds salable and to make them stay put. The attrition—the excess of redemptions over sales—which is now at a new high of $150 million a month, is causing the worst possible reflection upon the long-term Treasury bond issues. In my opinion, and in the opinion of the experts—I shall refer to those in a minute—this is having a very serious effect on the long-term Treasury bond market.

For all those reasons it is time we took this action. It is time we passed a bill of exactly this character in the effort to alleviate our situation by the savings bond route. That is the most anti-inflationary kind of bond issue, because the money for the bonds comes right out of the savings of the people, the classical source of addition of capital, whether to a private business or to Government business, which is what we are talking about. It also represents for the people who invest, the deprivation of certain aspects of consumables, which is again an anti-inflationary aspect. Finally, it is a sure way in which to make the money stay put. The money is not used to increase bank reserves. It does not go right back into the credit stream. On the contrary, it stays put with the individual in the finest possible way.

My colleague from Delaware [Mr. WILLIAMS] has added to the idea of the peace bond issue his idea of the interest rate structure, which would have an optimum rate of 4 percent, graduating up to the optimum based upon a scale, in the same way the savings bonds are handled today. I believe the 4-percent rate is a competitive rate.

So, Mr. President, though it is not necessary to write a single thing into the proposed legislation, I rise to express not the hope but the expectation that the Treasury Department will realize the proper way to accomplish what we desire is to take advantage of the enormous patriotic instinct in the country, which evidences itself in a desire of the people to put up their money for peace rather than for war. I expect the Treasury Department to offer the people a $25 billion issue of peace bonds under the new interest rate structure as developed by my colleague from Delaware, about which he will speak himself, and which will be permitted under the provisions of the bill.

I trust the administration will not be lead-footed, Mr. President, and simply go on in the same old way, only increasing the interest rate a little bit but going on with the same old program. We have to do something new which will have a material impact upon the whole field of Government financing.

Mr. President, to bear out what I say, first as to the fact that the Treasury Department understands very clearly it has to raise the interest rate, I have a letter from the Secretary of the Treasury dated August 18, 1959, in which he says:

> Unless we are able to offer a rate on savings bonds which will permit the Treasury to reasonably compete in the market, the particular form the savings bonds campaign takes will be of little avail.

Of course, I agree with that statement; but, Mr. President, I have an earlier letter from the Secretary, of July 10, 1959, in which the Secretary said:

> We have found it takes an enormous amount of effort to enlist a volunteer organization year after year to maintain the vitality of the savings bond program. After sounding out some of our more influential volunteers, we are forced to the conclusion

that we could not sufficiently dramatize the theme of "peace bonds' 'in such a manner as to bring about any substantial increase in volunteer effort, at least in the absence of a critical national emergency.

Mr. President, I ask the Secretary of the Treasury: How serious a national emergency does he want? Does he expect that we will have a national emergency only when we are in some kind of war? Is not this national emergency enough when long-term Government issues are discountable at rates up to 19 percent, when Government bonds cannot be sold in the open market at any kind of interest rates to which we are accustomed in the traditional American way, and when we are embroiled in many parts of the world in situations which verge upon war, and some of which have already erupted, as in Laos, into war?

Mr. President, may I have an additional 5 minutes?

Mr. BUSH. I yield 5 minutes to the Senator from New York.

Mr. JAVITS. Mr. President, I hope to be through sooner than that.

It seems to me that we are in a very grave national emergency, and that it takes new ways to do things. The Senator from Delaware [Mr. WILLIAMS] and I have suggested a new, important, and strategic way in which to proceed, one which will gain the great support of the American people.

Mr. President, I ask unanimous consent to include as a part of my remarks certain excerpts from the statement of Secretary Anderson on public debt management, made by him before the House Ways and Means Committee in his testimony on June 10, 1959, bearing out the general thesis which I have just mentioned.

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

EXCERPTS FROM STATEMENT ON PUBLIC DEBT MANAGEMENT BY SECRETARY OF THE TREASURY ROBERT B. ANDERSON BEFORE THE HOUSE WAYS AND MEANS COMMITTEE, JUNE 10, 1959

The savings bond program is a program that every American has a right to be proud of. It puts more of the public debt in the hands of long-term investors—few people realize that the average dollar invested in these bonds stays with the Treasury approximately 7 years.

* * * * *

Furthermore, unlike savings accounts, where rates may move either up or down from year to year, the Treasury guarantees whatever rate of interest it puts on the bond for the full term of that bond.

Americans also know that savings bonds are perfectly safe; the Treasury has replaced over a million of them which have been lost or destroyed since the program began. These are attributes of savings bonds which have not changed over the years, quite apart from the relative attractiveness of the interest rate.

CURRENT SAVINGS BOND TRENDS

Sales of series E and H bonds improved slightly from 1957 to 1958 but were still behind sales for 1955 and 1956. Redemptions in 1958 declined significantly from the 1957 peak. But the 1959 record to date has not been good. Sales for the first 5 months are 6 percent behind a year ago, with a worsening trend. Similarly, 1959 redemptions through May are 9 percent above a year ago, also with a worsening trend. The amount of E- and H-bonds outstanding (including accumulated interest on E-bonds) declined by $36 million in April and May—a greater decline than in any 2-month period since the autumn of 1950.

* * * * *

The rate of interest return on E- and H-bonds is now much less favorable in comparison with savings accounts, as well as with other types of securities—both Government and private—than in earlier years.

* * * * *

Two of the three features in the new program—a higher rate on new bonds being sold and an improved extension term for bonds reaching maturity—follow the same pattern as in earlier savings bond revisions. You will note that we would like to make these changes effective as of June 1, 1959—regardless of when the legislation is approved—so that purchasers will know it is unwise to stop buying bonds on the false grounds that by waiting they could buy a better bond.

The other feature of our savings bond program is new and although it is rather completely described in the attachment to which I have been referring, I want to call it particularly to your attention.

We feel quite strongly that the Government has an obligation to the millions of Americans who hold E- and H-bonds to improve the future earnings of bonds already outstanding. We plan no additional interest on holdings of savings bonds for any period in the past. But we do feel that each holder of an outstanding bond is entitled to an increase of approximately one-half percent per annum on the future earnings of his bond if he holds it to maturity just as we are planning to pay one-half of 1 percent more to the buyers of new bonds.

Thus, present holders of E- and H-bonds would have little or no incentive to cash present bonds and buy new ones. Such switching operations would be costly both to the investor and to the Treasury.

* * * * *

The Treasury can borrow more economically through the proposed increase in savings bond terms at the present time than it can by borrowing through marketable securities. We believe, therefore, that the net addition to next year's budget costs for interest on the public debt because of the new savings bond program may be less than $10 million, and could quite conceivably result in no net increase in all. It is realized, of course, that the gross cost on savings bonds will tend to build up in later years, but the saving in comparison with alternative borrowing would very likely continue to be a sizable offset.

Mr. JAVITS. Mr. President, I should like to conclude with the following facts. I wrote to the principal Government bond dealers in the United States upon this subject. There are 17 of them. I have up to this time, received 10 replies from the 17 to whom I wrote.

These replies are from some of the leading banking and financial houses in the country, as well as leading dealers in Government securities.

Mr. President, I should like in each case—and I shall not be lengthy—to read an excerpt from the letters from these great financial houses, showing how right we are in the idea of making savings bonds more merchantable and showing also how very important it is that the Treasury shall go one step further and have the initiative and the drive to do this in the way which will make the bonds more salable, through the peace bond effort, whether we call it by the name "peace bond" or some other name.

The fact must be flagged that the American people have a new opportunity to save at a better interest rate, and under better terms and conditions, in the patriotic interest of the country, which is so urgently required.

Salomon Bros. & Hutzler, one of the great banking houses, in their letter of September 2, states:

Such an issue would in no way adversely affect the market for marketable Government bonds and would, in my opinion, if it offered a sufficient rate of return, attract additional savings from small individual savers.

The New York Hanseatic Corp. states:

As dealers in Treasury issues we cannot visualize anything but favorable reaction to your effort as it would concern the Government bond market.

The First National Bank of Chicago, in their letter of September 4, 1959, states:

In my judgment, the market would react favorably to a savings bond drive, to sell Government bonds to individual savers at an attractive rate.

They also state:

With no immediate signs of a downturn in interest rates we may presumably expect a continued attrition in savings bonds holdings in the months to come unless the interest rate is raised.

Briggs, Schaedle & Co., of New York, an outstanding house, says:

May I take this opportunity to suggest to you and the members of the committee on which you serve that in my opinion it would be a very sound action if the committee would recommend and Congress would pass legislation which would allow the Treasury to sell Government bonds at higher than a 4¼-percent interest rate.

From Aubrey G. Lanston & Co., under date of August 28, 1959:

Bold new steps are needed to stem this attrition. In addition, at times of business strength such as now prevails, it would be highly desirable, in our judgment, to increase the amount of individual savings flowing into Treasury securities.

The Continental Illinois National Bank & Trust Co., of Chicago, in its letter of September 3, 1959, says:

We certainly share with you and your colleagues a strong desire to do everything possible to improve the sales of U.S. savings bonds to individuals.

William E. Pollock & Co., another one of the houses dealing in this kind of security, says that they believe that the matter should be permitted to await later economic conditions. They are the only one who registered an adverse reaction. They were not enthusiastic about the idea of selling these savings bonds now.

The Morgan Guaranty Trust Co., one of the great financial institutions of the United States, in their letter of September 3, 1959, state:

By the nature of the current savings bond operation, where a great majority of the purchases come through the payroll deduction plan, I feel that an increase in the effective rate of return to 4 percent would go a long way toward stopping attrition and continuing in force such payroll deduction operations.

Mr. President, may I have just 1 more minute?

Mr. BUSH. I, too, have an engagement. I yielded to the Senator for 5 minutes. It has now been about 20 minutes.

Mr. JAVITS. I believe it has been only 10.

Mr. BUSH. I will yield 1 more minute by unanimous consent.

Mr. MORSE. Delighted. Delighted.

The PRESIDING OFFICER. Without objection, the Senator is recognized for 1 additional minute.

Mr. JAVITS. The First Boston Corporation states:

> In answer to your direct question concerning the possible market reaction to a "peace bond campaign," we believe that any revision in terms which provides a fair and competitive rate for savings bonds would strengthen the overall program; cut down attrition and, perhaps, even increase the amount of savings type securities outstanding.

Finally, C. J. Devine & Co., another one of the large houses dealing with these securities, says:

> As you may recall, during the war many slogans were developed for the purpose of selling savings bonds in order to raise substantial sums of money. If that were true then, the idea of a "peace bond" is one that each and everyone of us should be anxious to participate in now.

Mr. President, this is the most important opinion available. I express the hope that together with my friend and colleague, the Senator from Delaware [Mr. WILLIAMS], we may inspire the Treasury to use this bill in the way it really should be used, in this imaginative and active way, to sell peace bonds to the people of the United States.

I thank my colleague from Connecticut for being so patient.

Mr. BUSH. Mr. President, I address myself this afternoon to an amendment which I prepared and which is at the desk, but which I shall not call up at the present time.

The purpose of the amendment is solely to remove the ceiling on interest rates from the long-term open-market securities of the Treasury, as well as the ceiling on interest rates on savings bonds.

Mr. President, I do not intend to ask for a vote on this amendment, for 3 principal reasons: First, I fear from what I have heard from my friends on the committee that calling up an amendment of this kind might result in a flood of amendments which would, according to advices I have had, imperil the whole bill. This I do not want to do, since I think a quarter of a loaf is probably better than none. Second, I know that the votes exist to defeat this amendment. Third, Mr. President, I feel just as sure as I am standing here on the Senate floor today that Senators who would vote against this amendment today will have to reverse their positions within 12 months, and I do not want to put a hurdle in their way because Senators do find it difficult to reverse their positions from time to time. I know what that means, and I do not wish to make it difficult for them.

If I thought this amendment had a good chance to pass, I would bring it up, but I have counted noses very carefully and I believe that it has no chance of passage at this time. I say that with a great deal of regret because I think it is a most important amendment. It deals with a most important subject.

To me it is fantastic that the Senate should be sitting here at this crucial time in the financial history of our Government, in this crucial time in the history of the world, when the whole free world is dependent upon the United States and upon the credit of the United States, and be insisting that the Treasury try to finance this great operation with one hand tied behind its back.

To me the situation is absolutely fantastic.

First, I wish to invite attention to a statement made by the President of the United States on August 25, when he said:

> I would like to make two things absolutely clear:
>
> First, the administration is willing to assume full responsibility for managing the Federal Government's debt if it is allowed to do so free from artificial restrictions and on a parity with other borrowers.
>
> Second, if the requested legislation is not enacted, those in the Congress who are unwilling to pass it must assume full responsibility for the possibly serious consequences.

Those are the points I emphasize this afternoon.

First, this administration is ready to take full responsibility for managing the public debt if we do not tie one hand behind its back.

Secondly, in refusing to give the administration the necessary authority to do so in an orderly fashion, Congress must assume the responsibility, which is a very heavy one, and which I feel will bring deep regret to many Members of this body before another 12 months have passed.

I assume that we are to proceed with a high rate of business activity, with industrial activity, once the steel strike is over, gaining new high levels, in which direction it is headed.

President Eisenhower also said on that day:

> The vital interests of all Americans are at stake because excessive reliance on short-term financing can have grave consequences for the purchasing power of the dollar.

I ask unanimous consent that the entire statement of the call of the President of the United States for congressional action to remove the artificial limitation in the interest rate on long-term Government bonds be printed in the RECORD at this point as a part of my remarks.

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

PRESIDENT'S CALL FOR CONGRESSIONAL ACTION TO REMOVE INFLATIONARY INTEREST-RATE CEILING ON LONG-TERM GOVERNMENT BONDS

To the Congress of the United States:

On June 8 I transmitted to Congress a message requesting legislation that would (1) remove the artificial limitation which the law now imposes on the interest rate at which the Treasury is allowed to borrow money for more than 5 years, and (2) remove a similar limitation on the rate the Government can pay on savings bonds.

Last week the Committee on Ways and Means of the House of Representatives voted to suspend consideration of these proposals for the remainder of this session. This action was a grave disappointment to me.

The American people have a tremendous stake in this proposed legislation. Failure to enact it means that—

Millions of thrifty Americans cannot be fairly treated, since the Treasury will be unable to pay a fair rate of interest on savings bonds;

The cost of living may rise further, as the Treasury will be forced to manage our $290 billion debt in a way that adds to pressure on prices;

Responsible people at home and abroad can only conclude that we have not yet determined to manage our financial affairs as soundly as we should.

I would like to make two things absolutely clear:

First, the administration is willing to assume full responsibility for managing the Federal Government's debt if it is allowed to do so free from artificial restrictions and on a parity with other borrowers.

Second, if the requested legislation is not enacted, those in the Congress who are unwilling to pass it must assume full responsibility for the possibly serious consequences.

This country's outstanding public debt of almost $290 billion is held by our citizens and financial institutions, and by foreign central banks and investors who have accumulated dollars as part of their reserves.

Each investor has his own investment requirements. He buys different kinds of securities in order to meet those needs. Common to all investors, however, is the requirement that the rate of interest paid on the securities be fair and equitable in the light of other investment opportunities and, secondly, that the purchasing power of their invested dollars will not be impaired.

These considerations apply directly to the way in which the Government handles its debt.

There can be no question as to the Government's obligation to deal fairly and justly with the millions of its citizens who invest a portion of their savings, sometimes as a patriotic duty, in Government bonds. And there should be no question as to our determination to manage our debt soundly and in the best interests of all of the people.

We have worked tirelessly for a balanced budget. We need this balance so that we can avoid the deficits that lead to higher prices, to a rising cost of living, and to an eating away of the value of the billions of dollars that thrifty and farsighted Americans have saved. But congressional inaction on our debt-management proposal could do much to offset the progress we have made toward fiscal responsibility.

To manage the public debt in a sound manner the Treasury must be able to borrow money for long as well as short periods of time. A 1918 statute now prescribes, however, that we cannot pay more than 4¼ percent for long-term money. So long as the present prosperity contributes to a strong demand for credit, and thus keeps the cost of new long-term borrowing higher than 4¼ percent, we will not be able to borrow for periods longer than 5 years.

Let me suggest one simple parallel to show why the Treasury should be able to borrow for longer periods. Suppose that an individual had a mortgage on his home that had to be renewed every few months. He would be exposed to every shift in the economy and to every change in financial conditions. Yet, the Congress in effect is forcing the Treasury into this type of exposed position. It is saying to the Treasury, "When you have any borrowing to do, do it all on a short-term basis."

Within the next 12 months the Government must borrow $85 billion to cover maturing securities, redemptions, and seasonal cash needs. This Government, with its

great financial resources, can normally carry a sizable amount of short-term debt. But it cannot afford to rely exclusively on borrowing that must be continually renewed. Yet, if the Congress insists that we continue to finance wholly with short-term securities, the whole $290 billion debt will grow shorter and shorter. This will make it even harder to handle in the future.

The vital interests of all Americans are at stake because excessive reliance on short-term financing can have grave consequences for the purchasing power of the dollar.

The issuance of a large amount of short-term Treasury debt would have an effect not greatly different from the issuance of new money. Because these securities are soon to be paid off, their holders can treat them much like ready cash. Moreover short-term securities are more likely to become lodged in commercial banks. When a commercial bank acquires a million dollars of Government securities, bank deposits rise by a million dollars. This is the same as a million-dollar increase in the money supply. When the money supply builds up too rapidly relative to production, inflation is the result. The piling up of an excessive amount of short-term debt poses a serious threat that may generate both the fear and the fact of future inflation at an unforeseeable time.

Now, while the Nation is enjoying a period of rapid economic advancement, we want to keep the cost of living steady. And, if we act wisely, we should be able to do so. We must live within our means and we must exercise all the necessary precautions in the use of credit.

We have made good progress toward preventing excessive Government spending. But we may fail in our efforts to keep prices from rising if we do not handle our debt in the proper way. This is why the Treasury must have the capacity to finance the Government's requirements in free credit markets without artificial restrictions.

The need for sound debt management stems not only from domestic considerations. Foreign investors have substantial holdings of our securities, as well as other claims on this Nation. With so large a financial stake in our economy, these foreign central banks and other foreign investors have a very practical interest in the manner in which we handle our affairs. It is essential that they, too, continue to view the American dollar as a strong and stable currency. In a free market economy, confidence is not the simple result of legislation. It is earned by adherence to sound practices.

Let me state as plainly as I can that this is not legislation to increase interest rates. This administration is not in favor of high interest rates. We always seek to borrow as cheaply as we can without resorting to unsound practices.

The Treasury already has the authority to borrow at any rates of interest on obligations up to 5 years. What we are seeking is the authority, already possessed by all other borrowers, to obtain funds for longer periods as well. To prohibit the Treasury from paying the market price for long-term money is just as impracticable as telling the Defense Department that it cannot pay the fair market price for a piece of equipment. The result would be the same in either case: The Government could not get what it needs.

The need for congressional action with respect to the existing 3.26-percent interest rate ceiling on savings bonds is equally pressing.

The Government occupies a dual trusteeship position with respect to the 40 million Americans who own savings bonds and the 8 million people who purchase them regularly. The average holder looks to the Government for a fair rate of return, reasonably competitive with other savings opportunities. The Treasury has announced that when the ceiling is removed, it will immediately raise the rate from 3.25 percent to 3.75 percent on all newly issued E- and H-bonds, if held to maturity. Whenever legislation is enacted, this rate increase will be made retroactive to June 1, 1959. In addition, the future return to the investor on savings bonds purchased before June 1 and held to maturity would be increased by one-half of 1 percent. These actions would result in fair and equitable rates of return on savings bonds.

The second part of the trusteeship relationship of the Government with respect to holders of savings bonds involves the purchasing power of the dollars invested in the bonds. The savings bond holder expects the Government to try to insure that the future value of his savings will not be eaten away by progressive erosion of the dollar. To help assure that the value of the dollar will be protected, the whole debt management proposal should be enacted.

Each of these trusteeship considerations is vital; the thrifty American is entitled to both.

The issue with respect to our legislative proposals is whether we are going to demonstrate responsibility in the management of our Federal debt.

Ours is the richest economy in the world. We have a large public debt, but we can certainly handle it soundly and efficiently if we remove the artificial obstacles to borrowing competitively in the free market. By adopting the administration's proposals, the Congress would be demonstrating to people at home and abroad that we have the determination to preserve our financial integrity and to protect our currency.

No issue of greater importance has come before this session of Congress. In the best interests of the American people, I urge the Congress to enact the administration's proposals at this session.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *August 25, 1959.*

Mr. BUSH. I also invite attention to a statement by the Secretary of the Treasury, who said, on September 3:

The entire debt management legislation requested by the President almost 3 months ago is even more important today than when first presented. The responsibility for the consequences which could occur if the full proposal is not enacted would have to rest with those who opposed it.

He also said:

Although the present measure provides needed relief for savings bonds purchasers and holders and makes certain technical improvements, we shall continue to urge that the ceiling on the marketable debt be removed in order that the Government may act most prudently in managing the debt, so as to maintain confidence both at home and abroad in our determination to handle our financial affairs soundly.

That is part of what the Secretary said on that day. In a recent interview which he had with the editors of the U.S. News & World Report Secretary Anderson was asked this question:

Are interest rates really high today compared with the past, and compared with the rates in other countries?

He replied:

Of course, if you look back, interest rates were very low during the 1930's, because there was little demand for money. During the war, most of the activities in this country were under direct controls and many people were buying Government securities—and Government securities were held at pegged prices, because we were at war.

We had a short spell after the war in which we were operating most of our economy with relative freedom, but during most of that period we still had a peg on Government securities. Then we had Korea.

So it has really been only since the Korean conflict ended and we had negotiated the Treasury-Federal Reserve accord of 1951, that there has been a relatively free market.

The Secretary continued:

Now, interest rates in Canada are higher than they are here in the United States. Their rate on 3-month borrowing is now over 6 percent. In fact, our rates are lower in the United States than in any other advanced industrial nation where credit markets are free.

This summer I looked into the rates on government bonds and long-term government bond yields. The most recent tabulation I have is for July. While most of the items are as of July, some of the rates appear to be for May and June of this year. I believe none of them go back further than May of this year.

I ask unanimous consent that the table be printed in the RECORD at this point as a part of my remarks, to show the relative rate of interest in the long-term bond market in other countries.

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

Long-term bond yields

	Percent
United States (July)	4.11
Canada (July)	5.05
Belgium (July)	4.27
Denmark (July)	5.34
France (May)	4.31
Italy (June)	5.33
Netherlands (July)	4.12
Norway (May)	4.55
Portugal (May)	3.01
Sweden (July)	4.24
Switzerland (July)	3.17
United Kingdom (June)	4.83
Australia (July)	4.91
New Zealand (June)	4.92
Union of South Africa (June)	5.25

Mr. BUSH. The press of the country has become increasingly interested in the question of bond interest rates. It has been interesting to me to review some of the editorial opinion which has appeared recently respecting this very important issue. I have before me several editorials from which I shall read brief excerpts, but I ask unanimous consent that at the close of my remarks these editorials be printed in the RECORD.

The PRESIDING OFFICER. Without objection, the editorials may be printed in the RECORD as requested.

(See exhibit 1.)

Mr. BUSH. The Washington Evening Star recently said:

The Congress will be guilty of dangerous imprudence and irresponsibility if it fails to take action on President Eisenhower's recommendation, repeated in a special message this week, that authority be given for removing the statutory ceiling on Treasury bond interest rates and for raising the rate payable on savings bonds.

* * * * *

This issue of interest rates has been made a political football on Capitol Hill. It is time for the responsible leadership of Con-

gress to demonstrate its understanding and its interest in a matter of major importance to the national welfare.

I am afraid that is right. I am afraid the interest rate question has become a political football.

The St. Louis Post-Dispatch is not known to be an exceedingly conservative newspaper, and that is a well-controlled statement. However, it is very much concerned about this issue. Recently it commented in part as follows:

Although we often disagree with Representative RICHARD M. SIMPSON, of Pennsylvania, top Republican on the committee—

The House Ways and Means Committee—

in this case he is right in describing the committee action as "incredible folly." As he observes, the Government will be forced to borrow in the short-term money market in competition with State and local governments, business, and consumers. This is likely to force upward the cost of short-term money, and to inflate the supply of credit.

The same editorial says:

The 14 Democrats who voted to suspend action for this session on the legislation must know they voted against "economic growth." The Treasury should be enabled to compete with other borrowers in the money market. The discarded compromise bill would have permitted it to do so for 3 years, a reasonable period.

The author of the measure, Democratic Representative HARRISON, of Virginia, joined the 10 committee Republicans in voting for the bill. It is too bad he could not have persuaded two additional Democrats to join him.

The New York Herald Tribune recently dealt with this subject. An editorial appearing therein stated:

Sound management of the Nation's $290 billion debt is one of the pillars of fiscal stability and is impossible without long term borrowing.

Long-term debt cannot be managed without the ability to borrow in the long-term market.

Within the next 12 months the Treasury will have to borrow $85 billion to cover maturing securities, redemptions and seasonal cash needs. Unless Congress acts, this will have to be done without access to long-term funds. Speaker RAYBURN knows this. Senator JOHNSON knows it. It's up to them to put politics aside, and act promptly to free the Treasury from artificial and fiscally dangerous restrictions.

The New York Times is not exactly the most conservative paper in the country. I find my friends across the aisle frequently quoting editorials from the Times on various subjects. On this particular subject the Times has been very much exercised lately and has printed several editorials. In one which I have asked to insert in the RECORD the Times said, in part, as follows:

The existing ceilings applying to interest rates on Government bonds must be removed or liberalized.

It adds:

Savings bonds outstanding total $50.5 billion. That figure exceeds by $2 billion the total of all publicly held marketable issues of the U.S. Treasury with maturities of 5 years or longer. Every dollar that is withdrawn by a savings bond holder is a dollar that the Treasury will have to replace, and that, so long as present interest limitations remain in effect, it will have to replace by raising the money through methods highly inflationary.

So much for the New York Times.

I have an editorial from the Rockford Morning Star, the title of which is interesting: "In Fiscal Fog." I shall quote only a brief paragraph:

This embarrassment to the Treasury Department has been patiently pointed out to Congress by both the President and Secretary Anderson. And it is, indeed, more than an embarrassment; it is a fiscal peril. But Congress, still befogged by the old shibboleth of cheap interest, merely shrugs its shoulder, and, like Micawber, waits for something to turn up.

In Wichita, Kans., there is a paper called the Wichita Eagle, an editorial from which I have asked to have inserted in the RECORD at the close of my remarks. I shall read only the last paragraph:

Congress either will act to meet the Treasury's pressing need for longer term, noninflationary borrowing or it will be called back to reconsider. Getting the national debt on a more manageable basis is of the utmost concern to the future of every citizen.

In Louisville, the famous Courier-Journal is very much concerned about this matter. An editorial on the subject, in which their position is summarized, was published on Tuesday, August 25, 1959. I shall read only from the end of the editorial:

In short, Uncle Sam is at disadvantage when he goes to the money market, and is compelled to resort to devices costly to the taxpayers.

The Democrats may not be moved by the serious difficulty in which the present interest rate ceilings put Treasury Secretary Anderson. But they have given up hope that the next Treasury Secretary may be one of their own?

Finally, the Register-Republic, of Rockford, Ill., comments on the subject in an editorial entitled "Everyone Affected," the closing words of which are as follows:

If the Treasury cannot borrow more money on a long-term basis, it will not pay as much interest in the aggregate as it would by having to issue notes frequently for 90-day and 180-day periods. The fight for reasonable interest rates is thus of importance to every individual and not merely to investors who lend money to the Government.

The New York Times of last Sunday published in its financial section a very interesting article written by Paul Heffernan. The article is entitled: "Money Managers Hit a Roadblock—Treasury Is Forced Back Into Short-Term Market for New Borrowing, But the Sale of Bonds With Long Maturities Is Barred by Interest Ceiling."

I shall read the first paragraph of Mr. Heffernan's article:

If a man made $7,000 a year and owed about $29,000, of which $5,000 was payable on demand and $7,500 more within a year, he would know what it's like to be Uncle Sam. The difference is seven zeros at the end of the dollar sign.

This article discloses the very serious situation in which the Treasury finds itself.

Mr. President, I ask unanimous consent that the entire article be printed following the editorial of which I have spoken, at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the RECORD.

(See exhibit 2.)

Mr. BUSH. Mr. President, again, from the New York Times of Sunday, September 6, 1959, I read from an article written by the economic writer, Edwin L. Dale, Jr. The article is entitled: "Big Trade Deficit Is Sparking Move To Cut Aid Funds—U.S. Worried by Decrease in Gold Stockpile and Rise in Foreign Assets Here." Mr. Dale says:

Powerful voices, centering in financial agencies, have begun to argue that the flow of Government capital abroad in the form of aid is too large for the continued strength of the dollar.

Further in his article, Mr. Dale states:

The other—

Emotion—

is a growing fear for the future stability of the dollar unless two related things happen: domestic finances are controlled and the balance of international transactions is righted.

Mr. President, I ask unanimous consent that the entire article published in the New York Times be printed at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the RECORD.

(See exhibit 3.)

Mr. BUSH. Mr. President, on Monday, September 7, 1959, the Washington Post and Times Herald published an article on this subject written by Harold B. Dorsey. The newspapers are all very much concerned about what is happening. The title of the article is "Legislators Hurt Those They Profess To Protect."

I believe that is exactly what we are doing. I do not mean to say there is any deliberate attempt on the part of Senators on either side of the aisle to hurt anybody. I know very well there is not. I simply think that some Senators who support his dangerous policy of artificially controlling interest rates do so thinking they are protecting somebody. But Mr. Dorsey, I believe, very correctly points out that what we are really doing is to hurt the very people whom it is sought to protect. In his article, he said, in part:

There can be little doubt that the failure of Congress to pass legislation that would permit more flexibility to the Treasury Department in its financial operations is closely associated with the rising interest rates.

Later, in his closing paragraph, he says:

The wierd part of this whole thing is that the suffering is most serious for the millions of people whom these Congressmen profess to be protecting, while it is helping the profits of the comparatively few for whom numerous Congressmen have frequently expressed criticism—the bankers. Even the latter realize that they will ultimately suffer by the distress that is being imposed on all of the others.

Mr. President, I ask unanimous consent that the entire article by Mr. Dorsey be printed at the end of my remarks.

There being no objection, the article was ordered to be printed in the RECORD.

(See exhibit 4.)

Mr. BUSH. Mr. President, finally I call attention to an editorial entitled "How Bond Rates Affect You," published in a recent issue of Life magazine. The article reads, in part:

Nobody in his right mind thinks that Congress would ever imperil the national defense by refusing to pay the Pentagon's bills. And if it did so there would be such an outburst of indignation that Congress would get cracking.

But the reverse of this is happening. The management of the public debt is also of vital concern. Yet Congress is refusing to give the Treasury the powers it needs to manage the public debt in a sound and orderly way. There has been no outburst of public indignation because the issue is difficult for laymen to grasp.

They had better grasp it, for it affects the value of their savings and the security of their future. By its failure to act, Congress is driving up interest rates and adding to inflationary pressures.

Mr. President, I ask unanimous consent that the entire editorial be printed at the conclusion of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD.

(See exhibit 5.)

Mr. BUSH. Mr. President, in the Joint Economic Committee we have had before us various witnesses who have commented on this subject. One of them was Paul Samuelson, a very distinguished economist from the Massachusetts Institute of Technology. I believe it has been said of Professor Samuelson that his ideas are frequently associated with those of the so-called liberal wing of the Democratic Party. That information I have by hearsay, but from a good authority.

However, Professor Samuelson is very much concerned about the restrictions upon long-term interest rates.

Here is what he said before the Joint Economic Committee, this year; and now I quote from page 208 of the hearings beginning on January 27, 1959:

Good management of the economy might make it desirable for the Government to issue long-term bonds at just the time that interest rates are hardening and existing bonds are falling in price. In the interest of stability it may become necessary for Congress to repeal the maximum rate now payable on Government bonds, I believe now set at 4¼ percent. Such maximums, like similar maximums set on FHA or VA loans and like overall limits set on the public debt, do, in the opinion of most economists, more harm than they do good, and I would recommend their repeal.

A little later in his testimony, the following occurred, when Professor Samuelson was asked a question by my dear friend, Representative PATMAN:

Don't you think that our interest burden has become so excessive that we should give serious consideration to ways and means of lowering it, Professor Samuelson?

Mr. SAMUELSON. Let me say that the reason why I advocate the removing of that limit is precisely because in the whole postwar period there has been an upward trend in interest rates; and that limit is now getting to a point where it is no longer ineffectual. When it becomes effectual I think it is going to become harmful. We are going to have all the subterfuges of accounting that we have seen on the public debt limit, we are going to repeat the history of centuries of usury laws which, in the interest of making it better for the poor man, actually made it tougher for him to get money.

I think the Government is going to have this same particular problem. I might have a different opinion from you about structural changes in our whole banking system, but at least I could see where such structural changes might accomplish a useful purpose, whereas the fiat of a maximum interest rate, I think, is going to get into our own way and cause more and more trouble.

Finally, Mr. President, I wish to quote another authority whose testimony I believe will be of interest to the Senate. I refer now to the testimony of Dr. Wilhelm Vocke, formerly the president of the Bank Deutscher Länder, now the Deutsche Bundesbank, the Central Bank of the Federal Republic of Germany. I ask unanimous consent that the article by Dr. Vocke be printed in the RECORD at the conclusion of my remarks this afternoon.

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

(See exhibit 6.)

Mr. BUSH. Mr. President, at this time I wish to call attention to several of the statements which Dr. Vocke made.

In speaking of the German experience after World War II, he said:

There are perhaps two principal lessons to be learned from the German experience. The first is that currency stability can be achieved and preserved even under the most adverse circumstances. The second, and even more significant, is that a monetary policy, firmly committed to currency stability, not only does not conflict with a high rate of economic growth but indeed is essential to its achievement. Germany's remarkable economic recovery and expansion over the past decade was closely linked to the restoration and preservation of a strong and stable monetary unit.

He also said:

This experience—

In other words, the German experience—

proves that a central bank must be persistent and unruffled in its pursuit of a determined course of action, and must not shrink from occasionally taking unpopular measures if its obligations and responsibilities to the Nation are to be properly fulfilled.

Mr. President, that is exactly what the Federal Reserve Board of this country has been doing. It has been persistent and unruffled in its pursuit of a determined course of action, and it has not shrunk from occasionally taking unpopular measures, if its obligations and responsibilities to the Nation require it to do so.

Dr. Vocke also spoke on the subject of the creeping inflation thesis, as follows:

To a foreigner it seems almost absurd that there should be certain quarters in the United States where inflation is tolerated or even recommended. Surely any price to be paid for inflation must be excessive, considering not only the adverse economic and social effects, but the irretrievable losses in national prestige it may entail. The path of inflation in the United States would not only mean the depreciation and ultimate devaluation of the dollar, but also an acute decline in the moral authority, power, and international stature of the United States.

Mr. President, that is a rather stern warning. We cannot afford any decline in the moral authority of our people and of our Government or in the international stature of the United States, in this day and age when the freedom of the entire free world and the security of the entire free world depend upon the strength of our Government, which is heavily dependent, as we know, upon the credit of the Government of the United States.

Dr. Vocke also said:

Moreover, even if a limited depreciation of the dollar is envisaged, the public will try to protect itself, and by doing so will inevitably accelerate the pace of the price rise. Stability of the rate of inflation is an illusion, for if the public knows there will be a creeping inflation of 2 percent per annum, then the 2 percent will be reached not at the end of the year, but at the beginning, and the pressure for inflation will mount.

Finally, Mr. President, I should like to make one more quotation from this German authority. Germany has been through this situation since World War II. In fact, Germany has been through it two or three times during my lifetime. Dr. Vocke also said:

And today, foreign central banks alone hold almost $10 billion here as part of their international reserves. These substantial holdings reflect the confidence of the world in the strength and stability of the U.S. dollar. One should hasten to note, however, that this faith in the dollar is by no means unshakable, and developments affecting its future are closely watched abroad.

Mr. President, some of my friends have said we should not call attention to this situation; they have said it is dangerous to do so, and that the reason why bond prices have gone down is that we have been discussing the dangers involved in this issue.

Mr. President, so far as our foreign friends who have these tremendous commitments in our country are concerned, the central banks and other investors have, together, approximately $17 billion invested in this country, subject to withdrawal on short notice—which means that the gold supply in this country could be reduced by $17 billion if they ever decided to do so.

There is concern as to whether we should discuss this issue or not. In fact, I think they are probably encouraged by the fact that we are discussing it and that at least some of us see the danger involved. What would disturb them more than anything else would be for us to go merrily along the inflationary course and not do anything about it. That would disturb them.

Mr. President, they cannot be fooled. We cannot fool the heads of these central banks. We cannot fool the Treasury heads in European countries. They know what fiscal management means. They have to have proper fiscal management in their own countries. They have to know how to do it. As a matter of fact, they have men in those responsible positions who are fully as skillful bankers and fully as skillful in handling fiscal

matters as we have in the United States. So I reject the thesis that this is a subject which we should not discuss. In fact, I think it should be well ventilated, and that is the reason why I have discussed my amendment today.

Mr. ANDERSON. Mr. President, will the Senator yield at that point?

Mr. BUSH. I yield.

Mr. ANDERSON. I was trying to learn what the purpose of the quotation from the German banker was. He said, as I understood, that there should be no place in the United States where inflation was to be tolerated. Is he speaking out of the long experience they have had in Germany, where they have constantly tolerated inflation? How does the German banker become an expert for us?

Mr. BUSH. He is the former head of the Central Bank.

Mr. ANDERSON. He knows what Germany has done in round after round of inflation.

Mr. BUSH. He knows what has happened in Germany and, like the heads of other European central banks, he knows what goes on in Europe and around the world.

Mr. ANDERSON. If his advice is so good, why did he not take it at home?

Mr. BUSH. He did take it at home.

Mr. ANDERSON. I thought the Senator just got through saying that in his own lifetime he has known of four inflationary periods in Germany.

Mr. BUSH. I did not say four.

Mr. ANDERSON. How many?

Mr. BUSH. Two or three. I go back to the 1920's.

Mr. ANDERSON. Why did he not take his own advice?

Mr. BUSH. He was not in the saddle at that time.

Mr. ANDERSON. He was working at that time, was he not?

Mr. BUSH. I do not know.

Mr. ANDERSON. The Senator is quoting him.

Mr. BUSH. I know what he has been doing. He is the former head of the Central Bank.

Mr. ANDERSON. How old is he?

Mr. BUSH. I do not know what his age is. He is old enough to be very wise. He would not have been head of the Central Bank of Germany, under Mr. Adenauer, if he were not mature.

Mr. ANDERSON. The Senator referred to a quotation "even as low as a 2-percent inflation." Have we averaged 2 percent inflation every year of the Eisenhower administration?

Mr. BUSH. What I am saying——

Mr. ANDERSON. Have we?

Mr. BUSH. I am not answering that question. I am simply saying this man points out the danger. He sees it from his post as head of the Central Bank, and knows that we cannot have creeping inflation without its being dangerous.

Mr. ANDERSON. Have we not had it?

Mr. BUSH. And we are in trouble as the result of it.

Mr. ANDERSON. Yes.

Mr. BUSH. Yes. That is exactly right.

Mr. PROXMIRE. Mr. President, will the Senator yield at this point?

Mr. BUSH. I would like the Senator to bear with me. I have quite a long speech. If, when I finish, the Senator wishes to question me, I shall be delighted to answer. I think the Senator realizes I have never avoided an opportunity or an invitation to debate this question on the Senate floor. I do not wish to appear to be doing that, but I do have a lot to say. I have been waiting for a long time to say it. I beg my friend to indulge me for that reason. I yielded to my friend from New Mexico when my voice was about to give out.

I yield now to my friend from Pennsylvania [Mr. CLARK].

Mr. CLARK. Only for an inquiry do I ask the Senator to yield. How long will it take the Senator to complete his address?

Mr. BUSH. I hope to complete it by 5 o'clock.

Mr. CLARK. I thank the Senator.

Mr. BUSH. That is not a firm commitment, I may say to my good friend. It is a hope I wish to attain.

Mr. CLARK. Does the Senator have available a copy of his address?

Mr. BUSH. No, I do not; I am sorry. I did not have time to put it in finished form.

CHANGES IN THE INVESTMENT MARKETS SINCE THE CEILING WAS ESTABLISHED

Mr. President, the 4¼-percent ceiling on Treasury obligations having a maturity in excess of 5 years was established during World War I, in the law authorizing the Third Liberty Loan. It was incorporated also in the Fourth Liberty Loan Act, and has remained on the statute books. Since that time, some far-reaching changes have taken place which have reduced the ability of the Treasury to compete in the investment markets and which necessitate a readjustment in this ceiling.

When the 4¼-percent ceiling was established, interest on U.S. Government obligations was in large part exempt from taxation by the Federal Government. Subsequently, such interest was made more completely taxable, and in 1942 tax exemption was eliminated for new issues of Treasury obligations, with the result that interest earned on Government securities by individuals, corporations, and other taxpayers—except nonprofit institutions, and so forth, since they are already exempt from Federal taxation—is now subject to taxation by the Federal Government.

The elimination of tax exemption has greatly reduced the attractiveness of Government obligations, in comparison with other outlets available to investors, particularly to individuals.

Income on State and local government obligations is exempt from taxation by the Federal Government, giving these bodies a tremendous advantage over the Treasury in attracting funds.

The Treasury must, as a result of the elimination of tax exemption, compete on a competitive interest return basis with such other borrowers as business corporations, owners of real estate, and the like.

The Treasury has been forced to compete with itself in the capital markets: the credit of the U.S. Government has been pledged to secure, through insurance or guarantee, billions of dollars of obligations issued by a great variety of borrowers, including farmers, homeowners, businessmen, shipowners, and so forth.

At the end of the fiscal year 1959, the amount of insured and guaranteed obligations outstanding was some $55 billion.

Furthermore, and this is crucial, obligations being insured or guaranteed currently all carry interest rates higher than the 4¼-percent ceiling placed upon Treasury bonds, except for $3 billion of local housing bonds which are guaranteed and tax exempt.

As a consequence, investors prefer to purchase insured and guaranteed obligations, and the market for Treasury securities has been correspondingly impaired. Commonsense would dictate that the Treasury should be permitted to pay on its own direct obligations rates comparable with those which it is forced to underwrite through insurance or guarantee operations.

The United States, or at least the financial community, is fearful of a continued erosion in the purchasing power of the dollar. Two results are apparent: First, investors have been shifting their funds into common stocks, real estate, equities in real property, or other investment media which they believe will give some protection against a steady rise in the price level; and, second, in cases in which they have continued to invest in debt obligations, they have insisted upon obtaining an increase in the rates in order to have some protection against the loss in the purchasing power of the dollar.

A comparable situation did not prevail at the time when the 4¼-percent ceiling was imposed. Investors did not then fear, as they do today, an upward trend in the price level.

This inflation fear means that the Treasury must pay higher rates on its borrowings than otherwise would be necessary.

Investors cannot be forced to buy debt obligations; they must be attracted by the yield obtainable.

Any developments that weaken inflationary expectations will help ease the problems of all borrowers; developments that strengthen inflationary fears will make the task of borrowing funds more difficult and make for higher interest rates.

Removal of the Treasury interest rate ceiling would help reduce inflationary expectations.

INTEREST RATES—PRESENT LEVELS

The present levels of interest rates are the result of basic forces operating in the economy; neither the Federal Reserve nor the Treasury desires high interest rates. Efforts to maintain artifically low interest rates will mean increased inflationary pressures in the economy.

Mr. President, interest rates fluctuate with conditions in the economy, rising in periods of expanding business and declining in periods of business slack. This has been the case in the United States for the past century and more; it

is also the case in other developed economies, such as the Western European countries.

This coincidence in the movements of business activity and interest rates is evident in the financial history of the United States in years when the Treasury was not an important factor in the credit markets and before the Federal Reserve System was established.

The experience of the United States with interest rates in the postwar years has been essentially no different from what it was in earlier periods of fluctuating business activity.

High interest rates are not an invention of the Treasury or the Federal Reserve; they are the result of the large demands for credit pressing against a limited supply of savings.

FACTORS CONTRIBUTING TO RECENT RISE OF INTEREST RATES

The factors that have contributed to the rise of interest rates that began about mid-1958 include the following:

The business upturn. Signs of recovery began to appear in the second quarter of 1958 and were confirmed soon after midyear. The recovery of the economy has been both vigorous and broadly based.

The upturn in business activity brought with it the prospect of larger demands for credit, especially since it became evident about a year ago that the Treasury would be required to finance a very large deficit in the fiscal year 1959.

These expectations of large credit demands have been validated. The Treasury, State and local governments, homeowners, and individuals all have been demanding very large amounts of credit. Corporate demands have been fairly modest so far in the business expansion, but rising inventories and plant programs and larger tax payments give promise of large credit demands in the future.

Beginning about mid-1958 there occurred a resurgence of inflationary psychology in the financial markets. As a consequence, some savings institutions and organizations shifted a larger proportion of their funds into common stocks; others, which continued to invest in debt obligations, attempted to get protection against the prospect of an upward trend of prices by asking for higher rates and for greater protection against early refunding if interest rates should move down.

The 1957 and 1958 recession did not result in any significant contraction in loans of the commercial banks: In every month of 1958, loans were higher than in the corresponding month of 1957. Since mid-1958, bank loans have been rising sharply. This means that the banking system is in a relatively tightly loaned position.

FEDERAL RESERVE AND THE RECENT RISE OF INTEREST RATES

The Federal Reserve System is not responsible for the upward course of interest rates since mid-1958.

During the business recession of 1957 and 1958, the Federal Reserve followed an easy credit policy which permitted a sharp rise in the money supply and in the holding of liquid assets in the economy, and which contributed to sharp declines in all classes of interest rates.

Such an easy credit policy may be appropriate in a recession, but it is highly undesirable in a period of rapid business expansion such as that which has been underway since the second quarter of 1958.

In the period of expanding business, the Federal Reserve has not reduced the volume of reserves available to the banking system. The active money supply—demand deposits adjusted and currency outside the banks—rose by about 4 percent between mid-1958 and mid-1959.

The total of loans and investments of commercial banks—a measure of the amount of credit made available by the commercial banks—at mid-1959 was 3 percent higher than in mid-1958.

The upward pressure on interest rates reflects the sharply increased demands associated with business expansion and a huge Treasury deficit. Interest rates have increased despite an increase in the total amount of credit provided by the commercial banks.

TREASURY AND INTEREST RATES

In this period of business recovery and heavy demands for credit, the Treasury was forced to finance a deficit of $12½ billion in the last fiscal year. Due in part at least to the interest rate ceiling, this financing was concentrated in maturities under 5 years, and the result was an especially strong upward pressure on interest rates for these maturities.

The Treasury obviously does not like to pay high rates on its financing. But in the light of the conditions prevailing in the economy, there was no alternative, unless the highly inflationary technique of financing the debt through the banking system had been adopted.

THE FEDERAL RESERVE, INTEREST RATES AND THE MONEY SUPPLY

Mr. President, it is argued that the Federal Reserve has contributed to the present high level of interest rates, since its credit policies have prevented the money supply from growing in line with the growth of the economy. The contention is made that the money supply should be permitted to grow at the rate of 3 to 4 percent a year. It is assumed that a more rapid rise in money supply would contribute to lower levels of interest rates.

That argument is fallacious, Mr. President, for these reasons:

First. The money supply has been no deterrent to economic growth. During the past decade the money supply has increased by an average of 2½ percent a year, even though there was hyperliquidity in the economy at the end of the war due to war financing. That the money supply has been more than adequate to finance real growth is indicated by the fact that the gross national product in real terms—constant dollars—has risen by about 3 percent a year over the past decade and the Consumer Price Index has risen by about 2 percent a year over the same period.

Second. The Federal Reserve has attempted to limit the rate of growth in the money supply in periods of business expansion and high level activity when the rate of turnover of the money supply has been rising. On the other hand, it has facilitated a rapid rise in the money supply in periods of business slack. Even in the past year, a period of rapid economic expansion, the money supply rose by 4 percent.

Third. The idea that the money supply should grow by a fixed amount or a fixed percentage each year would mean giving up the contribution that flexible credit policy can make to economic stabilization.

It would mean feeding a business expansion with the attendant risks of adding to inflationary pressures and boom psychology.

It would mean the economy would lose the advantage of a rapid increase in money supply in a period of economic slack.

Fourth. It is extremely doubtful whether a more rapid increase in the money supply would mean lower interest rates; in fact, it probably would mean just the reverse.

Absence of credit restraint in a business expansion would contribute to inflationary expectations and to inflationary pressures, and these would mean larger demands for credit and increased reluctance to invest in debt obligations, both of which would contribute to upward pressure on interest rates.

Fifth. The problem at the present time is not an inadequate money supply but rather a surplus of highly liquid assets—deposits and short-term obligations—in the hands of the public.

TREASURY RELIANCE UPON SHORT-TERM FINANCING

The argument is advanced that the Treasury does not need to lengthen the debt; it can do its financing through the issuance of shorter-term obligations to which the present interest ceiling does not apply.

Again, the argument is fallacious. Comment as follows:

ABOUT THE COST OF SHORT-TERM BORROWING

First. In appraising this argument, it should be pointed out that recently the Treasury has found it necessary to pay an interest cost well above the 4¼-percent ceiling for financing through shorter term issues. Thus, concentration of financing in maturities not subject to the 4¼-percent ceiling could mean higher, not lower, current carrying cost on the debt.

Second. It should also be pointed out that the average maturity of the outstanding Treasury debt is constantly being shortened by the passage of time. At present, some $75 billion of the marketable debt has a maturity of 1 year or less. If interim financing is limited to issues of a maturity of 1 year or less, by the end of 1960 the volume of these maturities would increase to nearly $100 billion, even without any increases in the marketable debt.

Third. Reliance by the Treasury upon the use of short-term obligations builds up the holdings of liquid assets in the economy and increases the inflationary potential in the economy. Holders of short-term issues can obtain access to

cash by allowing issues to mature and demanding cash instead of accepting the exchange offering.

Any bank, Mr. President, will accept a short-term Government obligation maturing in a few days or in a few weeks. That is exactly like cash to a bank. A person can walk in with that kind of an obligation and walk out with the money.

The use of short-term financing increases the necessity of relying upon the commercial banks to provide a market for Treasury obligations. Financing though the banking system means an increase in the money supply, with an attendant increase in the inflationary potential.

Business corporations have been large buyers of short-term Government obligations in recent months. However, with outlays on plant and equipment, inventory accumulation and tax payments all rising, corporations are not likely to continue to be important buyers; in fact, they will probably eventually become sellers, as they have in other business expansions.

Reliance upon bank financing requires that the Federal Reserve make reserves available to the banking system. It is impossible to prevent some leakage of these reserves into an expansion of bank loans—thus further adding to business or consumer demands in the market place.

Fourth. Reliance upon short-term issues means a corresponding increase in the amount and frequency of Treasury refinancing operations, an increase in attrition—turn-ins for cash—on maturing issues, interference with the conduct of a necessary and desirable contracyclical credit policy, and enhanced disturbance in the capital markets due to the frequency and size of Treasury financing operations.

Fifth. The prospect that the Treasury will be forced to rely upon short-term financing certainly would add to inflationary expectations in the United States and abroad. It would be interpreted as a move in the direction of inflation. It would further impair the confidence of investors in fixed-interest obligations—thus further complicating the financing problem of the Treasury. It would contribute to further questioning of the prospects for the dollar on the part of foreign holders of dollar assets—and increase the risk of a run on the dollar.

INFLATION DANGER

Let us consider the inflation danger. The argument is that for more than a year, the price level has been approximately stable. It is argued that this shows that inflationary pressures are under control and that there is very little risk of a resurgence of prices.

This is another fallacious argument, Mr. President. My comment upon it is as follows:

First. The stability in such aggregate measures as the wholesale price index and the Consumer Price Index is due to the declines in the prices of farm and food products.

Prices of industrial products and services have been rising steadily.

If farm and food prices stop declining—and prices of some important agricultural products are now close to support levels—the result would be increased upward pressure on the price indexes.

Second. Customarily and traditionally, the upward pressures on prices become greater as the business expansion proceeds.

In the early stages of business recovery, prices are held down by idle plant capacity and rapid increases in efficiency and profits due to higher levels of output.

As the business expansion proceeds, however, these deterrents to price increases diminish in effectiveness and the tempo of price advances is stepped up.

Third. It follows that a policy of credit restraint becomes increasingly necessary as business expansion proceeds, in order to avoid a rapid increase in credit that would add to the upward pressure on prices.

Fourth. Inflation can take place in sectors of the economy that are not measured in the customary price indexes, notably in common stocks and real estate.

INFLATION PSYCHOLOGY

Let us consider inflation psychology for a moment.

I assert the failure to remove the existing ceiling on Treasury bond financing will be widely interpreted as a vote in the Congress for more inflation. This will undermine still further the confidence of investors in mortgages and bonds and increase their appetites for common stocks, real estate and other assets that are regarded as inflation hedges.

A vote to remove the interest rate ceiling, on the other hand, would be interpreted as evidence of the willingness of Congress to support action that is necessary to cope with inflation. This will facilitate the flow of savings into mortgages and bonds.

The factors that have contributed to the resurgence of inflation psychology in recent months include the following:

The failure of many prices and the comprehensive price indexes to show any decline in the 1957 and 1958 recession.

The continuation of wage increases in excess of gains in productivity, in the face of business recession and increased unemployment. This has given support to the belief that the wage-cost-price spiral will continue to operate, and that continued wage increases in excess of gains in productivity underwrite rising prices.

The huge deficit in fiscal 1959, in the face of only a moderate and short decline in business activity. Some months ago there was also the threat of huge new spending programs and the resulting prospect of continuing large deficits in the years ahead.

Continued criticism of the Treasury for its policies of debt management and of the Federal Reserve for the policies of credit restraint which it followed in the 1955 and 1957 business boom. The fear is that the pressure for easy credit and low interest rates will add to inflationary pressures in the future.

EVIDENCE OF INFLATION PSYCHOLOGY

Mr. President, there is ample evidence that inflationary psychology has been at work in the financial markets in a vigorous fashion since about the middle of 1958:

Prices of equities and real property have risen sharply in the past year or more. Contributing to these price increases is the underlying fear, shared by many people, that over the years the price level will continue to rise.

Excesses in such areas as common stocks and real estate have resulted in great problems and difficulties in the past, and can in the future, unless the underlying inflationary psychology can be curbed.

Action to restrain inflationary pressures must be taken before a vigorous upward trend in prices becomes evident.

Delay increases the problem of applying effective restraint and poses the prospect that harsher measures may be required ultimately.

The inflationary risk is increased by the large amount of liquid assets in the economy; the volume of liquid assets has risen sharply during the past year. Both the money supply and the volume of short-term Government securities—which holders can convert into cash by allowing them to mature—have risen sharply during the past year of business expansion.

This high liquidity constitutes a serious inflationary potential.

Removing the ceiling on Treasury bond financing, by increasing the scope for Treasury debt management functions, would enable the Treasury to do more financing in longer maturities, thus avoiding making further additions to liquid assets in the economy.

Economic services and stock market letters have been replete with discussion of the inflationary outlook, and the general point of view is that inflation is unavoidable.

The problem of coping with the inflation problem has been emphasized by many college professors and other students of the subject.

Mr. President, I have been listening to them one after another, in the Joint Economic Committee. We have had a great many of them before us, and we shall have more before the year is out. However, the majority of them—I believe about three out of four of them—are afraid of the inflationary problem, and they do not believe that a little inflation is a good thing. Three out of four of them say that price stability is desirable and an essential condition precedent to continued economic growth.

Important investing organizations, such as corporate pension funds, have increased the proportion of their funds going into common stocks.

Other investors in debt obligations have insisted upon higher interest rates in order to provide some protection against rising prices, or have made strenuous efforts to obtain other protection against inflation, in the form of equity in real property, warrants for the purchase of common stock at predetermined prices, or in some other form. This insistence upon some protection against inflation is a development of the fairly recent past; it reflects the deep-seated fear of inflation that pervades the investment markets.

Developments in more recent months provide strong support for the conclusion that more and more individuals are buying common stocks, and in some cases withdrawing funds from savings institutions for this purpose.

This underlying inflationary psychology has contributed to the upward course of prices of common stocks during the past 18 months or so. Other factors have, it is true, also contributed: The business recovery; the sharp improvement in corporate profits; and the widespread confidence in the dynamic growth of the American economy. But the fear of inflation is basic.

The underlying inflationary psychology is reflected also in sharp increases in real estate values.

CONTAINMENT OF INFLATION

Mr. President, no one should underestimate the difficulty of stopping the upward trend of costs and prices.

If this upward trend is to be stopped, and inflationary expectations are to be defeated, there are some things that must be done and some temptations that must be avoided:

First. The budget must show a surplus in periods of business boom, since unavoidably, as recent experience shows, large deficits will materialize in moderate business recessions. Strong restraint on spending programs is the prime prerequisite.

Second. Labor and management must settle their differences on bases that will not involve a steady rise in costs.

Third. In the field of debt management, the temptation must be avoided to concentrate Treasury financing in short-term securities and to use the Federal Reserve and the banking system to facilitate Treasury financing at low interest rates.

Fourth. In the field of credit policy, the temptation must be avoided to feed a business boom by continuous injections of bank reserves in an effort to insure that all would-be users of credit can satisfy their needs at low levels of interest rates.

Perhaps the greatest risks at the moment are in the areas of debt management and credit policy.

There is some danger that the progress that has been made in coping with the problem of inflation will be undermined by the adoption of easy credit, low interest rate policies.

A vote against the proposal to remove the interest rate ceiling on Treasury financing would be interpreted as a vote for inflation and a step in the direction of trying to peg interest rates at artificially low levels. A vote for the proposal to remove the interest rate ceiling would be interpreted as a vote against inflation and in support of a program designed to assure the future purchasing power of the dollar.

WORLD POSITION OF THE U.S. DOLLAR

Mr. President, we should repeal the interest ceiling on Treasury financing in order to avoid further loss of confidence in the future of the dollar on the part of foreign holders of large amounts of dollar assets. There is a real risk that loss of confidence may become cumulative. Should this develop, the United States could experience large losses of gold which would pose serious problems not only for the United States, but for the entire free world.

Consider the balance of payments situation: The balance of payments position in the United States has changed dramatically in the past 2 years.

The dollar gap has disappeared.

The dollar is still strong but it is no longer the only strong currency in the world. Convertibility is working satisfactorily and successfully in Europe and has contributed greatly to confidence in European currencies.

The United States is running an adverse balance of payments as the result of (a) a sharp decline in our surplus of exports over imports. This reflects the adverse competitive position of important American industries, in good part because of the expansion of modern and efficient productive capacity in other parts of the world, especially in Europe; (b) large Government outlays abroad, reflecting military expenditures, grants, and credits; (c) large private investments abroad.

There is a very real prospect that the U.S. balance of payments situation will continue adverse for some time, or may even deteriorate further.

Gold losses amounted to $2¼ billion in 1958 and are still continuing, although at a slower pace.

All these factors have contributed to a feeling of caution and uncertainty abroad with reference to the prospects for the dollar.

There are recurrent stories in the European press as to the weakness of the dollar and the possibility of an increase in the price of gold.

There is a fear abroad that continued loss of gold will result in our placing an embargo on further gold exports. That is why our continued loss of gold is a topic of interest in foreign financial centers.

Foreign observers invariably point out the crucial necessity of maintaining confidence here at home in the integrity of the U.S. dollar. They point out that if Americans begin to transfer funds to foreign centers in large amounts, the pressure on the U.S. gold stock would become intolerable.

Consequently, they emphasize the need to maintain the confidence of Americans in the dollar, that is, to eliminate the present fear that American prices will continue to rise indefinitely.

Foreign holdings of short-term dollar assets total in excess of $16 billion. Loss of confidence abroad could, therefore, mean large losses of gold and a rapid decline in the U.S. monetary gold stock.

Consider the causes of uncertainty: The major factors contributing to this foreign uncertainty as to the prospects for the dollar are:

The apparent inability of the United States to stop the wage-cost-price spiral. Foreigners are watching the current steel negotiations with great interest.

The American budget record, especially the huge deficit of fiscal 1959 incurred in connection with only a short and moderate decline in business activity. Foreigners regard the recent curbing of extravagant spending programs, by efforts of the President and a militant minority of Republicans and Democrats, as a favorable sign, but they are still questioning our ability to achieve even a moderate surplus in a business boom.

The pressure in some quarters for easy credit and low interest rates, regardless of conditions in the economy or in the credit markets. Foreigners interpret the criticism of the Federal Reserve for its policies of credit restraint in the 1955 and 1957 business boom and the criticism of the Treasury for its debt management policies as evidence of this desire for easy credit. They also view the various proposals that have been advanced to require the Federal Reserve to peg interest rates or to purchase long-term Government securities and the unwillingness in some quarters to raise the Treasury's interest rate ceiling, as part of this overall effort to force interest rates down to artificially low levels. Foreigners recognize, even if some Americans do not, that all these efforts and proposals, designed to reduce interest rates, will involve an increase in inflationary pressures in the American economy.

Foreigners are very sensitive to trends in the United States. They would regard a failure to remove or raise the Treasury's interest ceiling as a step in the direction of more short-term Treasury financing, increased inflationary pressures and enhanced weakness of the dollar.

So, we must be cautious. In this situation, the United States cannot afford to take any action that would disturb foreign confidence in the future of the dollar. Why?

Foreign holdings of short-term dollar assets are some $16 billion plus.

Withdrawal of any substantial amount would mean an increase in the gold outflow.

This would reduce our gold stock and raise more questions abroad as to how long we would permit the outflow to continue.

This development could very well impair the confidence of Americans in the dollar.

This spiral could have serious consequences not only for the United States but for the entire free world. Their monetary systems are closely linked with that of the United States.

Mr. President, I should like to reemphasize this point. We cannot legislate confidence in the dollar abroad. We must earn that confidence, and we must earn it all the time. We cannot have it today and lose it tomorrow and expect that we are going to have it next year. We can impair this confidence by embarking upon policies which foreigners, out of their own painful experience, know are unsound and end in acute inflationary pressures.

It is futile to think that we can fool our friends abroad. It does not make any difference to them whether we talk about our problems or not, whether they are ventilated on the floor or not. What they look at are the figures, and they judge us by the figures.

Mr. President, we cannot afford at this time or at any time, indeed, to shake the

faith of our good neighbors abroad in the countries of the free world in the strength and integrity and credit of the Government of the United States.

The current issue is whether, by forcing a low interest rate policy, we shall undo the progress that has been made in budget matters, which up to now has helped to curb the inflationary fears that are so widespread, not only in the United States but also abroad, and has served to restore a somewhat greater measure of confidence in the dollar in foreign financial centers.

ECONOMIC GROWTH AND THE INTEREST CEILING

One of the chief objects of the current study being undertaken by the Joint Economic Committee is the study of economic growth, and I should like, Mr. President, to mention this in connection with the interest ceiling issue.

If the United States is to achieve sustained growth and avoid continued inflation, investor confidence in fixed-interest obligations must be restored. This cannot be achieved without restoring confidence in the future purchasing power of the dollar, and restoring the willingness to invest in Government bonds. This confidence cannot be attained if, as a nation, we embark upon a deliberate policy of forcing interest rates down, or require the Treasury to concentrate its financing in relatively short term issues that are not subject to the 4¼ percent interest ceiling. Both of these practices would undermine confidence in fixed-interest obligations and thus make it more difficult to achieve continued economic growth.

Repeal of the interest ceiling is required to help restore confidence in fixed-interest obligations.

Continued economic growth cannot be achieved without large investments in fixed assets of all kinds: Business plant and equipment; housing; commercial facilities; public improvements; and so forth. Only through large capital investment can the output per unit of labor be raised.

The great bulk of the capital investment in the United States is financed through the use of debt obligations—mortgages and bonds.

HOUSING

Borrowed money provides 60 to 90 percent of the cost of a house; without a plentiful supply of mortgage funds, the demand for housing would be greatly reduced.

STATE AND LOCAL IMPROVEMENTS

All manner of public improvements—highways, schools, water and sewerage facilities, public buildings, and so forth—are financed through the sale of bonds. Public improvements are dependent upon the continued flow of funds for investment in debt obligations.

FEDERAL GOVERNMENT

Treasury financing, as well as State and local government financing, is done exclusively through the use of debt obligations.

BUSINESS

Some types of business enterprise, notably electric light and power, gas and telephone, rely upon debt financing to provide a large part of the funds required for the expansion and modernization of facilities. Manufacturing corporations have been able to finance a larger part of their plant programs out of the reinvestment of profits and depreciation; nonetheless, industrial corporations are still large users of credit, both short- and long-term.

If this flow of investment funds is to prove adequate for continued economic growth, several conditions must be fulfilled: First, people must be willing to save out of their current income; second, people must be willing either to invest their funds directly in debt obligations or to leave them with financial institutions which act as intermediaries and make the necessary investments; and, third, there must be a variety of different types of savings institutions, each performing the highly necessary service of accumulating and investing savings.

The willingness of people to save and to purchase debt obligations directly, or to leave their savings with these institutions, depends upon their confidence in the future purchasing power of the dollar.

There is ample evidence that increasingly during the past year, savers and investors have been shifting into stocks, real property and other so-called inflation hedges, and insisting upon higher returns on debt obligations in order to provide some protection against the risk of rising prices.

Removal of the interest ceiling would help reduce inflationary fears and would therefore be favorable to economic growth.

INTEREST RATES AND INFLATION

It is argued that rising interest rates mean higher costs. Therefore, it is argued, higher interest rates are inflationary. Consequently, any action that may contribute to higher interest rates should be avoided. This argument is fallacious, Mr. President. Comment as follows:

First. The contribution of higher interest rates to an increase in prices has been greatly exaggerated. For a variety of reasons, increases in interest rates have very little effect in pushing up costs and, consequently, their influence upon changes in specific prices or in the price level is minor.

Second. Higher interest rates have no effect upon the interest cost of outstanding interest-bearing obligations, but affect only the cost of new borrowings.

The increase in mortgage debt and bonds in any one year, on which higher interest rates have to be paid, is only a small percentage of the total outstanding.

This fact means that the impact of a period of high interest rates upon the carrying cost of long-term debt is of nominal proportions. Of course, the effects upon the cost of short-term borrowing are more immediate.

Third. Interest payments are not an important part of the costs of significant economic and social groups. Mortgage interest—the major interest expense of consumers—has a weight of only 1.7 percent in the consumer price index. Interest payments amount to only 1.2 percent of sales of business corporations. In public utilities, interest payments comprise only 5.8 percent of operating revenues, and only 4.8 percent in the case of natural gas pipeline companies. Net interest accounts for only 3.9 percent of total national income. An increase from 5½ to 6 percent on a $10,000 20-year mortgage would increase the monthly payments by only $2.90 per month, less the saving due to the fact that interest is a tax deduction. A lengthening of the terms of a real estate mortgage has much greater effect upon the interest burden over its life than does an increase in the mortgage rate. On a 20-year, 5½-percent mortgage, total interest over the life of the loan amounts to 65.1 percent of the face of the mortgage; at 6 percent, the corresponding figure is 72.1 percent. However, an increase in the maturity from 20 to 30 years, even if the rate is kept at 5½ percent, increases the interest cost to 104.5 percent of the mortgage.

Fourth. The impact of higher interest rates is further reduced by the fact that interest payments are a tax deduction for business corporations and for individuals.

The distinguished Senator from Utah [Mr. BENNETT] brought that out earlier in the afternoon, in his remarkable address on a related subject.

Fifth. The Treasury recoups, through taxation, a large part of any increase in its interest payments that results from an increase in the level of interest rates.

Sixth. The important consideration is not that higher interest rates are inflationary but rather that policies designed to keep interest rates at artificially low levels will generate inflationary pressures and result in rising costs and prices.

The burden posed by rising prices and costs is many times as large as the larger outlays for interest that would be required if market forces were allowed to operate in the investment and credit markets.

The cost of trying to keep interest rates down is much greater than permitting them to find their level in the marketplace.

EFFECT OF REMOVING CEILING

Now it is argued that the removal of the ceiling on interest rates on Treasury bonds would result in a general rise of all interest rates, and would also increase the cost of carrying the Government debt.

This argument is fallacious for the following reasons:

First. The present levels of interest rates reflect the strength of the business recovery, large credit demands pressing upon an inadequate supply of savings, and the fear of inflation which has discouraged investment in fixed-interest obligations—bonds.

Second. Removing the ceiling on Treasury bonds would help dampen inflationary psychology; it would indicate a determination to use all available tools to contain inflationary pressures; it would reduce the threat of large-scale inflationary Treasury financing through the sale of short-term issues to the banking system; it would help reestablish the

confidence of investors in debt obligations. All these mean reduced upward pressure on interest rates.

Third. Removal of the interest rate ceiling would contribute to a readjustment and realinement of the interest rates on various maturities of debt obligations. The necessity of concentrating Treasury financing in bills, certificates, and notes maturing within 5 years has forced up yields on short- and medium-term securities. Elimination of the ceiling would relieve the upward pressure on these interest rates.

Fourth. The facts are that today yields on outstanding long-term Treasury obligations are lower than the rates the Treasury has had to pay on some of the short- and medium-term securities it has been forced to use in its recent financing operations—issues of 1-year and 4-year-9-month notes were sold in July at 4¾ percent. My proposal would free the hands of the Treasury and enable it to do its financing in the way that is most appropriate and economical in the light of conditions prevailing in the credit markets. This does not mean that the Treasury would immediately undertake to issue huge amounts of long-term debt; it would continue to adjust its financing to conditions in the market. But the Treasury could do a better and more efficient job if it were free to adapt its financing to market conditions.

THE COST OF BORROWING

It has been argued that removal of the ceiling on Treasury bonds would raise the cost of borrowing and increase the difficulties of borrowing by small business, home owners, and State and local governments.

This argument also is fallacious for the following reasons:

First. If the ceiling is removed, the Treasury is not likely to enter the market forthwith with tremendous amounts of long-term borrowings.

Debt management practices in recent years show that the Treasury is cautious in its use of long-term obligations; it has limited long-term financing to amounts that can be absorbed without having an undue effect upon the long-term capital markets.

However, the Treasury should not be prevented from issuing securities of long maturity by the existence of the present ceiling on interest rates. That is exactly the position the Treasury is in. It is being prevented right now.

Second. It is not at all certain that the sale of moderate amounts of long-term Government bonds would in fact reduce the supply of funds available for investment in mortgages and bonds, or mean significantly higher long-term interest rates.

The willingness on the part of investors to put funds into long-term Treasury obligations depends upon their confidence in the future of the purchasing power of the dollar.

A show of determination by the Treasury to cope with the inflation problem and to avoid inflationary financing of the Treasury debt would help weaken inflation psychology and expectations.

As a consequence, investors would be more willing to invest funds in long-term debt obligations.

Under these conditions, a moderately higher rate of return on long-term bonds might well induce the shift into bonds of some investment funds that are now held in other investment media.

Third. The Treasury should be in a position to claim part of the savings of the country.

The Treasury will have to be able to attract some funds from long-term investors if a progressive shortening of the debt, with all its inflationary implications, is to be avoided.

The Treasury, due to the interest rate ceiling, is not in a position to attract such long-term funds at the present time.

Fourth. The borrowing position of the Treasury has suffered progressively over the years from the development of increasingly effective competition from other borrowers. As a result, investors are demanding, on Treasury obligations, rates that are increasingly competitive with rates offered by other borrowers. Some of the factors contributing to the growingly adverse competitive position of the Treasury in the capital markets are:

State and local governments have the advantage of tax exemption, while interest on Treasury obligations is subject to Federal taxation. The present high rates of personal and corporate income taxes have increased the advantage enjoyed by State and local governments.

Home owners enjoy the advantage of a system of guarantee and insurance under which the credit of the U.S. Government backs the mortgage. Currently, insured and guaranteed mortgages carry rates 1 percentage point higher than the 4¼ percent which the Treasury is permitted to pay on its own bonds. Furthermore, interest payments on mortgages are a deduction for income tax purposes.

Corporations are able to pay well for borrowed money since its cost to them is reduced by the fact that 52 percent of the interest payments are offset by a reduction in Federal income taxes.

There is little prospect that these factors, which have worsened the competitive borrowing position of the Treasury, will be eliminated or even reduced. Consequently, the only way in which the Treasury can raise funds in the long-term market is to pay rates that are more closely competitive with rates paid by other borrowers. This is not possible under the present ceiling.

Small businesses do not borrow in the long-term capital markets in significant amounts; most of their funds are obtained from banks and from miscellaneous local sources.

Furthermore, the Federal Government is already providing substantial assistance to small business.

WHO BENEFITS FROM HIGHER INTEREST RATES?

It has been argued that the removal of the interest rate ceiling would benefit mainly the commercial banks, other large financial institutions and the wealthy.

I remind the Senate that the commercial banks are having a field day today with the short-term market for securities, and especially the short-term market for Treasury bonds. They could not ask for anything better than what they have. They do not invest in long-term Treasury bonds anyway. Those banks who do should not do so. Such practices are discouraged by State bank examiners and others; but short-term maturities—5 years and under—are the haven for commercial banks to invest deposits which are not needed in connection with their lending activities. So they could not have a better time than they are having now, while short-term interest rates are at such a high level.

The reason why short-term interest rates are at such high levels is that the Treasury has been forced to go into the short-term market to the extent of $6 billion or $7 billion of new money between now and the end of the year, and it has been going in there recently to help finance the $12½ billion deficit. It has been forced to do this in the short-term market. This is what is driving the short-term market up, in large part. If we take the Treasury out of that market and put it into the long-term bond market, the banks will not buy the long-term bonds. They will remain in short-term securities, and the interest rates on those will go down. So the argument that the banks might benefit by holding the long-term interest rate down is perfectly unsound, in my judgment.

There is no basis for the argument that if the interest rate ceiling were removed the main beneficiaries would be the commercial banks or other large financial institutions, or wealthy people. I do not believe that that assertion can possibly be proved in any way.

Removal of the interest rate ceiling on Government bonds will not necessarily be followed by a general rise of all interest rates. By reestablishing confidence both here and abroad in the determination of the Federal Government to finance outside the banking system, fears of inflation will be reduced and the willingness of investors to place their funds in fixed-income obligations will be enhanced.

Interest payments from Federal, corporate, and State and local government securities, and from mortgage investments, are widely dispersed among the millions of savers in the economy, either through savings institutions or through direct investment in bonds or mortgages.

There are 22 million accounts in mutual savings banks, averaging $1,527, and totaling $34 billion.

There are almost 24 million accounts in savings and loan associations, averaging $2,024, and totaling $48 billion.

There are over 37 million savings accounts at commercial banks, averaging $962, and totaling $40 billion.

There are some 8 million people participating in payroll savings plans to buy U.S. savings bonds, and altogether there are about 40 million who own savings bonds. Some $42½ billion of series E and H savings bonds are outstanding.

There are 112 million people with savings in the form of life insurance, with an average equity of about $800—a total of $107 billion.

There are about 14 million people who are beneficiaries of noninsured pension plans. The assets of these plans total over $22 billion and are invested heavily in corporate and Government bonds. Including dependents, the number of people covered would be significantly larger.

The upper-income groups account for about 10 percent of the population. Their share of total interest received has fallen to about 25 percent, compared to over 50 percent in the 1920's. A lesser share of interest payments is actually retained by the wealthy than by middle or lower income families, because of the higher income tax rates that apply to the upper income groups.

The bulk of interest on the public debt is paid to individuals, mutual institutions, such as savings banks and insurance companies, and public pension and other trust funds. Those interest payments which are received by commercial banks and business corporations are, in major part, recouped by the Treasury through the 52 percent income tax rate which applies to these investors.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a table which shows the interest on the public debt as it was paid to individuals and mutual institutions in 1946 and in 1958; also to other investors. This is a very short table.

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

[In billions of dollars]

	Interest on the public debt	
	1946	1958
Individuals and mutual institutions	1.9	2.4
Public funds (including Federal Reserve)	1.0	2.7
Other investors	1.8	2.5
Total	4.7	7.6

Mr. BUSH. Rising interest rates affect only new borrowers, and do not change the amount of interest paid by those who have previously incurred debt through mortgages, and so forth. Rising rates are therefore not detrimental to those who are already in debt, since only the new borrowers pay the higher rates.

When interest rates rise, savings institutions and other investors in fixed-income obligations experience a decline in the capital value of their holdings. For example, commercial banks wishing to reduce their portfolios of Government securities find they must take a capital loss if they sell their holdings. Rising interest rates therefore are to the lenders' disadvantage in this respect.

The function of rising interest rates is to restrain new borrowing at a time when demands are already high; new borrowing swells the spending stream and pushes up prices during a period of economic boom. If the underlying wants of every household and business in the country were made effective through unlimited access to borrowed money at low rates, the upward pressure on commodity prices would be fantastic.

In the last analysis, the beneficiaries of higher interest rates are not merely the savers, who make funds available for investment, and who benefit directly from the larger returns that higher interest rates bring, but every household benefits in a very real sense by being protected from the ravages of the inflation that would otherwise take place.

BILLS ONLY POLICY

Mr. President, it is contended that one reason the Treasury has been encountering difficulties in its financing operations is that the Federal Reserve has been limiting its open market operations to short-term Treasury obligations, normally, Treasury bills.

Mr. President, the Federal Reserve, so it is said, should be directed to depart from this policy and to conduct its operations in long-term Treasury securities.

Such a specific directive to the Federal Reserve to conduct open market operations in longer term securities is both unnecessary and unwise.

ORIGIN

The policy of generally limiting open market operations to short-term Treasury obligations—normally, Treasury bills—was adopted by the Federal Reserve Open Market Committee in 1953, after an exhaustive study of the operation of the Government securities market. This study supported the conclusion that the present policy would contribute to the effective functioning of the Government securities market.

DEPARTURE FROM CUSTOMARY PRACTICE

The Federal Reserve has departed from customary practice on several occasions in the past few years, namely, in November 1955, early in 1957, and again in 1958. These operations were undertaken in order to assist Treasury financing, to help correct disorderly conditions in the Government securities market, and to help effectuate the objectives of credit policy. Consequently, the practice of limiting open market operations to short-term Treasury obligations is not rigid and inflexible.

DIFFERENCES OF OPINION

The current practice of customarily limiting open market operations to Treasury bills has given rise to some differences of opinion, even within the Federal Reserve System. It is important that these differences within the System be put in proper perspective.

The differences of judgment within the Federal Reserve System do not relate to such basic matters as the objectives of credit policy, or the scope and function of the various instruments of credit policy. Nor are there any differences of opinion as to the central role that bank reserves play in credit policy. There is complete agreement that one of the primary purposes of credit policy is to influence the volume of bank reserves. Beyond this, no one in the Federal Reserve System wants to return to the practice of pegging interest rates, or to have the Federal Reserve undertake to maintain a set pattern of interest rates in the marketplace. These are fundamentals on which there is definite and specific agreement within the Federal Reserve System.

The differences of opinion relate rather to matters of technique and day-to-day operations. There are some who believe that there have been occasions in the past when the purchase or sale of Government obligations other than Treasury bills might have achieved the desired results with a smaller volume of purchases or sales than were required under the practice of limiting dealings to Treasury bills. Even then, there have probably been relatively few occasions since the present policy was adopted in 1953 when those who favor operating in a broader list of securities would have conducted any significant amount of operations in securities other than Treasury bills.

INFLUENCE ON INTEREST RATES

The Federal Reserve can influence long-term interest rates without intervening directly in the long-term securities markets and without incurring the additional problems and difficulties that such intervention would entail. The response of interest rates to changes in credit policy has not been limited to short-term money market rates; it has been evident in long-term yields as well. Long- and short-term interest rates tend to move in the same direction at about the same time.

A basic reason why the Federal Reserve does not have to deal in long-term obligations to affect interest rates is because the major impact of open market operations upon the credit markets comes as a result of their effects upon the volume of reserves made available to the banking system. Open market purchases or sales of Treasury bills have the same effects upon bank reserves as would equivalent dealings in long-term obligations.

PEGGING INTEREST RATES

Some of those who advocate the conduct of open market operations in a wider list of Treasury obligations would not limit the change in practice to occasional departures from the current practice of conducting open market operations in Treasury bills. They desire to have the Federal Reserve conduct its operations so as to achieve lower levels of long-term interest rates. This would saddle the Federal Reserve with the necessity of pegging interest rates at artificially low levels and of maintaining a pattern of interest rates in the market.

Operations in Treasury bills can be conducted more easily and expeditiously, and with less risk of an overly large impact upon securities prices, than can dealing in long-term obligations. The market for Treasury bills is a fluid and active market; dealers' inventories of short-term obligations are ordinarily much larger than are their inventories of long-term obligations; a much larger

proportion of long-term bonds is held by relatively permanent investors; and a given change in yields will obviously have a much greater impact upon prices of long-term obligations than upon the prices of Treasury bills, due to the longer maturity. Consequently, operations in Treasury bills are far less likely to give rise to false expectations in the market, and to the maladjustments, instability and wide fluctuations in prices which would ensue, should these expectations be proved wrong.

Mr. President, it has been suggested that the Federal Reserve should support the long-term Government securities market by purchasing long-term securities. In order to avoid adding to bank reserves, the Federal Reserve would sell equal amounts of short-term obligations. It is argued that this operation would help to stabilize the long-term Government securities market, reduce the cost of credit for long-term borrowers, and assist the Treasury in its debt management operations.

This fallacious argument proposes a most dangerous and unwise course of action.

This proposal is particularly inappropriate and dangerous in a period of expanding business when business confidence is ebullient, speculative sentiment is strong, investment spending on housing and business plant and equipment is rising, and demands for credit are running in excess of savings. Under these conditions, credit policy should be designed to restrain the expansion of bank credit, prevent unsustainably high rates of investment spending and limit the growth of liquid assets in the economy. This proposal would run counter to these basic objectives.

The exchange of short-term for long-term securities on the part of the Federal Reserve would have two effects upon liquidity in the economy—both of which would be just the opposite of what is required in a period of business expansion and high level activity, namely: (a) the liquidity of the Federal Reserve banks would be reduced; and (b) the liquidity of the rest of the economy would be increased.

If this policy were followed to an important extent, the Federal Reserve would be denuded of holdings of short-term obligations. This would greatly complicate the task of day-to-day operations in the money market—operations which are essential to the efficient functioning of the money market. In addition, with its supply of short-term obligations depleted, the Federal Reserve would find it very difficult to apply a policy of credit restraint. Its open market operations would necessarily be limited to sales of medium-term obligations; such sales would adversely affect the prices of long-term Treasury bonds and therefore would run counter to the mandate to support the prices of these obligations.

EFFECT UPON COMMERCIAL BANKS

This policy, if adopted, would also make it easier for the commercial banks to avoid the impact of a policy of credit restraint on their lending operations. The banks would be in a position to exchange their holdings of long-term Government securities for short-dated obligations. This would increase their liquidity and make it easy for them to obtain funds for the expansion of loans by permitting some of these short-term obligations to mature.

EFFECT UPON TREASURY DEBT MANAGEMENT

This proposal is advanced on the ground, among others, that it would ease the Treasury's debt management problems. The practical effect would be just the reverse—to further complicate and make more difficult the Treasury's task of debt management. The purchase of long-term bonds by the Federal Reserve would raise the prices and thus reduce the yields obtainable on them, making them less attractive to investors, at the very time that other demands for long-term funds are at high levels, and attractive yields are available on non-Government bonds and mortgages.

In addition, more of the short-term Treasury debt would be lodged outside the Federal Reserve System as the Federal Reserve sold its short-term securities in order to purchase longer term bonds. Holders of the short-term securities could convert them into cash by allowing them to mature, whereas if these obligations were held by the Federal Reserve, they would be exchanged for new refunding issues. The result is that attrition on maturing Treasury obligations would be increased and the Treasury would be confronted with the necessity of raising additional funds under adverse market conditions.

EFFECT UPON CAPITAL INVESTMENT

This policy, if it were effective, would mean higher prices for long-term Government bonds. This would encourage holders to sell these securities to the Federal Reserve and to put the proceeds in other long-term investments, such as mortgages, bonds, real property, or common stock. In turn this would encourage building, construction and business plant and equipment programs, at the very time when confidence is strong and these activities are expanding cyclically. The result would be to increase the danger of too rapid expansion in capital investment, with overbuilding and overexpansion of plant capacity as the ultimate result. Sooner or later, it would become evident that those sectors of the economy were expanding at an unsustainable rate; the result would be a sharp cutback, with all its adverse effects upon the general level of business activity and employment.

Achieving some reasonable stabilization of capital investment is one of the cardinal objectives of a program designed to avoid sharp cyclical fluctuations in business activity and employment. The adoption of this proposal would make more difficult the achievement of this basic objective of economic policy.

ENCOURAGEMENT OF SAVINGS

In a period of business expansion and high level activity, demands for investment funds customarily run in excess of savings. One way to encourage savings is to offer higher rates of interest on the various savings media. This proposal, designed to achieve lower interest rates, would run counter to this basic objective. Beyond this, long-term growth depends essentially upon the volume of savings available for long-term investment in capital assets of various kinds. Forcing long-term interest rates to artificially low levels would therefore not be favorable to economic growth.

PEGGING INTEREST RATES

The proposal has been advanced that the Federal Reserve return to the practice of pegging interest rates, in order to ease the financing problems of the Treasury and to reduce the cost of funds to borrowers. Some of the sponsors of this proposal have suggested that there is no inflationary risk in such an operation, since the reserve requirements of the commercial banks could be increased sufficiently to absorb any additions to bank reserves that would result from such pegging operations.

Interest rates can be pegged at levels lower than otherwise would prevail in the credit markets only by having the Federal Reserve provide a ready market for credit instruments—presumably Treasury obligations—(a) at prices higher than otherwise would prevail in the market, and (b) with the Federal Reserve standing ready to buy the Treasury obligations offered to it by holders, bank and nonbank alike.

EXPERIENCE WITH PEGGING

The American experience with efforts to peg interest rates has been consistently unfortunate and adverse. The tremendous pegging operation undertaken in connection with the financing of World War II resulted in a huge increase in the money supply and in holdings of liquid assets in the economy; these, in turn, were major contributors to the sharp postwar rise in prices.

The experience with pegging operations in the postwar period, even though reserve requirements were increased in an attempt to offset the inflationary effects, was equally adverse. For example, the outbreak of the Korean war resulted in a tremendous upsurge in the demand for credit and sharp increases in commodity prices. Because of the pegging policy to which it was then committed, the Federal Reserve was unable to follow an effective policy of credit restraint. In the 12 months from mid-1950 to mid-1951, the Federal Reserve increased reserve requirements by some $2 billion in an effort to restrain credit expansion; however, the effects of this action were more than fully negated by purchases by the Federal Reserve, under the pegging arrangements, of $4.6 billion of Government securities. The situation became so serious as to lead to the termination, in March 1951, of the arrangement between the Treasury and the Federal Reserve, under which the latter had undertaken to support the prices of Government obligations.

CONTROL OVER BANK RESERVES

Perhaps the most serious result of the adoption of a policy of pegging interest rates at artificially low levels is that the Federal Reserve thereby relinquishes its control over the amount of reserves provided to the banking system. The Fed-

eral Reserve, under this policy, has to stand ready to buy Treasury obligations in the amounts offered by bank and nonbank holders alike and these purchases increase bank reserves. The decision to increase reserves thereby rests with the holders of Government securities and not with the Federal Reserve. Obviously, the Federal Reserve cannot pursue an effective credit policy under these conditions.

Thus, the purchase of Government obligations by the Federal Reserve, an unavoidable feature of a pegging operation, adds to the volume of reserves available to the banking system. Under the American fractional reserve system, each $1 addition to member bank reserves can be used to support an expansion of $6 to $7 in bank loans and/or investments, and in bank deposits. With the volume of bank reserves increased, the potential for credit expansion is increased, regardless of whether the Federal Reserve purchases securities from commercial banks or from nonbank holders. This poses very difficult problems for the Federal Reserve, because at the time of high level economic activity, when purchases under the pegging policy would be at their peak, large additions to bank reserves would be most inappropriate.

MINIMIZING CYCLICAL FLUCTUATIONS

This policy of pegging interest rates would greatly impair, if in fact it would not destroy, the power and ability of the Federal Reserve to follow a policy of credit restraint at the time when restraint is most needed, namely, when a business boom is well under way. When business expansion has been proceeding rapidly and when record levels of business activity are being attained, as is the case today, business sentiment is optimistic; credit demands are large; upward pressure on interest rates is evident; and the turnover of the money supply is rising. These are the conditions that can easily end in a speculative splurge or in the development of a pronounced business boom, both of which carry the prospect of accompanying excesses and maladjustments and the risk of subsequent correction in business activity and employment.

Under these conditions, the objectives of a policy designed to minimize cyclical fluctuations in business activity should be:

To limit the increase in the money supply, since in a period of business expansion, the rate of turnover of money normally rises in any event.

To restrain the growth of the liquid assets in the economy, in order to minimize the risk that business optimism or speculative psychology may contribute to a bidding up of prices on real property or equities to unsustainable levels.

To place some restraint upon building, construction, and equipment programs of business in order to avoid the risk of substantial overcapacity and the prospect of sharp cutbacks in outlays later, with their disruptive effects upon business activity and employment.

In the present situation especially, to dampen inflationary expectations and speculative psychology.

To restrain the expansion of bank loans.

Adoption of the policy of pegging interest rates would run counter to these basic objectives; it would increase the chances that maladjustments and excesses would develop in the period of business expansion, and these would increase the chances of sharper contractions in the next adjustment phase of the business cycle.

EFFECT UPON LIQUID ASSETS

Pegging operations would increase the liquid asset holdings of the sellers—savings and investing institutions, commercial banks, individuals, and other investors—at the very time when sound contracyclical policy would make this development most unwise and unfortunate. There is no way that this result of a pegging operation can be avoided; it is inherent in the proposal that the Federal Reserve increase its holdings of long-term Treasury obligations.

The pegging operation would also mean an increase in the money supply. The sale of Treasury obligations to the Federal Reserve by holders other than commercial banks—that is, savings and investing institutions, individuals, business corporations, foundations, educational institutions, and so forth—would mean an increase in bank deposits, and hence in the money supply. Here again, there is nothing the Federal Reserve can do to prevent the increase in bank deposits that would result from its pegging operations, unless it could induce the sellers of long-term securities to replace them with short-term obligations. The latter is a most unlikely development; sellers of long-term Governments would want the proceeds in order to put them to work in some more attractive long-term outlet they would not sell long-term securities and replace them, in substantial amounts, with short-term Treasury obligations. Consequently, the pegging operation would unavoidably result in an increase in bank deposits and in the money supply.

HIGHER BOND PRICES—CAPITAL INVESTMENT

To the extent that a pegging policy was effective, the pegging operation would tend to maintain prices of bonds at higher levels, and bond yields at lower levels, than otherwise would be the case. This has a number of effects, all of which are inimical to a program of avoiding extreme cyclical fluctuations in the economy.

One result would be that holders of long-term Government securities would be in an advantageous position to sell them to the Federal Reserve and to put the proceeds at work either in the mortgage market, the bond market, the stock market, or in the real estate market. This situation, coupled with the fact that long-term interest rates would be lower than otherwise would be the case, would provide added incentive for capital investment and thus increase the risk that the rise in capital investment that is typical of a period of expanding business would be carried to excess and culminate in the construction of excess capacity. The increased availability of long-term funds and the artificially low interest rates that would result from an aggressive pegging policy both would help to encourage capital investment.

EFFECTS OF REMOVING ADDITIONAL BAN RESERVES

Some of the sponsors of a resumption of pegging make the point that the reserves resulting from the purchases by the Federal Reserve could be sterilized or removed by increasing reserve requirements by an amount sufficient to absorb the reserves created by the pegging operation.

First, it is true, viewing the banking system as a whole, that reserves resulting from pegging operations could theoretically be absorbed by increases in reserve requirements. Second, it is equally true that such a procedure would involve serious unpredictable consequences for the banking system and for the credit markets.

There is no way to tell in advance how large the purchases by the Federal Reserve might have to be; the higher the support prices, obviously, the larger would be the purchases and the consequent additions to bank reserves. These purchases could assume colossal proportions: as pointed out above, they amounted to $4.6 billion from mid-1950 to mid-1951, in our latest experience with pegging; it may be pertinent to point out that nearly all these purchases were concentrated in the period during which the Federal Reserve was pegging interest rates.

A pegging policy, coupled with a policy of offsetting increases in reserves through higher reserve requirements, would have highly uncertain and disruptive effects upon the commercial banks. There is no way to increase the reserve requirements of those particular banks that would gain the added reserves resulting from a pegging operation, if in fact the amount of such gains could be measured. It would be necessary to increase reserve requirements by classes of banks. The result would be that some banks would find themselves short of reserves, faced with the necessity of liquidating Government obligations or calling loans; other banks would be net gainers on balance, and end up with excess reserves.

Such disruptions are an unavoidable feature of changes in reserve requirements but the consequences are not too important if the changes in reserve requirements are fairly infrequent. However, an arrangement in which changes in reserve requirements were geared into the volume of support operations by the Federal Reserve would confront bank managements with uncertainties and unpredictables that would greatly complicate the task of managing their loans and investment portfolios.

The banks which gained reserves from pegging operations would probably, in an expanding economy and with large demands for loans, decide to expand their loan accounts rather than to increase their holdings of short-term Governments. This would effectively defeat a policy of credit restraint, so far as these banks are concerned.

There is another problem, namely, how the banks that come under pressure due to the increase in reserve requirements would balance their position—particularly if they could not sell their short-term Governments to the banks that received the benefit of the increased reserves resulting from the pegging operations. Thus the Federal Reserve would be faced with other difficult decisions.

The Federal Reserve could permit banks to meet their reserve deficiencies by continued borrowings, but this would run counter to the basic premise that total reserves available to the banking system be held constant despite the pegging operation. Or the Federal Reserve could force the member banks to adjust their positions through sales of short-term Governments. This would put short-term interest rates under severe upward pressure, with an ensuing rise in the cost of short-term borrowing to the Treasury. If the Federal Reserve stepped into the short-term market to alleviate this upward pressure, then it would be running counter to the stated objective of not permitting pegging operations to contribute to an increase in bank reserves.

The conclusion is clear: In practice, resumption of pegging would pose the threat of large increases in the reserves available to the banking system, and this threat would not be eliminated by increases in reserve requirements.

PEGGING: AN INFLATIONARY POLICY

Thus, the inescapable conclusion is that pegging interest rates will unquestionably and unavoidably result in an increase in liquid asset holdings in the country, and in an increase in the money supply; that it will increase the chances of business expansions developing maladjustments and excesses which could contribute to subsequent declines in activity and employment; that it would provide further support for inflationary expectations and for speculative psychology; and that it would be quite impossible for the Federal Reserve to follow a realistic credit policy attuned to conditions in the economy and in the credit markets, and at the same time engage in pegging interest rates.

Keeping interest rates at artificially low levels at the top of a business boom would have two additional serious effects. In the first place, it would discourage the increase in savings that is required if higher levels of capital investment are to be financed without recourse to inflationary devices. Recent experience demonstrates that higher interest rates are effective in encouraging savings; they should be allowed to have this highly desirable and necessary effect in a period of high level business activity.

In the second place, the adoption of a pegging policy designed to maintain artificially low interest rates would provide further encouragement to speculative psychology and doubtless contribute to further upward pressures on the prices of common stocks. Investors would rightly interpret the adoption of a pegging policy as a step in the direction of more inflation and inflationary expectations would be increased. Also, to the extent that lower interest rates could be achieved, the incentive to put funds into fixed interest obligations would be reduced, and a larger share of available investment funds would find its way into the stock market or into investment in real property.

Mr. President, I do not intend to ask for a vote on the amendment which I have discussed, namely, the removal of all ceilings on interest rates for the long-term bonds of the Treasury. I feel however, as I stated at the opening of my remarks, that this is the most serious issue confronting Congress today. Not only is it the most serious of all domestic issues, but it is the most serious of all issues. On the proper handling and proper management of our fiscal affairs by the Treasury and of our monetary policies by the Federal Reserve Board depend the financing of the whole defense effort of the country; and upon them depend so much of the defense effort of the whole free world. In fact, as I have said repeatedly, the cause of freedom depends more upon the credit of the Government of the United States than upon any other single thing.

I know they will not do so today, but I urge Senators, in the coming weeks, to study the problem. I venture the hope that when we return next winter we can untie the hands of the Treasury, so that they may deal with this very knotty problem as it must be dealt with, and the the Treasury may be given the freedom and leeway to handle the public debt in an efficient manner, so as to protect, as far as possible, the interests of all the people, and to reduce the inflationary forces which are pressed upon them by these restrictive practices upon which Congress insists at the present time.

EXHIBIT 1

[From the Washington Star]

CONGRESS SHIRKS ITS DUTY

The Congress will be guilty of dangerous imprudence and irresponsibility if it fails to take action on President Eisenhower's recommendation, repeated in a special message this week, that authority be given for removing the statutory ceiling on Treasury bond interest rates and for raising the rate payable on savings bonds. The House Ways and Means Committee, after an earlier decision to approve the necesary legislation, reversed itself last week and voted to table it for this year.

Although U.S. Government securities generally are considered the safest in the world, the current situation is this: The Treasury Department is unable to sell its bonds—obligations maturing in more than 5 years—at the maximum 4.25 percent rate of return which was fixed by law many years ago. As a consequence, it has been forced to meet its tremendous financing needs through the marketing of short-term securities—bills and certificates—on which there is no interest ceiling. Only recently a 1-year issue of bills was marketed at a near-record rate of 4.728 percent—the lowest the Government could find by competitive bidding in a free market. Short-term securities are held mostly by commercial banks and are employed in the banking system for an expansion of credit which, in effect, increases the supply of money and is directly inflationary as a result.

DEBT MANAGEMENT PROPOSALS

As both the President and Secretary of Treasury Anderson have emphasized, the picture of this seemingly deliberate policy of contributing to inflationary pressures raises grave questions both at home and abroad about our sense of responsibility in our fiscal management. It is quite possible, from that point, to question whether our money—the U.S. dollar—should continue to be practically the standard for the whole world, as it has been for so long. If and when it ceases to be, our entire economy is in jeopardy.

As for the savings bonds, even the most politically motivated individual should be responsive to the implications of the present problem. Approximately 40 million persons hold these small-denomination securities to a total value of $42 billion. They have been urged by their Government to buy them, but the current maximum rate of interest of 3.26 percent neither gives a fair return on today's savings nor offers a cash-in value that is commensurate in purchasing power with their original price. For this reason, cash-ins have exceeded new purchases for months past.

This issue of interest rates has been made a political football on Capitol Hill. It is time for the responsible leadership of Congres to demonstrate its understanding and its interest in a matter of major importance to the national welfare.

[From the St. Louis Post-Dispatch]

INFLATIONARY VOTE

President Eisenhower is reported in dispatches from Washington to be considering a public appeal in behalf of legislation to enable the Treasury to stimulate the Government bond market by raising interest rates above the 4.25 percent ceiling on long-term securities. Needed though the legislation is, such a move seems foredoomed to failure in view of the 14–11 party-line vote by which the House Ways and Means Committee turned it down.

Although we often disagree with Representative RICHARD M. SIMPSON, of Pennsylvania, the top Republican on the committee, in this case he is right in describing the committee action as "incredible folly." As he observes, the Government will be forced to borrow in the short-term money market in competition with State and local governments, business, and consumers. This is likely to force upward the cost of short-term money and to inflate the supply of credit.

The surprise action of the committee is difficult to understand, since it was a reversal of an August 12 decision to approve the measure. As part of that decision the committee included a directive which said, in part: "It is the sense of Congress that the Government shall take into account—the importance of achieving the maximum sustainable rate of economic growth, maintaining reasonable stability of the purchasing power of the dollar, and assuring that the cost of managing the public debt is kept to the minimum consistent with these vital objectives."

The 14 Democrats who voted to suspend action for this session on the legislation must know they voted against "economic growth." The Treasury should be enabled to compete with other borrowers in the money market. The discarded compromise bill would have permitted it to do so for 3 years, a reasonable period. The author of the measure, Democratic Representative HARRISON, of Virginia, joined the 10 committee Republicans in voting for the bill. It is too bad he could not have persuaded two additional Democrats to join them.

[From the New York Herald Tribune]

PLAYING POLITICS WITH THE PUBLIC DEBT

The question of lifting the 4¼ percent ceiling on interest rates for marketable Treasury bonds, according to SAM RAYBURN, is a dead issue in this session of Congress. But he did leave the door open yesterday for a possible boost in the ceiling on series

E and H savings bonds from the present 3¼ percent to 3¾ percent.

The Democrats have hoped to use the bond issue to tag the Republicans a "high interest rate" party. But it would be politically ticklish to oppose a clearly merited rise in interest rates on savings bonds, which are held by 40 million Americans, most of them voters.

The 3¼ percent rate now makes these bonds a poor buy; for the past 12 months, in fact, sales have lagged behind redemptions. In July $350 million were sold, $507 million redeemed. Not only is the Treasury over a barrel but the small investor isn't getting a fair shake.

Action to provide an equitable rate on these bonds is needed, but action to free rates on regular Treasury bonds is equally urgent. Bonds already issued are selling in the open market at prices yielding more than 4¼ percent, so that new long-term issues (the only ones to which the ceiling applies) can't be sold. Sound management of the Nation's $290 billion debt is one of the pillars of fiscal stability and is impossible without long-term borrowing. Within the next 12 months the Treasury will have to borrow $85 billion to cover maturing securities, redemptions, and seasonal cash needs. Unless Congress acts, this will have to be done without access to long-term funds. Speaker RAYBURN knows this, Senator JOHNSON knows it. It's up to them to put politics aside, and act promptly to free the Treasury from artificial and fiscally dangerous restrictions.

[From the New York Times]

THE INTEREST CEILING ISSUE

President Eisenhower at his news conference Tuesday renewed—and in the most emphatic manner—his request first made to Congress on June 8 that the existing ceilings applying to interest rates on Government bonds be removed or liberalized.

The ceiling on marketable securities is 4¼ percent, and applies to issues with maturities of 5 years or longer. This legislation is in the nature of an anachronistic accident. It has no logical relationship to present conditions in the bond market. It was enacted in 1918 in connection with the second Liberty Loan financing of World War I, and was based on conditions then contemporary but today purely history.

What makes this legislation imperative is that the Treasury must raise vast sums in the months ahead in order (1) to fund a constant proceession of maturing obligations, and (2) to raise new money to pay for the appropriations voted by Congress and not covered by taxes. As much as possible of such financing should take the form of securities designed to appeal to savers since, when money is raised through savings, it has no inflationary effects. In practice this means that, broadly speaking, it should be raised through the sale of long-term securities. But with business in a boom phase at present, the demands of borrowers of all categories in the money market are extremely heavy. These demands, competing for a comparatively limited supply of funds, have driven interest rates sharply upward. With the market rate on comparatively long issues above 4¼ percent the Treasury finds itself in a position in which it has no alternative but to raise its funds through the sale of short-term paper, a procedure inflationary in its implications because it involves the creation of bank credit or expansion of the money supply.

The present ceiling on savings bonds, from which the President has also asked relief, is roughly 3¼ percent, a rate that makes it impossible for the Government to compete actively with other available outlets for savings. This is not only a grave injustice to the 40 million patriotic holders of savings bonds in the Nation, but it is a potential threat of the most serious kind to the whole Government savings bond program, itself a major bulwark against monetary inflation.

Savings bonds outstanding total $50.5 billion. That figure exceeds by $2 billion the total of all publicly held marketable issues of the U.S. Treasury with maturities of 5 years or longer. Every dollar that is withdrawn by a savings bond holder is a dollar that the Treasury will have to replace, and that, so long as present interest limitations remain in effect, it will have to replace by raising the money through methods highly inflationary.

[From the Rockford Morning Star, Aug. 21, 1959]

IN FISCAL FOG

There is a striking similarity between the arguments for keeping interest on U.S. Treasury indebtedness low and the old argument for retention of a nickel subway fare. Low interest is a political shibboleth just as, in the old days, the nickel fare was. There isn't any honesty in an argument for either; the public pays.

Yet the backers of cheap interest in Congress have stood fast against any rational approach to the problem the Treasury faces in handling the Government's fiscal problem in an era of rising deficits and generally higher interest on other bonds. Treasury Secretary Anderson and President Eisenhower have stressed the bleak necessity of encouraging greater investment in Government paper by permitting a higher interest rate on long-term bonds. Because it is deemed politically expedient to stand for cheap interest as a political theory, Congress has refused to act and put over consideration at the very time when the Treasury is in desperate need of a more flexible approach to its money problems.

Statute puts a 4¼-percent top on the interest that can be paid on Government bonds maturing in 5 years or more. On short-term bonds or notes, there is only the ceiling imposed by the market place. As a consequence, the Treasury is forced continually to float short-term issues, since the long-term issues cannot compete with other bonds. You can't force people to buy Government bonds when their money can get better wages elsewhere.

To sell its short-term paper, the Government allows whatever interest the market commands. So the Treasury is actually paying out more for interest than it would if Congress permitted it a competitive position in long-term bonds, and, in addition, has the costly job of frequent rollover of the debt. In short, it is in continuous process of issuing new short-term paper to meet the maturity of other short-term paper.

The average investor doesn't want to have to keep converting his bonds or notes every 90 or 180 days. So the banks are the chief investors in short-term paper, almost to the point of being drafted. The result is an inflationary gimmick built right into the banking system. The public, which would welcome long-term Government bonds at a realistic rate of interest, lets Government paper alone and goes in for industrials, utilities, or municipals.

The public market for new Government bonds of larger denominations—leaving out E and H bonds—is practically nonexistent at the present time. Meanwhile, the decline in E and H bonds sales, and the high rate of redemptions, show that even this market has been affected by the failure of the Government to keep its interest payments on a realistic basis. This small investor market can get better wages for its money, too.

This embarrassment to the Treasury Department has been patiently pointed out to Congress by both the President and Secretary Anderson. And it is, indeed, more than an embarrassment; it is a fiscal peril. But Congress, still befogged by the old shibboleth of cheap interest, merely shrugs its shoulder, and, like Micawber, waits for something to turn up.

[From the Wichita Eagle, Sept. 1, 1959]

INTEREST RATES AND SPECIAL SESSION

Chances of a special session of Congress are based on the possibility that that body will take no action on raising the interest ceiling for Government obligations, as the President has requested. As matters stand, management of the national debt is described by those in charge of it as almost inconceivably difficult.

The ceiling on Government securities, enacted in 1918 in connection with World War I finance, is 4¼ percent. That has become unrealistic in view of competition for lendable funds.

The Treasury is assigned the task of raising billions to meet constantly maturing obligations and to obtain new money for appropriations voted by Congress which are not covered by taxes.

The best way to borrow this money is from the private savings of the American people. The Government sells the people long-term securities without inflationary effects. When such paper can't be sold, the Government competes for short-term borrowings against many demands. This competition already has driven interest rates sharply upward. Sale of Government short-term paper involves bank borrowings creating new credit and expanding the money supply. That has inflationary implications.

Present interest rate on E and H bonds to small investors is 3¼ percent. Private institutions seeking this money pay higher interest rates. The President would raise this rate so as to make such investment more attractive and add to the $50.5 billion now outstanding.

Congress either will act to meet the Treasury's pressing need for longer term, noninflationary borrowing or it will be called back to reconsider. Getting the national debt on a more manageable basis is of the utmost concern to the future of every American citizen.

[From the Louisville (Ky.) Courier-Journal, Aug. 25, 1959]

BLOATED BONDHOLDER A DURABLE GHOST

On August 12 President Eisenhower listed some of the things he hopes Congress will do before its present rapidly waning session ends. First of all he put an upward adjustment of the interest rate ceilings on Government securities. The House Ways and Means Committee had that same day approved a bill granting that authority to the Treasury.

However, last week the committee—or, for practical purposes, the Democratic majority in the committee—reversed itself, and put the President's request on the shelf, or in effect denied it for the present session. The committee's action demonstrated that not only the President but also Congress possesses a power of veto. Mr. Eisenhower, who has brandished his own veto club rather provocatively, may need a civics lesson. Even so, this was expensive and reckless pedagogy.

However, what probably influenced the Democrats more than a desire to educate Mr. Eisenhower was the psychology indicated by the old-fashioned term "bloated bondholder"—a favorite in the political oratory of earlier and simpler times. The term has become obsolete, so far as we know, but evidently the bondholder is still bloated in many minds.

But suppose that he still were vastly bloated—and he, in the case of Government securities, is usually not an individual but a bank, insurance company or other institution holding funds in trust—he will not be

unbloated by refusing to let the Government pay higher interest rates. He will simply be inclined to find other and more profitable places in which to invest the funds which he has or which are entrusted to him. In short, Uncle Sam is at disadvantage when he goes to the money market, and is compelled to resort to devices costly to the taxpayer.

The Democrats may not be moved by the serious difficulty in which the present interest rate ceilings put Treasury Secretary Anderson. But have they given up hope that the next Treasury Secretary may be one of their own?

[From the Rockford (Ill.) Register-Republic, Aug. 28, 1959]

EVERYONE AFFECTED

Both President Eisenhower and Treasury Secretary Anderson this week have renewed their requests that Congress take action on legislation to remove the interest rate on long-term Government bonds. Secretary Anderson says that inflationary pressures build up when the Treasury must sell short-term bonds in heavy amounts and pay the highest interest on these notes since the 1920's.

The House Ways and Means Committee, on an almost straight party-line vote, last week shelved the higher-interest bill. There is some indication that the Democratic majority in Congress might agree to higher interest on Government savings bonds. That adjustment is also needed, but Congress should not ignore the long-term bond issue question because all Government financing is interrelated.

The Treasury Secretary points out that raising the interest rate would reduce fears of inflation, which by itself shoots up the rate. Anderson says it is impossible to build up a surplus and reduce the national debt when the Treasury must pay unrealistic interest rates.

The average taxpayer, hoping for eventual relief from the burden he shoulders, will benefit if the Government's cost of borrowing money can be held down. If the Treasury can borrow more money on a long-term basis, it will not pay as much interest in the aggregate as it would by having to issue notes frequently for 90-day and 180-day periods. The fight for reasonable interest rates is thus of importance to every individual and not merely to investors who lend money to the Government.

Baltimore Sun, June 2, 1959: "Senator JOHNSON * * * pointed out that in the single showdown in which high interest rates had been at issue, the Senate majority, including a majority of Democrats, had voted to pay the rates demanded by the market. The pending bill had been a GI housing measure." * * *

New York Times, June 4, 1959: "There could be serious trouble if the Government is foreclosed indefinitely from selling any security longer than 5 years to maturity."

Associated Press Business News Analyst Sam Dawson has written, June 5, 1959: "If the Treasury could sell more long-term bonds to investors and more U.S. savings bonds to individuals, it would tend to dampen the fires of inflation, since such money wouldn't be breeding new credit, as short-term Treasury bills do."

Baltimore Sun: "The Government has got to offer advantages or it just isn't going to get the lender's money. That is precisely the fix in which the Government now finds itself * * *. The alternative is some kind of strong-arm action comparable to a kingly commandeering of private property."

Wall Street Journal: "So just what kind of fix do these Democratic Congressman think the U.S. Treasury will be in if it is prohibited from paying more than 4.25 percent interest in a market that has a higher interest rate? It will be in the fix it is now in, only more so."

Baltimore Sun, June 8, 1959: "Senator DOUGLAS said this: 'I believe in a competitive interest rate. I do not believe the Government should artificially lower the interest rate.' Without such flexibility, the Treasury will be forced to adopt inflationary expedients and the soundness of the dollar will be even more seriously threatened than it is."

New York Journal of Commerce: "A ceiling on borrowing cost can accomplish very little. * * * it would be extremely unfortunate for the economy if the Treasury had to continue to rely on the short-term securities with their inflationary effects just because the Congress adjourned without raising an interest ceiling that could be called at best an artificial barrier."

St. Louis Post Dispatch, June 9, 1959: "As with the ancient dream of eating one's cake and having it too, the hope of simultaneously enjoying the best of two possible worlds has a strong grip on some Senators and Representatives. They would like to enjoy both the full employment of boom times and the low interest rates of depression times. Who wouldn't? * * * What are the alternatives? The Federal Reserve System might be ordered to support the price of Government bonds, as it did during and after the war. But this is a proved way of creating inflationary pressures, since every dollar thus put into support buying adds something like $6 to the money supply."

Wall Street Journal: "Today when any man throws bricks at the hardhearted advocates of hard money, he is in reality smashing the hopes of the common man and the dream of security in the pension society."

J. A. Livingston in Washington Post and Times Herald, June 10, 1959: "Congress has no alternative. It must grant Secretary Anderson freedom to finance in the open market. It will have to raise the interest ceiling on bonds above 4¼ percent—in case he has to use it. Anderson's fix is everybody's fix."

Paul Heffernan in New York Times, June 14, 1959: "President Eisenhower's proposals for raising the Federal debt limit and removing the ceiling on interest rates of Treasury bonds are viewed in the financial district as necessary moves for putting the Government's financial affairs in an up-to-date framework."

New York Times: "The ultimate effect of the ceiling's removal, declared Martin * * * would be not only to lessen the pressures that are pushing interest rates up, but to reassure savers as to the future value of the money they have put into interest-bearing investments."

Kansas City Star, June 15, 1959: "The dollar has been regarded throughout the world as a symbol of U.S. prestige and strength. We do not suggest, nor did Secretary Anderson, that other nations have already lost faith in either the dollar or in our Government. But it is only realistic to admit that because of our inflationary and fiscal difficulties, they are watching more closely than ever before."

Washington Daily News, June 16, 1959: "Under present market conditions * * *. To get the money, the Treasury must resort to short-term bond issues * * *. But the repeated marketing of these short-term issues is expensive. Furthermore it unnecessarily disturbs the credit market where expanding industry also must go for funds * * *. The Democratic Advisory Council termed removal of the interest ceiling 'indefensible.' It said the action would have 'a damaging effect on small borrowers, States, municipalities, and homemakers.' It need have no such effect."

Wall Street Journal, June 17, 1959: "The past few days have brought into the open an attitude on the part of a number of influential lawmakers that is both disturbing and dangerous. This is an evident desire to return the Federal Reserve System to the business of pegging the Government bond market."

Wall Street Journal, June 22, 1959: "Thus it is quite possible that if the Government is forced, by a refusal of Congress to remove the ceiling, into nothing but short-term financing, its interest rate expense will become high rather than low."

Baltimore Sun, June 25, 1959: "The Democrats—in sharp contrast to the Republican minority on the Ways and Means Committee—haven't any well-formulated, concrete alternative proposal to offer the Treasury. * * * What the Democrats fear is that if they flatly brushed the President's interest proposal aside and drove the Treasury into the short-term market interest rates may go on rising anyhow. And thus in the coming Presidential year they conceivably could be left with a woeful political headache on their hands: How to explain to the voters that they failed to stop interest from rising while forcing the Treasury to resort to inflationary short-term financing and a concomitant rise in living costs * * *. Some Congressmen have been told by the Treasury 'if you force us into the short-term market exclusively, you'll probably find the cost of the national debt rising even more than it has already risen.'"

J. A. Livingston in Philadelphia Bulletin, July 1, 1959: "First, Congress votes authority to the Secretary of the Treasury Robert B. Anderson to increase the public debt from $285 billion to $295 billion. Then it fusses and fumes over the request to eliminate the interest rate ceiling of 4¼ percent on marketable bonds and 3.26 percent on savings bonds. How fit for a nursery rhyme:

"Congress, may I go into debt?
Yes, Bob, name a target;
Borrow whatever you have to get,
But don't send 'bonds to market.'"

New York Times: "It is difficult to imagine that in a final showdown a majority of the Members of Congress, acting out of ignorance or ancient prejudice or pure partisan politics, should act to hamstring the Treasury * * *. Passage of this legislation is a difficult thing to ask of the Democratic leadership, but the very essence of leadership is assumption of responsibility on the tough ones."

Wall Street Journal, July 3, 1959: "Despite the political attractiveness of shifting any onus from Congress to the White House, these men apparently felt it was too inconsistent with their 'liberal' reputations to do anything at all that might possibly seem to be for higher interest rates. So now all is in suspense while they try to work themselves out of their self-created dilemma."

Philadelphia Evening Bulletin (editorial titled "Sneaky Inflation"), July 6, 1959: "Nobody is for inflation so long as it is called by its right name. But let it be called 'expansion of the economy.' Or 'hold down the interest rates.' Or 'No bonus for bankers.' Then it's a different story. A great many people will enthusiastically back any of these appeals, happily unaware that they are helping to bring about the very thing they dread."

Wall Street Journal, July 10, 1959: "The implication is that the legal right to pay the market price for money is a sort of favor granted the President instead of being the only practical thing the U.S. Treasury, like any other borrower, can do."

New York Herald Tribune: "The House Ways and Means Committee * * * has coupled its action with a potentially damaging assault on the independence of the Federal Reserve Board."

Nat S. Finney in Buffalo Evening News, July 11, 1959: "Americans who buy on the

time payment plan or have to borrow to tide themselves over 6-month emergencies will 'pay through the nose' if Congress refuses to remove a 30-year-old interest rate ceiling on longer term Federal bonds."

Washington Star: "When the Treasury Department announced this week that it would pay a near-record 4.728 percent interest rate on a $2 billion issue of 1-year, or short-term bills it was not 'setting' the highest rate in 38 years for the benefit of the Nation's bankers. Instead, it was borrowing money at the lowest price it could find—by competitive bidding in a free market that is governed by the nonpolitical law of supply and demand * * *. It is clearly 'in the national interest' for the Treasury to have greater flexibility in its debt management."

Harold B. Dorsey in Washington Post and Times Herald, July 13, 1959: "Of at least equal importance is the fact that the Treasury Department's demand for credit in the short-term market is making it more expensive and more difficult to finance the normal operations of business. Some of those who oppose lifting the interest rate ceiling on Government bonds are inconsistently in favor of cheap credit for individuals and small businesses. They would force the Government to compete with these individuals and small businesses for the available supply of short-term credit. The natural effect is a higher interest rate for everybody in the short-term and intermediate-term credit markets."

New York Times, July 15, 1959: "Is there a relatively painless way by which the Treasury could sell more long-term bonds without paying higher interest rates? Are there devices by which the Federal Reserve System, without pumping up the Nation's bank reserves and money supply to inflationary proportions, could help solve the Treasury's problem? A number of Democrats in Congress think the answer to both those questions is "Yes" * * *. The idea is to have the Federal Reserve buy Treasury bonds from time to time, which it does not now do, while still fulfilling its 'primary mission' of a sound monetary policy. This is to be the painless cure for the debt-management problem * * *. There is no easy way to beat inflation and still keep interest rates low at a time of boom in the economy. The Ways and Means Committee would do well to recognize that fact and strike the amendment from the bill."

The Washington Daily News, July 20, 1959: "Funny money is the problem in congressional maneuvering over interest rates. An insistent minority would run the printing presses to pay the Government's bills. * * * Present high living costs * * * are substantially the result of their work. * * * The printing press influence is obvious in the Ways and Means Committee suggestion * * *. Any such "sense of Congress" as is proposed wolud advertise to the world that we haven't learned our lesson * * *. We hope that, whatever else Congress may choose to do about interest rates, it will eliminate this inflationary advice to the Federal Reserve."

Baltimore Sun, July 25, 1959: "The present management of the Federal Reserve System is very much against trafficking in Federal bonds * * *. The Government's credit is measured in the ultimate by its bonds. For the Federal Reserve to buy these bonds would, the Reserve feels, inject artificial and distorting pressures into the market. * * * The Federal Reserve System's resistance is clearly on a keep-the-camel's-nose-out-of-the-tent basis."

J. A. Livingston in Washington Post, Philadelphia Bulletin, and other newspapers, July 26, 1959: "Both the Reserve Board and Secretary of the Treasury Anderson consider the amendment misleading and inflationary. It implies that the Reserve will become a backdoor printing press for the Treasury. The vote on this will disclose the inflation and anti-inflation lineup in Congress.

The New York Times, July 27, 1959: "The independence of the Federal Reserve System, for example, is a far more vital issue than a change in the Government bond ceiling that could well prove of theoretical more than practical significance. There are other fiscal and monetary issues that are more important.

"It is to be hoped that the administration in seeking to end the illogical interest rate ceiling on Government bond offerings, will not be willing to pay to high a price for something that promises to have limited practical value, at most, all this time."

The Journal of Commerce, August 7, 1959: "The current pattern of savings in the Nation tells more about why interest rates are high than do all the speeches in Congress criticising tight money * * *. The only way to lower interest rates in a market for money, controlled by supply and demand factors, is for the Congress to practice fiscal discipline, giving an indication through its spending and taxing policies that it is seriously interested in defending the value of the dollar."

The Houston Post, August 12, 1959: "President Eisenhower and Secretary Anderson have put before Congress the only positive proposals to ease debt management worries and curb inflation. In the absence of alternates, it would appear that Congress must act to maintain confidence in the dollar."

New York Herald Tribune, August 19, 1959: "From the start congressional Democrats have treated the interest rate issue as a political football, hoping to use it as a means of pinning on the Republicans a phony 'high interest party' label. Without freedom to adjust to these forces (of a free market) the Treasury hasn't the means to manage the national debt soundly. Yesterday's action was not only fiscally imprudent but politically irresponsible."

Wall Street Journal, August 20, 1959: "The Ways and Means Committee * * * seems to share the * * * view that if you just won't think about unpleasant things they'll somehow go away * * *. The public market for new Government bonds of larger denominations is for all practical purposes now nonexistent * * *. Well, the Treasury can try to do what it has been doing, juggle its short-term debts in air in the hopes it can keep them there. But in a year's time, when the committee may again 'think about it,' that problem will be far worse * * *. Irresponsibility may be charming in a minx, but not in grown men. And even Scarlett O'Hara found out, in the end, that tomorrow was too late."

Washington News, August 26, 1959: "President Eisenhower did a first-class job in telling Congress why repeal of the 41-year-old ceiling on interest rates for long-term Government securities is so important to American pocketbooks. If Congress doesn't drop its purely political aversion to this proposal, the country is headed for another round of inflation."

New York Times, August 27, 1959: "The ceiling on marketable securities * * * is in the nature of an anachronistic accident. It has no logical relationship to present conditions in the bond market."

Wall Street Journal: "Every man knows there are sensible and foolish ways of managing the burden of debt. And only an irresponsible Congress will force the Nation of which it is caretaker further along the ways of folly."

New York Herald Tribune: "The same lawmakers who voted to raise the mortgage ceilings are refusing to grant the President's request for authority to sell bonds paying more than 4¼ percent."

EXHIBIT 2

MONEY MANAGERS HIT A ROADBLOCK—TREASURY IS FORCED BACK INTO SHORT-TERM MARKET FOR NEW BORROWING—$5 TO $7 MILLION NEEDED, BUT THE SALE OF BONDS WITH LONG MATURITIES IS BARRED BY INTEREST CEILING

(By Paul Heffernan)

If a man made $7,000 a year and owed about $29,000, of which $5,000 was payable on demand and $7,500 more within a year, he would know what it's like to be Uncle Sam. The difference is seven zeros at the end of the dollar sign.

An ordinary citizen in such a fix would first of all try to keep happy those creditors who held the demand debt so that they would not descend on him all at once with an order to shell out 70 percent of his year's salary. Next, he would persuade the other short-term creditors to give up their 1-year call on his salary for a repayment scheme that would give him 10 years or more to work out of the debt.

Not so with Uncle Sam, however. Instead of trying to wriggle out of the money pickle, the Government is getting ready to go even deeper into short-term debt. Before the year is out, the tax-poor Treasury wll have to borrow $5 billion to $7 billion in fresh cash. Much of the job will be done next month.

LONG ISSUES BLOCKED

The money will have to be borrowed at short term because Congress will not permit the Treasury to sell long-term securities (issues with a life of more than 5 years) at an interest rate higher than 4¼ percent, a ceiling enacted by a World War I Congress and since maintained.

Until about a month ago it was debatable whether the Treasury might still be able to raise long-term money at the 4¼-percent limit ordained 40 years ago. There is no question now, however. The economy's persisting vigor is making loan money scarce, a story that the bond market has been unfolding the last 2 weeks in the form of rising investment yields.

The Treasury's 14 outstanding issues of marketable long-term bonds—issues maturing from 1965 to 1995—are selling in the market at prices yielding 4.15 to 4.79 percent, except the 3s of 1995, which, because of special tax considerations, yield about 3.9 percent to maturity. Under such conditions, the Treasury could hardly expect to borrow much long-term money at a cost of less than 4½ to 4¾ percent. Within a few months, if economic conditions do not slacken materially, the rate might be 5 percent.

PIVOTAL CREDITORS

Who are the investors who hold $50 billion of payable-on-demand debt over the head of the Treasury? Who are the holders of $75 billion of other debt due within a year? Are there signs that investors are getting indifferent about holding so much of the floating public debt and would rather put the money to other use?

The answers are sobering.

The Treasury's demand creditors are the people who own savings bonds, issues slated to mature over 10 years or so from issuance, yet nevertheless subject to redemption at the holder's option on demand. Statistics show that such people are becoming increasingly reluctant to hold the bonds. Sales are falling off and cash-ins are mounting. In July, for instance, there were nearly twice as many savings bonds turned in for redemption as there were new bonds sold.

Congress last week took a belated step to make the savings bonds more attractive to holders. It approved a bill to raise the interest yield on the savings bonds, if held to maturity, from 3¼ percent to 3¾ percent.

The congressional move should go far toward arresting the growing unpopularity of

the savings bonds if the indifference of the public is due mainly to a rate of return that is no longer competitive with yields from insured savings accounts in banks and savings and loan associations and other comparable investments of conservative, yet liquid, kind.

The switching out of savings bonds, may be the result not merely of resentment against a starvation return on savings. In part, the cash-ins may mark a basic revulsion from the savings propensity in favor of spending or risky speculation. Here lies the great danger to the Treasury.

So long as savers have confidence in the worth of their Nation's money, they are not likely to be overcritical of the yield on a Government savings bond, a special investment that smacks both of immediate self-interest and patriotism. But once small investors are carried away by the urge to build or maintain estates by the purchase of speculative equities, no force short of an emergency state decree would be able to stop the avalanche of savings bond turn-ins.

The problem posed by the $75 billion of other Government floating debt is perhaps even more delicate. By far the greater part of this debt is held by the Nation's large corporations, in lieu of petty cash.

Of the $75 billion of Treasury debt held within a year, about half represents discount bills due in a week to 10 months. There has been a significant rise in the market yields on the bills over the past month. Most of the bills outstanding now yield more than 4 percent. This bespeaks two forces.

One force is swelling supply. The Treasury, facing an ever-narrowing field in which to raise money, is turning more and more to the discount bills.

The other force is receding demand. During most of the summer it was an open question as to whether the big corporations that hold the greater part of the $37,500 million bill debt would continue to be willing investors. Recent weeks suggest the answer.

The corporations are not bidding in the Treasury market as eagerly for the bills as they used to. The big companies are moving into the period of the year when inventories tend to rise. The money on loan to the Treasury in part is being switched back into the business. Besides, profits are slowing up and free cash is shrinking.

In such a pass, the luxury of carrying more than 40 percent of the public debt in the form of demand or short-dated securities is sure to exact from Uncle Sam an uncomfortable price. Probably Congress will have to see it to believe. The wait may not be long.

EXHIBIT 3

[From the New York Times, Sept. 6, 1959]

BIG TRADE DEFICIT IS SPARKING MOVE TO CUT AID FUNDS—UNITED STATES WORRIED BY DECREASE IN GOLD STOCKPILE AND RISE IN FOREIGN ASSETS HERE

(By Edwin L. Dale, Jr.)

WASHINGTON, September 5.—The big deficit in the U.S. balance of international payments, with its resulting outflow of gold and buildup of foreign assets in New York, has begun to have a major impact on administration thinking about foreign aid.

Powerful voices, centering in financial agencies, have begun to argue that the flow of Government capital abroad in the form of aid is too large for the continued strength of the dollar.

The underlying belief in top administration financial circles is that there is an entirely new situation in the world economy, with European currencies gaining strength while the dollar is showing the first faint signs of vulnerability.

EMOTIONS IN CONFLICT

The immediate results of this view came in President Eisenhower's trip to Europe, during which he urged that European nations undertake a far greater share of the burden of helping underdeveloped countries.

In a sense, the administration is torn between two powerful emotions. One stems from acceptance of the basic idea that the underdeveloped countries must be helped in the interest of the United States as well as for the good of those nations that get aid.

The other is a growing fear for the future stability of the dollar unless two related things happen: domestic finances are controlled and the balance of international transactions is righted. The U.S. deficit in international transactions was $3,400 million last year and will probably be even larger this year.

FUTURE SEEMS GLOOMY

As financial officials see the situation, it will do no good to anyone if there is a larger outflow of aid dollars but the dollar becomes of dubious value. This could happen, it is believed, if U.S. payments deficits continue on a large scale for many more years.

Such a deficit means that foreign countries as a whole obtain more dollars than they spend to buy American goods. They can take the difference in gold or can keep it in dollars and invest them in the financial markets in New York. These invested dollars are potential claims against gold. Already they total $15,651 million not far below the gold reserve, which has dwindled to $19,524 million.

As the claims grow and the gold stock declines, U.S. short-term liabilities might eventually exceed assets. Even that would not necessarily mean a run on gold or some other crisis. But U.S. officials do not like to contemplate even the remotest possibility of such an event.

Besides, some of them, looking ahead, are unhappy at the thought of potential pressure on the United States from what, in effect, would be its foreign creditors. The United States, which has been exerting the pressure for years, does not want to be on the receiving end.

Foreign countries are already substantial creditors of the U.S. Government. They have invested about $6,200 million in New York in short-term Government securities. Thus, as one high official put it, "we're borrowing short from foreigners at home and lending abroad long."

The recent deterioration in the U.S. balance of payments has come about mainly because of a drop in exports and a rise in imports, not because of an increase in foreign aid. But as financial officials view the situation, foreign aid is the one element in the total balance over which the Government has considerable control.

It is regarded as certain that the new line of thought in the administration will be a major theme in conversations with foreign Finance Ministers at the annual meeting here later this month of the International Monetary Fund and the International Bank for Reconstruction and Development.

European countries have been running strong surpluses in their balance of payments while the United States has been in deficit. To U.S. officials this means only one thing: Europe should become a much bigger exporter of capital and the United States a smaller one.

NEW VIEW ON INVESTMENTS

Officials worried about international payments deficit are even beginning to take a less enthusiastic view of investment abroad by American business. Up until very recently, this was welcomed on every count, by conservatives and liberals alike.

Now, with the payments deficit uppermost in many minds, an investment abroad is frequently seen as a double blow—first, an immediate outflow of dollars; and, second, a probable setback to American exports. The export loss occurs when an American manufacturer, for example, builds a plant in Europe to share in the Common Market rather than try to sell goods made in the United States.

This feeling accounts for the Treasury's opposition to a bill to provide new tax incentives for foreign investment unless its benefits are limited to investments in underdeveloped countries.

A reflection of the growing concern about the international payments position of the United States came in the administration position on the Development Loan Fund in the foreign-aid bill. The President refused to support a Senate move to put the Fund's financing on a long-term basis, increase its lending authority and get around the Appropriations Committees, even though the President's original position backed all three ideas.

Another reflection of the new line of thought, paradoxically, is U.S. support for the new International Development Association, even though this will cost the United States $330 million. Such a new institution has several merits in the eyes of an official worried about the U.S. payments deficit and the problem of the underdeveloped countries.

It puts Europe in the lending picture for the first time on a formal, multilateral scale.

Because it will be equipped to make "soft" loans—loans with easy terms and repayable in the currency of the borrower—it should eventually ease the pressure for a larger and larger Development Loan Fund in the United States. The Loan Fund also makes this type of loan.

EXHIBIT 4

[From the Washington Post, Sept. 7, 1959]

LEGISLATORS HURT THOSE THEY PROFESS TO PROTECT

(By Harold B. Dorsey)

The penalty of financial stringency imposed upon millions of small businesses and individual borrowers was symbolized last week by the increase from 4½ to 5 percent in the interest rates which commercial banks charge their "prime" customers. The interest rate charged for money loaned by the banks to other borrowers will not scale upward from 5 instead of from 4½ percent.

There can be little doubt that the failure of Congress to pass legislation that would permit more flexibility to the Treasury Department in its financial operations is closely associated with the rising interest rates. As prospects for this legislation diminished there seemed to be a corollary increase in interest rates. Then when it was announced that the House Ways and Means Committee had pigeonholed this legislation for the balance of the session, interest rates rose sharply.

On Monday of last week the Treasury Department had to pay the highest interest rate for its 91-day borrowings since the bank holiday in March, 1933. And Government bond prices declined again to the lowest levels since the early 1930's. The interest yield for most outstanding Government bonds is now well in excess of the 4¼ percent ceiling which Congress has refused to lift.

Only a few months ago it was considered to be only a fantastic possibility that Congress might force the Treasury Department to borrow all of its money in the short-term and intermediate-term market. Now that the fantasy seems to have become a fact, it is clear that this competition of the Government for short-term credit, in competition with all of the other kinds of borrowers, is causing an extremely tight credit situation.

One might logically ask: Why has there been so much weakness in market prices for longer term Government bonds? The answer is that the congressional attitude on this subject strongly suggests encouragement for inflation. Few lenders want to lend their money for a long period of time if

there is such a clear threat that they are going to be paid back in depreciated dollars.

At any rate, we stand today with some of these financial factors in an unusually critical condition. Furthermore, the arithmetic suggests that this condition is going to get worse between now and the end of the year. The Treasury Department has $8.9 billion of debt maturing in November to refinance and it has to raise several billions of dollars of new cash in the next few months. This substantial demand for credit has been forced into the short-term credit market.

In addition, many businesses have to increase their borrowing between now and the end of the year to carry harvests and to carry their Christmas inventories. More bank credit will be needed after the steel strike has been settled to finance the anticipated snapback in business activity.

When we pile these additional demands for credit on top of the present unusually tight situation, we do not end up with a very pretty picture. Somebody is going to get hurt. In the first place, the implied inability of small business people to borrow money for their seasonal needs is a painful matter. In addition, millions of people who borrow for their personal needs are being forced to pay higher interest rates—if they can find the credit at any interest rate.

And as if that were not enough damage, all of the rest of us are being penalized by the needlessly higher interest rates which our Government is having to pay for its borrowed money.

It is very difficult to understand why Congress has not been able to recognize these painful effects that are resulting from their amateurish efforts to tamper with the Nation's delicate credit mechanism. Is it possible that those Congressmen who are blocking the legislation to give the Treasury Department more flexibility fail to comprehend the painful effects of their inaction? If they had not been able to anticipate that their inaction would cause the Treasury Department to pay the highest interest rate on its borrowings since the bank holiday 26 years ago, then all they have to do now is look in the newspapers and find that that is the fact. If they had been advised that this kind of thing could not happen, then they should, at least belatedly, recognize the ignorance of their advisers. The facts that have already been developed prove that ignorance.

The weird part of this whole thing is that the suffering is most serious for the millions of people whom these Congressmen profess to be protecting, while it is helping the profits of the comparatively few for whom numerous Congressmen have frequently expressed criticism—the bankers. Even the latter realize that they will ultimately suffer by the distress that is being imposed on all of the others.

EXHIBIT 5

HOW BOND RATES AFFECT YOU

Nobody in his right mind thinks that Congress would ever imperil the national defense by refusing to pay the Pentagon's bills. And if it did so there would be such an outburst of indignation that Congress would get cracking.

But the reverse of this is happening. The management of the public debt is also of vital concern. Yet Congress is refusing to give the Treasury the powers it needs to manage the public debt in a sound and orderly way. There has been no outburst of public indignation because the issue is difficult for laymen to grasp.

They had better grasp it, for it affects the value of their savings and the security of their future. By its failure to act, Congress is driving up interest rates and adding to inflationary pressures. Here are the simple facts:

The dead hand of the past—a World War I measure passed in 1918—puts a ceiling of 4¼ percent on long-term Government bonds and savings bonds. It is these bonds, bought by insurance companies, trust funds and the savings of individuals, which should carry as much as possible of the public debt because they check inflation by taking savings out of the scramble for goods.

This 41-year-old ceiling on bond interest makes it increasingly harder for the Treasury to sell new bonds. Institutions and individuals, since they can get better rates from other securities, refuse to buy them. Since 1946, for example, life insurance companies have reduced their holdings of Government bonds from 45 percent of their assets to a mere 7 percent. Many individuals cash in their savings bonds.

Instead of putting out long-term bonds with interest rates high enough to make them marketable, the Treasury has been forced to raise the needed money by "short-term paper" (e.g., 91-day notes), which are bought chiefly by commercial banks. Since they are virtually the same thing as cash, these notes can be used by the banks to expand their loans. They can lend $5 of new money for each $1 of Treasury notes they own. This has an immediate inflationary effect.

Furthermore, this "monetizing" of the debt tends to drive up interest rates as the Government competes with other borrowers for scarce money. In the last fortnight, for example, the rate on 91-day notes has just risen to 3.8 percent, the highest level since the bank crisis of 1933. If this trend continues, even short-term interest rates may soon exceed the 4¼ percent ceiling on long-term bonds. This freakish result is made more likely by Speaker RAYBURN's announcement last week that Congress won't act this year on the President's reiterated request for lifting the interest ceiling. Such inaction undermines the dollar by raising doubts abroad as to its soundness and damages the Government's credit, just as it does the economy itself.

Some leaders are urging the President, on his return, to take the issue to the voters as he did on labor reform. If Congress adjourns without action, the President may call it back in special session. But voters themselves can help speed the necessary action by letting their Congressmen know that they back the President. He has stated the issue very clearly:

"The vital interests of all Americans are at stake because excessive reliance on short-term financing can have grave consequences for the purchasing power of the dollar * * *. Let me state as plainly as I can that this is not legislation to increase interest rates * * *. We always seek to borrow as cheaply as we can * * *. To prohibit the Treasury from paying the market price for long-term money is just as impracticable as telling the Defense Department that it cannot pay the fair market price for a piece of equipment. The result would be the same in either case: the Government could not get what it needs."

EXHIBIT 6

[From the Federal Reserve Bank of New York, Supplement to Monthly Review, June 1959]

THE FUTURE OF THE DOLLAR

(By Dr. Wilhelm Vocke,[1] former president of the Bank deutscher Länder, now the Deutsche Bundesbank, the central bank of the Federal Republic of Germany)

You have invited me to discuss with you the problem of the dollar, which is a task that I approach with some hesitation since it concerns, after all, your country. Yet the issues that are involved clearly reach beyond national frontiers and indeed affect the world as a whole. There would be little value in my joining this debate on monetary problems if I thought the world were headed toward another war. But I firmly believe in peace—many years of peace; and I am convinced that the United States can promote peace most effectively not only through the power of its armaments, but through the strength of its financial system as well.

The current debate over the future of the dollar and economic growth has advanced to the stage where the issues are now clearly drawn. The choice is between the path of creeping inflation and that of a strong and stable dollar. A clear decision as to which path is to be taken must be made now in the interest of the business community and the nation, which must know the direction in which the economy is moving and how much trust can be placed in the currency. Things cannot be permitted to drift, creating uncertainty and confusion among long-term investors who must plan ahead and on whose appraisal of the future the economic growth of the country depends.

THE LESSONS OF THE GERMAN EXPERIENCE

Let me first make a few observations on the German monetary experience, from which some fundamental lessons can be drawn. When I assumed office as president of the bank deutscher Länder 10 years ago, monetary conditions in Germany were in a desperate state. Several experts, both German and foreign, with worldwide reputation and extensive experience declared frankly that the deutsche mark had virtually no prospects of ever becoming a hard currency. That these well-meant opinions proved wrong, as time has shown, is no doubt in part due to a good deal of luck and favorable circumstances. But I, for one, never wavered in my conviction that a monetary policy, consistently and energetically pursued in order to establish and maintain a stable currency, must succeed.

There are perhaps two principal lessons to be learned from the German experience. The first is that currency stability can be achieved and preserved even under the most adverse circumstances. The second, and even more significant, is that a monetary policy, firmly committed to currency stability, not only does not conflict with a high rate of economic growth but indeed is essential to its achievement. Germany's remarkable economic recovery and expansion over the past decade was closely linked to the restoration and preservation of a strong and stable monetary unit.

Obviously, these policies did not escape the test of public opinion. In 1955 the German economy was unmistakably headed toward a dangerous boom. All economic indicators—production, employment, income, exports, and above all wages and prices—were surging upward at a high pitch. Under these conditions prompt and energetic measures by the central bank were called for, in order to keep the economy from losing balance. The steps taken to bridle the inflationary forces proved highly unpopular and were severely criticized by industrialists, government officials, and the public on the grounds that they would undermine economic growth. As matters turned out, none of the somber predictions came true. On the contrary, as a result of the early effort to defend the deutsche mark, the economy quickly regained both its equilibrium and the basis for continued expansion in an orderly manner. This experience proves that a central bank must be persistent and unruffled in its pursuit of a determined course of action, and must not shrink from occasionally taking unpopular measures if its obligations and responsibilities to the nation are to be properly fulfilled. In Germany, such monetary measures had to be taken on several occasions in the face of widespread criticism. But now

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[1] Condensation of remarks made in this country by Dr. Vocke on Apr. 13, 1959.

that the economy is vigorously moving forward at a high level of prosperity and on the basis of a stable currency, what were once unpopular policies have now become the object of rather general praise.

The experience in the rest of Western Europe has been much the same. Comprehensive monetary and fiscal measures have helped restore financial stability and have revitalized the economies. The United States may regard the accumulation of gold by these countries with mixed feelings, but the fact remains that the gold had to be earned by productive effort. After years of bitter experience with inflation, Western Europe has now turned to monetary stability. The rejection of policies leading to continual depreciation of the currency was dramatized last December when 13 European countries took steps to make their currencies fully convertible.

THE CREEPING INFLATION THESIS

To a foreigner it seems almost absurd that there should be certain quarters in the United States where inflation is tolerated or even recommended. Surely any price to be paid for inflation must be excessive, considering not only the adverse economic and social effects, but the irretrievable losses in national prestige it may entail. The path of inflation in the United States would not only mean the depreciation and ultimate devaluation of the dollar, but also an acute decline in the moral authority, power, and international stature of the United States. That there are close links binding a nation's prestige to its financial posture is evident from the manner in which the emergence of the deutsche mark as a sound and stable monetary unit has enhanced the stature of the new Western Germany in the family of nations.

The arguments advanced by the advocates of inflation must be earnestly and thoroughly considered. To begin with, the arguments set forth are, above all, political in character. The inflationists purport to show that inflation is an inevitable tide that can be stemmed only at the cost of economic progress. Consequently they say, the attitude toward inflation must be rendered more flexible, and economic doctrine and policy must be adapted to a new institutional setting instead of plodding along the old rut of a stable currency.

Certainly, the proponents of this thesis by no means favor galloping inflation, but only the mild, creeping kind. In fact, they would for the most part readily admit that even a moderate inflation entails certain evils. Nevertheless, they would argue also that, whatever these evils may be, they are far less serious or significant than the grave political repercussions bound to result from a policy that tolerates an impairment of full employment, however temporary. To the advocates of creeping inflation full employment and monetary stability are incompatible. And, if there exists a choice, the decision would have to be in favor of full employment, for political reasons. Superficially, at least, these arguments may appear more or less plausible, particularly since they rest on political considerations. Yet on closer examination their contradictory nature becomes self-evident.

Let us turn first to full employment. What does it mean and to what degree can it benefit the Nation and the economy? If full employment should mean that the labor force is occupied 100 percent, the law of supply and demand cannot function normally in the labor market, and there exists, in effect, a state of overemployment. Under such conditions, employers can expand output only by outbidding each other for the available work force and by drawing workers away from one another. Labor, in turn, is enabled virtually to dictate its own wages. Such a state of affairs clearly cannot be regarded as the desirable optimum for the Nation or the economy, either in its domestic or international aspects.

It is also evident that in a free economy the level of employment cannot be maintained constant to any greater degree than the level of production, consumption, investment, or trade. But, while it may not be possible to eliminate economic fluctuations entirely, the magnitude and duration of the cycles can be at least minimized. In this connection, one ought to bear in mind that, even at fairly high levels of prosperity, it is easier to influence or control the oscillations in employment and business activity than to bridle a cumulative inflation which must eventually lead to the proverbial bust. Nonetheless, the proponents of creeping inflation recommend yielding to overemployment, continually rising wages, and the price-wage spiral, while declaring at the same time that what they envisage is merely an inflation that crawls along at the leisurely rate of, say, 2 percent per annum. Let us examine how this invention will work.

THE CUMULATIVE PROCESS OF INFLATION

The initial phase of inflation has a certain appeal. Rising money income activates the economy like a breath of spring that brings out the blossoms everywhere. Industry invests and production expands; credit volume rises, with borrowers planning to repay loans in depreciated money as inflation progresses. Employment climbs, and for a considerable part of the population the standard of living actually increases as consumption moves up, while the incentives to save wane. All economic indexes surge upward, mutually reinforcing each other, and setting the inflationary spiral in motion. At this stage, and at this stage only, inflation finds many adherents. But this happy state is usually short lived and lasts only as long as some faith in the currency is still maintained. Even while this phase continues, an increasing segment of the population, dependent on fixed incomes, begins to feel the ruthless grip of the inflationary pressures.

The inflationists have a remedy at hand for the sectors that are squeezed between rising prices and lagging incomes: The escalator clause. This clause, which automatically links wages, salaries, and even some business transactions to the cost-of-living index or gold, was widely used in France, but with results that proved far from encouraging. In fact, the escalator clause is merely an illusion. As long as the depreciation of the currency is minor, the clause is not invoked. And when inflation progresses, it is satisfactory neither to income receivers nor to income payers; meanwhile the Government is forced to inflate to an ever greater extent, in order to compensate those groups that remain unsheltered by the index clause. More importantly, however, the escalator clause, in itself, officially discredits the currency and therefore intensifies inflation. Moreover, what it clearly reveals is that, once the currency no longer serves as a stable standard of value, a substitute must be found. Since stability is, after all, essential, the absurdity of abandoning a stable standard of value in the first place becomes patently obvious.

All the various adaptations, compensations, and adjustments to a rising price level may well be bearable as long as inflation remains within narrow limits. But the fact is that inflation is progressive and eventually becomes fullblown. That point is reached when the public begins to lose faith in the currency and the material-value psychosis spreads. The scramble for goods is matched only by the rush into equity investments, while the bond market sags. The damage that inflation inflicts on the market for fixed-interest securities eventually makes it virtually impossible for the Government to consolidate its short-term debt. For no one will acquire bonds when the money invested continually shrinks. The inevitable consequence is that the central bank will be asked to absorb the unmarketable public debt, which adds further fuel to the inflationary surge.

The reluctance to hold money or fixed-interest securities finds expression also in the rapid decline in savings. Wasteful consumption and misdirected investments suddenly become rational economic actions, compared with the foolishness of saving money that is rapidly becoming worthless. At this point the reckless spendthrifts and speculators are proved right and amass fortunes, while the honest, conscientious, and weak lose the little they have. As the process continues, customary standards of behavior are swept away and accepted moral attitudes are shattered. Soon everyone flees from the currency and joins in the furious dance of inflation, while the nation is rapidly moving to the brink of disaster.

The succession of events that I have just outlined would probably be considered a gross exaggeration by the proponents of creeping inflation. They would assert that the idea is not to let the inflation get out of hand, but to confine it to a delightful 2 percent per annum. How is this feat to be accomplished? Obviously, inflation cannot be kept automatically within prescribed limits. There is no stable coefficient of inflation. Once begun, inflation spreads like fire and feeds on itself. Moreover, even if a limited depreciation of the dollar is envisaged, the public will try to protect itself, and by doing so will inevitably accelerate the pace of the price rise. Stability of the rate of inflation is an illusion, for if the public knows there will be a creeping inflation of 2 percent per annum, then the 2 percent will be reached not at the end of the year, but at the beginning, and the pressure for inflation will mount.

Since inflation is not self-regulating, by what method would the advocates of creeping inflation confine it to the predetermined limits? One answer is by credit policy, including restrictions on the volume of borrowing and increases in the rediscount rate. But the applications of such measures would be precisely those which the inflationists had sought to avoid in the first place. This means, in effect, that, while the inflationist would not be prepared to sacrifice full employment to monetary stability, he would nevertheless be disposed to sacrifice it for the sake of keeping the rate of inflation within arbitrary limits. The contradictory nature of the creeping inflation thesis now becomes self-evident.

We may even go one step further. What is really meant by a 2-percent rate of inflation? If it refers to the average price level, and not to the prices of individual commodities, say, straw hats or the wages of particular workmen on the bench, then the statisticians may well find that, after they have assembled and averaged the prices of all the separate commodities, the actual rate of inflation has surpassed the stipulated maximum. The consequence might then be the application of an elaborate network of physical controls over individual prices and wages. Adoption of a policy that is defined in terms of hitting a rigid target for average prices greatly increases the chance of detailed regulation to assure its fulfilment. Such economic regimentation would severely shatter the foundations upon which this Nation was built and radically alter its way of life. Inflation inevitably breeds economic controls, regimentation, and moral corruption.

THE INTERNATIONAL ASPECT OF INFLATION

Let me now touch briefly on the international aspect of the creeping inflation thesis. During my years as president of the Bank Deutscher Länder, that institution accumulated and kept a considerable amount of dollar assets in this country as backing for the Deutsche mark. Other central banks did likewise. And today, foreign central

banks alone hold almost $10 billion here as part of their international reserves. These substantial holdings reflect the confidence of the world in the strength and stability of the U.S. dollar. One should hasten to note, however, that this faith in the dollar is by no means unshakable, and developments affecting its future are closely watched abroad.

There can be little doubt that a green light for creeping inflation would entail grave international repercussions. Acceptance of the doctrine—which to me is virtually unthinkable—would severely undermine the position of the U.S. dollar and would set in motion forces leading to its rapid replacement by gold as an international standard and store of value. The evitable result would be a massive withdrawal of foreign dollar balances and heavy gold losses for the United States. Under these circumstances the question of raising the price of gold and hence the devaluation of the dollar would again arise. I have not discussed this issue here; suffice it to say, however, that there are few things that I would regard as more detrimental to the United States and to the world than an increase in the dollar price of gold.

For all the reasons stated nothing must be permitted to give the world the impression that the stability of the dollar is in doubt. For any action that might signify yielding to the inflation thesis would involve irretrievable losses to the United States and would inflict immeasurable damage to the international monetary mechanism.

CONCLUDING COMMENTS

As a final word I may ask what there is to be gained by setting free the forces of inflation, except a postponement of the unavoidable adjustments that every economy must make sooner or later. It is certainly easier and less painful to curb incipient inflation or moderate the magnitude and duration of economic fluctuations than to tame an inflation that has reached the stage where only drastic deflationary remedies can be administered to restore balance. The measures taken in the United States last year illustrate that recession need not turn into depression and can be shortlived even without turning on the engines of inflation. Inflation essentially means weakness and thus cannot furnish a sound or lasting basis for economic progress. It is the line of least resistance, and not the road to an effective solution of economic problems or to the realization of economic aspirations.

We are living in a critical period in which courageous decisions must be made in order to win the struggle for freedom. This struggle, however, cannot be successfully waged by yielding to the disease of inflation, whether creeping, crawling, or any other kind.

The United States need not fall victim to the grip of inflation if that be the Nation's firm will. But any wavering in the determination to preserve the strength and stability of the dollar may lose the battle before it is even begun. I am confident that the underlying beliefs and traditions of this country are strong enough to give unhesitating expression to the will to preserve monetary stability on which much of the power and moral authority of the Nation rest.

The words of President Eisenhower and the firm attitude of the Federal Reserve System leave no doubt that the right choice is being made. This should be recognized throughout the world. And, as the specter of inflation is dispelled, the future of the dollar as the world's best monetary unit continues to be assured. One of the qualities that has rendered this country strong and powerful has been commonsense. If commonsense is to continue to guide American policies, the stability of the dollar cannot be in doubt.

Mr. PROXMIRE. Will the Senator yield?

Mr. BUSH. I yield.

Mr. PROXMIRE. Mr. President, it is my understanding that at least some interest rates are at a 20- or 25-year high. I noticed in the Wall Street Journal this morning that the Federal Reserve Board stated "Rise in Discount Rate To Fight Inflation, but Has Not Set Date." I presume that means they are going to pursue policies which in all sincerity they think will be desirable, but in my judgment will tend to result in higher interest rates.

Is it possible the high interest rates are likely to go down in the future or continue to rise?

Mr. BUSH. Do you mean interest rates generally?

Mr. PROXMIRE. Interest rates generally.

Mr. BUSH. I would say, as I did earlier, if business activity continues to expand and makes increasing demands upon the supply of savings available, it will have an upward pressure on interest rates.

Mr. PROXMIRE. Then the answer of the Senator from Connecticut is that interest rates are likely to continue to rise?

Mr. BUSH. I would say the Senator can draw that conclusion. I do not wish to haggle over words with him, but I say if we have a continuing increase in the rate of industrial activity and commercial activity, it would have a tendency to make more demand on savings that exist for lending purposes, and therefore it would be bound to exercise some upward pressure on interest rates. How far they would go or how much the interest rates would rise as a result I do not think I am in a position, nor is the Senator from Wisconsin, to guess. But there would be the tendency for interest rates to go up if the demand for money increases.

Mr. PROXMIRE. It is my understanding that within the last couple of years the former Secretary of the Treasury George Humphrey testified interest rates have had a long-term trend to move downward. On the assumption that Mr. Humphrey is an extremely competent man, a man who was both a practical and a successful businessman and a man who had great experience as Secretary of the Treasury, I would assume this conclusion may be correct.

Mr. BUSH. Does the Senator wish me to comment on that?

Mr. PROXMIRE. Yes; I wish the Senator from Connecticut would.

Mr. BUSH. I am not familiar with that particular part of Mr. Humphrey's testimony, but in my lifetime I have seen interest rates go down. Following World War I when I made my first loan, it was at the rate of 6 percent, and that was a standard rate of interest at that time charged by the banks in the Middle West. I then lived in Columbus, Ohio.

Ten or fifteen years later one could borrow on a similar moderate risk at a rate of interest less than that—say 5 percent. I saw those interest rates go down so that one could borrow on a similar risk at around 4 percent or even less.

I say to the Senator from Wisconsin interest rates during my lifetime and since World War I have gone down. They went down with the depression. As business activity slackened off and the demand for money slackened off, interest rates went down.

They remained down until the beginning of World War II and then they were held down because controls were put on them as they were put on prices and wages. The Senator remembers that, though he was probably in the service at the time. They were artificially held down then. Since that time they have had a tendency to rise as industrial and commercial activity have placed increasing demand upon savings.

Mr. PROXMIRE. The reason I ask the Senator these questions is that experience over a lifetime suggests that interest rates, No. 1, have been tending to drop perhaps. I also suggest that they do fluctuate, and I also suggest that it might be very unwise fiscal management for the Treasury to make a commitment to pay more than 4¼ percent for long-term money, a commitment which they would have to honor 5 years from now, 10 years from now, or 15 years from now, no matter how low interest rates drop. They would still have to pay the 4½ percent, 5 percent or 5½ percent. They would commit themselves to buy in the event the amendment the Senator from Connecticut proposes were adopted.

Mr. BUSH. I say to the Senator there is nothing new about that. After World War II we had the Victory Loan. I think it was at a rate of 4¼ percent. Subsequent to that time the Treasury was able to borrow on long-term credit at lower interest rates, depending on the conditions of the market.

But the point I am afraid the Senator overlooks is that the Treasury must borrow all the time. It has to borrow almost from week to week; certainly from year to year. The Treasury Department's hands should not be tied to place it at a disadvantage with all other borrowers. It has to borrow to take care of the business of the country.

Mr. PROXMIRE. Might not it be wise for Congress, as a kind of board of directors, to tell the Secretary of the Treasury, at times when the interest rate is high, not to make a long-term commitment to borrow money on a short-term basis? Might not that be justifiable, in view of the fact that, as I understand, no long-term bonds will be coming due until November of next year. Consequently, it would be possible to maintain the maturities we now have until then; and before next July, or so, have the Congress consider whether it should permit borrowing for a higher interest rate, for a longer period.

In other words, Congress might act as a board of directors, in telling the Secretary of the Treasury, "Do not commit the Government to pay more than 4¼ percent over a longer period of time."

Mr. BUSH. Mr. President, my enthusiasm for putting Congress in the position of a board of directors or advisers to the Treasury Department and to the

Federal Reserve Board in such matters is at a very low ebb.

Mr. PROXMIRE. I am sure it is.

Mr. BUSH. In fact, it is at so low an ebb that I can hardly feel any enthusiasm at all for it.

I have pointed out that I am very much troubled by the fact that, in my judgment, the Congress—and I am not directing this remark at any individual Member of Congress; instead, I am directing it at both Houses of Congress—does not grasp the seriousness of the situation or see the error of its ways.

I feel that if the Congress were to attempt to tie the hands of the Treasury and the Federal Reserve Board, by telling them that they should do thus and so in this very critical period, that would be a very dangerous procedure; and I shall not subscribe to any part of it. In fact, I shall oppose it just as strongly as I possibly can.

So I cannot conceive of the necessity to have any board of directors, constituted by Members of Congress or anyone else, act insofar as the Treasury and the Federal Reserve Board are concerned. They know what the problem is; it is before them every day. In effect, they are the trusted executives of the people, to deal with these matters.

I do not think anyone has questioned the ability of those men or their experience or their qualifications to serve in these positions.

The other day, I stated here on the floor that all the present members of the Federal Reserve Board were appointed by President Truman, in the first place, except one; one of the present members was appointed de novo by President Eisenhower. But all the others were appointed first by President Truman, and subsequently were reappointed by President Eisenhower; and of course that applies to the Chairman of the Board, who formerly was Assistant Secretary of the Treasury, under the preceding administration; and he also was president of the Export-Import Bank, also under the preceding administration.

So no question has been raised insofar as I know, about the quality or the ability of those men or their capacity or their background or their competence to deal with these matters and these situations.

I think we are very fortunate—and this is one of the things about which I complimented the previous administration—to have had chosen for these important positions men of such high quality; and in that connection I refer to the Export-Import Bank, the Treasury, and, in particular, the Federal Reserve System.

So I do not see any need to establish any such board of directors, other than those who now serve in the persons of the present officials of those agencies.

Mr. PROXMIRE. Mr. President, will the Senator from Connecticut yield further to me?

Mr. BUSH. I yield.

Mr. PROXMIRE. Section 8 of article I of the Constitution provides that the Congress has the power to coin money and determine the value thereof; and I understand that Congress created the Federal Reserve Board to act as its agent. As a result, the Federal Reserve Board should be independent of the Treasury.

I know the Senator from Connecticut subscribes to the independence of the Federal Reserve Board. I would concede that he is correct when he says those on the Federal Reserve Board are men of high quality. They are, indeed, fine men of great experience.

However, is it not possible that those men, who have excellent backgrounds in banking, have a strong tendency—simply because they constantly deal with bankers and the problems of bankers, and because of the banking background of at least some of those officials—to see these problems primarily through the eyes of bankers? Is it not also possible that, from a banker's standpoint, high interest rates are as desirable as high prices for agricultural commodities are desirable to farmers?

Mr. BUSH. Mr. President, the Senator from Wisconsin has asked me several questions.

First, I think the Federal Reserve Board has just as much trouble from time to time holding off special pleaders of the banking fraternity as it does with persons from other sources; and the Board has plenty of trouble with special pleaders, as I am sure the Senator from Wisconsin realizes.

But I do not think there is in the country any better group with a better economic organization than the staff of the Federal Reserve Board. The research work done in that organization is of the highest order, and is relied upon by economists and organizations of all kinds in the commercial world, and also by organizations in the field of education and elsewhere.

In the Banking and Currency Committee, of which the Senator from Wisconsin and I are members, I have repeatedly heard the staff of the Federal Reserve Board lauded—not by me or by other Senators on my side of the aisle, but by Senators on the other side of the aisle.

I must say that I have no concern whatever that the bankers are going to affect the judgment of the Federal Reserve Board in a manner that will be deleterious to the interests of the people of the country.

I think the members of the Federal Reserve Board are very well able to take care of themselves; and they are surrounded by a group of economists and wise and experienced staff members who give them the best possible information on which to base their judgments and their forecasts of the future—and, of course, the latter are also quite important.

Mr. PROXMIRE. I would agree with the Senator from Connecticut as regards the quality of the staff. They are fine men and they are expert in their field, and they have repeatedly demonstrated that.

However, it seems to me that it would be just as irresponsible for Congress to permit the Federal Reserve Board to adopt any monetary policy it might wish to adopt, as it would be for the President of the United States to permit the Secretary of Agriculture or the Secretary of State or the Secretary of Commerce to have carte blanche and a blank check, and to do whatever he might wish to do.

Certainly, Congress has the constitutional right, and also a right based on precedent, to establish certain specific policies; and one of them is to say to the Secretary of the Treasury, "We believe in a certain statutory limit on the interest rate on long-term bonds."

As the Senator from Connecticut has stated again and again, that policy is an old one; it goes back 40 years, and during that time it has been honored.

I can understand why perhaps it might be wise—although I do not think it would be—to increase the 4¼ percent limit. But I cannot see the justification for eliminating it entirely and putting Congress in the position of no longer exercising to that extent its responsibility over monetary policies.

Mr. BUSH. Let me say to the Senator from Wisconsin—who, of course, makes it difficult for me to reply to his questions, because after he asks one or two questions, he then asks three or four more before I have had a chance to reply to his first ones—that I do not question the right of Congress to do those things; and I am quite familiar with the constitutional provision in regard to the power of Congress to coin money, and so forth.

My point is—and I have stated it repeatedly here—that if Congress wishes to change something the Federal Reserve Board is doing, Congress should do so by means of legislation, not by shouting at the Board from the grandstand. I object to that kind or that type of advice from Congress, because in these "sense of the Congress" resolutions, Congress simply ducks the issue, and does not put its instructions into legal form.

Recently, the Secretary of the Treasury testified before the Joint Economic Committee. He was asked questions by Representative REUSS, in connection with the "sense of the Congress" resolution the House had in connection with the same bill—as the Senator from Wisconsin will recall. The Secretary of the Treasury replied, "We would much prefer to have you come to us with legislation." I would. I think the Senator from Wisconsin would if he were Secretary of the Treasury. If the Senate wants to change its authority, I suggest that we put it in the law, but we should not issue resolutions expressing the sense of the Senate or the sense of the House or the sense of the Congress.

Mr. PROXMIRE. To that particular part of the answer, let me reply by saying this is precisely what we are doing here. We are trying, in the amendment of the Senator from New Mexico, to say that there should be some limit. We are permitting them 100 percent more than they are asking, but we think there is some limit the Government should pay on interest.

Mr. BUSH. It is exactly the limitation I am objecting to.

Mr. PROXMIRE. Now the Senator wants it both ways. He says we should not pass "sense" resolutions, that we should not advise them from the grandstand, but we also should not enact legislation to restrict them.

Mr. BUSH. No. I say we should enact legislation if we want to effect a change. That is the way to do it. I object to the law which exists, and which has existed since World War I or thereabouts, which puts a ceiling on long-term interest rates. That is what I object to, because conditions so change as to put the Treasury in an almost impossible position in trying to manage the public debt. That is what I object to.

Mr. PROXMIRE. Let me ask the Senator, on this particular amendment, which I think is going to be the real crux of the controversy in the Senate——

Mr. BUSH. Which amendment?

Mr. PROXMIRE. The Anderson amendment, which would put a limit on interest paid on savings bonds. That is the only amendment to date, unless the Senator from Connecticut wishes to press his amendment.

Mr. BUSH. I do not intend to press my amendment to a vote.

Mr. PROXMIRE. I have asked the chairman of the committee and the Senator from Utah, who is also a monetary expert, and now I ask the Senator from Connecticut, for whom I have great respect, Is there any real reason why the Senate should not adopt the kind of generous limitation which the Senator from New Mexico has proposed, in other words, a 4½-percent limitation, since the Treasury has told us it wants to go only to 3¾ percent, rather than remove the ceiling entirely, as the bill now provides?

Mr. BUSH. My answer to that question would be, Why put the savers of this country, who want to invest in the credit of the United States, at a competitive disadvantage with anybody? I should reverse that question and ask, Why put the United States, which is bidding for the savings of the people of our country, at a competitive disadvantage with anybody?

Mr. PROXMIRE. We are going right along with the Treasury——

Mr. BUSH. Let me finish.

Mr. PROXMIRE. Very well.

Mr. BUSH. The Senator may be right, that if a ceiling of 4¼ percent were put on the interest rate, the Treasury might not have to avail itself of that level. It was only a short while ago that the appraisal was pretty general that savings bonds could be sold at 3¾ percent interest. So if a ceiling of 4¼ percent were put into effect, it might very well not be necessary to increase the interest to that ceiling, but, on the other hand, it might. I say there is absolutely no use in providing for a ceiling, because it might have an effect in restricting the freedom of the Treasury in respect to savings bonds.

Mr. President, I am about to yield the floor.

Mr. PROXMIRE. I know the Senator has been very, very patient. I should like to call the attention of the distinguished Senator from Connecticut to the statement of the Federal Reserve Board chairman, Mr. Martin, for whom I know the Senator from Connecticut has great respect, made in 1957, when he was asked by Mr. MILLS whether or not there should be a limit and how the limit ought to be determined. The Chairman of the Federal Reserve Board replied, as appears on page 33 of the House hearings——

Mr. BUSH. What was the question asked of him?

Mr. PROXMIRE. The question was whether discretionary authority to raise the interest rates on E-bonds to 4¼ percent should be provided. This was in 1957, when there was a different kind of problem, but the principle is the same. The Chairman of the Federal Reserve Board replied in part as follows:

I served in the Treasury for a couple of years and I happen to believe that it would be wise to give them as much discretion as you gentlemen in your good judgment see fit to give them without giving them just blanket authority.

Now, blanket authority is exactly what the pending bill calls for, and what the Anderson amendment would prevent.

Mr. BUSH. I have not talked to the Chairman of the Federal Reserve Board about this particular issue. Conditions have changed a good deal since he made that statement, which was 20 months ago now. I do not know how he would feel about it today.

I would say this to the Senator: I do not feel nearly so strongly about a ceiling on savings bonds being fixed at 4¼ percent as I do on the long-term marketable bonds of the country. I think the marketable securities ought not to have any interest ceilings. So far as savings bonds are concerned, I would say at the moment it would not appear as though a 4¼-percent interest ceiling would interfere with the sale of savings bonds, but I ask, Why put on a ceiling when sometime in the future it might interfere with the sale of those bonds?

Mr. President, I would like to yield the floor, if I may.

Mr. ANDERSON. Mr. President, I call up my amendment, which is at the desk.

The PRESIDING OFFICER. The amendment of the Senator from New Mexico will be stated.

The LEGISLATIVE CLERK. It is proposed, on page 2, line 4, to strike out the period and the quotation mark and add: "*Provided, however,* That in no event may the interest rate or the investment yield exceed 4¼ per centum per annum."

Mr. ANDERSON. Mr. President, the proposal to put a ceiling of 4¼ percent on these bonds was one I thought never would have to come before this body for approval. All through the United States people were told that the new program called for 3¾ percent interest on savings bonds.

The hearings before the House Committee on Ways and Means, on page 9, quote the Secretary of the Treasury as saying:

As I pointed out in that statement, the new savings bond program has three major features:

(1) All series E and H bonds sold beginning June 1, 1959, will earn interest of 3¾ percent per annum if held to maturity—one-half percent more than at present—with lesser improved yields for shorter periods of holding.

(2) All series E and H bonds outstanding will also earn approximately one-half percent per annum more than they do now.

I will skip some of the words, and read the last portion:

(3) All series E bonds on which an extension has already been promised and which had not yet reached first maturity before June 1, 1959, will be offered an improved extension on which 3¾ percent will be paid if held the full additional 10 years, with lesser yields (starting at 3½ percent) for shorter periods of holding.

There is not anybody in the United States who would misunderstand that statement. That is a clear statement that the bonds will bear 3¾ percent interest. That is a clear statement of the planned program of the Department.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 36. An act for the relief of Page A. Wilson;

S. 252. An act to authorize Col. Philip M. Whitney, U.S. Army, retired, to accept and wear the decoration tendered him by the Government of the Republic of France;

S. 1081. An act for the relief of Arshalouis Simeonian;

S. 1149. An act for the relief of Capt. Thomas J. McArdle;

S. 1613. An act for the relief of Matilda Kolich;

S. 1891. An act for the relief of Donald G. Coplan;

S. 2101. An act for the relief of Ourania Ben Blikas;

S. 2291. An act to authorize the erection of a plaque in honor of the late Honorable Sam D. McReynolds on or near the site of the Chickamauga Dam; and

S. 2500. An act to authorize the appointment of Elwood R. Quesada to the retired list of the Regular Air Force, and for other purposes.

The message also announced that the House had passed a bill (H.R. 9105) making appropriations for civil functions administered by the Department of the Army, certain agencies of the Department of the Interior, and the Tennessee Valley Authority, for the fiscal year ending June 30, 1960, and for other purposes, in which it requested the concurrence of the Senate.

CIVIL FUNCTIONS APPROPRIATION BILL, 1960

Mr. JOHNSON of Texas. Mr. President, will my friend from New Mexico yield to me for a moment?

Mr. ANDERSON. I yield.

Mr. JOHNSON of Texas. Mr. President, the House has passed the public works appropriation bill (H.R. 9105) making appropriations for civil functions administered by the Department of the Army, certain agencies of the Department of the Interior, and the Tennessee Valley Authority, for the fiscal year ending June 30, 1960, and for other purposes. The bill has been received at the desk. I ask unanimous consent that it be read a second time, that prints of it be made, and that it lie at the desk.

The PRESIDING OFICER. Is there objection to the request of the Senator from Texas?

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORSE. I think I understand the request of the majority leader. The majority leader is requesting that the public works bill be printed and lie at the desk. This does not mean we are taking any action on the bill itself.

Mr. JOHNSON of Texas. No action in approval or disapproval.

Mr. MORSE. No action in approval or disapproval; that is for future discussion and debate.

The PRESIDING OFFICER. That is correct.

Mr. MORSE. I have no objection.

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

INTEREST RATES ON E AND H SAVINGS BONDS

The Senate resumed the consideration of the bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

The PRESIDING OFFICER. The Senator from New Mexico has the floor.

Mr. ANDERSON. Mr. President, when somebody tries to say that the same ceiling should be applied to the E- and H-bonds, with a 10-year maturity, which applies to all of the other bonds which run more than 5 years, people cry out that this is some sort of a horrible limitation upon the Secretary of the Treasury and the President of the United States.

Mr. President, there is a little peculiarity in this presentation. The hearings before the House of Representatives, on page 13 at the bottom of the page, give some figures on the cost of this program. I asked at the completion of the very short hearings the Senate Finance Committee had what the cost would be, and I got no figures. We have no figures now as to what the cost would be. However, I find some figures in the House transcript of hearings. The statement of the Secretary of the Treasury is shown at the bottom of page 13.

> The new savings bond program is expected to add $30 to $35 million to the saving bond part of the budget cost of interest on the public debt for the fiscal year 1960.

It is said that the new savings bond program is expected to add $30 million to $35 million to the savings bond part of the budget cost of interest on the public debt for the fiscal year 1960. People would naturally assume that that is all it would cost, some $35 million.

There is no great problem about this matter. At page 9 of the House hearings it is shown that we have at the present time some $42½ billion worth of E- and H-bonds outstanding. Anybody who has been past the fifth grade in school arithmetic knows that one-half of a percent on $42½ billion is approximately $213 million a year. Anyone who thinks the cost will be $35 million a year is simply misleading himself.

That is what it would cost, Mr. President, if we only increased the interest rate to 3¾ percent, but the people who are resisting the amendment I have proposed must feel that the interest rate is going above 4¼ percent. If the interest rate goes as high as 4¼ percent, the cost would be $425 million a year. That is a substantial amount to be added to the burden of this country.

It is true that bonds are not cashed at a rapid enough rate so as to take out of the Treasury in the first year more than $30 million or $35 million, but everybody knows that interest accumulates. When the interest accumulates it will accumulate at the rate of $425 million a year, if the interest rate is raised to 4¼ percent. That is a long way beyond $35 million a year.

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

Mr. ANDERSON. I am glad to yield to the Senator from Wisconsin.

Mr. PROXMIRE. Is it not true that what the Senator's amendment would do would be to say to the Treasury Department, "If you are going to increase the cost of servicing these savings bonds by more than $425 million a year, come back to the Congress to get an authorization to do it."

Mr. ANDERSON. Yes. Exactly. It would also say to the Treasury Department, "If you are in a terrible hurry about the matter, you could come back by next January."

Surely the cost of servicing these savings bonds not yet sold, or with regard to which credit is not yet given, is not going above an annual rate of $425 million before next January.

The program calls for 3¾ percent interest, as stated by the Secretary of the Treasury not once but at least a dozen times. When we read the stories in every newspaper in the United States, it is indicated that the program is contemplated to add a half of 1 percent to the interest on the savings bonds of this country.

I say that a 4¼-percent ceiling is not going to be crippling, unless the Treasury Department plans to increase the cost of the program more than $425 million a year, as the Senator from Wisconsin has pointed out.

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

Mr. ANDERSON. I am happy to yield to the Senator from Minnesota.

Mr. McCARTHY. The Senator recalls that in 1957 the Treasury Department asked us to increase the interest rates on E- and H-bonds, and at that time the Department was willing, finally, to accept an increase of the interest rate to 3.26 percent. The Department thought it could handle the program if Congress would fix the maximum amount, which was then recommended at 3.26 percent.

Mr. ANDERSON. The Senator is correct.

Mr. McCARTHY. The Department has given us no good reason why we should give an "open door," or an open end right to raise interest rates on E- and H-bonds.

Mr. ANDERSON. The Senator is correct. Always before, so far as I can remember, the Treasury Department has come to the Congress and has said, "We want a certain ceiling under which we can work. We hope you will put it high enough so that we can operate under it, and we will operate under it."

This is the first time, so far as I know, in the history of the country, when it has been asked that the President of the United States and the Secretary of the Treasury be given unlimited authority to raise the interest rates on bonds to any figure they may desire. No other President of the United States has had any such power. What is so tragic about the situation now is that we are asked to provide a completely unparalleled grant of authority.

A lot of people have talked about the Congress abdicating its responsibilities. This is a question of Congress abdicating its responsibilities in a field where the Treasury Department says, "We want authority to add to the burdens of the United States more than $425 million a year on one small class of security alone, which represents only one-sixth, or approximately one-seventh, of the national debt of the United States."

Mr. McCARTHY. Mr. President, will the Senator yield further?

Mr. ANDERSON. I am happy to yield.

Mr. McCARTHY. The Senator will recall that in the testimony of the Director of the Bureau of the Budget before the Committee on Finance, not on this issue but on the related issue with which the committee was dealing last week, the Director indicated the Bureau had underestimated the cost of interest payments for the next fiscal year by some $500 million.

Mr. ANDERSON. Five hundred million dollars; that is correct.

Mr. McCARTHY. If this request is granted, it would be necessary for a new estimate to be made of the increase.

Mr. ANDERSON. It would be $400 million more, or $200 million more, or whatever it may be.

Mr. McCARTHY. Whatever it may be.

Mr. ANDERSON. It would depend upon the interest rate put upon the bonds, yes.

The Director of the Bureau of the Budget came to Congress to explain why the budget is out of balance. The budget is now out of balance an extra $500 million because interest costs on the national debt went up that much.

As the able Senator from Louisiana [Mr. LONG] has pointed out to us, it is not simply the interest on the Federal debt which counts, but there is also interest on all the debts of all kinds in the country, which interest rates are raised because of the high rates of interest on Government bonds.

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

Mr. ANDERSON. I will yield to the Senator from Louisiana, since I have mentioned his name.

Mr. LONG of Louisiana. The Senator from New Mexico knows that the public

debt and the private debt total about $880 billion.

Mr. ANDERSON. The Senator is correct.

Mr. LONG of Louisiana. This administration has been cooperating with those groups which want to raise the interest rates on everything. I regret to say the present proposal is only one step along that line.

The Senator knows as well as I do that the great difficulty in which we are involved is not simply one of trying to hold these interest rates in line, but involves many other aspects. We cannot achieve a reasonable goal unless the President and the Federal Reserve Board, as well as the Secretary of the Treasury, want to use their powers along the line of fiscal policy. Congress simply cannot deal with all of the difficult matters which are involved. There are questions regarding the supply of currency, the availability of currency, and the supply of credit in this country. There are simply too many details, which are too intricate, for Congress to deal with all of the technical problems. That is why we turn the matter over to the Federal Reserve Board.

So long as the present policy is being pursued, unless Congress does something to call a halt to it, there will be no limit to how much this will cost the public of this Nation. I personally regard the increases in the interest rates as a hidden tax on the masses of the people of this country.

The general rate has been raised by about 2 percent, I would say, speaking conservatively about that. At least it is being raised, let us say, 2 percent interest on $880 billion of public and private debt on top of interest rates that were prevailing when this administration took power. That works out to about $18 billion in hidden tax, and when we analyze it down and see who gets it, we can say that probably 80 percent of that represents a tax on the working classes, on the farmers and the working people of this country, for the benefit of those who have money loaned out at interest.

Mr. ANDERSON. Yes.

Mr. LONG of Louisiana. In many instances the people who are making the most money—and in most instances it works out that way—are those who are not lending their own money, but those who are lending someone else's money. Private insurance companies, those who own bank stock, those who in effect are working for somebody else's, are really making a tremendous profit; and those who are paying are the rank-and-file people, the farmers and the working people. They will ultimately pay this $17 billion or $18 billion in hidden tax.

That is how it looks to some of us. I believe the Senator believes somewhat along that line because he has offered his amendment.

Mr. ANDERSON. I surely do, and I have said time after time that we cannot suddenly raise the Government interest rates without the rates of all the banks and financial institutions going up. We pay an extremely heavy cost for it in the long run.

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

Mr. ANDERSON. I yield to the Senator from Oklahoma.

Mr. KERR. I should like to ask the Senator a question. I should like to preface it with a statement that I am in thorough accord with anything to keep the interest rates down, although I am not in accord with the Senator's amendment.

I wish to correct the RECORD with respect to what the distinguished Senator from Louisiana has stated. He is one of the ablest men on the committee, and in the Senate. He referred to the total public and private debt as being $880 billion. I believe it is something under $775 billion total. I knew he would want the RECORD to reflect the accurate figure.

Mr. ANDERSON. I believe the total State, county, and municipal debt—I will not attempt to repeat it from memory; it was mentioned time after time in our hearings—was somewhere in the neighborhood of $880 million.

Mr. LONG of Louisiana. If I am wrong about it, I shall have to take it up with my assistants.

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

Mr. ANDERSON. I yield.

Mr. CLARK. I should like to commend my good friend from New Mexico for bringing up his amendment. I assure him that I will support it even though, if we had an administration which was really dedicated to keeping interest rates at a proper level, I am not sure that I would want to impose an interest ceiling on either long-term or short-term bonds or on savings bonds.

I wonder if the Senator does not agree with me that if we are going to continue to work to bring interest rates down, in view of the economic views of the present administration, it is going to be absolutely necessary to keep interest ceilings.

Mr. ANDERSON. Yes; I do. I would say to the Senator that I have no absolute assurance that the way to handle the national debt is to keep a ceiling on it of 4¼ percent. What I have been hopeful is that the Committee on Finance would have a very carefully planned and carefully conducted study made of this question early in the next congressional year, starting perhaps in January. We have had no real study made of this whole question. I attended, as did other members of the Finance Committee, the presentation that was made to us. There was no presentation that I heard which justified the taking off of a limit on these bonds. There was, on the contrary, a belief on the part of many of us that the 4¼-percent ceiling ought to be imposed. That matter was submitted to the Finance Committee. The Finance Committee voted against it by not too large a vote, but nonetheless it voted against it. I believe that was a serious mistake, because we say to the country that we believe in keeping a ceiling on a 7-year bond, on an 8-year bond, on a 9-year bond, and on a 20-year bond, but will not take it off on E- and H-bonds.

Mr. CLARK. Will the Senator yield further?

Mr. ANDERSON. I yield.

Mr. CLARK. The distinguished Senator from Louisiana [Mr. LONG] has had printed an amendment with which I am in complete accord, and it reads—it is short:

> It is the sense of the Congress that the President, the Secretary of the Treasury, and the Federal Reserve Board should use their powers to bring about a general reduction in the level of interest rate on public and private lending.

I wish that we could have an opportunity, in a Senate in which no advance commitments had been made, to debate that amendment. I would hope that that amendment would be carried by a substantial majority vote.

I realize the parliamentary situation is such that we cannot do that. Certain "gentlemen's agreements" have been made with respect to the proposed legislation. I am not a party to those agreements, but I, for one, will not try to set them aside. However, I wish the RECORD to show unequivocally that I would support the amendment of the Senator from Louisiana if I had a chance to do so. I hope that early in the next session we will have an opportunity to bring up the subject, and I hope at that time the entire Democratic Party—North, South, East, and West—will unite in an effort to drive these interest rates down and to persuade the Eisenhower administration that it has been done, it can be done again, and it must be done if our economy is to move forward the way it should.

Mr. LONG of Louisiana. Will the Senator yield?

Mr. ANDERSON. I yield.

Mr. LONG of Louisiana. With reference to the statement of the distinguished and able Senator from Pennsylvania, the junior Senator from Louisiana had no knowledge of any commitments being made on anyone's part. However, I had in mind offering my amendment, and did offer it in the committee. I was informed that there were certain members on the committee who felt that there had been gentleman's agreements arrived at that we would not bring up this tight-money, high-interest-rate question.

The junior Senator from Louisiana had not been a party to such an understanding, but it did cost him a couple of votes—maybe more than two votes—in the committee when he offered his amendment, and for that reason he felt that if there had been some commitment he would not call his amendment up for the reason that he would like a chance to carry it on its merits, and he would hope that there would not be some commitments to vote against it, so that persons who might vote against it would at heart be in favor of it.

Mr. ANDERSON. May I say to the Senator from Louisiana that many of us felt very deeply that his amendment was a good amendment which might at an appropriate time be adopted. That is why I have said that early in the next session a study ought to be made. I should like to tell the Senate why I believe a study ought to be made early in the next session and why at that time his amendment would be extremely useful.

Until the Federal Reserve Board takes a substantial part in trying to handle the

situation we are never going to be able to do anything. The only thing that the ceiling does at the present time is to say to the Federal Reserve Board that it had better be careful as to how high it hikes the interest rate having in mind the problems of the Treasury, if the Federal Reserve Board plays fast and loose, the Treasury will have an interest rate which will make its burden extremely hard to carry.

Mr. LONG of Louisiana. The Senator from New Mexico and I generally share the same views on this matter. We are very much concerned about the Federal Reserve Board and the Treasury apparently using first one device and then another to keep driving up the interest rates when we feel they should be using every effort to bring them down.

Mr. ANDERSON. That is correct.

Mr. LONG of Louisiana. Some of us gain the impression that those who control the availability of credit in this country—and currency and credit for the purposes of which I am speaking are the same thing—are controlling both sides of the table, both the borrowing side and the lending side, and by virtue of that influence on the borrowing side of the table, they seem to be pushing up these interest rates far beyond what we think they ought to be. And it is my feeling and I believe it is the feeling of the Senator from New Mexico that much of our difficulty lies in the Federal Reserve Board. The Federal Reserve Board should be using its power to hold those interest rates down, but we feel that the President is using his power to urge the Federal Reserve Board to let the rates go up, and the Federal Reserve Board in turn is using Wall Street to let these interest rates go up.

The statement has been made that this is what the market would do to try to put it in layman's terms, it seems to me that it is a matter of the administration's saying, "We did not raise these interest rates. We turned it over to Wall Street and let them raise them."

I believe that is the way it is working.

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

Mr. ANDERSON. I yield.

Mr. McCARTHY. The Senator may have discussed this point, but in the hearings the Treasury Department argued that if we should establish a ceiling it would tend to become a floor.

Mr. ANDERSON. Yes.

Mr. McCARTHY. The Senator is familiar with the record. I am sure he concurs in my opinion that this is the most ridiculous argument that has been made in support of this proposal.

Mr. ANDERSON. The witness from the Treasury made the flat statement in the committee that we should not establish a ceiling of 4¼ percent because it had been his experience that a ceiling tended to become a floor.

I have before me the last publication of Aubrey G. Lanston & Co., Inc., a service which I read regularly, because of its very effective reporting on Government bonds. This issue is dated September 8, 1959, which is about as recent as it is possible to get. The issue came out today. I would be happy to have the Treasury go through the list and find out if, while the 4¼-percent ceiling was in effect, it tended to become a floor. It certainly will not find any in the first category of maturities, ending December 31, 1959. The highest interest rate was 3⅜, but that was a bond that was not even under the ceiling.

In the 1960 category the highest rate is 3.34; but again, that is a bond that did not come under the ceiling. There are some 4 percent bonds; there is nothing at 4¼; nothing at 4¼ in 1961; nothing at 4¼ in 1962; and on we go. I challenged the representative of the Treasury to cite one long-term bond issue with respect to which the ceiling had become a floor. He could not do so.

Mr. McCARTHY. Will the Senator point out when the rate of 4¼ was first established as a ceiling?

Mr. ANDERSON. Nineteen hundred and eighteen.

Mr. McCARTHY. During World War I.

Mr. ANDERSON. Yes.

Mr. McCARTHY. So far as E- and H-bonds are concerned, the 3-percent rate was established in 1935.

Mr. ANDERSON. Yes.

Mr. McCARTHY. We did not reach the ceiling in that category until 1952.

Mr. ANDERSON. I believe that is correct. It was 2.90 for a long time.

We have exceeded the 4¼-percent limit in connection with certain bond issues, but they were 1-year and 4-year bonds issued a short time ago, in what I thought was the most unfortunate market in which we could have issued them, and at the most unfortunate time.

Mr. McCARTHY. They were issues on which there was no ceiling.

Mr. ANDERSON. That is correct.

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

Mr. ANDERSON. I yield.

Mr. MONRONEY. I should like to ask the distinguished Senator, with whom I agree completely, if it would not be a gross irresponsibility on the part of the Congress to remove any ceiling whatsoever on the long-term interest rate that can be paid by this administration, or by any succeeding administration.

Incidentally, the only newspaper I have been able to find that has correctly reported the bill from the House, which we have under consideration, is the Wall Street Journal, which frankly admits that the bill would give the President the right to pay whatever rate he finds is necessary to finance the sale of savings bonds.

My question is this: If the Treasury representatives—and I presume they testified formally before the distinguished Finance Committee—said that they wanted to issue savings bonds which would carry 3¾ percent interest, why did the committee bring out a bill with an unlimited ceiling? Why did it not establish some ceiling, at least as generous as that which the distinguished Senator from New Mexico proposes, to make it concurrent with the other long-term public debt ceiling of 4¼ percent?

Mr. ANDERSON. It is a curious thing, but if the Senator will go through the hearings he will not find much attention paid to the question of 3¾ percent. It is mentioned in the statement of the Secretary of the Treasury. It is assumed that that is what the program is. The House took the bill as presented, apparently noticing that there was no ceiling, but believing that the commitment of the Secretary of the Treasury bound him not to go beyond 3¾ percent. But when we presented the Secretary with a ceiling of 4¼ percent, one-half of 1 percent higher, he declined to accept it. So obviously they had no intention of observing a 3¾ percent ceiling. They did not want to be bound by it. They did not want to be bound by a 4¼-percent ceiling.

If we go up to 4¼ percent, as the Senator from Wisconsin pointed out, that is $425 million a year. We might not pay that out the first year, because not everyone would be cashing bonds, but $425 million a year would be the cost. It does not matter whether we have to wait a few years to pay it or not.

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

Mr. ANDERSON. I yield.

Mr. McCARTHY. There is an additional reason why we should not grant the open-end authority which is asked for. The bill which the committee is recommending includes a non-recognition-of-gain provision, which if the holder of the bonds is willing to take advantage of it, should have the effect of depressing the interest which would have to be offered in order to get people to buy the bonds.

Mr. ANDERSON. I am not opposed to the carry-forward provision in the bill. I think it is a little sweetening, but justifiable sweetening. We want to tempt people to hold onto the savings bonds. We have $42 billion in them, and they are a very stable force in the whole bond market. By allowing a person to transfer the interest earnings without paying a tax, and postponing the tax, we make an attractive bond out of it.

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

Mr. ANDERSON. I yield.

Mr MONRONEY. Since there seems to be no logical explanation in the RECORD as to why the Secretary of the Treasury, appearing before the committee with a proposal to issue savings bonds at 3¾ percent, would be unhappy with the distinguished Senator's proposal to give him an extra one-half of 1 percent, which he asked for, I suggest that perhaps the real reason is the strange similarity to section 101 in the bill before us, which would allow the President to suspend any ceiling, to whatever extent he wished, when he found it to be in the national interest.

Does it not appear to the distinguished Senator that, in addition to the flexibility of increased interest rates up and down the line, if we give the department this language, which it carefully brought to us under the guise of a poor man's interest rate increases for his return, having done that in the month of September, in January the Treasury will come back with the same language and say, "This is identical with what you did for savings bonds. You suspended the 4¼ percent ceiling. You suspended the 3.26 ceiling. You

have broken the long-time precedent of Congress holding control of the interest rates on our bond issues."

Therefore, they will say that they need uniformity. They will say, "Just pass this tiny package, and we will put it all in the President's hands. He knows best. 'Papa fixes.' He can tell what interest rates we should pay."

Is not that a part of the reason why the Treasury today is fighting so hard for language which will be useful to it after January, when it resumes its grand push forward to reach the outer spaces of this earth's atmosphere in interest rates paid by the Federal Government on Government securities?

Mr. ANDERSON. After studying the subject for some time, that is the only conclusion I can reach. Certainly, they do not need 4¼ percent on savings bonds at this time, nor will they need 4¼ percent on savings bonds by next January. Therefore, they want to get language in this bill which can be a precedent for language in the future.

I have a little different theory. I believe that the Congress should take a great deal of time to study the problem. It should study it with great care and deliberation.

Recently, there has been released a report known as the Radcliffe report. The Radcliffe committee was appointed to study and report on the workings of the monetary system of Great Britain. In the Lanston report for August 31, there was this comment, which I should like to place in the RECORD:

> A most interesting document has just become available—the Radcliffe report. Two years and three months ago the Chancellor of the Exchequer of the British Government appointed a committee to study and report on the workings of the monetary system of Great Britain with the Right Honorable Lord Radcliffe, G.B.E. as chairman. The 339-page text (plus additional tabulations, etc.) is a noteworthy achievement as a text book on the British financial mechanism.

I do not say the conclusions of the Radcliffe report are completely provisions that ought to be adopted in the United States. From the little I have learned about it, the Radcliffe report supports some of the theories men who believe, as the Senator from Louisiana has indicated, the Federal Reserve Board out to work with the Treasury in trying to keep interest rates at some reasonable level. All I am trying to suggest is that when we pass upon the situation we ought to have in front of us information such as this. We ought to have the testimony of Treasury experts. We ought to take into consideration the two volumes of proceedings and testimony, in excess of 1,000 pages, the Senate Finance Committee achieved in its study of the financial condition of the United States. We should make a serious effort to find what the program of the country ought to be.

Instead of that we are being asked, without any testimony from the Treasury Department, to give the President unlimited authority and complete freedom in the setting of interest rates at any figure he desires, whether it be 10 or 20 percent. I know he is not going to set them at that figure, but this measure would give the President complete freedom. That is a wholly new concept, and I believe the Senate ought to take a close look at the measure before it abdicates the congressional right to fix interest rates.

The House not having learned about what the proposed legislation may lead to, or perhaps understanding it but not being worried about it, did pass the bill. If the Senate now passes it, we shall have put in the hands of the President complete authority to do as he wishes with the E- and H-bonds as far as interest is concerned, and I believe it is frightfully dangerous.

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

Mr. ANDERSON. I yield.

Mr. MONRONEY. I do not believe the Members of the House of Representatives understood. Certainly the able members of the press who covered the action in the House and the able members of the press in the Senate gallery who covered the report did not recognize that the proposed legislation embodied an unlimited ceiling and took the word of the Treasury in its testimony that we were merely considering an increase in the interest rates to 3¾ percent.

I have examined almost a dozen papers in the Marble Room today trying to find a definitive story stating what the issue was. I stated what I found in the Wall Street Journal. The financial writers in the Sunday issue of the New York Times, who are men of great reputation, interpreted the bill as being a means of raising the interest rate from 3¼ to 3¾. Other financial writers in Philadelphia and writers on the New York Herald Tribune have done the same thing. Consequently I believe even Senators who had read the papers believed this bill, until they read it section by section, would merely raise the ceiling from 3.26 to 3.34.

More than a casual 2-hour hearing before the Finance Committee behind closed doors should be afforded the proposed legislation before we break a precedent which has stood throughout the entire history of the United States. No President since George Washington has ever had the authority we are being asked to give the President, and we are asked to give it after only a brief 2-hour hearing and with the closing days of Congress facing us.

Mr. ANDERSON. I can only say to the Senator far less than 2 hours were spent on this subject. The subject of interest rates occupied about 15 minutes.

LEGISLATIVE PROGRAM—INTEREST RATES ON E AND H SAVINGS BONDS

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

Mr. ANDERSON. I yield to the Senator from Illinois.

Mr. DIRKSEN. Mr. President, I should like to inquire of the majority leader with respect to what he foresees for the balance of the week and the possibility of adjournment at the weekend.

Mr. ANDERSON. I yield for the purpose stated without losing my right to the floor.

Mr. JOHNSON of Texas. Mr. President, the policy committee today cleared the following bills:

Calendar No. 812, S. 2454, to provide for the striking of medals in commemoration of the 100th anniversary of the Pony Express.

Calendar No. 819, S. 694, to provide Federal assistance for projects which will demonstrate or develop techniques and practices leading to a solution of the Nation's juvenile delinquency control problems.

Calendar No. 820, H.R. 7244, to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies.

Calendar No. 821, H.R. 8305, to amend the Federal Credit Union Act.

Calendar No. 822, H.R. 6579, to amend the Tariff Act of 1930 to provide for the temporary free importation of extracts, decoctions, and preparations of hemlock suitable for use for tanning.

Calendar No. 824, H.R. 6368, to amend the Tariff Act of 1930 to place certain pumice stone on the free list.

Calendar No. 826, H.R. 6733, for the relief of Paul & Beekman, Inc., and others.

Calendar No. 827, House Joint Resolution 281, authorizing and requesting the President to issue a proclamation with respect to the 1959 Pacific Festival, and for other purposes.

Calendar No. 828, Senate Resolution 169, concerning the desirability of holding an international exposition in the United States.

Calendar No. 829, H.R. 8464, to amend the act of October 24, 1951, to provide salary increases for the police for the National Zoological Park.

Calendar No. 830, H.R. 8593, to amend the act of June 23, 1949, as amended, to provide that telephone and telegraph service furnished Members of the House of Representatives shall be computed on a unit basis.

Calendar No. 831, House concurrent resolution 234, authorizing the printing of additional copies of the hearing entitled "Organization and Management of Missile Programs."

Calendar No. 832, House concurrent resolution 378, authorizing the printing of the 16th report of the Commission of Fine Arts as a House document.

Calendar No. 833; Senate resolution 170, to increase the amount of funds for the Committee on the Judiciary.

Calendar No. 834, Senate resolution 171, printing as a Senate document a "Letter to the President of the United States From the Committee To Study the U.S. Military Assistance Program."

Calendar No. 835, Senate resolution 175, to print additional copies of Senate report on "The Status of World Health."

Calendar No. 836, Senate resolution 176, providing additional funds for the investigation of health and medical research facilities.

Calendar No. 837, Senate resolution 177, providing additional funds for the Select Committee on Small Business.

Calendar No. 838, Senate resolution 178, authorizing the printing of the report entitled "Facility Needs—Soil and Water Conservation Research" as a Senate document.

Calendar No. 840, S. 857, to authorize the Administrator of General Services to convey certain lands in the State of Wyoming to the city of Cheyenne, Wyo.

Calendar No. 841, S. 47, to direct the Administrator of General Services to convey to the city of Mobile, Ala., all the right, title, and interest of the United States in and to certain land.

Calendar No. 842, Senate Joint Resolution 121, to permit certain real property heretofore conveyed to the board of supervisors of Louisiana State University to be used for general educational purposes.

Calendar No. 843, S. 1018, to authorize the donation of surplus property to certain agencies engaged in cooperative agricultural extension work, and for other purposes.

Calendar No. 844, House Joint Resolution 19, to authorize the issuance of a gold medal in honor of the late Prof. Robert H. Goddard.

Calendar No. 845, House Joint Resolution 493, making a technical correction in section 5136 of the Revised Statutes (relating to national banks).

Calendar No. 846, H.R. 163, to amend the Civil Service Retirement Act with respect to the crediting of service of U.S. Commissioners for purposes of such act.

Calendar No. 847, H.R. 5752, to provide for absence from duty by civilian officers and employees of the Government on certain days, and for other purposes.

Calendar No. 848, H.R. 2245, to amend subsection 432(g) of title 14, United States Code, to increase the limitation on basic compensation of civilian keepers of lighthouses.

Calendar No. 849, S. 2612, to amend the Small Business Act.

Calendar No. 850, H.R. 8599, to amend the Small Business Act, and for other purposes.

Mr. President, I understand that Calendar No. 849, S. 2612, and Calendar 850, H.R. 8599, are similar, and that either one of them may be taken up.

Calendar No. 851, S. 2611, to amend the Small Business Investment Act of 1958, and for other purposes.

Calendar No. 852, S. 2481, to continue the application of the Merchant Marine Act of 1936, as amended, to certain functions relating to fishing vessels transferred to the Secretary of the Interior, and for other purposes.

Calendar No. 853, H.R. 3610, to amend the Federal Water Pollution Control Act to increase grants for construction of sewage treatment works, and for other purposes.

Calendar No. 854, S. 155, to amend the Federal Property and Administrative Service Act of 1949, so as to permit donations of surplus property to libraries which are tax supported or publicly owned and operated.

Calendar No. 855, S. 1502, to provide for adjustments in the annuities under the Foreign Service retirement and disability system.

Calendar No. 856, S. 1696, for the relief of Wong Sue Chee.

Calendar No. 857, S. 1822, for the relief of Hirsh Marinski.

Calendar No. 858, S. 2129, for the relief of Mileva Lovric.

Calendar No. 859, S. 2319, for the relief of Serginsz Rudczenko.

Calendar No. 860, S. 2347, to amend section 7 of the act of July 28, 1950 (ch. 503, 64 Stat. 381; 5 U.S.C. 341f) to authorize the Attorney General to acquire land in the vicinity of any Federal penal or correctional institution when considered essential to the protection of the health or safety of the inmates of the institution.

Calendar No. 861, S. 2321, for the relief of Bernardine Lovse (Nadica Lovse).

Calendar No. 862, S. 231, for the relief of Richard Peter Gustav Bredee and George Edward Bredee.

Calendar No. 863, H.R. 1665, for the relief of Mrs. Vassiliki P. Theodorou.

Calendar No. 864, H.R. 2946, for the relief of Cecil E. Finley.

Calendar No. 865, H.R. 2978, to amend section 1870 of title 28, United States Code, to authorize the district courts to allow additional peremptory challenges in civil cases to multiple plaintiffs as well as multiple defendants.

Calendar No. 866, H.R. 3801, for the relief of Harry and Lily Stopnitsky.

Calendar No. 867, H.R. 3816, for the relief of Mukhtar Mohammed.

Calendar No. 868, H.R. 4134, to confer jurisdiction upon the District Court for the Territory of Alaska to hear, determine and render judgment upon the claim, or claims, of Scotty James, of Sitka, Alaska.

Calendar No. 896, H.R. 5873, for the relief of Clara H. Hall.

Calendar No. 870, H.R. 7745, for the relief of Mrs. Willie Soher.

Calendar No. 871, H.R. 8277, for the relief of Harold William Abbott and others.

Calendar No. 872, S. Res. 182, referring S. 2496 to the Court of Claims.

Calendar No. 873, H.R. 7225, for the relief of Sylvester L. Gardner.

Calendar No. 874, H.R. 8461, to amend the act of September 2, 1958, establishing a Commission and Advisory Committee on International Rules of Judicial Procedure.

Mr. President, Calendar No. 875, Senate Resolution 180, and Calendar No. 876, Senate Resolution 181, are the resolutions concerning the Labor-Management Disclosure Act. They were submitted by the Senator from Illinois [Mr. DIRKSEN] and the Senator from Massachusetts [Mr. KENNEDY]. I move that they be stricken from the calendar.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to.

Mr. JOHNSON of Texas. The policy committee cleared the following bills:

Calendar No. 877, H.R. 2386, to direct the Administrator of General Services to convey to the city of Mobile, Ala., all the right, title, and interest of the United States in and to certain land.

Calendar No. 878, H.R. 6669, to amend the act of July 14, 1945, to provide that the Louisiana State University may use certain real property heretofore conveyed to it.

Calendar No. 879, H.R. 839, to approve an order of the Secretary of the Interior adjusting certain irrigation charges against non-Indian-owned lands under the Wapato Indian irrigation project, Washington.

Calendar No. 880, S. 2379, to donate to the Nez Perce Tribe of Idaho, 11.25 acres of Federal land in Idaho County, Idaho.

Calendar No. 881, H.R. 8587, to provide for the equalization of allotments on the Agua Caliente Reservation in California and for other purposes.

Calendar No. 882, S. 1352, to authorize enrolled members of the Three Affiliated Tribes of the Fort Berthold Reservation, N. Dak., to acquire trust interests in tribal lands of the reservation and for other purposes.

Calender No. 883, S. 2085, to authorize the use of funds arising from a judgment in favor of the Kiowa, Comanche, and Apache Tribes of Indians in Oklahoma, and for other purposes.

Calendar No. 884, S. 2485, to authorize the sale of 40 acres of land owned by the Creek Tribe of Indians.

Calendar No. 885, S. 2596, to provide for the division of the tribal assets of the Catawba Indian Tribe of South Carolina among the members of the tribe and for other purposes.

Calendar No. 886, S. 2565, to amend the act of August 9, 1955 (69 Stat. 539), relating to leases of Indian lands.

Calendar No. 887, H.R. 5892, to provide for the establishment of Minute Man National Historical Park in Massachusetts and for other purposes.

Calendar No. 888, H.R. 6781, to authorize the Secretary of the Interior to acquire certain additional property to be included in the Independence National Historical Park.

Calendar No. 889, H.R. 1735, to provide for conveyance of certain real property of the United States in Yalobusha County, Miss., to W. A. Nolen and Wiley W. Walker.

Calendar No. 890, H.R. 4714, to quiet title and possession with respect to certain real property adjacent to the Rocky Mountain Arsenal, Denver, Colo.

Calendar No. 891, H.R. 7437, to authorize the use of funds arising from a judgment in favor of the Kiowa, Comanche, and Arapaho Tribes of Indians of Oklahoma, and for other purposes.

Calendar No. 892, H.R. 8514, to authorize the sale of 40 acres of land owned by the Creek Tribe of Indians.

Calendar No. 893, S. 910, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property, and for other purposes.

Calendar No. 894, H.R. 6249, to liberalize the tariff laws for works of art and other exhibition material, and for other purposes.

Calendar No. 895, H.R. 6128, to provide for the division of the tribal assets of the Catawba Indian Tribe of South Carolina among the members of the tribe and for other purposes.

Calendar No. 896, S. 2568, to amend the Atomic Energy Act of 1954, as amended, with respect to cooperation with States.

Calendar No. 897, S. 2569, to amend the Atomic Energy Act of 1954, as amended.

Calendar No. 898, S. 1892, to authorize the Secretary of Interior to construct, operate and maintain the Norman project, Oklahoma.

The Senator from New Mexico [Mr. ANDERSON] will be interested in those bills.

Then the following bills were cleared:

Calendar No. 899, H.R. 1778, to amend section 17(b) of the Reclamation Project Act of 1939.

Calendar No. 900, S. 2598, to amend the Federal Boating Act of 1958 to extend until January 1, 1961, the period when certain provisions of that act will take effect.

Calendar No. 901, H.R. 8728, to amend the Federal Boating Act of 1958 to extend for an additional year the period when certain provisions of that act will take effect.

Calendar No. 902, H.R. 7476, to extend for 2 additional years the authority of the Surgeon General of the Public Health Service with respect to air pollution.

Calendar No. 903, S. 2286, to authorize the leasing of land on the Colorado River Indian Reservation, Ariz. and Calif., and for other purposes.

Calendar No. 904, H.R. 4857, to amend section 4233 of the Internal Revenue Code of 1954 to provide that the exemptions from the admissions tax for athletic games benefiting crippled or retarded children, shall apply where the participants have recently attended designated schools or colleges as well as where they are currently students.

Calendar No. 905, H.R. 8725, to amend the Internal Revenue Code of 1954 to make technical changes in certain excise tax laws, and for other purposes.

Calendar No. 906, S. 2061, to authorize the issuance of prospecting permits for phosphate in lands belonging to the United States.

Calendar No. 907, S. 2633, to amend the Foreign Service Act of 1946, as amended, and for other purposes.

Calendar No. 908, S. 1431, to provide for the establishment of a Commission on Metropolitan Problems.

Calendar No. 909, H.R. 6059, to provide additional civilian employees for the Department of Defense for purposes of scientific research and development and for other purposes.

Calendar Nos. 910 through 920 are private bills which will be taken up on the call of the calendar.

Cleared for action by motion are:

Calendar No. 921, S. 2168, to amend the Navy ration statute so as to provide for the serving of oleomargarine or margarine.

Calendar No. 922, H.R. 2449, to authorize the Secretary of the Army to lease a portion of Twin Cities Arsenal, Minn., to Independent School Distict No. 16, Minnesota.

Calendar No. 923, H.R. 2247, to authorize the conveyance of certain real property of the United States to the county of Sacramento, Calif.

Calendar No. 924, H.R. 8315, to authorize the Secretary of the Army to lease a portion of Fort Crowder, Mo., to Stella Reorganized Schools R–I, Missouri.

Calendar No. 925, H. Con. Res. 166, providing the approval of the Congress under the Strategic and Critical Materials Stock Piling Act, of the disposal of rough cuttable gem-quality diamonds, cut and polished diamonds, osmium, rhodium, ruthenium, and zircon concentrates from the national stockpile.

Calendar No. 926, H.R. 6269, to amend section 265 of the Armed Forces Reserve Act of 1952 to define the term "a member of a reserve component" so as to include a member of the Army or Air Force without specification of component.

Calendar No. 927, H.R. 8189, to improve the active duty promotion opportunity of Air Force officers from the grade of captain to the grade of major.

Calendar No. 928, S. 1806, to revise title 18, chapter 39, of the United State Code, entitled "Explosives and Combustibles."

Calendar No. 929, S. 2033, to amend the mining laws of the United States to provide for the inclusion of certain nonmineral lands in patents to placer claims.

Calendar No. 930, Senate Resolution 129, favoring continued efforts by all nations to strengthen cooperation in health and research activities.

Calendar No. 932, House Joint Resolution 403, granting consent of Congress to a compact entered into between the State of New York and the State of New Jersey for the creation of the New York-New Jersey Transportation Agency.

Calendar No. 933, S. 1886, to amend the Communications Act of 1934 with respect to community antenna television systems and certain rebroadcasting activities.

Calendar No. 936, H.R. 7125, to provide for a study of the feasibility of establishing the President Adams Parkway.

Calendar No. 937, S. 793, to amend title 23 of the United States Code in order to increase the amount authorized for bridges over Federal dams.

Calendar No. 938, S. 2362, to authorize the Secretary of the Army to convey to the city of Arlington, Oreg., certain lands at the John Day lock and dam project.

A housing bill has been reported by the Committee on Banking and Currency. We may take it up when we have concluded action on the bill now under consideration.

The public works appropriation bill has been passed by the House. It is at the desk. We may either call it up on motion or refer it to committee. A determination has not been made yet on that matter. The distinguished Senator from New Mexico [Mr. CHAVEZ] chairman of the Subcommittee on Civil Functions Appropriations, is waiting for me on the telephone now. We will try to make a decision on that question in the next few hours.

The committee will meet in a session at 7:30 this evening on the mutual security appropriation bill, in order to continue voting on amendments. I do not anticipate that it will be reported earlier than midnight. Under the rule, it would have to lie over for 3 days. So the earliest time when it could be considered would be 12:01 on Saturday morning. It is unlikely that the Senate will convene that early, but I am certain that we expect to spend Saturday and perhaps a part of Monday on the mutual security appropriation bill, if necessary.

ORDER FOR CALL OF CALENDAR ON WEDNESDAY

I should like to ask unanimous consent for a calendar call. I should like to have the calendar called at an early hour tomorrow. I have asked the members of the calendar committee, on both sides of the aisle, to be available. Some 50 bills have been reported from the Committee on the Judiciary today. They will not be available tomorrow, so it probably will be necessary to have another calendar call later in the week.

Mr. President, I ask unanimous consent that it be in order, after the conclusion of morning business tomorrow, to have a call of the calendar of bills to which there is no objection.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

ORDER FOR TRANSACTION OF ROUTINE BUSINESS TOMORROW WITH A LIMITATION OF 3 MINUTES ON STATEMENTS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that there be the usual morning hour tomorrow for the introduction of bills, petitions, and memorials and for the transaction of routine business, with a limitation of 3 minutes on statements.

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

ORDER FOR RECESS UNTIL 9:30 A.M. TOMORROW

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that when the Senate concludes its business today, it stand in recess until 9:30 tomorrow morning.

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

Will the majority leader please identify the number of the bill with which the call of the calendar will start?

Mr. JOHNSON of Texas. Calendar No. 812.

Mr. DIRKSEN. Mr. President, will the Senator from Texas yield?

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

Mr. JOHNSON of Texas. I yield to my friend, the Senator from Illinois.

Mr. DIRKSEN. Mr. President, I may say to the majority leader that, together with many other Members, and like the shipwrecked sailor who was clinging desperately to a spar, I have been fondly clinging to the hope that before the week was out, we could terminate the session; and of course I have hoped that the 3-day rule in regard to appropriation bills would be waived.

If the report is filed tonight, and if there is no insistence on observing the rule, actually the bill could be taken up, not on Saturday, but on Wednesday or Thursday.

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

Mr. DIRKSEN. I do not have the floor, although I am willing to yield.

Mr. JOHNSON of Texas. I yield to the Senator from Oregon; and I also wish to comment on this point.

Mr. MORSE. Mr. President, I wish to comment on it, too.

I always like to assume responsibility for the things for which I am responsible, and I never like to have anyone else take responsibility for me.

I wish to assure the Senator from Illinois that the rule will not be waived, if it is within my power to prevent the waiving of the rule.

Mr. JOHNSON of Texas. Mr. President, a number of measures are in conference. I do not anticipate that we shall take any great length of time in dealing with the housing bill. I think we shall spend some time on the public works bill.

I know there are a number of general bills which we have agreed to bring up, such as the credit union bill and others, which will be brought up by way of motion.

I know that some of the others have been cleared by the policy committee.

Serious objection has been made to a number of bills which have been cleared by the policy committee.

I doubt that the Senate will take up all the bills I listed; but they have been cleared by the policy committee, because we were not sure whether we would have another meeting, and we wanted to announce to the Senate that those bills had been cleared for Senate consideration.

I do know that the Senate will consider the housing bill and the public works bill at an early date, shortly after the Senate completes its action on the pending bill; and we shall have a call of the calendar, and perhaps several of them; and at an early date we shall take action on the Executive Calendar.

Mr. DIRKSEN. Mr. President, will the majority leader yield further to me?

Mr. JOHNSON of Texas. I yield.

Mr. DIRKSEN. I wonder whether the majority leader will care to speculate as to when the final curtain on this session might be brought down.

Mr. JOHNSON of Texas. I never have target hours or target dates. I believe we should remain here until we have done our job.

I have seen in the newspapers statements to the effect that the Congress is going to adjourn sine die on August 15, or on Labor Day, or on September 12; and some of them have predicted that we might even take a recess, and return a little later—or some have suggested that.

I think we should stay here until we finish our job.

For the information of any Senators who may interested, I state that I think it very unlikely that we can complete action on all the bills that have been listed and on the mutual security appropriation bill, and adjourn sine die Saturday night. I think we shall be here the early part of the following week, at the least, and that the end of the session will not come before then, at the earliest.

Mr. DIRKSEN. Is it correct to say that again and again and again we have hoped for adjournment, but it did not quite eventuate?

Mr. JOHNSON of Texas. That is correct.

Mr. MORSE. Mr. President, will the Senator yield further to me?

Mr. JOHNSON of Texas. I yield.

Mr. MORSE. I notice that the majority leader said he would not expect another meeting of the policy committee, or, in effect, that he was not contemplating that there would be another meeting of the policy committee. But that does not mean that the policy committee might not meet if there were——

Mr. JOHNSON of Texas. Not at all; if the Senate feels that any other bills which were reported should be considered, we frequently poll the committee or we frequently have meetings in the mornings or in the afternoons. As a matter of fact, when we met today, we took action on every bill on the calendar.

Mr. MORSE. I should like to say, most respectfully, and with complete humbleness, that I hold to the point of view that is shared by a few of my colleagues—although just how many, I do not know, or how much their number may increase in the days immediately ahead, I do not know—that we should take some action on aid to education or school legislation before we adjourn; and if I correctly understood the references which have been made to the calendar, that measure was not included in the group of bills listed by the majority leader.

This morning, the committee voted to have the McNamara bill reported and placed on the calendar.

I believe that bill is of such great importance to the Nation that the Congress should take some action on it.

Also, this morning, in the Labor Committee, we had a brief discussion about reporting a bill calling for amendments to the minimum wage law, in keeping with the main provisions of the Kennedy-Morse bill; and I have reason to believe that the Labor Committee in all probability will hold a meeting on that measure and will vote it either up or down in the next couple of days. We already have it out of the subcommittee.

My third point is that I believe we should make a valiant attempt, in the Senate, next week, to pass some proposed legislation in the rather controversial field of civil rights; I refer to measures dealing with the main provisions of the old title III of the 1957 bill, which was dropped from that bill.

Some of us are very much interested in those three subject matters.

All I can do is petition the policy committee and place myself at its mercy, from the standpoint of exercising its discretion—knowing that some of us have these very definite views in regard to action which we believe should be taken on these three matters, as a minimum, for a program, in addition to the items suggested by the majority leader.

But as I said on yesterday, in listing the measures on which I thought the Senate should take action, that was only a small part of the package I suggested.

Of course I shall do my best to encompass the maximum amount of proposed legislation that I think the Senate should pass.

Mr. JOHNSON of Texas. In connection with the education bill, it is my information that it has been ordered reported, but has not yet been reported, and that perhaps it will take some time for the report—including the supplemental views and the minority views—to be prepared.

Mr. CLARK. Mr. President, on that point will the Senator from Texas yield?

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. It is my understanding—and I hope the Senator from Oregon and the Senator from Michigan will correct me if I am in error—that the committee agreed today that the individual and minority views would be filed not later than Friday night.

Mr. JOHNSON of Texas. That is consistent with my information.

Furthermore, no civil rights bill is on the calendar. I cannot anticipate what action will be taken on minimum wages. But we can always consider any bills which are on the calendar.

Mr. McNAMARA. Mr. President, will the Senator from Texas yield to me?

Mr. JOHNSON of Texas. I yield.

Mr. McNAMARA. If it is the desire of the majority leader that we do so, we can expedite the reporting of the education bill. But we shall have to wait until Friday to have the reports, as he understands.

But if it is his desire that we do so, we can have the bill before the Senate tomorrow, with the understanding that we would have to wait until Friday for the reports.

Mr. JOHNSON of Texas. That is a matter for the chairman of the committee to determine. I have no desire to interfere one way or another with the functioning of the committee.

Mr. McNAMARA. However, if that is what the Senator from Texas desires, we shall be glad to cooperate in that way.

Mr. JOHNSON of Texas. I do not insist; that matter is up to the committee.

Mr. CLARK. Mr. President, can the Senator from Texas advise me whether he thinks we can adjourn or should adjourn without extending the life of the Commission on Civil Rights?

Mr. JOHNSON of Texas. I think we shall get a chance to act on that matter in connection with the mutual security bill. As most Senators know, there is a supplemental appropriation request for $500,000 to continue the Civil Rights Commission. A point of order has been made against an appropriation that does not carry authority for the Commission. That point of order does lie, and has been sustained; and the chairman of the committee has been directed by the committee to give notice of an intention to move to suspend the rule, and then to include authority for the continuance of the Civil Rights Commission for 2 years; and then, if the rule is suspended by a two-thirds vote, to offer to the mutual security appropriation bill the amendment calling for the $500,000, as requested by the Bureau of the Budget.

Mr. CLARK. The Senator from Texas said "the committee." Does he mean the Appropriations Committee?

Mr. JOHNSON of Texas. Yes. The mutual security appropriation bill will come from the Appropriations Committee.

Mr. CLARK. Not the Judiciary Committee?

Mr. JOHNSON of Texas. No; I said the mutual security appropriation bill.

The Bureau of the Budget requested an appropriation of $500,000, in a supplemental estimate, and sent it to the Appropriations Committee; and the committee acted on it today, by raising the point of order that there was no authority for the Commission beyond November 8; and the committee then took action to direct the chairman of the Appropriations Committee, the Senator from Arizona [Mr. HAYDEN] to give notice of an intention to move to suspend the rule and, after proper notice is given, on Saturday that motion will be voted on; and if two-thirds vote in the affirmative, the rule will be suspended, and such proposed legislation will be attached to the appropriation bill, so as to authorize the Civil Rights Commission to exist for another 2 years.

Then, if the vote on that question is in the affirmative, the chairman of the committee will submit an amendment calling for an appropriation of $500,000 for the Commission for the next 2 years.

Mr. CHAVEZ. Mr. President——

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

Mr. JOHNSON of Texas. I yield to the Senator from Illinois.

Mr. DIRKSEN. Just for the information of the Senate, I would like to inquire what the rest of the workload is for the evening.

Mr. JOHNSON of Texas. First, I would like to get the yeas and nays on the Anderson amendment.

The PRESIDING OFFICER. The yeas and nays on the Anderson amendment are requested.

The yeas and nays were ordered.

Mr. JOHNSON of Texas. Next, I would hope we could get a vote on this amendment at a reasonable hour. We cannot get a unanimous-consent agreement, I am sure, but I have observed that we have spent most of the day on this bill. I hope we can get a vote on the amendment. I am not aware that there are too many other amendments to be offered. We would like to conclude action on the bill tonight so we can take up the housing bill and the public works bill tomorrow.

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

Mr. JOHNSON of Texas. Yes.

Mr. ANDERSON. I have tried to use some time speaking on the amendment, but there have been a good many interruptions. I will try to finish what I have to say in not more than 10 minutes. There are several other Senators, such as the junior Senator from Wisconsin and the junior Senator from Tennessee, who would like to speak.

Mr. JOHNSON of Texas. I wonder if I could get an indication as to how many Senators wish to speak on this amendment.

[Several Senators indicated a desire to speak on the amendment.]

Mr. MONRONEY. Mr. President, I would like to have 10 minutes.

Mr. JOHNSON of Texas. Would those who have indicated they wish to speak say they would like 10 or 15 minutes?

[Indications in the affirmative.]

Mr. JOHNSON of Texas. Senators should be on notice that we should be voting some time around 7:15 p.m.; perhaps a little earlier or a little later.

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

Mr. JOHNSON of Texas. Yes.

Mr. MANSFIELD. Am I to understand from the colloquy which has ensued between the distinguished majority leader and the distinguished minority leader that there is no possibility of adjourning sine die this week, but there is a possibility of adjourning sine die some time between next Monday and Thursday?

Mr. JOHNSON of Texas. I am not going to set a target date or say what is possible or what is not possible. I am going to do as much as I can, as soon as I can, consistent with the desires of my colleagues. I am going to come in early and stay late. But anyone knows that when we have 120 bills, some of which require discussion, when we have such bills as the mutual security appropriation bill, the housing bill, and the civil functions bill, and when we have as many vetoes as we have had, we are going to have some discussion of this general situation. I do not see any possibility of adjourning this week, I will say to the Senator.

Mr. MANSFIELD. I want to say I thought we would adjourn around the first of the month. The minority leader thought we would adjourn around Labor Day. The majority leader has never said when we would adjourn. Perhaps we are getting toward that particular objective at this time.

Mr. JOHNSON of Texas. I am going to ask the Senate to stay here as long as it wants to stay and is willing to stay, to do the job that has to be done. That is as near as I will say about the date of adjournment.

Mr. DIRKSEN. I thank the distinguished Senator from New Mexico for yielding the time in order to have this colloquy.

Mr. JOHNSON of Texas. I appreciate the generosity of the Senator. We will have a call of the calendar following the morning hour tomorrow, and we will have a call of the Executive Calendar as well. I want all Members of the Senate to be on notice.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. ANDERSON. Mr. President, I want to say to the majority and minority leaders that it was no sacrifice to yield to them, because all through the assembly of Senators, there was a desire to find out what the program was and what bills were going to be called up. I appreciate the information very much.

Mr. KERR. Mr. President, will the Senator yield to me so that I may propound a question to the majority leader?

Mr. ANDERSON. I ask unanimous consent that I may do so.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. KERR. Is it possible to get a unanimous-consent agreement on the pending business?

Mr. JOHNSON of Texas. I have explored that question for some time. I do not think it would be considered from a favorable viewpoint at this time.

Mr. ANDERSON. I will say to my able colleague, the Senator from Oklahoma, that I know he will be brief when he discusses this matter. I will try to be brief in discussing it. In that way we will probably proceed just as rapidly.

Mr. JOHNSON of Texas. There are five or six Senators on this side who have indicated a desire to speak on the amendment. I think it will be about 7:30 before we have a vote.

INTEREST RATES ON E AND H SAVINGS BONDS

The Senate resumed the consideration of the bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

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

Mr. ANDERSON. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. Has there ever been a time in our history when the President has been given unlimited power in this category of Government obligations?

Mr. ANDERSON. I have tried to have that question subjected to research, and others have. All come up with the same answer: Never has the President had such unlimited power. Perhaps our research was defective. It could have been, because it had to be hurriedly done. None of us knew this was going to be requested. So far as I have been able to ascertain, and I have made a conscientious check, and the Library of Congress has made a conscientious check, this power has never before been granted in the history of the Republic.

Mr. LONG of Louisiana. That seems to be the crucial point here, which I think has been overlooked.

I do not see how Congress can possibly justify, with very little argument, based on so little explanation, surrendering completely this power, when it has not been done before in history.

Of course, it happened in executive session, but I ask the Senator if it is not true that the question was asked of the Treasury whether there ever had been a time when the Congress surrendered to the Executive power to raise interest rates, without any ceiling at all. I believe the Treasury's answer was "No, there could not have been, because only

recently has the Executive had any discretion whatsoever to raise interest rates." The Congress used to fix the interest rate. It would pass a bill and fix the interest rate on a particular class of Government obligation. So this will be the first time we have ever just turned the power over to the Executive, without any restraints whatever, to raise interest rates on Government obligations.

Mr. ANDERSON. I will say to the Senator from Louisiana I am sure that is correct. That was the answer made by the Treasury. Heretofore, we have had bond issues, and the Congress has wirtten in the terms. That was done within the proper constitutional power of the Congress. That power is provided in the Constitution. That is what we are supposed to do. Only recently have we gotten the theory that we can turn everything over to the Treasury.

One of the principal reasons why the able Senator from Wyoming [Mr. O'MAHONEY] has been ill for a while is that he has felt so strongly on this question. He has expressed himself so forcefully on this question of constantly turning over to the Executive powers which the Executive does not have under the Constitution. Recently there was a bill before the Committee on Interior and Insular Affairs, and which was about to be agreed on. We received the strongest representations from the Senator from Wyoming [Mr. O'MAHONEY] because he does not believe Congress should turn over to the Executive powers which the Constitution placed in the hands of Congress—not reserved powers, but specifically put in the hands of Congress under the Constitution. This is an example of it.

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

Mr. ANDERSON. I yield.

Mr. McCARTHY. I think we might have an answer to the question raised by the Senator from Louisiana, and get it quite effectively, if we read one of the remarks Mr. Stans made before our committee when he was testifying on the gas tax bill. The administration seems to be opposed to any kind of fixed point of reference. The question was raised by the junior Senator from Tennessee, after he had cited problems raised as a result of imposing the gas tax.

He turned to Mr. Stans and he said, "What about the problems?" Mr. Stans said, "We do not deal in problems; we deal in dimensions."

It seems to me we are now applying the theory of relativity to the fiscal problems of the Federal Government. If possible, we should get help from someone who pretends to understand the Republican administration. We should get some good Republican who understands and defends the administration and the Treasury Department, some good Republican who defends the philosophy of Mr. Stans, who will tell us what is meant when Mr. Stans says that the administration deals not in problems, but in dimensions.

I think the Senator from New Mexico raised a good question earlier when he said that by simple arithmetic the cost could be established. Evidently the administration is not using simple arithmetic. If we could get some definition of the dimension in which the administration deals—the first dimension, second dimension, third dimension, whatever dimension it may be—or of the state of relativity being applied to the fiscal theories of this country, we might be able to understand the administration's position on the bill.

Mr. ANDERSON. I will say to the Senator from Minnesota that I read the testimony of the Secretary of the Treasury, who said that it would cost $30 million to $35 million to the savings bond part of the budget cost of interest on the public debt for the fiscal year 1960.

A more simple answer would be, it seems to me, "We have $42½ billion worth of bonds, and if you raise the interest rate a half of 1 percent that would cost approximately $212 million per year."

If we raise the interest rate 1 percent, which my amendment would allow, it would be $425 million a year.

This is a statement which is cleverly written, I admit, which says that it would add $30 million to $35 million to the savings bond part of the budget cost of interest on the public debt for the fiscal year 1960. He is dealing in dimensions, not problems; I quite agree with the Senator from Minnesota.

Mr. MORSE. Mr. President will the Senator yield?

Mr. ANDERSON. I yield to the Senator from Oregon.

Mr. MORSE. I should like to ask a question, but before I ask the question, if the Senator will permit, I should like to preface it with a brief comment.

Earlier this afternoon the Senator from Oklahoma [Mr. MONRONEY], the Senator from Wisconsin [Mr. PROXMIRE]—and now the Senator from Louisiana [Mr. LONG]—joined with the Senator from New Mexico in putting their fingers on what I think is the fatal weakness of the bill before the Senate, if we carry out what I consider to be our legislative trust and responsibility in the Senate.

As the Senators have pointed out, what we are being asked to do is to delegate our power to the President of the United States. If we do not agree to the Anderson amendment we will be delegating legislative authority to fix interest rates at the President's discretion.

Mr. President, I use my words with great care. If we do that as a Senate of the United States we shall move this Government of ours in the direction of an executive government rather than a government under a check and balance system where the legislature exercises its constitutional prerogatives checked by a President who has the right to veto the legislative process of the Congress.

What we really will be doing is undercutting the whole procedure in the Constitution of the United States, which provides for checks upon the power of the President, by giving him what amounts to a legislative function. If we can do that in this instance we can do it with respect to many other matters.

I wish to say, most respectfully, as the Senator from New Mexico pointed out, that has been the trend in recent years. So the Senator from New Mexico, in my opinion, is very sound in raising a basic question of constitutional theory on the floor of the Senate.

What is there about this problem which justifies the Senate in abdicating its constitutional prerogative and duty? I do not know of any emergency which would justify our doing that with respect to this subject matter. I warn my colleagues in the Senate that they will rue the day if they permit the administration to get by with this undercutting of the fabric of our Constitution itself, because that is what we would be doing, Mr. President.

I think the Senator from New Mexico is very correct in bringing our attention to the position taken by the man who I think is the greatest constitutional lawyer in this body, the Senator from Wyoming [Mr. O'MAHONEY]. The Senator from Wyoming has pleaded with us time and time again in recent years concerning the growing threat to the constitutional powers of the Congress of the United States. It is a very dangerous threat. Now is the time to come to grips with it.

I say most respectfully, I think we need to say to the President, "Mr. President, you are always free to exercise your veto power, but we are going to pass legislation which will carry out our constitutional right"—and I happen to think it is a duty—"to maintain the control over the fixing of interest rates." We should not "pass the buck," because of terrific business pressures which may be put on us at this time, to the President of the United States, and give him what amounts to arbitrary and unchecked power, so far as the interest-making decisions are concerned.

It is no answer to say to me, Mr. President, "Oh, we can come back at a later day and take away what we have given to the President."

Let us be realists. We know what happens in the operations of the Congress. We are always so busy with the new problems which confront us at every session of Congress that we like to forget about actions we have already taken. Those are actions of a past day, and we are concerned about the present.

I respectfully point out, and the RECORD will bear me out, there has to be the creation of some great public clamor, usually, to cause us to go back and repeal something we have already done.

We can imagine the people of this country coming to grips with and understanding this abstract problem of economics with which we are dealing. The administration knows how difficult it is, Mr. President, to get the public to understand the very technical implications of this problem. We have been elected, Mr. President, to carry out our trust, when we understand it. We do understand it. Every man in this body knows what he will be doing if he votes against the Anderson amendment. Every man knows he will be voting to give the President of the United States at least for the time being, and it is going to be for a long time, I respectfully say, an unchecked power over the fixing of interest rates in this country.

That is dangerous. It is dangerous from the standpoint of the welfare of the people of this country. I am going

to be no party to it. I hope the Senate will consider the matter long enough tonight to really ponder what it is doing, to give us the votes we need in order to place a check which, under the Constitution, it is our duty to place on the President of the United States with respect to this problem.

I am also fearful of the effect upon other interest rates, if we give this unchecked power to the President. To permit rates for savings bonds to go above the ceiling proposed by the Senator from New Mexico would, I believe, increase the upward pressure upon rates in mutual savings accounts and savings and loan accounts, which compete with savings bonds.

Eventually, we would be faced with overwhelming pressure to raise rates for marketable bonds. The least we should do to keep the lid on interest payments is to approve the pending amendment.

Mr. ANDERSON. There are two things in the current situation at which I believe Congress should take a look. It is true that very frequently these matters are not discussed in the meetings of the Finance Committee. Apparently they are not worrying many people. The situation occasionally does worry some of us who have been watching the Government bond market for a long time.

The newspapers of today, for example, record the fact that yesterday the Government paid 3.979 for its 13-week bills.

The Government of the United States goes into the money market every Monday and buys the money it needs for current purposes. It needed $1,200 million roughly when it went into the market yesterday. It got a bid of 3.979 and that, according to the newspaper I have in my hand, was a new 26-year high for the third consecutive issue of 13-week Treasury bills. The latest issue was sold at a price equivalent to an average yield of 3.979 percent. The previous similar issue drew a rate of 3.889 percent. The current rate is the highest since 4.229 percent, on a similar issue dated March 6, 1933, during the bank holiday period.

While it is not very nice to be reminded of a situation which existed during the bank holiday period, there is one interesting fact in connection with this rate. Here we have a situation where the Treasury 13-week bill rate has gone above the discount rate. That is a phenomenon in American finance. It is a very unusual situation. It has sometimes foreboded financial trouble. The people of this country would be well advised to pay a little attention to the fact that the Treasury 13-week bill rate is above the discount rate, which is now 3½ percent. I say this to warn the Senate, that this is no time to be fooling with a financial situation of this nature, trying to give unlimited power to the President which he has never had.

The Committee on Finance has released a publication entitled "Investigation of the Financial Condition of the United States." In that publication there appears a paragraph which reads as follows, at page 2192:

> Fifth, the present difficulty of selling long-term bonds is the result in no small part of the stock market boom; but note that at the end of 1958 for the first time in a generation stocks were yielding less than bonds and values were up above those justified by profit prospects; and hesitation in the rise of the stock market could easily improve the bond situation.

The important words in that statement are that for the first time in a generation stocks are yielding less than bonds.

It so happens that when we had the Secretary of the Treasury testifying in an investigation of the financial condition of the United States, Secretary Humphrey was asked some questions about this sort of situation. We had a very brief period in which that situation occurred, in 1956. I reminded him of some of the financial difficulties we have had. I reminded him that in 1873 we had very high interest rates and we had a panic shortly thereafter, and that built up to a peak in 1893, and then we had some troubles thereafter. Railroad bonds went to 4.1 percent. Commercial rates went up to 7.67.

Then we had bad financial troubles in 1907. The interest rates on railroads got very high again, much higher than usual. The commercial rate got to 6.66.

We had financial troubles in 1920. We had difficulties and we got into a great deal of financial trouble.

Then in 1929 we had a parallel situation when interest rates got very high.

Why is it that people are not worried about it, after having been through five or six panics, when we had this sort of trouble, even though it was called a depression in 1929? Why do we go through it round after round and never see the warnings?

I say that this accumulation of interest rates is dangerous to this country. People should be looking at it carefully. We can go through all the tables we have and we cannot find any reason why this rate needs to go to 4¼ percent. The witnesses who testified said they only wanted 3¾. The plan only called for 3¾. We give them a half percent above that. We give them twice as much as they said they would use. Then they tell us the difficulty they would be under.

All we have to do is pick up the Government bond list week after week and take a look at what is going on. If we want to buy a 1-year bond that has a high yield, we can buy a 2⅛ of November 15, 1960, at 97–14 to yield 4.37 percent.

We can buy a 2-year bond, November 15, 1961, for 95–6, yielding 4.85 percent; or a 3-year bond, October 1, 1962, which will yield 4.69 percent.

On down the line every one of these issues is about 4 percent, and the Treasury tells us, as soon as we give them this unlimited authority, "We are up against a tough market. We cannot sell these savings bonds, because a person can buy them for 1 year, 2 years, 3 years, 4 years, 5 years, and even 10 years, and a 10-year bond is equal to a December 15, 1965, bond which is selling at 82–12 with a yield of 4.68 percent.

A man does not need to buy an E-bond or an H-bond when he can buy a bond for 1, 2, 3, 5, or 10 years, any place he wants to go, and get from 4.50 to 4.92.

Treasury 2½s of 1961 were selling just a short time ago yielding 4.92—a terrific return.

When we get into competition with this, the Treasury will say, "Oh, 3¾, that is what we thought we would utilize, but now we find we need to go up to 4½, 4¾, 5 percent."

If they really believed they were going to stay at 3¾, they would let the rates stay there until next January, and then come to Congress and ask Congress, which has the right to fix these rates, to give them whatever rate they might require. However, that is something they do not want to do. Why is it? Simply because they want to make sure that they take away from Congress any control of the financial structure of the country, and place it in whose hands? Into the hands of the people who have been gradually raising these interest rates for a long, long time.

It was pointed out that the budget is partly out of balance. Other things have helped to unbalance it, but it is partly out of balance because $2 billion is the cost of handling the national debt. So we raise these E-bonds up to the limit permitted by my amendment. That adds $425 million, but it also has an effect on every other piece of Government paper.

There is only one reason why these Government bonds happen to have yields of 4.69 percent. That is because new bonds have been issued. So that depreciates the old ones.

What does it do to every purchaser of a Government bond? What does it do to the people who in good faith allowed payroll salary deductions to permit them to buy E-bonds? They realize now that if they start to buy bonds that are heavily depreciated, they have taken a very substantial loss.

It was not too long ago that people used to point proudly to the fact that Government bonds were the finest investment that one could go into, to put into widows' and orphans' trust funds. But no one says that now because we find Government bonds selling as low as 81, and they do not have to have a long maturity.

So I say that I am completely opposed, and I hope Congress will be completely opposed, to turn over to the executive branch the arbitrary power to set the interest rates anywhere it wants to without reference to Congress, where that power is properly lodged.

The fact that the discount rate is below the 13-week, 91-day, interest rate is a dangerous situation, a phenomenon in our financial structure which should warn us not to fool around with the bond market at this time. When the return rates cross, when the return rate from stocks goes below the yield rate of bonds, we have always had financial trouble, generally within 18 months thereafter. That is a well-established financial trend. No one seems to worry about it. If we allow the bond rate to go anywhere it will, the stock market will continue to rise, and hence stock yields will continue to go down. Generally there is financial trouble—and there is now. This is no time to fool with such a situation. It is no time to say that we should have unlimited rates on bond issues.

I do not believe the question was clearly presented to the House of Representatives. There is nothing in the debates that indicates that the membership generally understood that it was abdicating congressional responsibility in this field and turning it over to the executive department. There is nothing in the House report that would indicate that. There is nothing to that effect in the testimony of the Treasury Department witnesses before the House committee. The testimony was to the effect that, "We have a plan to raise the rate to 3¾ percent." Under these circumstances we ought to refuse to give unlimited power. We ought to establish a 4¼-percent limit, which is more than adequate to carry the Treasury until next January; and we should do it by the adoption of this amendment.

Mr. PROXMIRE. Mr. President, I enthusiastically support the Anderson amendment. I agree that most Senators have not had the opportunity to have the very vital importance of this amendment called to their attention.

It was interesting to note, in the colloquy that when various Members of the Senate who oppose the Anderson amendment were challenged to defend their position, that there was no very strong, clear reason for rejecting it. There was some vague notion that if we were to adopt the Anderson amendment it would be necessary for the Treasury to go to 4¼ percent instead of 3¾. This was never defended, just asserted.

It seems to me that the distinguished Senator from New Mexico answered it completely when he pointed out that, according to that line of reasoning, if there were no limit on the amount the Treasury could pay on bonds, there would be a tendency for the interest rate to go to infinity.

We must emphasize over and over again that this is a spending measure. It has the same effect on the Treasury as any kind of backdoor skip-the-Appropriations-Committee spending bill.

The Senator from New Mexico has stated—and I do not believe he can be successfully contradicted—that the effect of passing the bill, even with the Anderson amendment, would be to require the Treasury to spend $215 million a year eventually in additional interest on savings bonds. The Anderson amendment would limit the spending to $425 million a year. Without the Anderson amendment, the sky is the limit. Instead of putting our fiscal house in order, this measure would blow the roof off.

I think it is desirable, once again, that Senators who have an opportunity to do so should take a look at the majority report on this amendment, because on the second page of the majority report the first paragraph under the head of "General Statement" sets forth the history of savings bonds. It points out that the savings bond program was initiated in 1935. In that legislation the maximum permissible interest rate of 3 percent was established for savings bonds held until maturity.

There was no change in the statutory limit until 1957. It is true, as the report specifies, that in May of 1952 the Treasury did increase the yield of series E bonds to 3 percent, from 2.9 percent; but it was 22 years, from 1935 to 1957, before it was necessary for the Treasury to come to Congress and ask for an increase in the limitation on the amount the Treasury could pay on savings bonds.

Now the Treasury is coming back once again, 2 years later. I submit that no one can very well argue that the Anderson amendment would interfere with Treasury flexibility, because it provides for a full 1 percent increase at the discretion of the Secretary. The Treasury representatives say they want only one-half of 1 percent increase.

On the basis of conservative assumptions—even if we assume that interest rates are going up sharply—it would mean that the Treasury would not have to come back for a year, 2 years, or 3 years, very likely. It is certainly desirable for the Congress to pass upon any policy adopted by the Treasury which would push interest rates on savings bonds to a higher level than 4¼ percent.

A higher level than 4¼ percent would mean that the rest of the national debt would have to be financed at around 5 or even 6 percent. In 1957 the Treasury asked for 4¼ percent. At that time the statutory limit was 3 percent. The Treasury said that if the Congress would give it 4¼ percent, that would be satisfactory.

At that time the House passed a savings bond bill which provided for a 3½-percent limit, but the Senate decided that 3.26 percent should be the maximum limit.

I invite the attention of Senators to the committee report of the Finance Committee, submitted on April 10, 1957, in which the Finance Committee said why it felt at that time that a statutory limitation on savings bonds should be required. On page 2 of that committee report of April 10, 1957, the Senate Committee on Finance had this to say:

> Your committee held 3 days of hearings on this bill—

I interpolate that there were 2½ days more of hearings than were held on the bill this year. The chairman of the committee stated, I believe, that the only hearings that were held were when the administration witnesses came in and testified. The opponents of the increase apparently were not heard.

I read further from the 1957 report:

> during which attention was given both to the recent deterioration of the market for savings bonds and to the potentially harmful effects on the economy of a program of high interest rates. Your committee has amended the House bill to lower the maximum rate permissible on savings bonds to 3.26 percent, in lieu of 3½ percent. This will permit the Treasury to sell a $75 bond that will mature in 8 years and 11 months, for $100.

The committee further stated:

> It is believed that this change is desirable, for several reasons. If a 3½-percent limit is provided, there would be some expectation on the part of the public that the rate would in fact be raised, and this would tend to reduce sales of the 3¼-percent bonds. Furthermore, this adoption of this reduction of the limit to 3.26 percent expresses the opposition of the Congress to any increase in interest rates not absolutely essential in the interest of economic stability.

That was the statement of the Finance Committee in 1957. I wish to emphasize that statement, because I think it is unfortunate that the Finance Committee, in its report this year, did not take the same position and express the same opposition to an increase in interest rates.

The committee report in 1957 stated:

> The adoption of this reduction of the limit to 3.26 percent expresses the opposition of the Congress to any increase in interest rates not absolutely essential in the interest of economic stability.

The committee went on to say this:

> The Treasury has argued that there should be greater administrative flexibility in the Treasury to raise interest rates if redemptions of savings bonds again rise relative to sales. Your committee does not believe that the situation requires such delegation of authority to the executive since this deterioration of the market for savings bonds has in the past developed only slowly.

Mr. President, what has changed in the past 2 years, between 1957 and 1959, that should persuade the Finance Committee of the U.S. Senate they should now delegate to the Executive unlimited power to increase interest rates to whatever extent they wish to increase them? I submit there has been one development. It is not a new development but it has been reinforced. That is the consistent, clear-cut policy of the Eisenhower administration to attempt to increase interest rates at every opportunity.

If there is any fundamental economic policy difference between the Democratic Party, which is the majority party in Congress, and the Republican Party, it is that the Democratic Party said in its platform, and in the pronouncements of its leaders, and in the expressions of the Members of the Senate and the House that "we do not believe in high interest rates. We are a low interest rate party. We believe interest rates should be kept as low as they can be."

Since 1957 interest rates have soared. The executive branch of the Government has demonstrated it believes in higher and higher interest rates. Under these circumstances, I can see no reason why, 2 years after the Finance Committee issued a statement in which they say, "We must not delegate this authority; we do not agree with the House that they should go to 3½ percent," we should say now that we do not believe in high interest rates. We want the Executive to come before us and make a case whenever they wish to increase interest rates on savings bonds. That was the position of the Finance Committee in 1957.

I submit it was a wise and a defensible position, and I hope it is the position the Senate will take tonight in voting on the Anderson amendment.

The position of the Finance Committee is the same as the position of the chairman of the Finance Committee in 1957. The chairman was the distinguished Senator from Virginia [Mr. BYRD]. On

April 15th on the floor of the Senate he said:

First was the question of whether or not there should be greater flexibility for the Treasury to increase interest rates on savings bonds if inflationary pressure should build up in the future. The Treasury originally requested that the statute provide that the savings bond rate could be increased to 4¼ percent, even though they had only announced plans to sell a 3¼-percent bond. The House bill would raise the ceiling only to 3½ percent. The Finance Committee has further reduced the new ceiling to 3.26 percent, which will be adequate to sell the bonds described in the Treasury announcement of February 14. Let me say that the action of the Senate Finance Committee is an indication that the committee desires to discourage further increases in interest rates in financing Federal obligations. We felt strongly that the serious aspects of higher interest rates require that any further increase should be accompanied by a request for legislation. Experience in the past has indicated that the market for savings bonds declines only slowly enough in an inflationary period as to afford ample time for additional legislation.

Mr. President, I am sure the distinguished chairman of the Finance Committee, who is an extremely able and sincere man, felt that the situation warranted the statement this morning that in his judgment conditions had changed.

I submit that anybody who looks at page 4 of the committee report and examines what has happened with respect to cash sales of savings bonds and cash redemptions of savings bonds in 1957 as compared with 1959 will find the situation has not changed. Indeed it is almost exactly the same kind of situation.

It is also interesting to note the apparent pattern. After the Senate and the House adopted an increase in interest rates in 1957 on savings bonds there was no improvement. There was no increase in the sales of savings bonds. There was no reduction in redemption for a considerable period of time. It was only after an aggressive campaign was conducted by the Treasury Department throughout the country generally that the increase in sales and the decrease in redemptions took place.

In 1957, when there were much more careful and thorough hearings on this measure and the principles behind the measure, the Chairman of the Federal Reserve Board appeared and testified. He was asked by Mr. MILLS, the chairman of the House Ways and Means Committee, this question:

What merit is there to the thought that has been advanced by the lending and savings institutions of the country, commercial banks, building and loans, and mutual savings banks that there will be no opposition on their part to an increase from 3 to 3¼, but there would be cause for concern on their part in giving the Treasury discretionary authority to raise the interest rate on E-bonds to as high as 4¼ percent?

Mr. Martin, Chairman of the Federal Reserve Board, made a fairly long answer. I wish to call attention to the last paragraph of his answer:

I served in the Treasury for a couple of years and I happen to believe it would be wise to give them as much discretion as you gentlemen in your good judgment can see fit to give them without giving them blanket authority.

In other words, Federal Reserve Board Chairman Martin said, in effect when he was asked an explicit question, "Don't give them blanket authority. The Treasury should not have blanket authority to increase interest rates on savings bonds." That was a statement by the Chairman of the Federal Reserve Board, who has such enormous prestige here. He was saying that the Treasury should not have blanket authority to increase interest rates without limit. I submit that without the Anderson amendment that is exactly what the bill before the Senate does. I challenge any Member of the Senate to show that the bill does not provide blanket, carte blanche, unlimited, complete authority, in contradiction of the recommendation of the Chairman of the Federal Reserve Board when he was asked how much discretion the Treasury should have.

Mr. President, I have examined the Senate hearings and committee report and have looked through the hearings in the House, which were substantially more exhaustive than those in the Senate. I cannot find any justification from Secretary of the Treasury Anderson, Chairman of the Federal Reserve Board Martin, the committee report, issued under the name of the chairman of the Committee on Finance, from the proponents of the bill, or the outspoken opponents of the Anderson amendment, specifically, the Senator from Connecticut [Mr. BUSH], and the Senator from Utah [Mr. BENNETT], for providing unlimited, blank-check authority. There is no justification whatsoever.

There are plenty of arguments as to why interest rates on savings bonds must be increased, but that is beside the point. All of us agree that these interest rates have to go up. There is no question about it. We regret it, but it is a fact of life. They have to go up. But I say that the purpose of the Anderson amendment has been challenged by no one. There is no record of such a challenge in the hearings; there is none in the committee report; there has been no statement on the Senate floor.

If the Senate should reject the Anderson amendment and should pass the bill in its present form, there simply is no question that we shall be setting a clear precedent, so that next January or February, when the administration again asks for what President Eisenhower has insisted is so close to his heart that he is thinking of calling a special session for it—in other words, taking off the limit of 4¼ percent—the administration would say, "After all, you have done this for savings bonds; you have done it when 40 million bondholders are involved, and perhaps some 15 million or 20 million voters. Why not, if it is a matter of principle, do it for the institutions?"

Mr. President, there is no ready answer for that question.

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

Mr. PROXMIRE. I yield.

Mr. MONRONEY. I am very much impressed by what the Senator from Wisconsin has said. This issue is of overriding importance. If the amendment of the Senator from New Mexico should be rejected, it would break a historic precedent going back to the time of George Washington. It will be like the breaking of the dike, and there may be a deluge of high interest rates from which the country can never recover. So it will be incumbent upon the Senate, particularly incumbent upon those who feel so strongly about this matter, if the Anderson amendment is rejected, to propose several other amendments.

Furthermore, we should make clear and definite that the Secretary of the Treasury and the President of the United States cannot issue 5 or 6 percent 20-year bonds in the guise of savings bonds, so that they will not arrive at their ultimate objective of having no ceiling whatever on the carrying of the public debt.

The research I have made indicates that if we fail to establish the ceiling on savings bonds, we shall leave the Treasury and the President—not only the present ones, but all those in the future—to decide as they wish, and Congress will finally have abdicated its historic power and control over the interest rates. Congress will then have surrendered that power, in totality, to any President or any Secretary of the Treasury, and will permit them to pay any rate of interest they may find to be in the national interest—and we may find it in the national interest to pay 5 percent or 8 percent for 20-year money, if they so desire.

This is an obligation Congress can never avoid; but once Congress loses this power, it may never recapture it.

Certainly the Congress should be concerned with the protection of that power, which it has on the basis of a 180-year precedent. Certainly Congress should be most concerned whenever it is proposed that it break that precedent and give the President the power to fix whatever rate of interest he may deem to be in the national interest; and certainly Congress should consider very carefully before it agrees to lose the control it has, as the people's branch of the Government, in determining what rate of interest shall be paid on such Government obligations—a power which the Congress, rather than the President, has held up to this very hour.

Mr. PROXMIRE. Mr. President, I thank the Senator from Oklahoma. He is entirely correct; and it seems to me that the Senate should pay very careful attention to the implications of his statement. I enthusiastically agree with what he has said.

Certainly the Senate should be on notice that if the Anderson amendment is rejected, it will be absolutely incumbent upon us to call the attention of the Senate and the attention of the country to the most important principle that is involved.

I have prepared some 50 amendments; and I expect to call up some of them, in the event the Anderson amendment is rejected, because this matter is not one of a trivial, technical provision of a bill. Instead, this matter affects all the people of the country. The principle involved is absolutely vital. Members of the Senate who favor this amendment have the duty of talking about this matter

very carefully, and of talking about it at great length, if necessary. That is we must talk for days, perhaps weeks, if the Anderson amendment fails.

Mr. CLARK. Mr. President, will the Senator from Wisconsin yield?

The PRESIDING OFFICER (Mr. McCARTHY in the chair). Does the Senator from Wisconsin yield to the Senator from Pennsylvania?

Mr. PROXMIRE. I yield.

Mr. CLARK. I find myself in complete accord with my friend, the Senator from Wisconsin.

Mr. PROXMIRE. I thank the Senator from Pennsylvania.

Mr. President, the Senator from Oklahoma pointed out something which I think all of us often forget; and I refer particularly to Members on the other side of the aisle—namely, that this authority is not being requested only for the present occupant of the White House. If this authority is provided, it will apply to future Presidents, regardless of their policies or their attitudes.

All of us know that the present occupant of the White House will serve only another 16 months. However, the legislation now proposed will be permanent, and will affect and apply to any President of the United States, and will give any President this power.

Mr. President, in the last 25 years there have been exactly two occasions when it has been necessary for the Treasury to change the interest rate on savings bonds. Does it make any sense to say that the administration must have flexibility, no limitation on interest rates, so they wont have to run back to Congress under these circumstances? Why is it so difficult for the administration to make such requests of the Congress? As a matter of fact, the administration has come back only once to the Congress in 25 years—only in 1957—between 1935, when the first measure of this sort was passed, and the present time, 1959. Only once in that period has the administration requested that the Congress increase the interest rate on savings bonds.

Mr. President, I conclude by pointing out that the Chairman of the Federal Reserve Board has stated in the most unequivocal terms that an increase in the interest rate on savings bonds will have a direct and immediate effect on the interest rates on all other obligations throughout the country.

At this time I should like to read from the hearings, at page 35:

Mr. MILLS. Say you and I operate a building and loan association, and Congress does this. The first thing we notice, some of our depositors have taken their money out and are putting it into these bonds. Good or bad, I am not arguing one way or the other on the point. I am just trying to see what will happen.

Our natural reaction then would be to increase our interest to our depositors, and the only way we could do that would be to charge more interest on our loans, as I see it.

Does that make it more difficult then for you to provide satisfactory restraints on inflation?

Mr. MARTIN. If the overall level of savings rises it does not make our job more difficult.

Mr. MILLS. It makes it easier?

Mr. MARTIN. That is right.

Mr. MILLS. Are you saying then that this may well have the effect of increasing the overall rate of interest?

Mr. MARTIN. That is right.

Mr. MILLS. It would have that effect?

Mr. MARTIN. That is right.

Mr. President, a plainer or clearer statement could not have been made.

The Chairman of the Federal Reserve Board, who is charged by Congress with the administration of the monetary policy, has stated what will be the effect of an increase in the interest rate on savings bonds; he has said it will have an overall, national effect on other interest rates—and that the effect will be to increase them. All of us recognize that there must be some adjustments; but it is now proposed that the present administration have unlimited power to increase interest rates on savings bonds as much as it may wish—and all of us know that it wishes to increase them a very great deal. However, the Chairman of the Federal Reserve Board has said such an increase will have a nationwide effect, and that, as a result, all interest rates will tend to rise.

Mr. President, I earnestly hope the Anderson amendment is adopted, and I yield the floor.

Mr. MONRONEY. Mr. President, I agree completely with the distinguished Senator from Wisconsin that this is perhaps the most crucial issue to be before the Congress at this session.

I regret that the press of the Nation is at this time represented in the press gallery by only four members. That is most regrettable, because the story of this issue has not been properly covered. It has not been accurately reported; and the public itself, as well as the Members of the House and the Members of the Senate, are not aware that we are being asked to completely remove the historical congressional power of Congress to fix the maximum ceiling on the interest rate, on long-term obligations issued by the Government.

Such a suspension of a 180-year-old precedent is worthy of more than 1 hour of casual consideration by the Finance Committee. It is worthy of more than the casual reporting it has received, which has been 95 percent inaccurate, in the newspapers of the country. Except for the Wall Street Journal, all the newspapers which I have seen have reported that the pending bill provides that the interest rate on savings bonds may be increased from 3¼ percent to 3¾ percent. But that is a completely inaccurate report, because the bill provides that there shall be no ceiling, and permits any figure the President may find to be necessary in the national interest in order to expedite the sale of savings bonds; and, although the bill will affect only the interest rate on savings bonds, I find, upon careful study of the bill and of the statute being amended, that the Secretary of the Treasury will be able to decide what savings bonds are.

As a result, the efforts of the House and the Senate to guard very carefully against excessive interest rates can be set at naught. The interest rate increase is deserved by citizens who hold a few savings bonds of small denominations. But by means of this measure the Secretary of the Treasury could determine, by regulation, whether a $50 bond, or a $100 bond, or a $500 bond at 3¾ percent—the rate at which they have been advertised—was a "savings bond," or whether a $10,000, or a $100,000, or a $1 million bond was a "savings bond." Similarly, under the provisions of the bill, the Secretary of the Treasury might decide to issue them, not for 7 years, or 10 years, but for 15 years or 20 years, if he so desired, and at a rate of 10 percent.

So we are boxing ourselves in if we permit the erosion of congressional authority that has existed in the past and which the Congress has held against every President from George Washington on down.

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

Mr. MONRONEY. I am happy to yield to my distinguished colleague.

Mr. GORE. From conversations in the cloakroom and in the dining room, I have come to feel that there is considerable misunderstanding about the purport of the Anderson amendment, the effect of the Anderson amendment, and the contents and provisions of the pending bill. The Senator has just stated that the bill, as reported and as pending before the Senate, provides no ceiling whatsoever on interest rates for savings bonds, nor does it provide a definition of savings bonds.

Mr. MONRONEY. I am sorry to say to the Senator that it does not. It leaves to the discretion of the Secretary of the Treasury the determination of what a savings bond is. Any bond of not more than 20 years' maturity, of any denomination whatsoever, which is designated a savings bond has a ceiling unlimited in this "quickie" bill that is thrown in here in the closing days of the session, on a take-it-or-leave-it basis.

Mr. GORE. Will the Senator yield further?

Mr. MONRONEY. Yes.

Mr. GORE. Such definition and terms as "interest rates," as the Senator has mentioned, have been in the past characterized either as E- or H-bond issues. Is that correct?

Mr. MONRONEY. That is correct. We have carefully limited it, as the distinguished Senator knows, as to the interest rate, and we have jealously guarded control of these particular savings issues. But, as I read the bill, and as the experts have studied it, I find this bill is so cleverly drawn that, in spite of the fact that the House refused to provide unlimited ceilings on long-term Government bonds and sought to act on savings bonds, an avenue as wide as a barn door has been opened so the Secretary of the Treasury or the President—perhaps not this Secretary, perhaps not this President, but some future Secretary or some future President—can bypass the Congress completely as to ceilings, as to denominations, as to character of the bonds, and as to interest rates.

We find, on studying the bill, that the ceiling is unlimited, and as to the definition of savings bonds, it is up to the Secretary of the Treasury. The Secretary of the Treasury or the Presi-

dent has the right to finance any portion of the public debt, up to 20 years, at any rate he desires to pay, whether it be 3¼ percent, 4¼ percent, 5 percent, or 10 percent. The country will be bound by its sacred obligation to pay off at that interest rate, whether it continues for 20 years or not. We would bind future generations to the folly of a high interest rate policy that has been foisted on us by an administration in its dying day and permitted by a Democratic Party which seems to be faltering in the principles of Jefferson and Jackson for which it has stood for its long history.

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

Mr. MONRONEY. I yield to the Senator from Pennsylvania.

Mr. CLARK. Does the Senator agree with me it is very important that the Anderson amendment should be adopted?

Mr. MONRONEY. I think it is so important, I will say to my colleague and friend, the senior Senator from Pennsylvania, that if the 4¼-percent limitation is not adopted, then the Senate should remain in session for whatever period of time is required for a thorough discussion and for consideration of many amendments, in order to try to prevent the complete erosion of congressional authority in this vital field. That authority has never been violated in our history, and I do not think it should be violated now, on the basis of a 1-hour hearing by the Finance Committee, without any public testimony from any source whatsoever.

Mr. GORE. Will the Senator yield further?

Mr. MONRONEY. I am happy to yield.

Mr. GORE. I am far more concerned with the present Secretary of the Treasury and the present President than I am with future ones.

Mr. MONRONEY. That would assume that we would elect a Democratic President who would be guided by the Jacksonian and Jeffersonian principle that interest rates are important; but, somehow, I wonder whether the Democratic Party and the Democratic leadership recognize the importance of interest rates in the historic position of our party.

Mr. GORE. Will the Senator yield further?

Mr. MONRONEY. I am happy to yield.

Mr. GORE. I am not so sure I share the assumption which the able Senator from Oklahoma has stated. I entertain the view that it would not be possible to have either another President or another Secretary of the Treasury who is as enthusiastically in favor of higher and higher interest rates as is the present administration.

Mr. MONRONEY. That is true, because everything that could be done to raise interest rates has been done by this administration, by Government edict.

Mr. GORE. Will the Senator yield further?

Mr. MONRONEY. I am happy to yield.

Mr. GORE. So the amendment proposed by the junior Senator from New Mexico is for the purpose of fixing a limit, and the limit proposed is 4¼ percent. Is that correct?

Mr. MONRONEY. That is correct; and it would make the rates uniform as to the limit now existing, and which has been in existence since 1918, on long-term Government bonds. The Treasury came before Congress and made its request, and the press bought what it said was the purpose of the bill by circulating throughout this Nation, to every newspaper reader, the story that there would be an increase in the interest rate from 3¼ to 3¾ percent; and now it is proposed to put in effect a limit of 4¼ percent, which provides a half of 1 percent leeway over what the Treasury itself asked for.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. MONRONEY. I am happy to yield to my colleague.

Mr. CLARK. Does not the Senator feel that the principle of low interest rates is one on which all good Democrats can agree, whether they come from the North, the East, the South, or the West?

Mr. MONRONEY. If there is any one single point of unity in the Democratic Party, it is on this principle, which has come down from the party's founding father, Thomas Jefferson, through the historic battle of Andrew Jackson against the vicious control of monetary policy by the Bank of the United States, and by the Biddles of Philadelphia, which great city my colleague has served.

Mr. CLARK. Unfortunately, the Biddles were all Republicans, except Francis Biddle.

Mr. MONRONEY. But this is the cornerstone of the Democratic principles. If I were a teacher of political science, and my students asked me the fundamental difference between the Republican Party and the Democratic Party, the one definition I could give would be that the Democratic Party historically has believed in high wages for people, for the farmers and the workers, but the Republican Party historically has believed in high wages for money. The one principle begets prosperity, when the wages of farmers and workingmen are good. The other policy begets depression. One can follow that trend through the long history of this country. The people of the country turn to the Democratic Party when they are in danger of a depression and calamity. They always turn to our great party because they know that in the prosperity of the many will there be sound economic conditions.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. MONRONEY. I am happy to yield.

Mr. CLARK. Does not the Senator think the sooner we can find out how many Democrats are prepared to support Democratic programs by voting for the Anderson amendment the better it will be, so that those of us who intend to see that this principle is either supported by adoption of the Anderson amendment—or there will be quite a lot of discussion about the bill—can have our minds made up as to what we should do next?

Mr. MONRONEY. I appreciate the question of the distinguished Senator from Pennsylvania. I would say that historically, in the votes of the past—and I believe the Senator has been keeping books on this—from two-thirds to three-fourths of the Democrats have consistently voted against interest rate increases, tight money policies, and the escalation of interest on Government-guaranteed securities. Two-thirds to three-quarters of the Democrats in the Senate have consistently expressed their party's traditional and historic belief in low interest rate policies.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. MONRONEY. Unfortunately, about one-third tc one-fourth of the Democrats in this body have joined with almost a solid 100 percent bloc of Republicans in a coalition to defeat a low interest rate policy.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. MONRONEY. I am happy to yield.

Mr. CLARK. I ask for the attention of Mr. Baker, as I ask the Senator this question: Would the Senator feel there would be any objection to my suggesting the absence of a quorum, so that we can find out how many Democrats will support the Democratic policy by having a quick vote on the Anderson amendment?

The Senator may not have been on the floor when the majority leader said he expected a vote on the Anderson amendment at about 7:20 p.m. Would the Senator object if I suggested the absence of a quorum?

Mr. MONRONEY. I would be happy to yield for the suggestion of the absence of a quorum.

Mr. CLARK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CLARK. Mr. President, a parliamentary inquiry. Since the Senator from Oklahoma yielded for the suggestion of the absence of a quorum, does the Senator from Oklahoma still have a right to the floor?

Mr. President, I ask unanimous consent that the Senator from Oklahoma may retain his right to the floor, at the conclusion of the call of the roll.

The PRESIDING OFFICER. The request is out of order. The order for the quorum call has been entered. Unless there is a request to withdraw the order for the quorum call, the clerk will continue to call the roll.

Mr. CLARK. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. CLARK. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the Senator from Oklahoma losing his right to the floor.

Mr. MORSE. Mr. President, reserving the right to object, as one who is very desirous of saving the time of the Senate, I should like to suggest that we probably would save time by granting the request, so I shall not object.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Pennsylvania? The Chair hears none, and it is so ordered.

Mr. CLARK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CLARK. Mr. President, a parliamentary inquiry. How far has the call of the roll progressed?

The PRESIDING OFFICER. The Senator from Pennsylvania is out of order. An inquiry of that type cannot be made while the roll is being called.

Mr. CLARK. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Mr. MANSFIELD. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue to call the roll.

The legislative clerk resumed the call of the roll.

Mr. CLARK. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded in order that the Senator from New Jersey [Mr. CASE] may be recognized.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Pennsylvania? The Chair hears none, and it is so ordered.

AMENDMENT OF INTERSTATE COMMERCE ACT, RELATING TO DISCONTINUANCE OF CERTAIN OPERATIONS

Mr. CASE of New Jersey. Mr. President, out of order, on behalf of myself and Senators BUSH, DODD, JAVITS, KEATING, and NEUBERGER, I ask unanimous consent to introduce, for appropriate reference, a bill to amend section 13a(1) of the Interstate Commerce Act with respect to the discontinuance or change of operations of certain trains and ferries.

The PRESIDING OFFICER. Without objection, the bill will be received and appropriately referred.

The bill (S. 2659) to amend section 13a(1) of the Interstate Commerce Act with respect to the discontinuance or change of operations of certain trains and ferries, introduced by Mr. CASE of New Jersey (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Interstate and Foreign Commerce.

INTEREST RATES ON E AND H SAVINGS BONDS

The Senate resumed the consideration of the bill (H.R. 9035) to permit the issuance of series E and H U.S. savings bonds at interest rates above the existing maximum, to permit the Secretary of the Treasury to designate certain exchanges of Government securities to be made without recognition of gain or loss, and for other purposes.

Mr. CLARK. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). Without objection, it is so ordered.

Mr. MONRONEY. Mr. President, when the quorum call was ordered I was saying that while the first section of the bill before us purports to deal only with saving bonds, it would amend sections of the code so that the Secretary of the Treasury or any future President would be unlimited as to interest rates as he now is in the matter of the denomination of savings bonds he might issue, and would be restricted only by a maximum 20-year maturity.

The bill would remove a ceiling which has been consistently maintained by the Congress against executive excesses through the long history of our country, from George Washington down to the present administration.

But we are proposing to open a door as wide as all outdoors, to provide for unlimited interest to be paid on long-term debt, by the passage of the bill before us.

If the amendment of the junior Senator from New Mexico is adopted we will effectively say that the 4¼ percent interest ceiling which has stood since 1918, in the days of World War I, will be effective not only with respect to long-term bonds, but also with respect to savings bonds.

The danger of executive excesses in paying interest has been recognized since the days of Thomas Jefferson. It was fundamental in the fight of Andrew Jackson against the throttling power of the Bank of the United States and the Biddles. It has been the crowning glory of the Democratic Party. If we forsake it on the basis of a 1-hour hearing before the Finance Committee, ostensibly to raise the interest ceiling from 3¼ to 3¾ percent, and buy the booby-trap that is before us, we shall be forsaking our constitutional duty.

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

Mr. MONRONEY. I am happy to yield.

Mr. YARBOROUGH. First, I wish to pay my tribute to the distinguished Senator from Oklahoma for the leadership he has provided and for the research he has made, going back to the time of the first President, showing to the Senate and the people that the unlimited grant of fiscal power to the Executive is really an abdication of the fiscal responsibilities of Congress.

I thank the distinguished Senator for rendering this service to this body, our Government, and the people. But aside from the duty which each individual Senator owes to his conscience and to the people, I ask the Senator if he does not believe that the Democratic Party, as a party, owes an obligation to the people under our Republic. The Democratic Party, under its platform pledges going back to Thomas Jefferson, for generation after generation, has been the protector of the people in fiscal matters. Do we not as a party tonight owe a high obligation to protect the American people in this matter?

Mr. MONRONEY. I could not agree more completely, or disagree more completely with the theory that the way to lower interest rates is to raise interest rates, which is the theory that has been expounded here tonight.

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

Mr. MONRONEY. I yield.

Mr. CAPEHART. I would like to have the RECORD show that I think 100 percent the opposite. I believe that history may well prove that the result of our failure realistically to increase the interest rates on our bonds and other obligations may force the country into financial chaos. We would injure the very people Senators say they wish to protect.

I wish the RECORD to show that; and I wish the RECORD also to show that on this debate, and the action we may take here, may well depend whether this country has run-away inflation, whether we shall be forced off the gold standard, and have chaos in our fiscal affairs.

While Jefferson and others may have been right, conditions in those days were entirely opposite to what they are today. The facts today are that central banks and foreign people control the financial destiny of this country. That was not true under Jackson, but it is true today.

I plead with Senators, with tears in my eyes, to please permit the Treasury of the United States to set interest rates which are practical and realistic, and which will make certain that we do not throw the country off the gold standard.

Mr. MONRONEY. The Senator may think what he wishes, but I do not believe that the way to stop overeating is to order pie a la mode, or that the way to stop drinking is to have an extra pint of bourbon. I do not believe that the way to stop high interest rates is to raise interest rates. The Senator can believe what he wishes. Under Thomas Jefferson and Andrew Jackson what was paid for Government money was not one-thousandth as important as it is today, when the magnitude of the $300 billion public debt fixes interest rates for the entire Nation.

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

Mr. MONRONEY. I yield to my distinguished colleague from New Mexico, the author of the amendment now before us, which I hope all Senators will support.

Mr. ANDERSON. I may say to the Senator from Oklahoma that I was tremendously interested in the tear-wrung confession that we are going to get into financial trouble if we do not give the Treasury permission to correct the situation. We observe two financial circumstances which the Senator from In-

diana has rarely seen: First, the Treasury's 13-week bill rate is above the Treasury discount rate or Federal Reserve discount rate. That is a phenomenon which rarely happens. When the Senator talks about financial confusion, that is it because the discount rate is 3½ percent, and the 13-week bill rate was this very week, yesterday—Monday—3.979 percent. We have never heard of that happening in this country.

Second, the financial writers have been pointing out for a long time that when the two lines representing bond yields and stock yields cross, and the stock yield drops below the bond yield, we are always in for some financial trouble if we are not very, very careful. Yet the administration wants to exaggerate that and make the bond yield still greater in an effort to bring about financial stability.

We are in some financial trouble, and we are in it because of the tight money policy which has made it extremely difficult for business to operate. Most people are very conscious of that fact.

Mr. MONRONEY. I agree with the Senator from New Mexico. There were periods in our history when weak Presidents surrendered to the power of the money market. I have never seen a more abject surrender than that of the present President of the United States to the moneychangers of the Nation. Strong Presidents have resisted this power to dominate fiscal affairs by control of other people's money in the deposits in banks and insurance companies.

Now we see the power of the money market control. Even the Federel Reserve System, which was established as a safeguard for the people's interest, today has more concern with the profits which it makes on rediscount, the profits it makes through the tight money policy, than it has with the responsibility which the authors of the Federal Reserve System intended be exercised when they created this great institution, the Federal Reserve Board.

Let me illustrate that point. The Federal Reserve Board, if it has a duty at all, is supposed to provide a stable money supply and also to prevent the violent upswings and downswings in our monetary policy. Since 1955, the Federal Reserve Board has reduced its long-term bond holdings—that is, bonds running 5 years or more—by 37½ percent. Today, the long-term bond holdings of this great institution, the central bank of America, amount to only $900 million. Think of that—$900 million in long-term bonds. But the Federal Reserve Board tells us that the greater the amount of holdings in long-term bonds the greater the stability of the public debt.

The commercial banks, which the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation are supposed to advise, since 1955 have reduced their long-term bond holdings by 54.6 percent. The mutual savings banks and building and loan associations, which are supposed to provide a reservoir for savings, would be a wonderful market for our Federal bonds or long-term bonds, but they have reduced their long-term holdings by 26.2 percent.

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

Mr. MONRONEY. I will yield in a minute, when I have finished my statement.

The insurance companies, which use not their own money, but the savings of the little people of America, have reduced their holdings of long-term debt by 25.6 percent.

Then who is holding on to the long-term Government bonds? I will tell the Senate. It has been the little people of America, a part of the 185 million, who are buying bonds on the savings and payroll deduction basis. These are the people who have confidence in U.S. bonds. These are the people whom the amendment offered by the Senator from New Mexico is designed to protect. The amount of their holdings of individual savings bonds has declined only 6 percent from 1955 until now. They are the people who are the backbone of America.

This is where the emphasis is. When the moneychangers refused to buy the securities of the United States, the people came forward and said, "We will lend our savings by way of payroll deductions." Certainly; perhaps it is possible to hijack a higher interest rate out of Uncle Sam by political machinations or Federal Reserve action, or by other means. But the little people are pretty well satisfied to ride with Uncle Sam, because they think their investment is important, is vital to the long-term stability of our Nation.

Of the other groups I have mentioned, the Federal Reserve holdings are down 37.5 percent; commercial bank holdings are down 54.6 percent; building and loan association and mutual bank holdings are down 26.2 percent; and insurance company holdings are down 25.6 percent.

What has happened? The distinguished Senator from Indiana [Mr. CAPEHART] in the Committee on Banking and Currency has consistently supported increasing the interest rate of the Siamese twin of the Government bond, namely, the Government-insured mortgage, which is backed by the credit of the U.S. Government, and which has almost the same security as a Government bond. The distinguished Senator from Indiana [Mr. CAPEHART] and the agencies of Government have consistently asked for congressional authority to raise the interest ceiling on Government-insured mortgages. Obviously, the insurance companies are going to take their profit, the banks will take their profit, and the Federal Reserve will turn its back on Uncle Sam and will say, "We don't care what happens."

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

Mr. MONRONEY. I yield.

Mr. CAPEHART. Why do people sell their long-term bonds, if it is not because the interest rate is much lower than it is on short-term bonds and on other securities?

Mr. MONRONEY. Because the Members of Congress are so unwise that we keep upping the rate on competing securities. The rate has gone upward since May 2, 1953, when the former chairman of the Committee on Banking and Currency raised the GI rate to what was then an all-time high. The FHA rate went from 4¼ to 4½ percent, in May 1953. On May 5, 1956, there was a VA increase from 4 to 4¼. On December 3, 1956, the rate on FHA mortgages was raised from 4½ to 5 percent. On August 5, 1957, the FHA rate was again raised from 5 to 5¼ percent. Then the VA rate was increased, to 4¾ on April 4, 1958, and to 5¼ on July 2, 1959.

It is an open secret, all over town, that when Congress leaves Washington, the rate on FHA mortgages will be raised from 5¼ to 5¾ percent. This will make the payment a man will have to make on his mortgage 6¼ percent, because of the one-half of 1 percent rate for insurance.

Mr. CAPEHART. Why does the Senator expect a man who saves money—the little fellow, the wage earner, the farmer, or anyone else who will save money—to lend his money to the Federal Government at a rate lower than he can get in a savings bank or on Federal mortgages, when everything he buys at the grocery store, at the clothing store, and at the automobile dealer's has gone up, up, and up?

Why does the Senator wish to impose a penalty on a man who is thrifty and saves his money? Why does not the Senator encourage such a person to save his money? Why not give him a little more interest, and thereby stop inflation and the inflationary spiral? Why does the Senator wish to penalize the thrifty person? Why does he want to penalize the little fellow who puts his money in savings banks and in E- and H-bonds? Why does the Senator want to penalize the thrifty person in the United States, the fellow who will save?

Mr. MONRONEY. The Treasury representatives came before us and said their plan was to raise the rate on E- and H-bonds—bonds held by the little fellow about whom the Senator is talking—from 3¼ to 3¾ percent.

The Senator from New Mexico said, "We will give you a limit of 4¼ percent, which is one-half percent more than the Treasury wants to pay the little fellow." But I am afraid that unless we impose a limit we will raise what we intend to be an umbrella for the little fellow, and find all the great banks, insurance companies, and masters of great wealth will be under the umbrella instead; and we shall then be paying through the nose—5 or 6 percent. Whatever rate the President thinks is necessary in order to get money, the Government will pay it. There will be no ceiling. It will be ceiling unlimited. That is Republican policy. There will be no rate too high to pay as rent for the money.

Mr. CAPEHART. The people who have their money in the savings banks are the little fellows; those who own the insurance policies are the little fellows; and those who receive dividends are the little fellows.

Mr. MONRONEY. But the ones who control that money are the big boys; and they only need to have 12 men in New

York to lunch to decide to raise the interest rate that will apply to the 170 million people of the Nation; and the Senator from Indiana knows it.

Mr. ANDERSON. Mr. President, will the Senator from Oklahoma yield?

The PRESIDING OFFICER (Mr. BARTLETT in the chair). Does the Senator from Oklahoma yield to the Senator from New Mexico?

Mr. MONRONEY. I yield.

Mr. ANDERSON. If there has to be protection for the little fellows at 3¾ percent, does any provision of the bill prevent that benefit from going to those who purchase luxuries, and who want to have the rate raised skyhigh? Does any provision of the bill prevent the Secretary of the Treasury from being extremely liberal, in the interest of those who hold large amounts of bonds?

Mr. MONRONEY. I have studied the bill. It would raise an umbrella under which the Secretary of the Treasury could issue $1 million bonds or $10 million bonds at any rate, provided they are not for more than 20 years' duration.

Mr. ANDERSON. Does the Senator from Oklahoma know of anything that is more inflationary than constantly spiraling, constantly rising interest rates?

Mr. MONRONEY. Of course they are most inflationary. There has already been a $500 million increase in the estimated cost of interest on the debt this year; and now we are asked to go on a Republican sleighride by permitting the interest rate to be raised to 8 or 10 percent.

We are told, on the one hand, that subsidies and price supports for the farmers are very bad, indeed. But, on the other hand, the Republican policy is to pay high price supports for money.

This is a high price support bill, and it will allow the President at his will to fix any interest rate ceiling he may desire.

Mr. CAPEHART. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I yield.

Mr. CAPEHART. I repeat that all over the country it is well recognized by all that the price of groceries has gone up and up, and the rent bills have gone up and up, and the mortgage charges have gone up and up, and all other costs and charges have gone up and up—all except the interest rate on savings bonds. Can the Senator from Oklahoma tell me one reason why a man who has the courage to save his money should not receive an increase in the interest rate that is paid to him on the savings bonds he purchased?

Mr. MONRONEY. I will state why. I read the figures only a moment ago. The little lenders who have been purchasing E- bonds and H-bonds held, as of May 1959, $47.2 billion worth. Does the Senator from Indiana know how many long-term Government bonds the insurance companies—the insurance companies that the Senator from Indiana is crying about—held?

Mr. CAPEHART. I am not crying about them.

Mr. MONRONEY. They held $3.2 billion worth. Those are the insurance interests the Senator from Indiana is crying about. But the insurance people have disregarded their obligation to help create a sound financial condition. They ran away from purchasing such bonds; they failed to do their duty.

Mr. CAPEHART. Why does the Senator from Oklahoma say they have run away from purchasing them?

Mr. MONRONEY. Because they can make more profits by investing in the insured mortgages on which the Senator from Indiana has helped increase the rates.

Mr. CAPEHART. Mr. President, the Senator from Oklahoma has answered his own question, and now he should sit down. In other words, he has pointed out that they can make more money, more profits, by investing in other securities.

Mr. MONRONEY. That is because this Congress and this administration have insured such mortgages, at higher rates; and those insured mortgages yield by far a greater return than the return which investors can obtain from Government bonds.

Mr. CAPEHART. Mr. President, I am opposed to increasing the interest rate on mortgages.

Mr. MONRONEY. Mr. President, the Senator from Indiana has introduced many bills for the purpose of increasing the interest rate on the mortgages insured by the FHA and for the purpose of increasing the interest rate on all other mortgages or securities which have been insured by the Government. I thought the Senator from Indiana is in favor of higher interest rates.

Mr. LAUSCHE. Mr. President, will the Senator from Oklahoma yield to me?

Mr. MONRONEY. I am glad to yield to the Senator from Ohio.

Mr. LAUSCHE. Earlier this afternoon, I pointed out to the Senate that from 1946 the commercial banks reduced their bond holdings from $96 billion to $63 billion—or, approximately $30 billion.

Mr. MONRONEY. The Senator from Ohio is talking about both long-term and short-term holdings; is he not?

Mr. LAUSCHE. Yes.

Mr. MONRONEY. The long-term holdings were much less. My figures show that in 1955, the long-term holdings amounted to $26.6 billion; but in May 1959, they amounted to only $12.1 billion—or a decrease of $14.5 billion, or a decrease of 54.6 percent.

Mr. LAUSCHE. My figures cover both the long-term and short-term holdings.

The Treasury bulletin of August 1959, shows that there are three segments of the economy that have reduced their holdings of Government bonds: first, the banks, which have reduced their holdings of Government bonds from $93 billion to $63 billion; second, the insurance companies, which have reduced their holdings of Government bonds from $24 billion to $12 billion; and, third, the savings and loan companies, which have reduced their holdings of Government bonds from $11 billion to $7 billion.

Mr. ANDERSON. Mr. President, will the Senator from Oklahoma yield briefly to me?

Mr. MONRONEY. I yield.

Mr. ANDERSON. The Senator from Ohio was using figures for the period from 1946 to the present time, whereas the Senator from Oklahoma was using figures for the period since 1956.

Mr. MONRONEY. Yes; and the Senator from Ohio has been using the figures for both long-term and short-term holdings, whereas I have been talking about the long-term holdings, which are comparable to the savings bonds.

Mr. ANDERSON. So the two sets of figures are not comparable.

Mr. LAUSCHE. I understand that. The Senator from Oklahoma and I are in complete agreement that it is unpardonable for the banks and the insurance companies and the building and loan associations to reduce their holdings of Government bonds. They did so because of mercenary motivations; they wanted to make the largest profits they possibly could make. They decided they would make more money by investing their funds in other securities, rather than in Government savings bonds.

Mr. MONRONEY. Instead, they have invested in Government-insured mortgages and other securities which this Congress and this administration have been hasty to make available to them, at whatever rates they said they needed.

Mr. LAUSCHE. I pointed that out this afternoon.

It is very interesting to note that practically all of the other segments of the economy have increased their holdings of Government savings bonds. State and municipal governments hold substantially more than formerly. The Federal Government, through its trust funds—for example, the railroad retirement fund, the social security fund, and other funds—hold substantially more now; and individuals throughout the country hold more Government savings bonds in 1959 than they held in 1946.

Mr. MONRONEY. That is correct.

Mr. LAUSCHE. Mr. President, I commend the individual citizen for being willing to buy Government savings bonds, at a lesser profit than that he would have enjoyed if he had bought other securities. But, Mr. President, in my judgment, the banks, the insurance companies, and the building and loan associations have some answer to give to the people of the Nation.

Now I should like to ask my question of the Senator from Oklahoma:

Why have the banks, the insurance companies, and the building and loan associations reduced their holdings of Government savings bonds? If Government savings bonds were good investments and if they produced adequate profits in previous years, why have those classes of investors run away from Government savings bonds?

Mr. MONRONEY. Because the Government has been so gracious in dealing with the Siamese twins of Government bonds—namely, the Government-insured mortgages and other Government-insured securities. In the case of the latter types of investments, the Government has cycled up the interest rates; and thus the groups to which the Senator from Ohio has referred have decided that they would increase their profits by buying insured mortgages, on which the

Government has constantly raised the interest rates.

For example, on the 2d of July, the interest rate on Government-insured mortgages on GI housing increased from 4¾ percent to 5¼ percent. The Congress itself is helping to create this chaotic condition, by permitting the issuance of Government-insured mortgages which bear a much higher interest rate than do the savings bonds or the marketable bonds for the long-term Government debt.

In all my life I have never seen a worse example of fiscal mismanagement. There has been complete, abject surrender to the money markets of Wall Street and the insurance interests, who are investing in Government-insured mortgages and Government-insured securities, and are constantly demanding higher interest rates. In other words, the large investors have almost completely avoided their obligation to buy Government bonds, and they have created this situation. And now we are asked to break the historic pattern and precedent which has been in existence since 1918, as regards fixing the interest rates.

Mr. CAPEHART. Mr. President, will the Senator from Oklahoma yield, so that I may answer the able Senator from Ohio [Mr. LAUSCHE], for whom I have great respect?

Mr. MONRONEY. I yield.

Mr. CAPEHART. Why does the Senator expect a man who goes to the grocery store and finds the price of everything he buys has gone up and up and up, who finds that the cost of labor has gone up and up and up, who finds that the price of everything he buys has gone up and up and up, to lend money at the same interest rate, or less, than he did 25 or 30 years ago? Why is he not entitled to a little more interest rate, if he is thrifty enough to save money to lend to the insurance companies, to the banks, to the Federal Government, when everything else has gone up and up and up? Can anybody logically answer that question?

Mr. LAUSCHE. If the Senator from Indiana is asking me, I will say the answer inevitably is that we ought to have a higher interest rate.

Mr. CAPEHART. That is right.

Mr. ANDERSON. Mr. President, will the Senator from Oklahoma permit me to try to answer the question?

Mr. MONRONEY. Yes.

Mr. ANDERSON. I think one reason why the insurance companies and the banks have gotten out of the market is that most of them obtain the advice of investment counsel. I know some of the best investment counsel we can secure have advised us to get out of Government bonds, because they expected the higher interest rates would make it advisable to get into other investments, and that would help deteriorate the Government bond market to the point where those bonds would be selling at a very substantial reduction.

All one has to do is look at the Government bond quotations which come out day by day, or week by week if one subscribes to a special service, and he will see that the price of long-term Government bonds has gone down to the point where they can be bought for 80 or 81.

In short, while insurance companies and banks secure the advice of investment counsel, who have advised them to get out of Government bonds, the average individual, who does not have such advice, has stayed in the market and has taken the loss.

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

Mr. MONRONEY. I yield.

Mr. LAUSCHE. I want to repeat what I said a moment ago, that the insurance companies, commercial banks, and mutual savings banks have their lifeblood supplied to them by the people of the United States. They owe to the country, over and above the ordinary individual, an obligation to be unselfish and patriotic. In my judgment, they have abdicated that responsibility. They are looking at their business operations solely from the standpoint of making money, and they may someday find themselves in the position where, by their very conduct, they will kill the institution that has provided them with the tremendous financial success that they have enjoyed.

Now this question to the Senator from Oklahoma: There are in the United States individuals holding H and long-term bonds in the aggregate sum of $65 billion as of this date. In 1946 they held $64 billion worth. The holdings of individuals has increased. The individual holds more than he held.

My question is, Why should not that individual get a higher interest rate than he has been getting? He has been patriotic. He has bought bonds. Yet we are asking him to invest his money at a lesser rate of interest than he could get if he put his money in private corporation bonds, in savings and loan deposits, in common stocks, and in many other investments.

Mr. MONRONEY. This is exactly what the amendment of the distinguished Senator from New Mexico will do. It will not only permit the Treasury to raise the interest rate, as they say they will, from 3¼ to 3¾ percent, but will allow them to raise it to 4¼ percent should that become necessary.

The concern for the little investor is a screen for the fact that for the big investor this administration has a policy of "Ceiling unlimited, opportunity grandiose, because the Republicans may be out after 1960, and we have got to make a killing while we can."

Even with the Treasury's proposal, because of the sliding elliptical increase, an investor, in buying E-bonds, under the new Treasury proposal of 3¾ percent, would receive only 1 percent interest if he held the bonds only 1 year. If he held it a few more years, the interest would increase to 2 percent. If he held the bonds until maturity, he would get 3¾ percent interest. That is not competitive with the 4 percent interest which building and loan associations give. The little guy can always be shortchanged, but they had better be good to the big guys, because they are the ones who feed the peanuts to the Republican elephant.

Mr. LAUSCHE. I want to be nice to the little fellow, and I want those citizens who have written to me to get higher interest rates. I get letters which state, "I hold E-bonds. I hold H-bonds. Why do you expect me to have my money in Government bonds at this comparatively low rate of interest when I could make more in other places?"

That is why I want to make certain that the individuals who have been unselfish, patriotic, and decent to the country shall be paid an adequate interest rate on their investment.

Mr. MONRONEY. That is why, I will say to the Senator, most of these individuals who are so patriotic have left their money in at 3¼ percent. I think it is about time we held their head a little above water and it is time to give them a little increase. It is not much. It will not compare with the rate of interest that the life insurance companies and commercial banks are getting on short-term Government investments, 4¾ percent. Let us hold their heads a little above water. That is all the Anderson amendment will do, but it will prevent the big guys from ganging up on the Government and saying to it, when it needs money, "Pay through the nose."

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

Mr. MONRONEY. In just a moment. That is why we see the small people with $47,200 million invested in E- and H-bonds, and why we see the great insurance companies, which have been increasing their reserves by billions of dollars, getting out of the market, to the point where the insurance companies have only $5,800 million worth of Government bonds, against the $47 billion that the little guy has put in. That is why the mutual savings banks have only $4½ billion worth of bonds, against $47,200 million for the little man.

The little man manages his own affairs and investments, and he believes in Uncle Sam. Yet those who manage these vast insurance companies, who have no personal interest in the investments, and who manage $50 or $60 billion, have invested only $5,800 million in longtime securities as a means of defeating inflation in the United States. They can put only $5,800 million of all the money they control into long-term Government bonds.

Mr. RANDOLPH rose.

Mr. MONRONEY. I yield to my distinguished colleague from West Virginia.

Mr. RANDOLPH. Mr. President, I hope the persuasive Senator from Oklahoma will allow me to suggest that perhaps it is a truism rather than a generality to indicate that historically, then and now, the Democratic Party has been and is in favor of the men and women who live on Main Street rather than the individuals who perhaps preside over Wall Street.

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

Mr. MONRONEY. I am happy to yield to my friend.

Mr. CAPEHART. What does a man pay for a $100 E-bond?

Mr. MONRONEY. He will pay today $75.

Mr. CAPEHART. He pays $75 for it?

Mr. MONRONEY. That is correct.

Mr. CAPEHART. At the end of 10 years he will get $100?

Mr. MONRONEY. He will get the $100 a little sooner now. It takes about 8 years and a certain number of months.

Mr. CAPEHART. Approximately 10 years.

Mr. MONRONEY. No. It is 8 years and some months. There is a little difference. Perhaps the Senator wants to pay the man off in 10 years, but I think he ought to be paid off in about 7 years.

Mr. CAPEHART. Is it not a fact that the whole argument is over whether or not the holders of the E- and H-bonds, who are the savers of the Nation, the people who are thrifty, the people who save their money, because the cost of everything they purchase has gone up—the cost of groceries, the cost of clothing, the cost of shoes, the cost of automobiles, and labor, and everything else—are entitled to a larger interest rate? Is that not the whole problem? Is that not what the debate is all about?

Mr. MONRONEY. No. The debate concerns in part how much money this little man should receive. We give him 60 cents on a $100 bond the first year, under the present program. In 2 years it is $2.92. After 3 years it goes up considerably, and we give him $7.

I am ready to support the Williams proposal, which will provide almost a straight 4 percent interest, so that we will not shortchange the little people.

I do not believe that the insurance companies, the mutual savings banks, and the commercial banks are going to invest the little man's money and give him a great return. I am sure the Senator is aware that the interest rates have been skyrocketing. Has the Senator ever heard of anybody who has an insurance policy who has received any bonus because this close little coterie, which holds the vast billions of dollars of funds, has been able to yank interest rates up a little more?

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

Mr. MONRONEY. I am happy to yield.

Mr. ANDERSON. The Senator from Indiana asked the Senator if the whole issue was whether these people should get a little more interest. I do not think that is the issue at all.

The Treasury Department representatives testified before the House and the Senate committees that its plan was to increase the interest rate from 3.26 to 3¾ percent. Therefore, that is not the issue at all.

The issue is whether, in order to get the interest rate up to 3¾ percent, we are to give unlimited authority for the Treasury Department to fix rates on many other types of bonds at any rates it chooses, or whether we are to hold them to a ceiling of 4¼ percent.

The statement has been made repeatedly by people who have been visiting around that this is an argument as between 3¾ percent and 4¼ percent. It is not that at all.

According to the program of the administration, the holders of these bonds are going to be paid 3¾ percent interest. They might get even 4 percent interest. They might get even more than that.

The statement which has been made is that the Department ought to come to the Congress if it wants to go above the level of interest which it has a right to pay on the other bonds. The administration does not want to have to do that. The administration wants to have complete authority from the Congress, for 20 years, to establish any sort of interest rate it chooses. That is what is causing the argument.

Mr. CAPEHART. Is it not a fact that the gentleman, at the beginning, for the E bond pays only $75 for a $100 bond?

Mr. ANDERSON. Surely.

Mr. CAPEHART. The interest is on the $100, not on the $75.

Mr. ANDERSON. It still was only 2.90 percent. Now it is 3.25 percent. It will go up to 3.75 percent.

Mr. MONRONEY. The Senator's amendment would allow the interest rate to go to 4¼ percent, but we do not want to let it go as high as the moon.

Mr. CAPEHART. What we ought to do is permit the Secretary of the Treasury to set the interest rates on the bonds at rates which will be fair to the investors and which will insure the solvency of the United States, by permitting the bonds to be sold on a long-term basis. That is what we ought to do.

Mr. ANDERSON. The Senator from Oklahoma will recognize that the Treasury Department in its testimony before the Senate never asked for that authority on the E and H bonds.

Mr. MONRONEY. That is correct. Let me read from the statement of the Secretary of the Treasury.

Mr. BUSH. Mr. President, will the Senator yield on that point?

Mr. MONRONEY. I am happy to yield.

Mr. BUSH. I do not quite understand what the Senator meant if he said that the Treasury Department is not in favor of the removal of the ceiling on the long-term open market bonds. Is that what the Senator said?

Mr. MONRONEY. No.

Mr. ANDERSON. If the Senator had listened, he would not have to ask that question. That was not what I said.

Mr. BUSH. I merely wished to make sure.

Mr. ANDERSON. The Senator understands thoroughly what I said. If the Treasury Department wanted this authority so badly, why did it not come to the Senate and ask for it.

Mr. BUSH. Mr. President, if the Senator will permit me to make an observation, the Treasury Department did make a statement that it wanted it, before the House committee.

Mr. ANDERSON. I said, if the Treasury Department wanted it so badly from the Senate, why did it not ask the Senate for it? The Senator from Connecticut knows the Department never asked for it at all.

Mr. BUSH. I say to the Senator that the only reason the Department did not ask for it is that it felt, I am sure, when the Department representatives came before the Senator's committee, that it had to make a deal, where it could get as much of the loaf as it possibly could get. The Department saw the handwriting on the wall, exactly as the Senator can see it, and exactly the way I see it tonight. That is the only reason. That is the only reason the Treasury Department did not ask for it.

Mr. ANDERSON. My answer was, to the Senator from Indiana, who stated what Congress ought to do, that if the Congress ought to do it, the Treasury Department ought to come to the Senate and ask for it. This is not a volunteer organization.

Mr. BUSH. The Senator knows as well as I do—I put it into the RECORD today—the views of the Secretary of the Treasury on this subject, and what the President thinks about it. I put the President's statement of August 25 in the RECORD, and on September 3 the Secretary of the Treasury said the same thing. They both want the removal of the interest ceiling on the open market bonds, and they ought to have it.

Mr. MONRONEY. When the bill before us was before the House of Representatives we could find no explanation to the Ways and Means Committee as to why the Department wanted an unlimited ceiling, so that it could provide any interest rate the President might feel was necessary in the public interest to finance the sales of E- and H-bonds. We find nothing in the record to justify an unlimited ceiling. It was never mentioned. The witness was talking about a 3¾ percent ceiling on the interest on these bonds.

Even the press of the country, represented by those in the Senate and House press galleries, missed this point. Only one newspaper I have been able to find was sharp enough to pick up the fact that we were asked to give an unlimited ceiling for interest on E- and H-bonds. That newspaper was the Wall Street Journal.

Mr. BUSH. Mr. President, will the Senator yield for a question?

Mr. MONRONEY. I am happy to yield.

Mr. BUSH. There must have been something persuasive before the Committee on Finance, because the committee reported the bill favorably.

Mr. MONRONEY. The Senator well knows that the bill was written downtown and handed to the committees, as is the habit in such cases.

The distinguished chairman of the Committee on Finance was explaining the bill this morning, and said that the bill would raise the interest rate from 3¼ to 3¾ percent, and I had to ask the Senator to yield, to ask the question, "Would the section permit an unlimited ceiling on interest rates?" and the Senator had to admit that it would.

Mr. BUSH. Yes.

Mr. MONRONEY. There is nothing in the bill which mentions a 3¾-percent interest rate.

There is only one paragraph of the report of the Committee on Finance, which the committee happened to be willing to insert in a tailormade report by the House committee. That is the

only change I can find which was made by the Committee on Finance.

I think the Senate has an obligation to look at these things and not simply to rubberstamp the action of the House of Representatives.

On page 8, we find the only paragraph that differs from the House committee report.

I point out further that the Secretary of the Treasury stated in his testimony before the House Ways and Means Committee on June 10, 1959, in the hearings on the public debt ceiling and the interest rate ceiling on bonds, on page 4, the following:

> Let us look at some of the competitive phases of our problems. Federal Government programs to guarantee home mortgages for veterans and to provide FHA insurance on various types of mortgages have contributed to the unprecedented volume of homebuilding in America since World War II. But they have also fostered a marked improvement in the quality of mortgages as investments for the billions of dollars that Americans each year save out of their earnings—savings which they invest directly of which insurance companies, savings banks, savings and loan associations, or pension funds invest in their behalf.

In another paragraph the Secretary of the Treasury stated:

> There are a great many other debt obligations outstanding today which our Government also aids in one way or another, including securities issued by many Federal Government agencies, even though those securities are not actually guaranteed by the U.S. Government. While the volume of long-term Government-aided obligations has been growing—

I interpolate to say that in 1946 we had $117 billion of long-term U.S. Treasury bonds outstanding, and $6½ billion of what might be called the long-term Government-aided debt outstanding—

> Twelve years later—December 31, 1958—the $117 billion total of long-term Government bonds had shrunk to $65½ billion, while the $6½ billion Government-aided total had grown to $58½ billion—$55 billion of which is in FHA and VA mortgages alone.

This is the point I repeatedly returned to, and the distinguished Senator stated on the floor a year and a half ago, and stated on the floor last year, that if we would give them an increased interest rate, we would stop any necessity for it if we would just enact it.

We have the CONGRESSIONAL RECORD here before us, and I can read the whole colloquy. It was said that this was not going to mean higher interest rates for veterans or higher interest rates for FHA; but it always has. We have put the Government-insured and Government-aided bonds, the other Siamese twin, on an escalator. The real Government bond has ridden the escalator up just one step behind, and we have ourselves created the chaotic condition in which we find ourselves, with this administration and Congress continuing to raise interest rates because of the pressures we have from the money market that money ought to have a little higher wages; that money ought to be better paid; and threatening to go on strike if they do not have it. So we have this difficulty in financing the public debt because we have made more attractive the other Siamese twin, the Government-insured loan.

Mr. BUSH. Does the Senator think a mistake has been made with respect to increasing the attractiveness of the insured loan?

Mr. MONRONEY. I said on March 12, 1958, when we were talking about this subject:

> Does what the Senator from Pennsylvania has said illustrate the wisdom of the theory of throwing the baby off the sleigh, to the wolves? Or if the baby is thrown to the wolves, will the result merely be that the wolves will return, all the hungrier?

So we throw more babies off the sleigh. We have more and more demands for interest with each succeeding baby that is thrown off the sleigh.

I cannot subscribe to the policy that the way to reduce the fantastic increases in the cost of carrying the public debt, which is an increase of $2,500 million under this administration, which buys absolutely nothing, no arms, no hospitals, no schools, no medical research—$2,500 million for what Cal Coolidge used to call the rent on money. We have managed to raise our rent on money under this administration by astute Government action, by all of the agencies of the Federal Government, by $2,500 million during this administration, and it has gone up $500 million since January 1, when the Treasury and the Budget sent up their estimate for increased costs.

Mr. BUSH. May I ask the Senator; the Senator has been here all this time in the Senate——

Mr. MONRONEY. And I protested against every interest rate increase, which the Senator from Connecticut has supported. He won each round, and I lost each round.

Mr. BUSH. Does the Senator think that we made a big mistake?

Mr. MONRONEY. I believe the Senator is down to homecoming, when he is paying.

Mr. BUSH. The Senator has not heard my question. I wonder whether the Senator believes that we made a big mistake in creating a situation whereby the guaranteed obligations of the Government have mounted from $6 billion-plus up to upwards of $50 billion plus. Those are the figures the Senator quoted.

Mr. MONRONEY. They have gone from $6½ billion to $58½ billion, $55 billion of which is in FHA and the VA mortgages.

Mr. BUSH. That is right. I wonder if the Senator thinks that has been a mistake.

Mr. MONRONEY. No. I am against the increased rate. I think we should have had the courage to say, "These are Government-insured securities. It ought to be worth something to have Government insurance behind them."

We can borrow on the conventional market uninsured in Washington cheaper than we can borrow on FHA and GI.

Mr. BUSH. If the Senator would yield, I should like to follow his argument. It is very interesting. If I follow it closely, what he is saying is he does not favor this new offer of $55 billion of guaranteed obligations, and really we should have held the interest rate down.

Mr. MONRONEY. If we had held the interest rate down, we would have been able to sell them at a lower interest rate, and the GI's would have had housing for thousands of dollars cheaper. We would not have found ourselves in a self-created Government condition of competing with ourselves in the Government-insured mortgages.

Mr. BUSH. I would simply observe that if we had held the interest rate down on these Government-guaranteed obligations, they would have had to go into FNMA if that amount of obligations had been sold, because the open market would not have taken them.

Mr. MONRONEY. The open market would have taken them if the Senator and those who have raised the rate had not been so eager to rush forward and collect. The difference between a strong President and a weak President through history has been that a strong President will resist the demands of the money market and those who can control the finances and the resources of this country. I give the Senator the fact that Democratic Presidents historically have used the powers of Government to keep interest rates low and Republican Presidents historically have caved in at the first demand for higher interest rates.

Mr. BUSH. I congratulate the Senator on his statement about the Presidents of the United States. That is an appraisal I had not heard before.

Mr. MONRONEY. Perhaps the Senator is not familiar with the policies of Andrew Jackson and Thomas Jefferson. I am sure he is familiar with all the writings of Mr. Hamilton, who thought we ought to get all the interest that the money changers could ask for.

Mr. BUSH. In contrast, may I say to the Senator that I am one of Thomas Jefferson's most ardent supporters and admirers, and I bow to nobody in my admiration for his philosophy of government, specifically for his published statements and writings concerning the fiscal affairs of the United States.

Mr. MONRONEY. I am sorry the Senator does not endorse the writings of Jackson.

Mr. BUSH. I am not quite so familiar with them.

Mr. MONRONEY. I doubt the Senator from his experience in Wall Street would support anything that Jackson did.

Mr. BUSH. I would say to the Senator, "Do not be too sure." [Laughter.]

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

Mr. MONRONEY. I yield.

Mr. LAUSCHE. For the purpose of information, am I correct—and I direct this question to the experts on the floor—in my understanding that in the sale of short-term obligations and certificates, there is no interest limitation now in the law; that for obligations up to 5 years there is no limitation with respect to interest?

Mr. MONRONEY. That is correct. However, there has been a historic interest ceiling on long-term bonds from the beginning of our country. During the administration of George Washington, the Adamses, Jefferson, and all through the years we have had an interest rate ceiling put on by Congress. That is a part of the constitutional duties of Congress. Each bond issued was authorized by Congress. The interest rate it was to carry was voted by Congress. That was the situation until World War I, when we were having so much financing done that Congress decided to trust Carter Glass, the distinguished predecessor of the chairman of the committee and former distinguished Senator from Virginia and great Secretary of the Treasury, as well as coauthor of the Federal Reserve Act. During his incumbency as Secretary of the Treasury, in the renewed financing necessary in connection with World War I, Congress trusted Carter Glass as to the amount of bonds to be issued. At that time Congress fixed the ceiling at 4¼ percent. That is where the ceiling has been maintained all these years, unviolated, until this very hour, when, in the closing days of the session, with no more than a half hour of hearings before the Committee on Finance, without the Treasury pointing out any cause for going above the 3¾ percent on H-bonds we find that we will be violating something that no Congress before has ever violated, and we will be giving the President powers which no previous President has ever enjoyed.

Unless the amendment offered by the distinguished Senator from New Mexico limiting the ceiling to 4¼ percent, which is one-half percent more than the Treasury says it wants, is adopted, I believe we had better discuss the matter for a long time, so that posterity, as it looks down on the records of the Senate, will not say that we were stampeded in the closing hour of this session to violate a centuries-old tradition, but that the Congress preserved its powers and did not allow itself to be stampeded into hasty action.

I yield the floor.

SEVERAL SENATORS. Vote! Vote! Vote!

Mr. WILLIAMS of Delaware. Mr. President, on previous occasions I have strongly endorsed prompt action on the request of the Treasury Department to remove the present fictitious 4¼-percent ceiling on long-term Government bonds.

With long-term Government bonds selling in the open market at discount prices wherein an investor can get 4½ percent or higher, it is absurd for the Congress to maintain a 4¼-percent ceiling.

Certainly we do not want the Treasury Department to resort to selling Government bonds at a discount in order to bypass the 4¼-percent ceiling, nor do we want the Government to do all of its financing on a short-term basis. Either course would be highly inflationary.

We are confronted, however, with a situation here today wherein it will be impossible to consider the necessary legislation to raise this ceiling on long-term bonds, and the Finance Committee has agreed to confine this bill to an increase in the interest rates on savings bonds—E and H.

It is necessary that we place strong emphasis upon the need for financing a larger percentage of our national debt with the people through increased sales of savings bonds—series E and H. This would be far less inflationary than financing all our debt through the banks.

On July 31, 1959, the cash value of outstanding E and H bonds was $42,679 million, with $37,977 million being in series E bonds. The fact which gives all of us great concern, however, is that these savings bonds are presently being redeemed at a much faster rate than they are being sold.

In every month of 1959 redemptions of series E bonds have far exceeded the sales, with the figures for the month of July being the worst. In July 1959 sales were $297 million, or $24 million less than the sales for the same month in 1958, while during that month redemptions were $479 million, or $78 million higher than July 1958. Redemptions were $182 million higher than sales.

Sales of series E bonds for the full fiscal year ending June 30, 1959, were $3,688 million against redemptions for the same period of $4,889 million, or a loss of over $1 billion.

It is generally recognized that it is far less inflationary for the Federal Government to finance its debt with the people than with the banks; therefore, this trend is of serious concern to all.

As I pointed out in my earlier remarks, however, we must be realistic and recognize that there are reasons why the American people are cashing in series E bonds at a faster rate than they are buying them.

Those reasons are very simple and are, first, fear of inflation; and, second, investors can get a higher rate of interest by placing their savings in the banks or in other investments than they can in series E bonds.

At the present time series E bonds are paying only 3.26 percent interest, and unless the law is amended that is the highest rate permissible on this type of savings bond. The Treasury Department has sent a recommendation to the Congress that this permissible rate be raised to 3¾ percent. This is a step in the right direction, but I question that this will restore these bonds to their former popularity.

This trend, wherein redemptions of savings bonds are higher than the sales, must be reversed and this can only be accomplished by making these savings bonds the most attractive investment in America.

It is my opinion that we made a mistake when we departed from the standard 10-year maturity date for savings bonds. At the present time there are $38 billion outstanding series E bonds, some with 10-year maturity dates, others with 9 years and 8 months, and today they are being sold with an 8-year 11-month maturity date. The result is that investors holding these bonds are completely confused as to when they actually do come due.

My recommendations are that, first, these series E savings bonds be sold on a full 10-year maturity basis; second, they be sold at a price that will yield the investors 4 percent interest compounded annually; and, third, the redemption value of these bonds be placed on a higher graduated basis so that if they are cashed prior to the maturity date they would still give the investor all his principal plus a reasonable rate of interest.

I make these recommendations for the following reasons:

First I think the investors will like a 10-year bond better than one with an odd maturity date. It will be much easier for the investors to keep records of when their bonds come due, and it will be easier for them to plan their investment program.

Second to yield 4 percent interest compounded annually a 10-year $100 bond would be sold at $67.50. Bonds of other denominations would be priced in proportion. It is my personal opinion that investors would prefer buying a $100 bond for $67.50 with a 10-year maturity date rather than paying $75 for a $100 bond with maturity somewhere around 8½ years.

Third. I recommend a more attractive cash-in value for the bonds when redeemed prior to maturity. I do not think it is fair to this type of investor, who may through unexpected illness or misfortune be forced to redeem his bonds, to be required to lose practically all of the interest. For that reason I am recommending that the bonds be given a cash-in value which, while the investor would lose some of the interest, would always give him all of his principal plus the most of his interest. He would not be locked in his investment as under the present plan.

This more liberal redemption value plus a 4 percent interest rate, along with an understandable 10-year maturity date, will in my opinion make these bonds once again the safest and most attractive investment in America.

Why shouldn't these bonds be made more attractive? Remember they are being sold to the working people of America, and the Treasury Department has the authority to limit their sales to each individual.

Under my proposal these 10-year bonds would be sold at $67.50 for each $100 par value. Their cash redemption value would be increased $2.50 per year for each of the first 3 years, $3 per year for each of the next 3 years, and $4 per year for each of the last 4 years, or a maturity value of $100 with the redemption value broken down on a 6-month basis.

I concur with the Treasury Department that any increase we make in the rates applicable to the new series E and H bonds must be made effective on the same date for all outstanding series E and H bonds provided they are held to full maturity.

This could be done by making all outstanding series E and H bonds eligible for the new rate of interest on that portion of the unexpired term remaining after the effective date of the increased interest rate. Our failure to

take such action would encourage a wholesale cashing in of those bonds or investors would convert the old bonds to the new bonds with the higher interest rate, and this would defeat the purpose.

However, the increased interest rates would be applicable on the old bonds only for that portion of the unexpired term remaining after the effective date of this change and only provided the bond would be held to full maturity.

I am incorporating in the RECORD here today a chart embracing my suggestions for the new 10-year bond which I propose be sold at $67.50 for each $100 par value; and I would appreciate the Members of Congress and other interested parties examining this proposal and feeling free to make any suggestions.

I recognize that this suggestion may not be the perfect solution, but realizing that something must be done it is being advanced for consideration.

I ask unanimous consent to have printed at this point in the RECORD a table of this suggested 10-year 4 percent savings bond which would be sold at $67.50, $100 par value. The first column shows the proposed redemption value broken down in 6-month periods. The second column shows what the actual 4 percent interest compounded annually would represent. The third column is the suggested value of the bond at the end of each year.

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

Savings bonds—10 years, 4 percent compounded annually

Proposed redemption value after bonds have been held—		(Actual) 4 percent interest compounded	Value end of each year	Annual increase
		[1] $67.50		
6 months	$68.75	2.70		
1 year	70.00	70.20	$70.00	
		2.80		
1 year 6 months	71.25			
2 years	72.50	73.00	72.50	$2.50
		2.92		
2 years 6 months	73.75			
3 years	75.00	75.92	75.00	
		3.03		
3 years 6 months	76.50			
4 years	78.00	78.95	78.00	
		3.15		
4 years 6 months	79.50			
5 years	81.00	82.10	81.00	$3.00
		3.28		
5 years 6 months	82.50			
6 years	84.00	85.38	84.00	
		3.41		
6 years 6 months	86.00			
7 years	88.00	88.79	88.00	
		3.55		
7 years 6 months	90.00			
8 years	92.00	92.34	92.00	
		3.69		
8 years 6 months	94.00			4.00
9 years	96.00	96.03	96.00	
		3.84		
9 years 6 months	98.00			
10 years (maturity)	100.00	99.87	100.00	

[1] Cost.

Mr. WILLIAMS of Delaware. Mr. President, I also ask unanimous consent to have printed in the RECORD a second chart showing the redemption value of the present series E bonds, which are sold at $75, for $100 par value, and bearing a maturity date of 8 years and 11 months.

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

Present series E bonds—Table of redemption values during each successive period after issue date

Maturity value	$100.00	
Issue price	75.00	
1st ½ year	75.00	
½ to 1 year	75.60	
1 to 1½ years	76.72	
1½ to 2 years	77.92	[1] $2.33
2 to 2½ years	79.24	
2½ to 3 years	80.60	
3 to 3½ years	82.00	
3½ to 4 years	83.40	
4 to 4½ years	83.84	
4½ to 5 years	86.28	[1] 2.90
5 to 5½ years	87.76	
5½ to 6 years	89.24	
6 to 6½ years	90.72	
6½ to 7 years	92.24	
7 to 7½ years	93.76	
7½ to 8 years	95.32	
8 to 8½ years	96.88	[1] 3.18
8½ years to 8 years and 11 months	98.44	
Maturity value (8 years and 11 months from issue date)	100.00	

[1] Average.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New Mexico [Mr. ANDERSON]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KEFAUVER (when his name was called). On this vote I have a pair with the senior Senator from Wisconsin [Mr. WILEY]. If he were present and voting he would vote "nay." If I were at liberty to vote I would vote "yea." I therefore withhold my vote.

The rollcall was concluded.

Mr. MANSFIELD. I announce that the Senator from Illinois [Mr. DOUGLAS], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], the Senator from Montana [Mr. MURRAY], and the Senator from Missouri [Mr. SYMINGTON] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

I further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Union Conference in Warsaw, Poland.

On this vote, the Senator from Arkansas [Mr. FULBRIGHT] is paired with the Senator from Missouri [Mr. SYMINGTON]. If present and voting, the Senator from Arkansas would vote "nay," and the Senator from Missouri would vote "yea."

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Illinois [Mr. DOUGLAS], the Senator from Alaska [Mr. GRUENING], the Senator from Indiana [Mr. HARTKE], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], the Senator from Montana [Mr. MURRAY], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New York [Mr. JAVITS] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business, and his pair has been previously announced.

On this vote, the Senator from New York [Mr. JAVITS] is paired with the Senator from South Dakota [Mr. CASE]. If present and voting, the Senator from New York would vote "yea," and the Senator from South Dakota would vote "nay."

The result was announced—yeas 45, nays 41, as follows:

YEAS—45

Aiken	Hayden	Mansfield
Anderson	Holland	Monroney
Bartlett	Humphrey	Morse
Bible	Jackson	Moss
Byrd, W. Va.	Johnson, Tex.	Muskie
Cannon	Johnston, S.C.	Neuberger
Chavez	Jordan	Pastore
Clark	Kennedy	Proxmire
Dodd	Langer	Randolph
Eastland	Long, Hawaii	Russell
Engle	Long, La.	Smathers
Ervin	McCarthy	Sparkman
Gore	McGee	Williams, N.J.
Green	McNamara	Yarborough
Hart	Magnuson	Young, Ohio

NAYS—41

Allott	Dirksen	Morton
Beall	Dworshak	Mundt
Bennett	Ellender	Prouty
Bridges	Fong	Robertson
Bush	Frear	Saltonstall
Butler	Goldwater	Schoeppel
Byrd, Va.	Hickenlooper	Scott
Capehart	Hruska	Smith
Carlson	Keating	Stennis
Carroll	Kerr	Talmadge
Case, N.J.	Kuchel	Thurmond
Cooper	Lausche	Williams, Del.
Cotton	McClellan	Young, N. Dak.
Curtis	Martin	

NOT VOTING—14

Case, S. Dak.	Hartke	Murray
Church	Hennings	O'Mahoney
Douglas	Hill	Symington
Fulbright	Javits	Wiley
Gruening	Kefauver	

So Mr. ANDERSON's amendment was agreed to.

Mr. ANDERSON. Mr. President, I move that the Senate reconsider the vote by which the amendment was agreed to.

Mr. MONRONEY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. 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 PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. GOLDWATER. Mr. President, I ask for the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

The PRESIDING OFFICER. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Illinois [Mr. DOUGLAS],

the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], the Senator from Montana [Mr. MURRAY], and the Senator from Missouri [Mr. SYMINGTON], are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE], and the Senator from Wyoming [Mr. O'MAHONEY], are absent because of illness.

I, further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business, attending the Interparliamentary Union Conference in Warsaw, Poland.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Illinois [Mr. DOUGLAS], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Indiana [Mr. HARTKE], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], the Senator from Montana [Mr. MURRAY], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Missouri [Mr. SYMINGTON], would each vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business, attending the Interparliamentary Union Conference at Warsaw, Poland. If present and voting he would vote "yea."

The Senator from New York [Mr. JAVITS] is absent on official business. If present and voting he would vote "yea."

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

The result was announced—yeas 86, nays 1, as follows:

YEAS—86

Aiken	Frear	Martin
Allott	Goldwater	Monroney
Anderson	Gore	Morse
Bartlett	Green	Morton
Beall	Hart	Moss
Bennett	Hayden	Mundt
Bible	Hickenlooper	Muskie
Bridges	Holland	Neuberger
Bush	Hruska	Pastore
Butler	Humphrey	Prouty
Byrd, Va.	Jackson	Proxmire
Byrd, W. Va.	Johnson, Tex.	Randolph
Cannon	Johnston, S.C.	Robertson
Capehart	Jordan	Russell
Carlson	Keating	Saltonstall
Carroll	Kefauver	Schoeppel
Case, N.J.	Kennedy	Scott
Chavez	Kerr	Smathers
Clark	Kuchel	Smith
Cooper	Langer	Sparkman
Cotton	Lausche	Stennis
Curtis	Long, Hawaii	Talmadge
Dodd	Long, La.	Thurmond
Dworshak	McCarthy	Williams, N.J.
Eastland	McClellan	Williams, Del.
Ellender	McGee	Yarborough
Engle	McNamara	Young, N. Dak.
Ervin	Magnuson	Young, Ohio
Fong	Mansfield	

NAYS—1

Dirksen

NOT VOTING—13

Case, S. Dak.	Hartke	O'Mahoney
Church	Hennings	Symington
Douglas	Hill	Wiley
Fulbright	Javits	
Gruening	Murray	

So the bill (H.R. 9035) was passed.

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. DIRKSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

APPROPRIATIONS FOR CIVIL FUNCTIONS, 1960

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of H.R. 9105, the civil functions appropriations bill.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 9105) making appropriations for civil functions administered by the Department of the Army, certain agencies of the Department of the Interior, and the Tennessee Valley Authority, for the fiscal year ending June 30, 1960, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Louisiana [Mr. ELLENDER] to explain the bill.

Mr. President, may we have the yeas and nays ordered on the passage of the bill, so all Senators may know a vote is in prospect? This is the civil functions appropriation bill, as passed by the House, in which they have restored 67 new starts, but reduced appropriations by 2½ percent.

The yeas and nays were ordered.

Mr. ELLENDER. Mr. President, the distinguished majority leader has stated what the House has done. I wish again to advise Senators that the bill is identical with the bill which the Senate passed a few weeks ago, and which was agreed to in conference. The only difference is that an across-the-board reduction of 2½ percent has been made on all projects, but that means that the 67 unbudgeted new projects that were added to the bill will remain in the bill in the same form in which it was agreed to in conference.

I wish also to state that the moneys for surveys and all other items will remain just as they were in the bill passed by the Senate and agreed to in conference a few weeks ago, with a reduction of 2½ percent.

Mr. President, I expect to demonstrate that the President has been ill advised on the effect of the increases in the bill originally presented to him. The President refers to 67 unbudgeted projects estimated eventually to cost over $800 million, of which 52 are Corps of Engineers projects and 15 are Bureau of Reclamation projects. Of the 52 Corps of Engineers projects there are 5 resumptions of construction having a total estimated cost of $218,550,000. The largest of these resumptions is the Allegheny River Reservoir, having a total estimated cost of $113 million.

In fiscal year 1958 the President recommended $1 million to initiate construction of the Allegheny River Reservoir. In fiscal year 1959 he recommended funds to continue that project. In the current fiscal year the President stated in his budget:

> It is anticipated that funds presently available will be sufficient to finance the Allegheny River Reservoir, Pa. and N.Y., in 1960, pending settlement of court action concerning the acquisition of lands required for the project.

Inasmuch as the legal problems in connection with this project were pending in the Supreme Court at the time the budget was submitted, it was not illogical to refrain from requesting additional funds for this project at that time. However, since the budget was submitted, the Supreme Court has denied a review of the case.

The Corps of Engineers testified that they could economically use additional funds for the construction of this project during fiscal year 1960, and the Congress recommended funds for that purpose. I do not believe that by any stretch of the imagination the Congress did violence to the President's program or incurred any future commitment. In fact, the President's 1960 budget contemplated expenditures for this project, and such expenditures are included in the President's estimated total expenditures of $1.1 billion mentioned in the veto message. Still, in the veto message this project is included as a new start and about $110 million is included in the $800 million future commitment which the message criticizes so severely.

I believe that the President's advisers are so confused that they have him muddled on his own program.

The resumptions added by the Congress are:

	Benefit-cost ratio	Total estimated Federal cost	Appropriation to date	Allowance
Arkansas: Beaver Reservoir [1]	1.1	$56,100,000	$1,291,000	$1,500,000
New York:				
Buttermilk Channel	N.A.	2,910,000	1,359,000	1,500,000
New York-New Jersey pierhead line	1.4	5,740,000	4,429,000	500,000
Ohio: Muskingum River Reservoir	N.E.	40,800,000	40,185,000	500,000
Pennsylvania: Allegheny River Reservoir [1]	1.3	113,000,000	2,733,000	1,400,000
Total		218,550,000	49,997,000	5,400,000

[1] Added by House.

When we eliminate the resumptions, we find that the future commitment is about $600 million instead of $800 million.

Mr. President, I know of no place except a classroom where a person can be 25 percent wrong and pass with a grade of 75 percent.

When you consider some of the other aspects of the veto message, I doubt if the President's advisers could pass even with a grade of 70 percent.

In the next paragraph we find the following statement:

> Without any of the unbudgeted projects provided for in this measure, 1960 expenditures for the Corps of Engineers and the Bureau of Reclamation will reach $1.1 billion—an all-time high and almost three-quarters again as much as the expenditure level in fiscal 1955.

The President's advisers may pick the periods they desire to compare and get one result; but if we take another period we come up with an entirely different conclusion. For instance, in fiscal year 1950 the President recommended $1.1 billion for the Corps of Engineers and the Bureau of Reclamation. In 1960 the President recommended $1.1 billion for these agencies. In the intervening 10 years the cost of construction, as reflected in the Engineering News-Record Cost of Construction Index, increased 66 percent. Therefore, in order to maintain a program equivalent to that of 1950, an appropriation of $1.8 billion would be required.

Let us consider some of the other factors that have changed in recent years. The latest period for which all of the comparable figures are available is 1950–58. During this period the national income increased 51 percent; the population increased 16.6 percent; and the appropriations for the Corps of Engineers and the Bureau of Reclamation were 9.6 percent below actual expenditures for 1950, and 25 percent below the budget request for 1950.

Considering the above paragraphs it is obvious that any straight dollar comparison is fallacious. The purchasing power of the dollar has decreased, while the population, which is a measure of the need, has increased.

Moving on to the next paragraph of the veto message, the President charges that over 200 unbudgeted starts have been added by the Congress during the last 4 years. In discussing this bill on a previous occasion the President has referred to the fact that his 1960 program included funds for 296 projects. Now, if the Congress had not added the 200 unbudgeted projects referred to by the President, we would probably have the Public Works program cut down to about the size his advisers would like. Considering the Corps of Engineers alone, the program for 1950 recommended funds for 312 projects. The program for 1960 recommended funds for 186 projects. The request included $61 million for the completion of 40 projects. If no new starts are added, there would be 146 projects in the program for 1961, 58 projects in 1963, and 29 projects in 1965.

Of the 186 projects in the Corps of Engineers program for 1960 as recommended by the President, 96 were added by the Congress during the past 4 years: of which 41 were initiated in 1959; 20 in 1958; 11 in 1957; and 24 in 1956.

Referring back to the number of projects, 40 of them would be completed with the funds requested in the President's program and the conference bill contemplates the resumption of 5 projects, reimbursement to local interests on 4 and the initiation of 43 new projects with a total future commitment of $380 million. Confining ourselves to actual facts, $380 million may sound pretty high; but when you consider that the amount appropriated for construction on Corps projects is about $735 million, you find that the future commitment in the conference bill for the Corps of Engineers was less than a half-year's construction. Obviously, if you don't feed new starts into the pipeline each year, the program is going to dry up.

Later on in the message the President states that "overspending in respect to water resources is hurtful to the United States and to the proper development of these resources themselves." Mr. President, both the Corps and the Bureau of Reclamation have testified to the need for these projects. There have been local interests from all parts of the country testifying to the need. Perhaps this testimony could be discounted on the basis of selfish needs of the area or the desire of these two great Federal agencies to maintain themselves in business. But Mr. President, in June of 1959 the Department of Commerce issued a report on water resource development. In that report it was pointed out that, taking the period 1954–75, there was a requirement for a total investment of $214.1 billion, of which $53.4 billion is Federal and $160.7 is non-Federal. Of the Federal investment, $28.2 billion is for navigation, flood control, hydroelectric power and irrigation. That means an average capital investment of $1.34 billion a year, which is about one-third above the alltime high of less than $1 billion for construction recommended for fiscal year 1960. It is apparent that the average for the remaining 15 years must be well in excess of the $1.3 billion 21-year average previously referred to if we are to meet the known water requirements which will be needed by 1975.

Water resource projects are never presented in their true light. They are capital improvements which pay dividends in one way or another to the American people. Navigation projects result in cheaper transportation and open up new areas in industrial and agricutural development. Flood control projects indirectly return benefits to the Federal Treasury. Flood damages are deductible in income tax filing. The water supply features of a project are fully reimbursable with interest. Power revenues are deposited directly into the Federal Treasury. For instance, from Corps of Engineers projects $74,983,894 was deposited in the Treasury in fiscal year 1958, of which $72,492,500 were from power revenues. The actual construction expenditures in that year were $529,989,985. About 13.6 of the funds expended in that year for construction were actually returned to the Treasury from projects previously completed.

I believe that the Congress is acting with responsibility in the field of water resources when it recommends a modest number of new starts, as it did in the public works appropriation bill this year. The bill vetoed by the President, as previously stated, provides for 43 new construction starts having a total future commitment of $380,030,000. These 43 projects have received careful consideration by both the House and Senate committees. I would like to call the attention of the Senate to one project in particular, the Gering-Mitchell Valley project in Nebraska. The Congressman from the district, in appearing before the committee, made the following statement:

> I feel that of all the projects that are under construction or about to be constructed, this one takes top priority in my district and is most critically and urgently in need of assistance.

Both of the Nebraska Senators testified before the committee that they had personally gone over the area, sometimes in the wake of destructive floods, and that it almost breaks one's heart to see the vast tracts of fertile, valuable land just dissolve into nothing each time a rain of any degree comes along. Their testimony was supported by that of local witnesses from the area. Both the House and Senate conferees were convinced of the urgent necessity of proceeding with construction on this project in fiscal year 1960. I cannot conceive of some anonymous bureaucrat convincing them that, and I quote from the veto message:

> By any sound test of urgency, these projects should not be started this year if we are to have a responsible Federal fiscal policy.

I am certain that the President has never been acquainted with the true facts in connection with this project or the other new starts provided for in the bill approved by the Congress.

If we believe in the future of this country and in an orderly development of its resources. I urge the passage of H.R. 9105, the public works appropriation bill for fiscal year 1960.

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

Mr. ELLENDER. I yield.

Mr. MORSE. The Senator from Louisiana and the other members of the committee are to be commended for the services they have performed for the Senate in the consideration of the bill. The committee has brought back a bill, which the Senator from Louisiana has now reported.

I think it is very important that we send this bill on its way to the White House at the earliest possible moment, so that the President can consider it. I trust he will sign the bill. In case he exercises bad judgment and does not sign the bill, we shall have time next week to consider the veto.

The PRESIDING OFFICER. The bill is open to amendment.

If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was read the third time.

Mr. DIRKSEN. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DIRKSEN. Mr. President, there are 67 new starts in the civil functions appropriation bill. Fifty-two of those are under the jurisdiction of the Engineer Corps, and 15 under the jurisdiction of the Reclamation Bureau.

Of the 52 projects under the Army Engineers, 2 of them are not authorized,

1 is a repayment item, 1 is a lump sum item, and 15, according to the last report I have had, are not ready for construction.

With respect to those under reclamation, one is not authorized, six are on a small loan basis, and as to eight of them, construction could proceed.

I had hoped that perhaps a compromise could be arrived at. The question was discussed, I am frank to say, at the White House this morning. In fact, we had a long discussion with the President; and when he indicated his interest in the subject, as a matter of principle, he was very reluctant to accept the House version, even though there was a 2½ percent reduction in all projects.

The reason for the objection on the basis of principle is the impact there will be on future budgets. It might very well be said, of course, that the President will not be occupying the chair of Chief Executive after January 20, 1961, but that does not diminish his interest in the public well-being, or in the economy as such.

I thought the President was rather emphatic this morning in indicating that unless there was some modification of the bill, it probably would meet his disapproval. I am rather unhappy about that. I do not like to put words in the mouth of the President of the United States; but I am of the opinion that if the bill goes to the White House in its present form, it may, very conceivably, be subject to another veto.

I can understand the President's position. There has been some difference of opinion as to whether the impact in the future will be $500 million or $800 million, but the Budget Bureau advised me this afternoon that they felt quite certain of the figures they furnished to the President, which were used in his message of disapproval before.

So the only difference now is that the House has reduced the amounts involved by 2½ percent in the case of all projects, but the unbudgeted starts still remain in the bill.

I made the suggestion that perhaps if the new starts could be undertaken at the option of the President, with the understanding that every new start should be put into operation prior to June 30, 1961, that would meet with the favor of the White House. I am advised that probably it would. There came an alternative suggestion that did not seem to be agreeable; and then I made still another suggestion that I hoped would probably invite the approval of the President. It was indicated there were 20 projects of the 67 on which starts could be made even in the fiscal year 1960.

There were 20 more which could be put in the construction operation before June 30, 1961. That would account for a total of 40 out of 67 projects.

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

Mr. DIRKSEN. I will yield after I finish one more sentence.

With respect to the remaining 27 projects, they were to be diffused and distributed so that the impact on the budget would not be too great.

That seems to be an unacceptable proposal, but I felt that I ought to make that statement on the basis of the discussions we had this morning with the President of the United States, to make very clear to the Senate his feeling in the matter.

I yield to the Senator from Texas.

Mr. JOHNSON of Texas. When does the President's term expire?

Mr. DIRKSEN. After January 20, 1961, President Eisenhower will no longer exercise authority.

Mr. JOHNSON of Texas. By what authority, then, would he determine that we could have 20 additional projects after January 1961, and even into 1963?

Mr. DIRKSEN. The only authority of course, Mr. President, is a long-range view with respect to the orderly development of the resources of the country, and the impact of the program on future budgets.

Mr. JOHNSON of Texas. But President Eisenhower would not have anything to say about that, if he were no longer President. As I understood the proposal of the Senator from Illinois, it was that we would leave all 67 new starts in the bill, and the projects could be started at the discretion of the President, provided they were all started within 2 years.

Mr. DIRKSEN. That is correct.

Mr. JOHNSON of Texas. After the Senator from Illinois explained that to the chairman of the subcommittee of the Appropriations Committee dealing with civil functions, he countered with the suggestion that since the President would not be President for 24 months we would leave the 67 new starts in the bill, and leave the starting of them to the discretion of the President for the time that he will be President, or for the next 18 months. I understand that the Senator submitted that proposal.

Mr. DIRKSEN. That is correct.

Mr. JOHNSON of Texas. And that was not agreeable.

Mr. President, I would be willing to go along with, and I think the parties concerned in the House committee and the leadership would be willing to go along with, leaving the 67 unbudgeted starts in the bill, and leaving it within the President's discretion as to when to start them, provided he started them during his term of office. However, to leave it in his discretion to start them in some other President's term of office is stretching it a little bit too far.

If the Senator is willing to amend the bill by providing that we will leave it in the President's discretion for the rest of his term of office, then that would be perfectly acceptable, but we do not think that the outgoing President would have much discretion a year after he has left the job.

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

Mr. DIRKSEN. I yield to the Senator from Indiana.

Mr. CAPEHART. What does the Senator means by "new starts" or "unbudgeted starts"? Perhaps I should know the answer, but I am not sure.

Mr. JOHNSON of Texas. There are 67 new construction projects which the House approved and which the Senate approved, which the Budget Director did not approve.

Mr. CAPEHART. Will they not be approved at some future time?

Mr. DIRKSEN. It is entirely likely that they will be.

Mr. JOHNSON of Texas. Congress has approved them already. It depends upon whose Budget Director is in charge.

Mr. CAPEHART. Why is the Budget Director's judgment better than the judgment of the Congress?

Mr. JOHNSON of Texas. We do not think it is. If we had relied on the judgment of the Budget Directors for the past century we would have had very little construction going on. We would have had no new starts.

Mr. CAPEHART. These are starts for future construction?

Mr. JOHNSON of Texas. That is correct. They would be made next year.

Mr. CAPEHART. Why does not the Congress have as much right to make new starts as has the Director of the Budget?

Mr. JOHNSON of Texas. We think the Congress not only has the right but has the obligation and the duty to do so, and Congress has been exercising that obligation and duty in the past few years.

Mr. DIRKSEN. Mr. President, it should be pointed out that since 1955 our expenditures in this field have jumped from $500 million to more than $1.1 billion a year, and they will jump in the future, on the basis of the impact of the new starts upon the budgets for 1961, 1962, and subsequent years.

The President of the United States must have a proper regard for the orderly development of our resources. The President must have a regard for our fiscal position. The President is to be complimented and commended for the fact that even though he will go out of office on the 20th of January 1961, he does not want to fasten upon some future President very heavy obligations in this field which will add up to an unbalanced budget.

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

Mr. DIRKSEN. I yield.

Mr. JOHNSON of Texas. How can a President who is about to go out of office assure the Congress that he intends to do something after he has gone out of office?

Mr. DIRKSEN. He cannot do so, after he has gone out of office.

Mr. JOHNSON of Texas. That is what is proposed. It is 20 in fiscal year 1960; 20 in fiscal year 1961, after the President has been out of office 6 months; and another 27 after the President has been out of office 18 months.

Mr. DIRKSEN. The big point, Mr. President, is that the President of the United States is looking down the road. The President is not thinking merely of the 20th of January 1961, when he will go out of office, but he is thinking of his responsibilities in regard to the impact of the program upon future budgets in future years.

If some previous Presidents had had an equal regard, we would not have had

a budget out of balance by $9 billion when we came into office under President Eisenhower.

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

Mr. DIRKSEN. But one of the first things we had to do was to take that budget and chop it apart.

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

Mr. DIRKSEN. I think there was excess of expenditures over estimated revenues of $9.7 billion.

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

Mr. DIRKSEN. I yield.

Mr. JOHNSON of Texas. Does not the Senator think that we ought to do some chopping on the $12 billion budget which is out of balance now?

Mr. DIRKSEN. That budget is beyond us at the present time. The Senator is speaking now about the budget for the fiscal year 1959.

Mr. JOHNSON of Texas. Surely.

Mr. DIRKSEN. That is not true of the budget for fiscal year 1960.

Let me say, parenthetically, that I hope we will do a better job so far as expenditures are concerned in keeping the budget in balance in 1960, because I am not too sanguine about the prospects of having a balanced 1960 budget, when we look not at the appropriations but at the expenditures.

Mr. JOHNSON of Texas. How much over the budget estimate is the bill we are about to vote on?

Mr. DIRKSEN. Does the Senator refer to the bill which is before us now?

Mr. JOHNSON of Texas. I refer to the pending bill. How much is it over the budget estimate for this year?

Mr. DIRKSEN. I do not know.

Mr. JOHNSON of Texas. The Senator knows it is not anything over the budget estimate. It is about the same.

Mr. DIRKSEN. Yes.

Mr. JOHNSON of Texas. That is why every project was cut 2½ percent, so that we would meet the President half way and come down to the President's budget figure. We cannot have dictation by the Budget Director, saying, "Cut out this project, and that project; you can have only the projects the wisdom of the Budget Director may dictate."

Mr. DIRKSEN. Mr. President, if that logic prevails, instead of 67 projects why not provide 200? Why not put 300 projects in the bill? Instead of $1.1 billion, why not make it $2 billion? We could diffuse this program all over the country, as a matter of fact.

We have at once both a fiscal problem and the problem of developing the resources of the country. The President has been mindful of the problem, not only up to the end of his term, but for the years which will follow. That is the President's responsibility, as the Chief Executive, because in the period between now and the 20th of January 1961, we could very conceivably put a potential load upon future budgets which would insure an unbalanced budget for years to come. The President would be remiss in his duty indeed if he failed to measure up to his responsibility in that regard.

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

Mr. DIRKSEN. I yield to the Senator from North Carolina.

Mr. ERVIN. I should like to state a premise and then ask a question of my able and distinguished friend.

If these new projects are eliminated, North Carolina, instead of getting about $1.8 million, will receive only approximately $188,000, recommended by the President, out of the total budget of approximately $1.2 billion.

I should like to ask my able and distinguished friend from Illinois: If the President is looking down the road, will my friend ask the President to look down the road far enough to see North Carolina and to realize it is one of the 50 States of the Union?

Mr. DIRKSEN. I say to my distinguished friend from North Carolina that there are some unbudgeted projects for the State of Illinois in the bill. I have already heard by letter, telegram and telephone from people who are interested. The sacrifice Illinois must make will certainly be equivalent to that which will be made by the State of North Carolina.

This is not a case of taking a provincial interest and a provincial viewpoint. We must think in broad terms about the whole country. That is the President's responsibility.

After all, I can think in terms of the the benefits which will accrue to the State of Illinois. Others can think in terms of the benefits which will accrue to their States.

But the President is elected by all the people and must have a proper regard not only for the instant budget but for future budgets and for the proper development of these resources.

So I present to the Senate only what the discussion was this morning, and how deeply the President feels about this subject on the basis of principle. I am a little unhappy, of course, and would be unhappy if the President sought to veto this measure and then return it for such action as both branches of Congress might take.

Mr. MAGNUSON. Mr. President, will the Senator yield for one question?

Mr. DIRKSEN. I yield.

Mr. MAGNUSON. I think the Senator also should inform the American people, who may have some impression that Congress pulled these projects out of the air. These are all projects, are they not, which the Army Engineers have looked at? They have been authorized. They have a benefit-to-cost ratio in some cases of 2 to 1. They are not only bringing about conservation, but also producing taxes. I think the Senator should also inform the American people, on behalf of the President of the United States that the Committee on Appropriations is now considering the bill for mutual security. In that bill $739 million is provided for what we call defense support. It is nothing but public works in foreign countries.

I will not vote against that provision, but it seems to me the American people ought to have the benefit of some real facts and figures. Surely, if we can afford to vote $800 million, or close to it, for foreign public works, we can afford to have $800 million spent for development and conservation in this country for the creation of wealth which will pay taxes over a period of years. I think the American people ought to know that.

Mr. DIRKSEN. Of course, Mr. President, I am not insensible of that argument.

Mr. MAGNUSON. I am not saying it is an argument. I am saying that the American people ought to know that; and I am for both programs.

Mr. DIRKSEN. I should be most delighted, of course, to see that every American citizen is fully advised on that point, but I will not let it obscure the logic of the situation.

When we speak about these projects, we are thinking about the country as a whole in terms of its security, its defense, and its survival.

This is quite a different thing. We can come to grips with domestic projects at any time, but I present the argument to the Senate for whatever it is worth. Now let the Senate work its will on the bill.

Of course I know the overwhelming majority by which the bill in its present form passed the House. I would be the last to minimize it. The vote was 302 to 93. There is a 2½ percent cut in all the projects. That was not the important consideration at all in the discussions we had with those at high level as to the future of the bill. The whole question is one of unbudgeted starts and the impact upon future budgets; and on that point I believe I know pretty well what is in the President's mind.

I rest the case, Mr. President; and we can proceed to a vote.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Illinois [Mr. DOUGLAS], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], and the Senator from Montana [Mr. MURRAY] are absent on official business.

I also announce that the Senator from Indiana [Mr. HARTKE] and the Senator from Wyoming [Mr. O'MAHONEY] are absent because of illness.

I further announce that the Senator from Idaho [Mr. CHURCH] is absent on official business attending the Interparliamentary Union Conference.

I further announce that, if present and voting, the Senator from Idaho [Mr. CHURCH], the Senator from Illinois [Mr. DOUGLAS], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alaska [Mr. GRUENING], the Senator from Indiana [Mr. HARTKE], the Senator from Missouri [Mr. HENNINGS], the Senator from Alabama [Mr. HILL], the Senator from Montana [Mr. MURRAY], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. CASE] is absent on official business attending

the Interparliamentary Union Conference at Warsaw, Poland.

The Senator from New York [Mr. JAVITS] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

The result was announced—yeas 73, nays 15, as follows:

YEAS—73

Allott	Hayden	Morton
Anderson	Hickenlooper	Moss
Bartlett	Holland	Mundt
Bennett	Humphrey	Muskie
Bible	Jackson	Neuberger
Byrd, W. Va.	Johnson, Tex.	Pastore
Cannon	Johnston, S.C.	Proxmire
Capehart	Jordan	Randolph
Carlson	Kefauver	Robertson
Carroll	Kennedy	Russell
Chavez	Kerr	Schoeppel
Clark	Kuchel	Scott
Cooper	Langer	Smathers
Curtis	Lausche	Smith
Dodd	Long, Hawaii	Sparkman
Dworshak	Long, La.	Stennis
Eastland	McCarthy	Symington
Ellender	McClellan	Talmadge
Engle	McGee	Thurmond
Ervin	McNamara	Williams, N.J.
Fong	Magnuson	Yarborough
Frear	Mansfield	Young, N. Dak.
Gore	Martin	Young, Ohio
Green	Monroney	
Hart	Morse	

NAYS—15

Aiken	Byrd, Va.	Hruska
Beall	Case, N.J.	Keating
Bridges	Cotton	Prouty
Bush	Dirksen	Saltonstall
Butler	Goldwater	Williams, Del.

NOT VOTING—12

Case, S. Dak.	Gruening	Javits
Church	Hartke	Murray
Douglas	Hennings	O'Mahoney
Fulbright	Hill	Wiley

So the bill (H.R. 9105) was passed.

Mr. JOHNSON of Texas. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. ELLENDER. Mr. President, I move to lay on the table the motion to reconsider the vote by which the bill was passed.

The motion to lay on the table was agreed to.

Mr. CARROLL subsequently said: Mr. President, I hope the President will give serious consideration to the bill just passed by this body. In his last budget message, he said that although the cost of unbudgeted items will be relatively small in 1960—about $50 million—their ultimate cost will be more than $800 million. The facts are that more than $200 million of that amount is repayable. This amount will be returned to the Treasury as income from reclamation projects.

I say to the President and his advisers, with respect to the bill passed by the Senate tonight raising the rate of interest on savings bonds, that I think it would be worth while to take warning from the remarks of Sylvia Porter in her article entitled "Tight Money Is Back," published in the Washington Evening Star of May 25, 1959. Sylvia Porter said, in the first paragraph of that article:

> We are now reentering a cycle of tight money.

I remind Senators that this statement was made in May. I continue:

> This one will be, according to all reliable signals, the toughest in this Nation since the bank panic of the early 1930's.

Mr. President I ask unanimous consent that the article be printed at this point in the RECORD.

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

TIGHT MONEY IS BACK

(By Sylvia Porter)

We are now reentering a cycle of tight money.

This one will be, according to all reliable signals, the toughest in this Nation since the bank panic of the early thirties.

Already, the price of money—the level of interest rates—is the highest in a quarter-century and it is heading higher. Already, many loan applicants are finding it more difficult to get credit, and the clampdown will be rougher in the months ahead. Already, bonds carrying low coupons sold by the Treasury, States, cities, and corporations in the easy-money cycles of the past have sunk to record lows and are moving lower.

This is what tight money means: a period in which most borrowers must stand in line to get credit, in which many are turned down flat or granted only a part of the cash they want, and in which all who do get loans must pay heavily for them.

Tight money happens when the demand for credit tops the supply of money available in the Nation's pool for loans.

It happens when the economy goes into an upswing and as a result, businessmen want to borrow more to add goods to their shelves and expand their plants, homebuilders and homebuyers want to borrow more to finance houses, millions of consumers want to borrow more to buy cars, appliances and the like, States and cities want to borrow more for essential public works, etc.

It happened when the Federal Reserve System refuses to add enough money to the credit pool to take care of the increased loan demand because the Central Bank is convinced that if all who want to borrow can do so easily, the prosperity will become an inflationary boom.

The conditions I've described above have been emerging clearly for months, are now unmistakably dominating the money markets.

What will this cycle of tight money mean to you?

To homebuilders and homebuyers: Mortgage money is going to be the most expensive in years, and the stated cost of many mortgages is likely to be a lot less than the real cost. Although costs will vary from area to area there is no doubt the lid will be on mortgage money, and many homebuilders are simply not going to get the financing they need to go through with their plans.

To business borrowers: The highest-rated corporation cannot get a loan for less than 4½ percent today—and hidden extras are raising the effective borrowing rate to well over 5 percent. Less established, desirable borrowers are paying more, of course. Now, the probabilities are many loan applications will be cut, others will be refused.

To States and cities: Lenders are demanding 3½ percent and more even on the tax-exempt securities of the highest-grade municipalities. Increasing numbers of States and cities will find that the legal limits on what they can pay for money will bar them from borrowing.

To buyers on the installment plan: They'll pay more for loans on autos, appliances, etc. Although the real charges will be hidden in the small print and rates will vary violently, costs will be definitely up.

To corporations selling bonds: They'll be placing the fattest coupons in years on new bonds and be glad to get buyers for them.

To holders of outstanding bonds: Prices of bonds they bought in the past will be down because new bonds will be coming out with higher coupons.

To the Treasury: It'll pay more than 4 percent just for short-term loans of a year or less.

To banks: They'll make more on the high loan rates and fat coupons on new bonds, but they'll be in a squeeze too because they won't have sufficient cash to meet loan demands.

To savers: They'll gain because financial institutions will be paying higher rates to attract more and bigger savings accounts.

The tight money phase of 1959 to 19?? is shaping up even now as more restrictive than that of the summer of 1957, just before the recession of 1957-58. And that money pinch was brutal to countless hundreds of thousands.

Mr. CARROLL. Mr. President, I have before me another article written by Sylvia Porter, and published in the Washington Evening Star of September 8, 1959—this evening. It is entitled "Big Money Squeeze Begins." I read the first two paragraphs:

> A cycle of the tightest, hardest-to-get and most expensive money in a generation has just begun.
>
> A credit squeeze of a magnitude that will dwarf the pinch of prerecession 1957 and which will be beyond anything ever known by the majority of Americans is in the making.

I read the concluding paragraph:

> Other nations have known this sort of credit clamp down in modern times but this Nation hasn't. We have moved into an historic money squeeze.

Mr. President, I ask unanimous consent that this article be printed at this point in the RECORD.

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

BIG MONEY SQUEEZE BEGINS

(By Sylvia Porter)

A cycle of the tightest, hardest-to-get and most expensive money in a generation has just begun.

A credit squeeze of a magnitude that will dwarf the pinch of prerecession 1957 and which will be beyond anything ever known by the majority of Americans is in the making.

A test of the ability of the Federal Reserve System to brake the boom without breaking it through strict credit controls will be seen in this country this fall.

The financial institutions of the United States are facing a severe strain. The lid is being clamped on credit at a time when demands for the credit are soaring on every side to unprecedented peaks.

CREDIT TIGHTENED

Last week saw the unmistakable signal of a new turn in the credit screws. Here's what's going on:

(1) Leading corporations have been notified by their banks that from now on they must pay 5 percent for short-term loans. Simultaneously, their bank lenders are requiring them to maintain a specified percentage of the amount they borrow on deposit.

This requirement means the corporations won't have the full use of the cash for which they are paying 5 percent and it will raise the real cost of their loans to 6 percent or more.

(2) Any day now, banks will have to pay 4 percent for money they borrow from the Federal Reserve System to fill loan demands of their customers. At the same time, the Federal Reserve will screen banks applying for temporary loans with mounting care.

This will mean that even banks willing to pay the 4 percent rate won't be able to borrow large amounts for any length of time.

(3) Mortgage rates are climbing to and through the 6 percent mark, and in some areas they'll reach 7 and 8 percent even on sound conventional mortgages.

HOUSING FACES SCARCITY

More effective than the steep rate in flattening the upswing in housing will be the increasing scarcity of mortgage money.

(4) Installment loan rates will rise to all-time highs too, although the costs often will be hidden in the totals of the monthly payments asked. A definite factor in the price of new cars to millions of buyers this winter will be the rising cost of financing the cars.

(5) More and more States and cities will have to postpone major public works projects because they are prohibited from paying more than a certain interest rate for loans. In this period, the rates demanded on their loans will be above what they are allowed to pay.

(6) Many speculators will be pushed out of the money markets. With money so tight, lenders will be rationing credit—and they'll tend to favor old customers over new ones, a large, established borrower over a small, risky one.

(7) The Treasury will be paying 4 percent or more for 3-month loans, 4½ percent or more for 6-month money. There's no telling what it may have to pay for 1-year money next month.

Other nations have known this sort of credit clamp down in modern times but this Nation hasn't. We have moved into an historic money squeeze.

Mr. CARROLL. Mr. President, I ask unanimous consent that additional articles on the subject of the current credit squeeze also be printed in the RECORD, and that my entire remarks with these inclusions be printed immediately following the vote on the public works appropriation bill.

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

The articles and editorials are as follows:

[From the Wall Street Journal, June 3, 1959]

STIFFER INTEREST RATES—CRASH PROGRAM TO JUGGLE U.S. DEBT MAY HAVE IMPACT ON ALL BUSINESS—LIFTING CEILINGS ON FEDERAL BONDS MAY MAKE PRIVATE BORROWING MORE COSTLY—SWITCH AWAY FROM STOCKS?

(By Alan L. Otten and John A. Grimes)

WASHINGTON.—The Eisenhower administration is putting together an urgent program designed to help solve Uncle Sam's mounting debt problem by allowing the Treasury to pay higher interest rates on Government securities.

These proposals, which would be of broad significance to the general economy, may go to Congress this week. They would:

Eliminate, or at least increase, the 4¼ percent interest rate ceiling on marketable securities due in more than 5 years.

Remove, or at least raise, the 3¼ percent ceiling on Treasury savings bond interest rates.

Raise the debt ceiling itself to $290 billion or $295 billion. Under present law the debt limit drops on June 30 to $283 billion from the existing temporary limit of $288 billion.

TIGHT MONEY DEBATE

President Eisenhower's request, if current thinking is followed through, would intensify the congressional debate on what Democrats call the Government's tight money policy. But the best judgment in Congress yesterday was that, after all the shouting, the legislators will go along with some increase in the interest rate ceilings.

High officials insisted that no final decision has been reached on asking Congress for more leeway in fixing interest rates. But congressional leaders, after a secret White House meeting Monday night, agreed there was no doubt the administration, finally, has just about decided to ask Congress for higher interest rate limits.

If Congress approves and the Treasury then boosts the interest rates it offers on its securities, the impact could be broad:

Businessmen almost certainly would face higher bond borrowing costs; the Treasury competes directly with them for funds.

As interest rates rose on Treasury and corporate bonds, a growing number of investors might switch funds from the booming stock market into bonds.

Higher savings bond interest rates could stimulate lagging sales of these securities and perhaps induce banks and savings and loan associations to offer higher rates to savers.

Payment of higher interest rates would boost the Treasury's debt management costs, already a sizable budget item.

If the Treasury steps up sales of long-term securities, this action, like higher sales of savings bonds, would aid the administration's fight against inflation.

MORE LONG-TERM BONDS?

The administration's concern over inflation is one factor that is pushing it toward asking for higher interest rate ceilings. With higher ceilings, Treasury officials believe they would be able to sell substantial amounts of long-term securities to nonbank investors. In recent months, the Treasury has been relying chiefly on short-term issues, which are purchased largely by commercial banks.

When a nonbank investor buys a Government security, he pays for it by taking funds from his bank; the total money supply is unchanged. When a bank buys a U.S. security, it pays for it by setting up an account on its books for the Treasury. As the Treasury draws checks on this account to pay for goods and services, the money supply grows. If the money supply grows faster than the supply of available goods and services, the result is inflation.

Sales of more long-term securities also would benefit the Treasury in a highly practical way. As the average maturity of the debt increased, the Treasury would have to make fewer trips to the market to refinance existing securities. It also would have more control over the timing of new issues; with maturities spread further apart, the Treasury would find it easier to step into the market to refinance an issue in advance if it decided market conditions were favorable. The whole debt management job would be simplified.

COMPETITIVE FACTORS

The Treasury in recent months has had difficulty selling long-term securities for two reasons: Investors' worry over inflation and growing competition from stocks and corporate bonds. For example, underwriters today are offering to the public $50 million of Public Service Electric & Gas Co. 30-year bonds at a price to yield the investor 5 percent—well above the top yield available on Treasury bonds.

Many private investors have been buying stocks heavily in preference to either corporate or Government bonds. Such investors reason that inflation would push up the prices of stocks along with the value of all other property.

With business recovering the Treasury faces the prospect of increasing private competition for the lender's dollar. The Treasury also is running into growing competition from State and local borrowing on securities whose interest is free of Federal taxes. Interest on U.S. Government securities, of course, is taxed both by States and by Uncle Sam himself. Still another potent competitor for Treasury bonds is the Government-backed housing mortgage, which yields 5 percent or better.

If the Treasury offers long-term bonds at higher interest rates, the first result would be a drop in prices of existing Treasury bonds and a resulting rise in yields on such securities. "If the Treasury offers a 4½-percent long-term bond—and they'd have to offer at least that much to find many buyers—prices of other Treasury issues would fall by two to four points," predicts one New York City bond dealer.

"If the Treasury offers higher rates, businessmen will have no choice—they'll have to boost their rates if they want to sell any bonds," says a New York City banker.

"If the Treasury gets the authority, it will use it," says a New York bond market specialist. "I foresee a 4½-percent Government issue, and that will tend to boost yields throughout the bond market."

The competition between Government bonds and corporate bonds is direct. A rise in yields on Treasury bonds would induce many investors to buy such securities in preference to corporate bonds—unless there was a corresponding rise in yields on the corporate issues.

The competition between stocks and bonds is less direct, especially in a period such as the present when inflation fears are a major factor. But it is nonetheless present.

The stock market declined sharply yesterday on the news that the Government's interest ceilings might be lifted. The Dow-Jones industrial average fell 6.06 points from the previous close to 637.45. Brokers theorized that the selling pressure that pushed prices down yesterday came from investors and traders who were speculating on the impact of a boost in Government bond interest rates. According to the brokers, the investors and traders figure that higher Treasury interest rates would lead many investors to switch from stocks into bonds and thus put downward pressure on stock prices.

HIGHER YIELDS IN BONDS

Treasury bonds already offer higher yields than many common stocks. The most recent calculation showed that the 30 stocks comprising the Dow-Jones industrial average were selling to yield an average of about 3.14 percent, compared with the yield of well over 4 percent available on existing longer term Government bonds.

Before the Government offers long-term marketable bonds at higher interest rates, it should first boost the interest rate on savings bonds, many New York City bankers say. "The savings bond structure, which is very important to the economy, is teetering," says one banker. "If all that money slips away, what does the Treasury do then?"

Savings bonds outstanding at the end of April totaled $50.8 billion, down $1.4 billion from a year earlier. Savings bond redemptions for some time have been exceeding sales as individuals have found more profitable ways to invest their savings.

Many savings and loan associations are offering 3½ percent and more to savers, compared with the 3¼ percent rate on savings bonds. "If the Treasury boosted the savings bond rate," says one New York banker, "it could put some pressure on savings and loan associations and banks to boost their rates, too."

CUTTING THE DEBT

In addition to considering higher Treasury interest rates, President Eisenhower and his subordinates are thinking more and more of using any Treasury surplus to reduce the mammoth debt rather than to provide tax relief. To a lesser extent, this same sort

of sentiment shift is discernible in the House and Senate.

The switch to debt reduction can be gleaned between the lines of public pronouncements of Treasury Secretary Anderson, Budget Director Stans, and Mr. Eisenhower himself. Just recently, Mr. Stans raised the question, "When will we ever begin to reduce our $285 billion public debt" if it isn't done in these prosperous times?

To a large extent, the debt program explains the Administration's drive to balance the budget for the fiscal year that starts next July 1. And to some extent, it also accounts for the slowdown in Congress of Democratic determination to force the President to spend more than he wants to spend. Continued budget deficits would add to the Treasury's already heavy chores of refinancing present issues as they fall due.

The Treasury's idea of asking for a higher interest rate ceiling on marketable securities in itself indicates Mr. Anderson would like to begin selling long-term bonds again. But officials insisted yesterday that, even with complete freedom, they'd have no idea of a wholesale switch into long-term securities. And the Treasury, like any other borrower, likes to get its money as cheaply as possible. Interest rates on short-term securities are well below those on longer issues.

"We'll look largely at the short-term area for the next few months," remarks one Treasury official.

BEHIND THE PROPOSALS

A look at the Treasury's debt predicament explains the urgency behind the legislative proposals now being prepared. In calendar 1958 the Government had to borrow $19 billion in cash, in addition to issuing $50 billion of new marketable securities in exchange for maturing debt, excluding the regular weekly bill sales. Of this $69 billion, only $2.9 billion went into long-term bonds. So far this year the Treasury has borrowed $14 billion in cash, in addition to $14.1 billion to replace old securities. Of this $28.1 billion, only $1.5 billion has gone into long-term securities.

For the rest of this calendar year alone, the Treasury will have to borrow an estimated $10 billion just to bridge the gap between current expenses and tax revenues. In addition, about $29 billion—again excluding Treasury bills—comes due and has to be either paid off or refinanced.

Financial authorities, both in and out of the Government, agree the Treasury would be unable to borrow this kind of money without sticking largely to short-term securities.

When Mr. Eisenhower came into office in January 1953, one of his major financial aims was to tidy up the debt—to lengthen out maturities, for example, and to place more of the debt in nonbank hands. Candidate Eisenhower emphasized his debt aims during his 1952 campaign, including the debt problem in his summation of "the mess in Washington."

On June 30, 1953, a few months after Ike took office, the total debt stood at $266 billion. The average maturity of the marketable debt was 5 years and 4 months. Of the total $65.3 billion was to mature within 1 year. An additional $36.2 billion was to mature in 1 to 5 years.

On June 30 of this year, the debt is expected to total $285 billion. The average maturity of the marketable debt is now 4 years and 8 months, or 8 months shorter than when Mr. Eisenhower took over—and the Treasury is fighting to hold it there. Of the $285 billion, $76 billion will mature within 1 year. An additional $58.2 billion will come due in 1 to 5 years.

The Treasury insists it hasn't slipped backward quite so much when it comes to bank versus nonbank financing. On June 30, 1953, commercial banks held $58.8 billion, or 22 percent of the $266 billion. As of February 28, 1959, commercial banks held $66 billion of the outstanding total of $285.2 billion, or 24 percent.

[From the Washington Post, Aug. 24, 1959]

TIGHT MONEY LIKELY TO GET TIGHTER

(By Harold B. Dorsey)

Now that the House Ways and Means Committee has pigeonholed for the balance of this session legislation permitting the Treasury Department to issue Government bonds with an interest coupon higher than 4¼ percent, business analysts are trying to figure the consequent effects on business activity and the credit market.

Their analysis must start out with the fact that short-term credit is very tight. Small business borrowers are beginning to complain that their bankers are "pretty well loaded up," meaning a bank's ratio of loans to deposits is just about as high as the banker wants to see it go. And, as a generality, it may be noted that this ratio for the total of all the commercial banks at the end of July was at a high level.

It is against this current status of the banking system that business analysts have to project conditions, which must include a normal seasonal increase in the demand for bank credit between now and the end of the year, to finance harvests, Christmas inventories, and the higher rate of business activity that usually develops in the fall and winter.

On top of the already tight situation, plus the rising seasonal needs for short-term credit, we now have to superimpose the credit needs of the Federal Government. The latter is being forced to borrow in competition with business for the available supply of credit in the short-term and intermediate-term markets. Thus simple arithmetic strongly suggests that the present tight credit situation threatens to become extremely tight over the next several months.

The failure of Congress to give the Treasury Department more flexibility in solving its financing and refinancing problems is going to place a considerable penalty on legitimate business borrowers, large and small—but, as usual, more severely on the small rather than the large.

All of which presents some very difficult problems for the monetary authorities at the Federal Reserve. One of their primary responsibilities is to exercise credit controls in a fashion that will prevent an inflationary abuse of credit. In the past year they have been discharging that responsibility with excellent results and without retarding sound business expansion.

That reminds us that another primary function of the monetary authorities is to provide the economy with a bank credit base that will be sufficient to permit sound economic expansion. There probably is no group of men in the country that is more anxious to see a rising trend of business activity, providing, of course, that the prosperity does not contain those excesses which cause a boom-and-bust pattern.

It appears that the monetary authorities in the next several months must try to find a very delicate solution for a set of unusually rough problems. It would seem that they will have to ease credit policies to a sufficient extent to prevent the extreme tightness now indicated for the fourth quarter of the year, or else the soundly expanding economy might be threatened by a deficient supply of credit. Simultaneously, the Treasury Department's demands for credit will have to be handled in such fashion as to prevent an inflationary expansion of money supply, or we will be threatened with the development of a boom-and-bust pattern.

From a security market viewpoint, when credit is this tight it certainly is not bullish, and usually it is the reverse. The condition means: (1) that there are less funds readily available for buying securities, (2) it leads toward an increase in the relative yield attraction of bonds over stocks, and (3) it could have a dampening effect on business activity. In most earlier cycles, this combination has frequently led to downswings in both the trend of business and the trend of stock prices.

But in none of these earlier instances were the nonfinancial economic forces operating as strongly in the direction of sustained business activity as they are now. In those earlier instances, the tightness of the credit situation reflected the presence of an overexpanded economy and an abusive use of credit. The nonfinancial economic factors were set for a downswing to a much greater extent than they are now. Present indications suggest quite strongly that there will be a good snapback of business activity when present work stoppages are terminated. As a corollary, fourth-quarter earnings of a great many companies promise to be excellent.

In brief, the money situation is bearish, so far as common stocks are concerned, and the business situation is bullish. It was because the money situation had been bullish in the presence of a fairly severe inflation scare that high price-to-earnings ratios and low yields have been recorded in the stock market, especially for "quality" stocks and some of the extremely speculative issues. It is because the business and earnings situation for numerous cyclical groups of companies had been bearish that some of the stocks in this category do not appear to be high in relation to the earnings and dividend improvement now indicated by business prospects.

[From the IUD Bulletin, August 1959]

DANGER OF RECESSION SEEN AS MONEY BECOMES TIGHTER

If the president of the Chase National Bank is correct, major corporations will be paying at 5 percent for short-term bank loans this fall.

Some time this fall, the Federal Reserve is expected to hike the discount rate to 4 percent.

This will mean that the prime rate—the metropolitan banks' interest charge to the top corporations—will rise by at least a half percent from today's 4.5 percent level.

When this takes place, interest rates will be higher than at any time since the twenties. If they come—and the probability is that they will—these moves will be made in the name of fighting inflation.

Money is once again getting tight, and is expected to become still tighter. Already, the U.S. Treasury is paying 4.75 percent on 1-year notes because of lack of takers for long-term bonds which have a legal interest ceiling of 4.25 percent.

Because of this successful short-term refinancing operation of the Treasury, the immediate heat to remove the bond interest ceiling has been permitted to cool off. Nevertheless, the Treasury is continuing its drive for removal of the bond interest ceiling.

After a conference with Secretary of the Treasury Anderson, the House Ways and Means Committee last month agreed to remove from a proposed bill the interest ceiling, a "sense of Congress" resolution calling upon the Federal Reserve to hold down interest rates by lending moderate support to the Federal bond market.

The Federal Reserve and Treasury had fought this resolution on the grounds that such support for the bond market is inflationary. However, present short-term financing being practiced by the Treasury is considered by monetary experts to be far more inflationary in its impact than FRB support of the bond market. Short-term Treasury bills and notes have been called "kissin' cousins" to printing press money by many of these experts.

With tighter money, interest charges will rise still further and credit terms will become stiffer. This will mean fewer mortgage loans as well as higher interest charges for home buyers, less credit at greater cost to consumers and, inevitably, more bankruptcies for small business because of lack of credit.

Charges that administration-FRB monetary policies are leading to another recession are once again being raised upon the floor of Congress. Representative JAMES ROOSEVELT, Democrat, of California, demanded in one such address last month that there be a fullfledged congressional investigation of the Federal Reserve to determine if its tight-money policies are in the best interests of the Nation.

The California Congressman noted that joblessness is still high and said that "policies that further restrict economic growth can cause unemployment to snowball."

[From the Wall Street Journal, Sept. 8, 1959]

BUSINESS UPTURN LOSING ZIP, SAY BUYING AGENTS—SLOWING UPTREND IN OUTPUT AND ORDERS CONTINUED IN AUGUST, GROUP REPORTS—PRODUCTION IS "STILL GOOD"

NEW YORK.—While current business remains good and its relatively unaffected by the steel strike so far, the upturn from the 1958 recession "continues to lose its zip," according to a survey of purchasing agents.

Fewer of the men who buy for the Nation's top commercial and industrial concerns reported increases for August in production, new orders, inventories and employment than they did in July. Although the strikes in the steel and copper industries play a major part in this slowing of the uptrend, the survey, made monthly by the National Association of Purchasing Agents, noted that the slackening in the number of reporting rises in output and order receipts has been rather sharp since May. The steel strike began in mid-July; the copper walkouts started in August.

The general strike in the steel industry has had "very little effect" on 73 percent of the members answering the survey, while only 4 percent reported considerable impact. The report noted, however, that if the strike continues another month, it will bring sharper cutbacks in output.

While terming production figures "still good," the association said 31 percent of its members reported increases in output in August, down from 35 percent in July and as much as 60 percent in May. Orders also were still strong with 31 percent of the members reporting increases in August compared with 36 percent in July and 53 percent in May.

"Inventories, particularly of steel, tend to be lower than in previous months," the report stated. For the first time since last January, fewer members reported gains in inventories than declines. Of those reporting, 28 percent said their stockpiles fell in August, up from 16 percent in July, while 22 percent told of increases, down from 45 percent.

The association also said it had received "alarming" reports of "critical shortages" developing in naphthalene and anhydrides. Naphthalene is a byproduct of coke production, a preliminary phase in the making of steel, and phthalic and maleic anhydrides are made from it.

Prices were generally steady in August, the association said, and again the steel strike and its ultimate settlement play large roles. "Steel will set the pattern" of future price movements, the group stated. For August, 76 percent of the members said there had been no change in prices, up from 68 percent in July, while 23 percent told of small increases, compared with 25 percent the month before.

On employment, 63 percent of the reporting members said there was no change in their work forces between July and August. Still, only 26 percent reported improvement, exactly half the 52 percent so reporting the month before.

The report concluded with the observation that the recession-induced opposition to accumulating heavy inventories is continuing. "There is no evidence that strikes, temporary shortages, or the influx of lower priced imports have occasioned any change in this policy," it said.

Following is a comparison of delivery periods for purchases in August and July, 1959:

	Percent reporting				
	Immediate	30 days	60 days	90 days	6 months-1 year
August:					
Production materials	10	26	32	21	11
Maint., repair, pprtg., supplies	22	52	19	6	1
Capital expenditures	9	5	13	20	53
July:					
Production materials	5	28	33	24	10
Maint., repair, pprtg., supply	21	49	19	8	3
Capital expenditures	10	7	10	24	49

Mr. CARROLL. Mr. President, I desire to make a brief comment; then I shall be finished. I desired to cast my vote in favor of the administration's recent proposal to increase the interest rate to 3¾ percent on savings bonds E and H. I did not join with my colleagues who sought to establish a ceiling of 4¼ percent on savings bonds. I did not do so for a specific reason. By increasing the interest rate to 4¼ percent on E and H savings bonds we are surely laying a trap for ourselves in the months ahead on long-term bonds. We will certainly be faced with the prospect of raising to 5 or 5½ percent the interest rates on long-term bonds at tremendous cost to the taxpayer. That is one of the reasons why I could not go along with my colleageus on this side of the aisle on the Anderson amendment.

DEATH OF FORMER REPRESENTATIVE EDMUND P. RADWAN

Mr. KEATING. Mr. President, it is with a heavy heart that I report to the Senate the death of one of my former colleagues in the House of Representatives, the Honorable Edmund P. Radwan. He passed away last night and the news has come as a great shock to his many friends.

Ed was a Buffalonian in every way. He was born in Buffalo in 1911, was graduated from the University of Buffalo, and had practiced law in that city since 1935. Following service in World War II, he was elected to the New York State Senate, and in 1950 he was elected to the House of Representatives.

He served in the House of Representatives through the 83d, 84th, and 85th Congresses, before he was forced to retire because of ill health. He was a good friend and loyal supporter, with whom I enjoyed serving.

We stood shoulder to shoulder on many occasions on matters of mutual concern. He represented his district well and he always stood up for their interests with great integrity and skill. He served with special distinction on the Foreign Affairs Committee.

Ed Radwan was an able and conscientious legislator who exemplified the finest in public service. His retirement from Congress was a great loss to the House, and his death at this early age is a great loss to all who knew him.

His removal from our midst comes with special poignancy because he is survived by his wonderful wife and three daughters. They have my deepest sympathy, and I trust they can find some solace in knowing how highly all of us who were privileged to know Ed Radwan regarded him and how greatly he will be missed not only in Buffalo, but throughout New York State and Washington.

ORDER OF BUSINESS

Mr. JOHNSON of Texas. Mr. President, I announce that we do not expect any further votes this evening. We shall keep the Senate in session as long as necessary to accommodate individual Senators who have been so considerate as to withhold their speeches until we could have the yea-and-nay votes we have had this evening.

Early tomorrow we expect to act on the housing bill. We have already passed the housing bill twice this session and have voted on a veto once. The other body must act on the housing bill we passed, and it will probably go to conference before we adjourn. Therefore I shall move to consider the housing bill tonight and make it the unfinished business.

The Senate will meet tomorrow for a morning hour at 9:30, which will be followed by a calendar call. At the conclusion of the calendar call there will be brief statements on the housing bill. The Senator from Alabama [Mr. SPARKMAN] informs me that his statement on the bill will be quite brief. The Senator from Indiana [Mr. CAPEHART] feels that it will not take him too long to discuss the measure. The other members of the Banking and Currency Committee may wish to make brief statements. We hope to pass the housing bill sometime early tomorrow.

Mr. LONG of Louisiana. Mr. President, have conferees been named on the bill concerning the interest rate on series E and H U.S. savings bonds, which we passed today?

The PRESIDING OFFICER. The Chair informs the Senator from Louisiana that no conferees have been named.

Mr. LONG of Louisiana. Mr. President, I am hopeful the House will accept

the Senate bill, but if the House does not, it seems to me we should consider the fact that the Senate added a very significant amendment. That amendment applied a ceiling to interest rates in compliance with the traditional history of this country on the amount of interest which could be paid on the bonds. I refer to the Anderson amendment.

I note that not a single senior Member of the Senate on either side of the aisle voted for the Anderson amendment. This issue has come up before and it has been discussed.

It seems to me the majority of the conferees should express the majority will of the Senate if this measure goes to conference. I raise the question now because it is very important to the people of the country. The rules of the Senate require that the conferees who are named on behalf of the Senate should be Senators who will vote the will of the Senate. At least the majority of the conferees should be among those who so voted.

I went into a conference sometime ago as a minority member of the conference who had voted the will of the Senate, and I saw a Senator move to surrender the Senate position, even before the House conferees had been officially named.

I believe that when the Senate adopts amendments the Senate should follow the rules and see that the position taken by the Senate is represented by a majority of the conferees. I wish to make that position clear, Mr. President. I do not wish to obstruct the Senate, but I feel that if the House does not accept the Senate bill, the Senate conferees should represent the majority will of the Senate, as the rules require.

Mr. JOHNSON of Texas. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JOHNSON of Texas. Is there not an order for the Senate to recess until 9:30 tomorrow morning?

The PRESIDING OFFICER. The order has been entered.

Mr. JOHNSON of Texas. It will be in order tomorrow, following the morning hour, to move to proceed to executive business at any time, will it not?

The PRESIDING OFFICER. It will be in order at any time.

Mr. JOHNSON of Texas. It is not necessary to have an adjournment?

The PRESIDING OFFICER. That is correct.

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

Mr. JOHNSON of Texas. I yield to the Senator from Delaware.

Mr. FREAR. Mr. President, the able and fine Senator from Louisiana has just made a remark about the conferees. I do not know who is to be appointed on the conference. I assume the conferees are appointed according to seniority. The junior Senator from Delaware may be one so appointed, and I wish to remind the Senator from Louisiana of the perseverence with which some of the Members of the Senate stood by an amendment on which he was one of the conferees not too long ago. I hope he will not level against the junior Senator from Delaware the charge which I think he was attempting to make.

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

Mr. JOHNSON of Texas. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. Mr. President, if the junior Senator from Louisiana had anything to say about it, we would build a pedestal in Washington for the junior Senator from Delaware.

Mr. JOHNSON of Texas. I announce that the Appropriations Committee is meeting on the mutual security bill downstairs, and its members should return to it as soon as possible.

HOUSING ACT OF 1959

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 952, S. 2654.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 2654) to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to, and the Senate proceeded to consider the bill.

THE AMERICAN SMALL TOWN

Mr. MUNDT. Mr. President, I rise today to speak a strong word of encouragement and support for a great and almost unprecedented and unparalleled institution known as the American small town. The term "small town," Mr. President, is a relative one. In the metropolitan east I have frequently heard communities upward of 50,000 people referred to as a small town, whereas in the rural States of America we sometimes refer to communities of less than 1,500 people as being "one of the biggest little cities in the world."

However, for purposes of the bill which I introduced on August 31 to establish a Commission on Problems of Small Towns, I proposed that a small town be designated as one having a population of less than 10,000 people in the last census. This Commission would, therefore, concentrate upon recommending solutions for communities of 10,000 or less, but it is obvious the suggested solutions and formulas of activity would be equally useful to many of our smaller cities ranging up to 50,000 or more in population.

Mr. President, I have been impressed as I have traveled abroad on three separate occasions on trips taking me into all countries of Europe, and parts of Africa, Asia, and the Western Hemisphere, by the fact that an American small town, whatever its size, is something unique in the world in which we live.

Especially is this so outside the English-speaking countries of the world. One finds cities, Mr. President, throughout the world to be pretty much alike. Each has its churches and cathedrals, each its educational institutions, each its beautiful public buildings and its lovely homes. Each has its theaters, its recreational places, its broad boulevards, its hustle and bustle and its crowded streets. Each also, unfortunately, has its areas of squalor and crime. But in traveling abroad, one finds that virtually only in America and a few other English-speaking areas of the world is there an institution such as our typical small town where one finds in a compact area many of the advantages and few of the disadvantages of life in any city in the world.

Our American small town has its well-staffed public schools, its convenient and comfortable churches, its business enterprises, its city hall, its recreational advantages. Our American small town maintains with pride a high school, a football and basketball team, a semipro baseball team, a marching band, and a fire department. Our American small town brings together the advantages of life in the country with the cozy neighborliness of a life in a community where one can belong to his Kiwanis or Rotary Club, his chamber of commerce, his church and lodge, in company with friends of his own choosing and with people who estimate the character of a man by what he is rather than by what he has.

One searches in vain, for example, in the smaller communities of other areas of the world for anything remotely resembling the civic clubs, commercial clubs, or chamber of commerce groups of a small American town. One looks without success for the rivalry and stimulating experience of competition among American small towns for laurels in the fields of athletics, forensics, musical productions, and civic progress. The hospitals, the homes for the aged, the armories, or community halls of our small towns are also entirely unique among the communities of the non-English speaking world.

Mr. President, on August 31 I introduced my bill to create a Commission to be known as the Commission on the Problems of Small Towns. Since then I have been both gratified and encouraged by the widespread support developing for this proposal. This would be a temporary Government Commission, Mr. President, comprised of 18 members to be appointed on the general formula used in selecting members of the Hoover Commission. It would make its report in a year or 18 months. It would serve without pay or without remuneration beyond expenses. It would be comprised of leaders in the areas where small towns exist and operate. It would deal exclusively with problems which no other Government commission has been created to analyze and study—the unique problems of our small American towns. It would report to Congress and the country with suggestions on how small towns can help themselves and how through cooperation with the Federal Government the Government in Washington could help small towns. This assistance through cooperative effort, Mr. President, would not be

one of direct financial assistance or Federal grants, but it could well come from more appropriate consideration by the Federal Government of the importance of our small towns through a wider dispersal of Federal procurement and in the location of Federal facilities. In fact, S. 2621 sets out in section 3 six specific areas in which such a Commission might benefit small towns.

Mr. President, we have had many commissions created or proposed to study the problems involved in big government; the problems of our metropolitan areas; farm problems; labor problems; educational problems, and the like. But no agency of Government, no research department, no commission of the Congress has been charged with the responsibility of finding facts and making recommendations of value to America's small towns.

Mr. CURTIS. Mr. President, will the Senator from South Dakota yield?

Mr. MUNDT. I am happy to yield.

Mr. CURTIS. What proportion of the people who live in towns and cities live in small towns as defined by the Senator's bill?

Mr. MUNDT. The proportion of people who live in small towns and cities is very great. The proportion of Americans living in communities of this size or less is well over 50 percent.

Mr. CURTIS. Is it not true that much of the attention on the part of the Federal Government has been directed toward the problems of the large cities having congestion and related problems, as contrasted with the problems faced by the great number of small towns to which the Senator from South Dakota refers?

Mr. MUNDT. The distinguished Senator from Nebraska is correct. All kinds of studies and all kinds of research projects have been conducted concerning the problems of the major metropolitan areas, but I have made careful research and have been unable to find that any other commission has made an overall study of the small towns.

The Senator realizes that in his great State of Nebraska, as in South Dakota, small towns play an important part in the economy of the various States.

Throughout history, Mr. President, the American small town has made magnificent and lasting contributions to the development of our American way of life. The existence of small towns has helped to contribute the necessary balances to check against the extremes and excesses in one direction or another which have plagued or destroyed other governments and countries. The small towns of America have been a great bastion for producing the freedoms of Americans at home and for preserving the great institutions of private ownership and competitive enterprise which have teamed up to make America great and to keep it strong.

Mr. President, more than 200 Members of the present House of Representatives and over half our sitting Senators were born in America's small towns. Twenty-eight of the 33 men who have been elevated to the highest office in the world—the Presidency of the United States—were born in these small towns. The annals of business and industry and the records of achievement in the professions are replete with evidence that America's small towns cradle and nourish many of our greatest leaders and most outstanding citizens.

However, Mr. President, just as changing times and the technical and industrial developments forming a part of America's march of progess have created problems in our cities, on our farms, in our industrial relationships, and in government, they have also created new challenges and new problems for America's small towns. Great transcontinental trunk highways have made it easier for people to bypass American small towns and move from one metropolitan center to another, without stopping to enjoy the inspiration and friendliness always available in these communities. The tendency of business institutions to become more concentrated in administration and greater in size has created new problems for the individual merchants and economic enterprises of America's small towns. Advancing costs of education, of government, of police protection, of communication, and transportation have all added to the problems of the progressive people of America's small towns. The switch of passenger and freight transportation away from railroads has necessitated the elimination of many railroad services, and the tremendous costs of adequate airport facilities have made them prohibitive for our small towns.

Mr. President, I ask unanimous consent that Senate bill 2621, the measure I have introduced, to create a Commission on the Problems of Small Towns, be printed at this point in the RECORD.

There being no objection, the bill (S. 2621) introduced by Mr. MUNDT on August 31, 1959, was ordered to be printed in the RECORD, as follows:

Whereas the small towns of America throughout our history have made significant and lasting contributions to the development of our American way of life; and

Whereas small town life as we know it in the United States is virtually a unique form of community living entirely nonexistent in many areas of the world; and

Whereas the continuance of our great complex of small towns is both desirable and essential to the economic, social, and political balance which enables the United States to avoid the extremes which have plagued many other governments and countries; and

Whereas wholesome family life, and adequate economic, educational and spiritual opportunity are nurtured and encouraged by thousands of small towns throughout the country; and

Whereas the march of technical and industrial development has produced changes in transportation facilities, patterns of economic activity, shifts in population, and other modern phenomena which have created new challenges and posed new problems to the progressive people living in America's small towns; and

Whereas small towns lack the research facilities and economic means to instigate constructive and comprehensive studies into the exact causes of their problems and the most productive remedies for them: Now, therefore

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

ESTABLISHMENT OF THE COMMISSION

SECTION 1. There is hereby established a Commission to be known as the Commission on the Problems of Small Towns (a small town being designated as having a population of less than ten thousand) hereinafter referred to as the "Commission".

MEMBERSHIP OF THE COMMISSION

SEC. 2 (a) The Commission shall be composed of eighteen members as follows:

(1) Six appointed from the Senate by the President of the Senate, three from the majority party and three from the minority party;

(2) Six appointed from the House of Representatives by the Speaker of the House of Representatives, three from the majority party and three from the minority party; and

(3) Six appointed by the President of the United States as follows:

(A) Two from among the heads of Federal departments and agencies;

(B) Two from among the Governors of States having problems affecting small towns, not more than one from the same political party; and

(C) Two from among the mayors of small towns in the United States, not more than one from the same political party.

(b) The members of the Commission shall select a Chairman from among such members from the Congress, and a Vice Chairman from among such members from the House of Congress other than that of the Chairman.

(c) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(d) Ten members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(e) Service of an individual as a member of the Commission or employment of an individual by the Commission as an attorney or expert in any business or professional field, on a part-time or full-time basis, with or without compensation, shall not be considered as service or employment bringing such individual within the provisions of section 281, 283, 284, 434, or 1914 of title 18 of the United States Code, or section 190 of the Revised Statutes (5 U.S.C. 99).

DUTIES OF THE COMMISSION

SEC. 3. (a) The Commission shall make a full and complete investigation and study of Federal policies and programs relating to the needs and problems of the Nation's small-town areas for the purpose of determining—

(1) the present and prospective needs of the Nation's smalltown areas for public services, including but not limited to planning, highways, water resources, schools, recreation facilities, prevention of juvenile delinquency, municipal financing, and business expansion, including ways and means to induce new business to smalltown areas;

(2) capabilities of State and local governments to meet such needs;

(3) the extent to which the Federal Government is assisting small towns in meeting such needs;

(4) means for improved coordination of Federal, State, and local policies and programs that affect small towns;

(5) possibilities available to the Federal Government to assist small towns economically through a wider dispersal of Government procurement operations and in the location of Federal facilities;

(6) such other matters as may be of assistance in solving the various problems of, and promoting the social and economic well-being of, the Nation's smalltown areas.

(b) The Commission shall submit to the President and to the Congress on or before February 1, 1961, its findings and recommendations; and the Commission may also from time to time make to the President

such interim reports as the President may request or as the Commission deems appropriate.

(c) The Commission shall cease to exist six months after submission to the President of its final report and recommendations.

POWERS OF THE COMMISSION

SEC. 4. (a) The Commission or, on the authorization of the Commission, any two or more members thereof, may, for the purposes of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpena or otherwise, the attendance and testimony of such witnesses, and the production of such books, records, correspondence, memorandums, papers, and documents as the Commission or such subcommittee may deem advisable. Subpenas may be issued under the signature of the Chairman of the Commission, or any duly designated member, and may be served by any person designated by such Chairman or member. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (2 U.S.C. 192–194), shall apply in the case of any failure of any witness to comply with any subpena or to testify when summoned under authority of this section.

(b) The Commission is authorized to secure from any department, agency, or independent instrumentality of the executive branch of the Government any information it deems necessary to carry out its functions under this Act; and each such department, agency, and instrumentality is authorized and directed to furnish such information to the Commission, upon request made by the Chairman, or the Vice Chairman when acting as Chairman.

APPROPRIATIONS, EXPENSES, AND PERSONNEL

SEC. 5. (a) There are hereby authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act.

(b) Members of the Commission shall receive no compensation for their services as such, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of duties vested in the Commission.

(c) The Commission may appoint and fix the compensation of such employees as it deems advisable without regard to the provisions of the civil service laws and the Classification Act of 1949, as amended.

(d) The Commission may procure, by contract or otherwise, the services of public or private organizations or institutions.

Mr. MUNDT. Mr. President, on the other hand, the march of industrial and technical advancement has not always been in conflict with the interests and growth and convenience of living of our small towns. Here families can be raised free from the temptations, the turmoil, and the disillusionments of life in the big city. Through air transportation, today a person can live in a remote small town in a rural area and, within a few hours' time, be visiting in a city, to enjoy its theaters, its opera, or its symphonies. The main street merchant or professional man can leave home in the morning, fly to a city, enjoy a big-league baseball game, and be home that evening. Television brings to those who live in our small towns the same public information panels, newscasts, dramatic programs, and high-grade entertainment that are available to people who live in the swank apartments of Chicago or in the plush apartments and hotels of New York City's Park Avenue.

AMERICA'S SMALL TOWNS ARE NOT RETREATING

In addition, Mr. President, no one should get the notion that America's small towns are on the retreat. Our small towns are here to stay. Our small towns are here to grow. While some have faltered and failed temporarily, others have made tremendous and gratifying advances. While some remain in status quo and neither expand nor increase in size, others have steadily forged ahead. Every State has its examples of small towns of equal size, where there is an apparent equality of economic opportunity; but some demonstrate that with the proper ingredients of vision, leadership, and financial support, they attain sustained and successful growth, while other towns within the same State apparently lack "that certain something" to get started with a new upsurge of growth.

What are those ingredients? What is it that enables some small towns within a State to succeed and to progress, while others apparently are falling back and are failing to resolve their problems? It is hoped, Mr. President, that the proposed Government Commission on the Problems of Small Towns will come up with reports and recommendations which will enable all of our smaller American communities to do successfully what some of them are doing presently; namely, to analyze their opportunities, reappraise their advantages, create new enterprise, attract more people and capital, and move forward into eras of happier living and more prosperous economic activity. In that connection, this Commission would be expected to develop recommendations of value to the community leaders and other citizens of our small towns.

One thing is clear, Mr. President: Small towns necessarily lack the expensive research facilities and the economic means to make these essential studies for themselves. In order to determine the exact cause of the problems confronting the fine Americans who live in our smaller communities, and to come up with the most helpful and productive remedies for solving them, some governmental commission, similar to the one I have proposed, seems to be essential. In an era when we are spending billions of dollars to help others in virtually every foreign country of the world to help themselves to move forward and upward, I think it highly appropriate to utilize the time and talent necessary to help identify and eliminate the specific problems confronting those who live in America's small towns and to help these sturdy citizens to develop new techniques, new formulas, and new approaches which will enable them to do for themselves the essential things required to protect their identities and to promote their future.

Actually, of course, the cost of a commission such as the one I propose would be highly insignificant, since the 18 members to be appointed by the President would serve without pay. However, its dividends could be very great. The commission would call upon experts in the fields of economics, sociology, education, industrial expansion, public administration, and associated functions, who would dedicate their studies and devote their efforts in helping to provide recommendations of value to the small towns which desire to perpetuate themselves and get ahead.

Mr. President, the small towns of America are big business to the United States. Let me cite a statistic or two to prove the point that the protection, perpetuation, and development of our small towns are of vital importance to all Americans. According to the 1950 national census, 51 percent of all our people lived in localities of 10,000 or less—as I indicated a few moments ago, in my response to a question which was asked me by the Senator from Nebraska [Mr. CURTIS]. Of the total number of 4,741 localities counted in that census, 73 percent, or 3,479, had 10,000 or less inhabitants. It follows clearly that anything that helps the growth, prosperity, stability, and the preservation of America's small towns as integral and healthy segments of our body politic is of significance to the country as a whole. As it is said of freedom, therefore, it can be said of America's small towns: The solution of their problems is everybody's business. America's small towns not only are big business in this country; their continued development is good business for all America.

Mr. President, I hopefully recommend to the consideration of the Senate the approval of my bill, S. 2621, to create a Commission on the Problems of America's Small Towns.

RELIEF OF AMERICAN MANUFACTURERS SERIOUSLY THREATENED BY FOREIGN COMPETITION

Mr. KEATING. Mr. President——

Mr. HUMPHREY. Mr. President, will the Senator from New York yield?

Mr. KEATING. Mr. President, there is no one whom I personally love more than I do my dear friend, the Senator from Minnesota. But I have been seeking the floor all day; and, in view of the circumstances in which I find myself, I must ask the Senator from Minnesota to wait until my brief remarks on a matter of great moment are completed.

Mr. HUMPHREY. Mr. President, it is only because of the charitable nature of my soul that I accede to the demand of the Senator from New York.

Mr. KEATING. Let me ask my dear friend, the Senator from Minnesota, how much time he will need.

Mr. HUMPHREY. No; Mr. President; I ask the Senator from New York please to proceed.

Mr. KEATING. I thank the Senator from Minnesota.

Mr. President, on behalf of myself, the Senator from Maryland [Mr. BEALL], the Senator from New Hampshire [Mr. COTTON], the Senator from Connecticut [Mr. DODD], the Senator from Pennsylvania [Mr. SCOTT], the senior Senator from Connecticut [Mr. BUSH], and the Senator from Massachusetts [Mr. SALTONSTALL] I introduced, for appropriate reference, a bill to equalize the conditions of competition between domestic industries

and foreign industries, with respect to the level of wages and the working conditions involved in the production of articles imported into the United States. I ask that this bill be printed at the end of my remarks, and that it lie on the table until Friday, September 11, in order that interested Members of the Senate may indicate their desire to cosponsor this measure.

Mr. President, I recognize full well that this bill will not be actively considered by the Senate, or by an appropriate committee, until the next session of Congress. Nevertheless, I believe there are a number of real advantages to introducing this bill at the present time. The problem with which this bill is concerned is highly complex, and, needless to say, very controversial. A good many of us recognize the need to take action that will deal effectively and fairly with the difficulties confronting American manufacturers faced with competition from manufacturers abroad whose labor costs are one-tenth of the prevailing American wages in the same industry. While many of us realize that some sort of appropriate action should be taken by the United States on behalf of American industries faced with this situation, there is very little agreement as to the most feasible and effective approach to this problem.

The bill which we are introducing today is intended to center attention on this vital problem. It represents what I believe to be a unique and little discussed approach to this dilemma. It is introduced at this particular time in the hope that, in the intervening months between now and January, considerable study and discussion will be undertaken by individuals and groups interested in this problem. Furthermore, it is hoped that this proposal will stimulate additional proposals, and in this way will result in a useful and careful analysis of the various possible alternative solutions.

Mr. President I should like briefly to analyse the problem with which this bill is concerned. Through the great and protracted efforts of many Americans in the late decades of the 19th century and the early decades of the 20th century, sweatshop labor conditions in the United States have been largely eliminated. This is a fact of which every American can be justifiably proud.

In the years since there was enacted in the country legislation prohibiting sweatshop labor conditions, foreign trade has expanded greatly. The result is that foreign industries wherein wages are low and labor conditions are unsatisfactory now compete actively with American industries in which such conditions are specifically prohibited. For example, if an employer in another country pays only 15 cents or 20 cents or 25 cents an hour in wages, he has a very significant advantage over his American counterpart, who must pay more than one dollar an hour, under the Federal law, and who, in most cases, as all of us know, pays considerably more than the one dollar an hour minimum wage. This is especially true if the foreign manufacturer also enjoys more lenient laws regarding labor conditions. By labor conditions, I refer to such matters as hours, work days per week, age of employees, and required hygienic facilities.

It is evident that the American manufacturer who is forced to compete under these circumstances is at a great disadvantage. This is especially true if, in his particular industry, wages represent a large part of the total production cost, as in the case of the manufacture of garments, cloth, sporting equipment, novelty items, toys, and certain small appliances. In such cases, the American manufacturer is, in a way, forced to subsidize the substandard conditions abroad in light of the fact that such conditions are illegal in the United States.

I recognize full well the great problems which any action to remedy this situation automatically create for American foreign policy. I recognize, too, the importance of American trade for every country of the free world. In this connection, I certainly agree that we must move cautiously and deliberately in this matter.

Mr. President, this proposed legislation is, I believe, a worthwhile step in the direction of a tenable solution to this problem. I hope that the recess period and the session to come will be marked by further steps in this direction on the part of the Congress and of all interested parties in this country, and, for that matter, on the part of all interested parties abroad.

The basic purpose of this bill is to establish the principle in the law that the differential in wages and working conditions between this Nation and a foreign competitor should be taken into account in America's foreign trade regulations and policies. Under the bill, this principle would be applied in all those cases in which such a differential is a major factor in the decline or threatened decline of an established American industry.

The procedures established in this bill provide that either the President or Congress can initiate action in those cases in which competition on the part of foreign industries, wherein low wages and substandard labor conditions prevail, seriously threatens domestic producers in the same industry. In addition, the representatives of an affected industry or of a union in an affected industry can file a petition for relief. Since it is the differences in labor costs and labor conditions which are the bases for action under this bill, it is through the Secretary of Labor that relief is obtained. The Secretary or his designee is empowered, upon an appropriate request or petition, to carry out a thorough investigation of any situation in which it is held that the differential in labor costs and conditions allows foreign producers to seriously threaten their American counterparts.

Mr. President, it is my opinion that the competitive conditions which are crucial to this legislation, namely, labor costs and conditions, can be determined and appraised on an objective basis. Both wages and labor conditions under this bill are defined in terms of the requirements imposed upon domestic industries under fair labor standards and minimum wage and hour legislation and under other Federal and State laws regarding wages and labor conditions. It is, of course, expected that the Labor Department's Bureau of Labor Statistics would play an important role in the investigation process described above.

Once an investigation is completed, the Secretary shall then recommend a suitable adjustment for the inequalities in competitive conditions in any situation in which it is established that wages and labor costs are sufficiently unequal to warrant relief. The President would then have 60 days in which to disapprove of the Secretary's proposal if he felt that it would be unwise on the basis of overriding foreign policy considerations. If he did not disapprove, the Secretary's recommendation would then go into effect.

Mr. President, the legislative proposal described above was inspired by a meeting which I sponsored that was held in Washington several weeks ago. The meeting was attended by several of our colleagues and by representatives of the clothing industry and of the Amalgamated Clothing Workers of America. All present were in agreement that the workers and employers in many sectors of the hard pressed garment industry are greatly in need of some sort of relief with regard to the serious threat posed by low-cost foreign imports. I personally came away from this meeting with the hope that serious and concentrated efforts on the part of Congress, the industry, and the unions involved, would produce a means by which suitable relief could be provided. Mr. President, I hope that this proposal, along with others which have already been made or are forthcoming, will stimulate constructive discussion and research, and will eventually result in an effective and tenable solution for this important problem.

Mr. President, I would be remiss in my obligations were I not to express my personal gratitude in the formulation of this proposed legislation for the aid extended to me by the counsel for the garment industry, particularly the men's clothing industry, and by the counsel of the Amalgamated Clothing Workers of America, both of whom have been very helpful in the preparation of this bill. However, I want to stress the fact that this bill is not limited to any one industry.

I sincerely believe that the formula prescribed in this bill represents a partial answer to the problem to which this bill is addressed. Many of us who consistently have been strong supporters of the reciprocal trade principle, but who have found that over the years, as our imports have increased and our exports have declined, find that we now face a somewhat different situation from that which we faced when the Trade Agreements Act was enacted.

Let me make it clear that I intend to continue to be a supporter of reciprocal trade, because I recognize the necessity for us to import goods into this country,

in order that we will, as a result, be able to pay for the goods which are exported from the United States. But the situation is considerably different at this time from what it was when the Reciprocal Trade Agreements Act was first enacted. I am hopeful that the formula which is presented in this proposed legislation, or some modification of it, may form the basis for constructive action by Congress next year to meet the situation which presently confronts us with respect to the inroads made by foreign manufacturers into certain established American industries.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD, and held at the desk, as requested by the Senator from New York.

The bill (S. 2663) to provide for equalizing the conditions of competition between domestic industries and foreign industries with respect to the level of wages and the working conditions in the production of articles imported into the United States, introduced by Mr. KEATING (for himself, Mr. BEALL, Mr. COTTON, Mr. DODD, Mr. SCOTT, Mr. BUSH, and Mr. SALTONSTALL), was received, read twice by its title, referred to the Committee on Finance, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding immediately following section 337 (unfair practices in import trade) the following new section:

"SEC. 337A 1. FINDINGS.—Sweatshop labor conditions in the United States are illegal and have been largely eliminated. However, the rapid expansion of American foreign trade in recent years, in effect, permits foreign industries in which substandard conditions exist to compete with American industries in which such practices are explicitly prohibited by law. As a result, many Amercan industries, especially those in which labor costs constitute a significant proportion of the total production cost, have been substantially damaged or are now threatened by such foreign competition. The following procedures are designed to provide relief for American industries which, while being prohibited by law from establishing sweatshop labor conditions, are threatened with extinction by foreign industries in which labor conditions (judged on the bases specified in the United States Fair Labor Standards Act of 1938) are substandard.

"2. PROCEDURES.—(a) Upon the request of the President, upon resolution of either House of Congress, or upon application of the representative of any domestic industry or employee organization adversely affected by imports of articles produced in any low-wage country or countries, the Secretary of Labor (hereinafter referred to as the 'Secretary') or his designee shall promptly make an investigation of any situation in which it appears that the differential in total labor costs allows foreign producers to take advantage of unequal competitive conditions in the light of the requirements imposed upon domestic industries under the Fair Labor Standards Act of 1938 and other Federal and State laws.

"(b) Should the Secretary find, as a result of his investigation, and upon examination of all relevant factors, that the labor cost differential in any such case should be equalized in order to afford relief to the domestic industry, he shall specify and declare such new or additional duty or duties as he shall determine will offset the disadvantage in competition with respect to the specified country or countries; and effective the day after date of issuance of an order to that effect there shall be levied, collected, and paid upon the articles enumerated in such order when imported into the United States from any such foreign country or countries such new or additional duty. Any such new or additional duty shall be put into effect provisionally and shall become finally effective 60 days after the date it provisionally goes into effect unless within such 60 days the President disapproves the action of the Secretary for reasons of overriding foreign policy considerations.

"(c) In determining whether the representative of any domestic industry or employee organization is qualified to make application under the provisions of this section the Secretary shall consider, among other factors, the standards of living in competing countries as measured by wages and the purchasing power of those wages in the light of the standards specified in the Fair Labor Standards Act of 1938.

"(d) A report shall be made and published upon the disposition of each request, application, or resolution under this section. The Secretary shall publish procedural regulations to give effect to the authority conferred upon him hereunder.

"(e) After investigation, finding, and declaration in the manner provided in the case of an order issued pursuant to subsection (b) of this section, any order or provision thereof may be suspended or terminated by the Secretary whenever he finds and declares that the circumstances requiring the order or provision thereof no longer exist or may be modified by the Secretary whenever he finds and declares that changed circumstances require such modification to carry out the purposes of this section."

SEC. 2. This Act shall enter into force as soon as practicable, on a date to be specified by the President in a notice to the Secretary of the Treasury following such negotiations as may be necessary to effect a modification or termination of any international obligations of the United States with which the amendment might conflict, but in any event not later than 180 days after the date of enactment of this Act.

INTEREST RATES

Mr. HUMPHREY. Mr. President, today the Senate considered the interest rate on series E and H U.S. savings bonds and acted favorably upon the amendment offered by the Senator from New Mexico [Mr. ANDERSON].

I voted for that amendment because I thought it was in the public interest, and because I felt it safeguarded the monetary and fiscal policy of our country, and represented a most constructive and salutary measure.

Mr. President, Tuesday the First National City Bank of New York raised its prime rate from 4½ percent to 5 percent. As my colleagues know, the prime rate is the fee which commercial banks charge to their biggest borrowers and those with the best credit ratings.

This act by the First National City Bank in New York touched off a wave of similar rate increases throughout the Nation. The newspapers tell the story and it is one which will affect directly and indirectly all of our people.

The Wall Street Journal has a headline story entitled: "Prime Rate Is Raised to 5 Percent From 4½ Percent by Major Banks—Key Short-Term Money Rates Up One-Quarter to Three-Eighth Point." And in a subhead it is reported: "Prime Rate Highest Since 1931—Heavy Loan Demand, Shortage of Funds Cited."

Another article from the Wall Street Journal has the following headline: "Treasury Issues Drop to New Lows Following Boost in Prime Rate"; "U.S. Bonds Offer Highest Average Yield Since 1932—Top-Grade Corporates Ease."

On the same page there is another article headed "Record U.S. Debt Passes $290 Billion, Still Rising." And the lead paragraph reads:

> Uncle Sam is deeper in debt than ever before in history, and is due to go even further in debt before the year is out.

I invite the attention of my colleagues to another story from the Wall Street Journal, entitled "Installment Credit Rise in July Was Biggest in 4 Years—Adjusted Gain of $500 Million Pushed Consumer Debt to Record $36.4 Billion."

I repeat, Mr. President, installment credit stands at more than $36.4 billion, an alltime record high, nearly $3.4 billion above the amount outstanding a year ago. When this administration came into office, installment credit was $19.4 billion. It has virtually doubled in a period of less than 7 years.

As a result of the administration's tight money policies, we see more and more of the American people's incomes going into payment of interest as a result of soaring interest rates to which I have referred. No single expenditure of the American people has risen as sharply under this administration as has the cost of borrowing money. And unfortunately, all signs point to the indisputable conclusion that interest rates are going to go even higher.

As the articles to which I have referred point out, the prime interest rate is now at the highest level since 1931, and Treasury issues are at the lowest point since 1932. This, of course, should come as no surprise to those who are familiar with the philosophy and the position of the GOP. It has clung stubbornly and tenaciously to the theory that tight money policies are in the best interest of the Nation, as being necessary to prevent inflation. The fact that this theory has been disproved in practice seems to make no impression on our good friends in the Republican Party.

During the period from the middle of 1954 until 1957, when interest rates were steadily rising due to the deliberate restriction in the supply of money, the administration argued that this was necessary in order to hold down the cost of living. Yet the record clearly shows that during this period prices did not remain stable, but they rose steadily and increasingly to new record highs. In 1956 and 1957, as a matter of fact, the rise in prices was one of the greatest in any peacetime period in our Nation's history.

Yet, the administration persists in its position that we must have a credit squeeze, in the meantime the interest rates are soaring and soaring. It will not be long until we see money rates reach the level which was established when Andrew Mellon was Secretary of the Treasury.

The fact of the matter is that the inflation which we have been experiencing in recent years under this administration has not been due to an excess supply of money. Quite the contrary. As my distinguished colleague, the junior Senator from Wisconsin, has pointed out, the supply of money in relation to the gross national product has in fact been declining in recent years and is now at the lowest level since the 1920's.

The most authoritative member of the Senate on the subject of monetary policy, the senior Senator from Illinois [Mr. DOUGLAS], has said that we are not in a period where there is an excess supply of money in relation to demand for goods and services. The rise in the cost of living is due rather to factors such as administered prices which are now being considered by the Joint Economic Committee under the able chairmanship of the senior Senator from Illinois.

This administration has argued that we cannot afford wage increases and that we should not raise the minimum wage because this will be inflationary. It tells us that we should not have firm farm price supports, and it argues that such supports contribute to inflation. But for some strange reason, the administration feels that increases in the cost of borrowing money, by some unusual manner of reasoning, are not inflationary. As a matter of fact, our Republican logicians argue that raising the price of money is actually anti-inflationary.

It has never ceased to amaze me, Mr. President, how vigorously this administration opposes proposals to benefit those less fortunate members of our society at the bottom of the economic ladder, while it is ever ready to lend a helping hand to those at the top. When we propose raising the minimum wage law, the administration says "No." When we propose public housing for low income families, the administration says "No." When we propose a program to provide housing for the elderly, the administration says "No." When we propose realistic farm price support programs for the family farmers, the administration says "No." But when it comes to the question of raising interest rates, which will directly benefit the wealthy segment of our society, the administration eagerly presses for approval.

It is time the American people who borrow money to buy a home, or to buy a car, or to buy furnishings, or to meet doctor bills, or to attempt to start a small business, realize just how much they are paying in the form of interest and who is responsible for the sharp and seemingly never-ending rise in the cost of money.

I have spoken out on this issue many times before. As a matter of fact, I called attention in 1953 to the inherent dangers of the administration's tight-money policy and what it would mean to America. I intend to continue to call the attention of the American people to what is involved in the administration's tight-money policies and to show how it affects each and everyone of us.

In conclusion, Mr. President, I ask unanimous consent that the articles from the Wall Street Journal of September 2 to which I have referred be printed at this point in the RECORD.

I also ask unanimous consent that the following articles from the Washington Post of September 2 be printed at this point in the RECORD: "U.S. Debt Tops $290 Billion"; "Installment Debt Reaches Alltime High"; "Prime Bank Rates Increased to 5 Percent"; "Stocks Tumble on Prime Rate Increase—U.S. Bonds Hit New Low."

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

[From the Wall Street Journal]

PRIME RATE IS RAISED TO 5 PERCENT FROM 4½ PERCENT BY MAJOR BANKS—KEY SHORT-TERM MONEY RATES UP ONE-FOURTH TO THREE-EIGHTHS POINT—PRIME RATE HIGHEST SINCE 1931—HEAVY LOAN DEMAND, SHORTAGE OF FUNDS CITED

Business borrowing costs surged upward along a broad front yesterday at First National City Bank of New York touched off a one-half percentage-point increase in the prime rate—the basic bank lending charge.

First National City raised the prime rate early yesterday to 5 percent from the 4½-percent rate which had been in effect since mid-May. The prime rate is the fee commercial banks charge for loans to their biggest borrowers with the best credit ratings. Other lending rates are scaled upward from the prime rate. The new rate is the highest in 28 years.

The move by the big New York City bank sparked these quick reactions:

A number of leading banks in New York City and in other major cities across the country promptly followed First National City's lead. Other banks which did not immediately follow the increase were expected to announce similar rate boosts soon.

SHORT-TERM RATES ALSO RISE

Key short-term money rates—bankers' acceptances and commercial paper—moved up by one-fourth percentage point to three-eights point. These increases followed another rise in yields on U.S. Treasury bills Monday. Treasury bills, whose yields climbed to the highest level in 26 years for the second week in a row, compete with bankers' acceptances and commercial paper for short-term investment funds.

A number of New York City banks also raised the lending rates to brokers and dealers for purchasing or carrying non-Government securities. This rate moved to 5 percent from 4½ percent early yesterday along with the prime rate.

The latest prime rate increase prompted speculation the Federal Reserve System might soon increase the discount rate—the fee charged member commercial banks on loans from the System. The discount rate was raised to its current 3½ percent from 3 percent in late May, about a week after the last prime rate boost.

Indications in Washington have been that the Federal Reserve would like to wait until the steel strike is settled before approving a higher discount rate. However, commercial banks, charging 5 percent to their customers, now will have an unusually wide spread between what they charge their customers and the 3½ percent rate they pay to borrow from the Federal Reserve.

Also, the rates on 13-week Treasury bills have been well above the 3½ percent discount rate for the past 2 weeks. The latest issue Treasury bills, for instance, sold Monday at a 3.889 percent yield, up from 3.824 percent a week earlier. The Federal Reserve prefers to keep the discount rate at or above the yields on Treasury bills to discourage banks from borrowing from the System at a lower rate in order to make a profit on the higher-yielding bills.

BOOST IS NO SURPRISE

The prime rate boost was not a surprise since banks have been squeezed between increasing demand for loans to businesses and a growing shortage of loanable funds. In addition, sagging bond prices in recent weeks have forced banks to take heavier losses on any sales of Government securities to raise money to lend, causing the banks to be reluctant to make such sales.

A prime rate change is traditionally started by a large New York City bank since out-of-town banks are usually reluctant to boost the rate for fear of driving away some of their bigger customers. The last previous prime rate change in May also was initiated by First National City.

Banks outside New York City were quick to join the trend to the 5 percent prime rate yesterday. Nearly all the Nation's largest commercial banks said they were following First National City's move.

One reason: Loan volume has been rising at a faster rate in many money centers outside New York than among the banking giants in New York itself. In the past year, for example, the total of commercial and industrial loans outstanding at New York City banks has increased 4 percent. But the increase in the same period has been 15 percent among west coast banks and 10 percent in the southeastern States. "This [rate increase] is overdue," commented Harold W. Scott, senior vice president of First Pennsylvania Banking & Trust Co. in Philadelphia. "If New York and Chicago [banks] had been affected by this loan demand the way we have, it would have happened 6 weeks ago."

And bankers in New York and elsewhere expect seasonal factors, such as credit needs to move crops to market and to stock up merchandise inventories for fall and Christmas business, to push up loan demand for the rest of the year. A possible settlement of the steel strike in coming weeks would give added impetus to a borrowing surge.

The Federal Reserve System, since early spring, has been tightening up on the amount of money banks have to lend, in line with the System's present policy of countering any inflationary tendencies in the economy.

The amount of money banks can lend is governed by their reserves—the percentage of deposits member banks are required to keep on deposit at Federal Reserve banks. On a given day some banks may have reserves that exceed their legal requirements while other banks may have to borrow from Federal Reserve banks to meet reserve requirements.

When total borrowings are greater than total excess reserves, it means the banking system as a whole has gone into debt to Federal Reserve banks to make some loans. Commercial banks as a whole this summer have been in debt to the System an average of $500 million, with borrowings (over and above excess reserves of some banks) reaching nearly $1 billion at times.

HIGHEST RATE SINCE 1931

At 5 percent, the prime rate is the highest since 1931. Until the early 1930's, bankers say, there was no posted prime rate as lending charges were negotiated between the banks and the borrowers. Lending charges generally were higher than 5 percent in the late 1920's. In 1929, for example, money market observers say it was not uncommon for a large corporate borrower to pay 6 percent on a loan.

Short-term interest rates other than bank rates also continued their upward climb yesterday following the rise in yields on Treasury bills and announcement of the higher prime rate.

Commercial paper dealers boosted their rates by ¼-percentage point on unsecured

promissory notes sold in the open market—the first ¼-point increase in almost a year. Previous rate changes in recent months had been ⅛-point at a time.

The new scale on so-called "open market" commercial paper ranges from 4⅜ percent on four-to-six month notes of leading industrial concerns to 4⅞ percent on those of lesser-known companies and smaller sales finance firms.

Several sales finance companies also announced boosts ranging from ¼-percentage point to ⅜-point on commercial paper which they issue and place directly with investors.

For most of the major sales finance firms, the new rate schedule on directly-placed paper is:

Maturities of 30 to 59 days, 3⅞ percent, up ¼ point; 60 to 89 days, 4⅛ percent, up ¼ point; 90 to 119 days, 4¼ percent; 120 to 149 days, 4⅜ percent; 150 to 179 days, 4½ percent, up ⅜ point, and 180 to 270 days, 4⅝ percent, up ⅜ point. Previously most paper maturing in 90 to 149 days had been grouped in one category, which had carried a 4-percent rate.

Finance firms announcing this increased scale included General Motors Acceptance Corp., CIT Financial Corp., Pacific Finance Corp., Associates Investment Co., International Harvester Acceptance Corp., General Electric Credit Corp., and General Finance Corp.

Sears Roebuck Acceptance Corp. said it was also increasing its rates by one-fourth point to three-eighths point, but it offers different categories of maturities. Its new rates are 4 percent on paper maturing in 30 to 59 days, 4⅜ percent on notes due in 60 to 149 days, and 4⅝ percent on paper due in 150 to 270 days.

Four dealers in bankers' acceptances raised their rates by one-eighth point early yesterday, but a fifth dealer, Salomon Bros. & Hutzler, boosted its rates by one-fourth point. Before the afternoon was over the other four firms had matched the one-fourth point increase.

The new bankers' acceptances scale is: For bills maturing in 30 to 90 days, 4 percent bid, 3⅞ percent offered; 91 to 120 days, 4⅛ percent bid, 4 percent offered; and 121 to 180 days, 4¼ percent bid, 4⅛ percent offered.

The scale was put into effect by Salomon Bros. & Hutzler; Briggs, Schaedle & Co., Inc.; First Boston Corp.; Discount Corp. of New York; and M. & T. Discount Corp.

Commercial paper is the money market term for two types of short-term borrowings, largely for seasonal needs. One type, so-called open-market paper, is sold by dealers for industrial "names" and smaller sales finance companies, usually to banks outside New York City. Since the last prime rate change in May, rates on this type of commercial paper have climbed by about seven-eighths percentage point to the highest level since the early 1930's.

The other type of commercial paper consists of notes of large sales finance companies which are sold directly to investors, often other corporations. Several sales finance firms said yesterday their new commercial paper scales were the highest since about 1932.

Bankers' acceptances generally are bills to finance the export, import and domestic storage or shipment of goods. A bank lends money in return for a note which it "accepts," thus placing its credit behind that of the borrowers. These bills then can be sold through dealers in the open market. Since mid-May, the time of the last prime rate increase, rates on bankers' acceptances have gone up about three-fourths percentage point. Dealers said, however, the present scale is still slightly under the high levels reached in the fall of 1957.

First National City announced the prime rate increase about 10:20 a.m. yesterday. Within a few minutes, Hanover Bank, Chase Manhattan Bank and Irving Trust Co., all of New York, and several banks in Philadelphia followed.

RATE RISE SPREADS

Before the day was over, the prime rate increase had spread to major banks in Boston, Cleveland, Kansas City, Dallas, Chicago, Pittsburgh, San Francisco, Los Angeles, Jacksonville, Atlanta, Detroit, Portland, and Seattle.

Other major New York City banks which quickly followed the increase were Morgan Guaranty Trust Co. of New York, Marine Midland Trust Co. of New York, United States Trust Co., Bank of New York, and Brown Brothers Harriman & Co.

Among the New York City banks that did not announce an immediate change in the prime rate were Chemical Corn Exchange Bank, New York Trust Co., Manufacturers Trust Co., and Bankers Trust Co.

Other banks across the country which announced increases include:

Philadelphia National Bank and First Pennsylvania Banking & Trust Co., Philadelphia; First National Bank of Boston; Cleveland Trust Co.; Republic National Bank and Mercantile National Bank, Dallas; First National Bank of Chicago; Continental Illinois National Bank & Trust Co. and Harris Trust & Savings Bank, Chicago; Mellon National Bank & Trust Co., Pittsburgh; Bank of America and American Trust Co., San Francisco; Security-First National Bank, Los Angeles; Citizens & Southern National Bank, Atlanta; Barnett National Bank, Jacksonville; Commerce Trust Co., Kansas City; First National Bank of Oregon and United States National Bank, Portland; and First National Bank, Seattle.

BOND MARKETS—TREASURY ISSUES DROP TO NEW LOWS FOLLOWING BOOST IN PRIME RATE—U.S. BONDS OFFER HIGHEST AVERAGE YIELD SINCE 1932—TOP-GRADE CORPORATES EASE

NEW YORK.—U.S. Government bonds plummeted to new lows yesterday, following news that commercial banks across the country were boosting their prime rate to 5 percent from 4½ percent. Investment-quality corporate issues gave up fractions. Tax-exempt State and local government securities were almost neglected, for the second consecutive session.

At yesterday's close, according to Government bond men, U.S. Treasury issues were offering investors the highest average yield since January 1932. The top return of 4.95 percent, based on the usual method of yield calculation, was being given by the 2½s of 1961. Even larger taxable-equivalent returns were being figured on some longer issues, selling at deep discounts from par, for investors in the higher income tax brackets.

The prime rate is the one commercial banks charge on loans to their biggest borrowers with the highest credit ratings. The new 5 percent annual charge for loans of this type is the highest since 1931. In the bond markets, prices decline when interest rates rise.

U.S. Treasury issues were trying to do a little better yesterday morning before the prime rate announcement, although the prime rate boost was not unexpected. Once the announcement came over the newstickers at midmorning, prices turned lower and a number of key issues ended the session with losses ranging to nearly half a point.

Commenting on yesterday's market, one Government bond dealer said: "Activity dried up. Nobody was buying anything and some selling developed after the prime rate change was announced."

Showing losses of fourteen thirty-seconds on the session were the 3¼s of 1985, which ended at 85^{18}/$_{32}$ bid, and 3½s of 1990, which ended at 87^{10}/$_{32}$ bid. At yesterday's close, the 3¼s were yielding the buyer 4.15 percent while the 3½s were offering a yield of 4.22 percent.

The Treasury's new 4¾ percent notes, due May 15, 1964, offered recently in exchange for securities that fell due August 1, ended the session unchanged at 100 bid. The companion 12½-month 4¾-percent notes eased one thirty-second to end at 100^{3}/$_{32}$ bid.

Investment-quality corporate bonds showing declines yesterday included Consumers Power Co. 4⅝s, which ended one-eighth easier at 96 bid, and Houston Lighting & Power 4⅞s, which were three-eighths lower at 97⅛ bid.

Small retail sales left the unsold balances of last week's major corporate offerings almost unchanged from Monday. General Motors Acceptance Corp.'s $125 million of new 5s being offered at par to yield 5 percent, were a little more than 85 percent sold. The $65 million of Pacific Gas & Electric Co. 5s, also placed on the market last week at par to yield 5 percent, were still about half sold.

Municipal bonds were unusually quiet. Several issues that reached the market in recent weeks continued to show large unsold balances, almost unchanged from those reported late Monday.

A "fair" reception was indicated for the $12.5 million of Los Angeles, Calif., various purpose bonds that came into the market yesterday.

Tax-exempt revenue bonds were lower on small turnover. Massachusetts Port Authority 4¾s were off one-half at 99¼ bid.

Secondary and more speculative railroad bonds were quiet and a shade easier.

RECORD U.S. DEBT PASSES $290 BILLION, STILL RISING

WASHINGTON.—Uncle Sam is deeper in debt than ever before in history, and is due to go even further in debt before the year is out.

Last Thursday, the latest day for which the Treasury has debt totals, the Government's direct and guaranteed debt topped the $290 billion mark for the first time. However, the public debt subject to the temporary legal $295 billion limit set by Congress earlier this year was a little lower—$289.9 billion. This is because a small portion of the debt taken on before World War I, is not subject to the legal ceiling.

However, the Treasury expects the amount subject to the legal limit to get close to $295 billion about mid-December. Then it will start going down, and is expected to be about $285 billion next June 30, the end of the fiscal year. At that time, the legal debt ceiling also drops back to $285 billion. Congress specified that the $295 billion ceiling was to be only temporary until then.

The Government's debt usually increases in the fall months, because the Treasury is paying out more money than it is receiving in taxes. During the first half of next year, the Treasury expects to be getting more income from taxes than it spends, and thus the debt would shrink to the $285 billion mark.

[From the Wall Street Journal, Sept. 2, 1959]

INSTALLMENT CREDIT RISE IN JULY WAS BIGGEST IN 4 YEARS—ADJUSTED GAIN OF $500 MILLION PUSHED CONSUMER DEBT TO RECORD $36.4 BILLION—AUTO CREDIT ROSE SHARPLY

WASHINGTON.—Consumer installment credit rose more in July on an adjusted basis than in any other month in nearly 4 years, the Federal Reserve Board reported.

Installment debt outstanding in July increased by a seasonally adjusted $500 million, officials said. This was the biggest monthly rise since an adjusted $518 million rise in September 1955. Extensions of new credit in July also reached a record for any month, gaining an adjusted $4.1 billion,

while repayment of old debt came to an adjusted $3.6 billion.

The increase in installment debt in July raised the total outstanding at the end of the month to a record of more than $36.4 billion, officials reported. This was nearly $3.4 billion above the amount outstanding July 31, 1958.

Outstanding auto credit in July rose an adjusted $227 million—the largest increase for any month this year. At the end of July, total auto credit outstanding was $15.8 billion. Other consumer goods credit and repair and modernization loans rose at about the same rate as in recent months. Personal loans outstanding rose by a record $123 million in July, on an adjusted basis.

Government economists rate the willingness of consumers to take on an increasing amount of installment debt as one of the prime factors in the business boom. Federal Reserve Board officials have commented that the consumers' demand for money for installment purchases also has been a factor in the tightening of credit.

Noninstallment credit in July—single-payment loans, charge accounts and service credit—went up $147 million on a seasonally adjusted basis, Federal Reserve Board officials reported. The increase brought the total outstanding at the end of the month to $10.8 billion, a rise of $958 million from a year ago.

Total consumer credit—installment and noninstallment—rose by a seasonably adjusted $647 million, officials added. This brought total consumer credit outstanding on July 31 to a record $47.3 billion, a rise of $4.3 billion from the amount outstanding a year ago.

Short- and intermediate-term consumer credit outstanding

[Estimates, in millions of dollars]

Type of credit	July 31, 1959	Change during July		
		Unadjusted	Seasonal adjustment	Year ended July 31, 1959
Installment credit, total	36,449	+639	+500	+3,375
Automobile paper	15,780	+361	+227	+1,213
Other consumer goods paper	9,183	+106	+120	+986
Repair and modernization loans	2,282	+42	+30	+221
Personal loans	9,204	+130	+123	+955
Noninstallment credit, total	10,807	−99	+147	+958
Single-payment loans	3,807	−35	+77	+434
Charge accounts	4,272	−46	+41	+345
Service credit	2,728	−18	+29	+179
Total consumer credit	47,256	+540	+647	+4,333

[From the Washington Post and Times Herald, Sept. 2, 1959]

U.S. DEBT TOPS $290 BILLION

The Treasury said yesterday the national debt now exceeds $290 billion for the first time in history.

As of Thursday, the gross public debt was $290,306 million. The portion subject to legal ceiling was $289,890 million. A small part of the debt, made up largely of obligations incurred before World War I, is not subject to the legal limit.

Treasury officials expected the debt to continue climbing until mid-December, when it will approach the temporary legal ceiling of $295 billions.

INSTALLMENT DEBT REACHES ALLTIME HIGH

The installment debts of all Americans increased $500 million in July to a record $36.5 billion, the Federal Reserve Board reported yesterday.

The month-to-month increase was the largest since September 1955, when installment credit increased by $518 million.

Consumers took on $4,102 million in new installment debts in July—more than in any other month on record. At the same time they paid off $3,602 million in old debts of this kind.

The Board said all these figures were adjusted for seasonal variations in credit movements.

Outstanding automobile credit rose $227 million in July, a bit more than in May and June but about the same as in April. Extensions of personal loans exceeded repayments by a record $123 million.

Outstanding noninstallment credit increased by $147 million, bringing the total to $10,807 million. The largest increase was in single payment loans.

PRIME BANK RATES INCREASED TO 5 PERCENT

NEW YORK, September 1.—Loans to business rose to their highest cost in 28 years today when commercial banks boosted the prime rate from 4½ to 5 percent. That is what banks charge their biggest customers with the best credit ratings. It is a basic money market charge because other interest rates are always scaled up from it.

The hike was followed by increases in dealer and finance commercial paper and bankers acceptances. Rates on broker and dealer loans also went up from 4½ to 5 percent.

The increase in the prime rate was started by First National City Bank of New York, second largest in the city and third in the Nation. The new rate was adopted almost immediately by Chase Manhattan Bank, largest in the city.

Other major banks in New York and around the country joined the parade. Not all, however, made the change effective immediately.

[Washington bankers, who usually take their cue from New York institutions, said they had the situation under study. It was generally understood they would raise their prime rate before long.]

The last increase in the prime rate was in May from 4 to 4½ percent.

"Seldom before has there been a situation in which an increase in the prime rate was so self-evident," said a spokesman for one of New York's big banks.

"Business demand for loans has been increasing at a record rate not only in New York but around the country," he said. "Correspondent banks from out of town have been calling us repeatedly in recent weeks to take a piece of this or that loan."

On its latest issue of Treasury bills, the Government had to pay an interest rate of 3.889 percent for 13-week bills and 4.468 percent for 26-week bills. That's a 26-year high for the 13-week bills and the highest for the 26-week category since they were started last December.

Many corporations, this bank spokesman said, found it cheaper to raise money through short-term bank loans at the old 4½-percent rate than to get it in the capital market through bond or stock flotations.

This put a tremendous squeeze on banks. In times of tight money banks normally secure funds for commercial loans by selling Government securities. In the past year, for instance, major New York banks reduced their holdings of Treasury securities from $8 billion to about $6 billion.

But Government bond market prices have fallen to historic lows in the past week or 10 days and any further sales of such securities by banks would mean heavy losses.

STOCKS TUMBLE ON PRIME RATE INCREASE—U.S. BONDS HIT NEW LOW

NEW YORK, September 1.—The stock market today tumbled to its worst loss in 3 weeks as leading banks boosted the prime interest rate charged to their biggest borrowers.

The news, because of its timing, came as a surprise to Wall Street. The trend to higher rates has been remorseless and unmistakable but a hike in the prime rate was not expected today.

The banks raised the interest rate to 5 percent from 4½ percent, effective immediately.

U.S. Government bonds lost as much as half a point today in the wake of the increase in the prime lending rate. Practically all Treasury issues were at new historic lows. The corporate market closed lower on moderate turnover.

Off $^{16}/_{32}$ were the Victory 2½s of December 1972–67 at $81^{16}/_{32}$, the 3¼s of 1983–78 at $85^{28}/_{32}$, and the 4s of 1980 at $96^{1}/_{32}$ bid. All were at historic lows. The 3s of 1995 lost $^{1}/_{32}$ at $82^{20}/_{32}$, while the 2½s of 1963 eased $^{2}/_{32}$ at $91^{24}/_{32}$ bid. Trading was light and dealers said buyers were hard to find.

In the stock market, motors and steels, pacemakers yesterday because of glowing prospects, reeled backward and took the worst losses at the outset, dragging the rest of the market with them.

Some losses were clipped about midday but the downtrend could not be resisted and closing prices were about the day's worst. Wall Street has never made any secret of the fact that it dislikes high interest costs and anything that puts a crimp on borrowing money, whether for stock purchases or business expansion.

The Dow-Jones industrial average fell 8.51 to 655.90.

The Associated Press average of 60 stocks dropped $2 to $229, with the industrials down $3.10, the rails down $2.20, and the utilities down 30 cents. It was the worst break for the AP average since August 10, when it fell $4.10.

Volume expanded on the selloff, but only slightly. Turnover was 2,430,000 shares, compared with 2,140,000 yesterday.

The retreat was general, affecting most major groups, including oils, chemicals, rails, aircrafts, tobaccos, nonferrous metals, and electrical equipments.

Amid the general retreat, American Motors recovered from a drop of 1¼ and ended the day with a net gain of a point as the most active stocks. It was helped by reports of August sales and rumors it may hike the dividend. It closed at 48½ on turnover of 81,400 shares.

Youngstown Sheet, which has risen on stock split rumors, plummeted 6⅜. Texas Instruments dropped 6½. Brunswick-Balke, despite a 3-for-1 stock split proposal, fell 2⅛.

American Stock Exchange prices declined.

THE YOUTH CONSERVATION CORPS

Mr. HUMPHREY. Mr. President, I also ask unanimous consent to have printed in the RECORD a splendid editorial which was published in the Delano Eagle of Delano, Minn., in Wright

County, where Mrs. Humphrey and I have our home in a community very nearby, at Waverly, Minn.

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

THE LEADING EDITORIAL

Eagle readers know that we are no political friend of our fellow Wright County citizen, Senator HUBERT HUMPHREY, although personally he is a very friendly and easy-to-know guy.

But we always believe in giving the devil his due and in this instance we are in wholehearted support of his Youth Conservation Act proposal.

S. 812 as introduced by Senator HUMPHREY would establish youth conservation camps, patterned after the depression days Civilian Conservation Corps, "to provide the opportunity for healthful training and employment of young men in carrying out such programs of conservation planned and designed by, and under the immediate supervision of, the various Government agencies charged with the responsibility of carrying out such programs; and to enable the governmental agencies charged with the responsibility of conserving and developing natural resources to accelerate programs planned by such agencies to fulfill such responsibility."

Youths between the ages of 16 and 21 would be eligible to join the corps with Indians given priority for any work to be performed on Indian reservations or lands adjacent thereto. Enrollment would be for 6 months but no one could reenroll for a period longer than 2 years.

Base pay would be $60 per month plus quarters, subsistence, and travel expense, clothing, medical expense, etc.

Enrollment would be limited to 50,000 youths the first year, 100,000 the second year and 150,000 each year thereafter.

The bill is designed to do two things, provide a place for those young people who are at loose ends, who do not know what to do and who presently are doing little more than getting into trouble, and to replenish our fast dwindling reserve of natural resources.

There is no question that a new CCC could absorb a large number of young fellows who are bordering on juvenile delinquency and from past experience we can conclude that most of them would be better for the training they would be getting in the forests and other conservation areas.

Neither is there any question about the need of this type of work being done throughout the United States. As a matter of fact we have a hunch that more of this work is needed in the United States than in some of the countries to whom we are sending millions of dollars for similar programs. Spending the money at home is only commonsense.

But we would like to go Senator HUMPHREY one better. We would like to propose the reactivation of the old Citizen's Military Training Camps which flourished in the 1920's. These camps were conducted at Army posts throughout the country for a period of a month to 6 weeks. During that time the trainees lived and were trained just like in Army boot camp. They were eligible to reenroll for a period of up to 4 years and as they came back each year they advanced in rank.

Such camps, conducted in the summer only, would serve to take a lot of young men off the streets. They would also serve as a means to provide the military training for those youths who wanted to go on to college and did not want to take 6 months off for military training as is now necessary. The camps would also be useful in providing additional training for the fledgling officers of the college ROTC units.

For years we have been sending an unceasing flow of money to foreign lands for very dubious purposes. A little of it spent at home, we believe, would provide far greater dividends.

For once, HUBERT, we are with you.

Mr. HUMPHREY. Mr. President, the editorial refers to S. 812, the bill to establish the Youth Conservation Corps.

I note that the editor of the newspaper, as he says very frankly in the editorial, is not generally a supporter of the senior Senator from Minnesota or the policies which the senior Senator from Minnesota votes for and espouses, but in this instance the editor praises the proposal in S. 812 and urges the passage of the bill.

I note the very last line of the editorial:

For once, HUBERT, we are with you.

I wish to say to the editor that I am extremely grateful that for once he is with me, and with me on such a solid and constructive proposal as the Youth Conservation Corps.

I invite the attention of my colleagues to the fact that in the State of New York, and particularly in the city of New York, the Governor, Mr. Rockefeller; the mayor; the chief of police of the city of New York; the juvenile authorities; the social workers; and leaders in church and civic life are all urging a program of the youth camps such as was outlined in the Youth Conservation Corps be established.

I shall not burden the RECORD with the numerous editorials and articles which have come to my attention in recent days and weeks in support of the Youth Conservation Corps type of proposal, but I will say that were there youth camps in America along the lines outlined in S. 812, youth camps which followed the proposal of the Youth Conservation Corps bill, there would not be nearly as many gang fights in New York or in any other place.

It is shocking to me that the Congress of the United States can be so very blind as to not take expeditious action upon a proposal which has passed the Senate, though by a close vote, and put it into effect. I regret that the administration seems to be able to close its eyes to what is happening throughout the Nation among some of our young people.

The prominent and responsible authorities in the field of juvenile activities, who are responsible for the guidance of our young people, as well as those who are responsible for our correctional institutions for juvenile delinquents, are calling out tonight, and have been calling out for weeks, for a Youth Conservation Corps, but the Bureau of the Budget says it is more important to save money than to save souls, to save lives, and to save bodies.

I hope the experiences of the city of New York will stimulate us to take the action we should. The things which have occurred are not peculiar to New York. New York is a well governed city, with a fine, responsible, socially conscious, honest, and effective mayor. The city of New York has a good police department. The city of New York is a well governed city. Like every other city, New York has its problems. One of the problems in city after city throughout this Nation is the problem regarding some of the young people who have organized themselves into what we call youth gangs, which engage in activities of an antisocial nature, which result in riots, violence, destruction of property, and injury to persons.

I am hopeful that the Youth Conservation Corps bill will be passed by the other body. I am hopeful that the President of the United States will put the prestige of his office, as well as his own personal prestige, behind the proposal. It is very important that something be done quickly, before it is too late to save many of these young people from the stigma of becoming criminals and delinquents. Mr. President, I believe one of the ways in which this can be done is the establishment of the Youth Conservation Corps.

I observe that my good friend the Senator from New York [Mr. KEATING] has returned to the Chamber. I know of no State which has a finer record in the field of social welfare and social service than the State of New York. My comments about youth gangs are intended in no way to be a reflection upon any city. It is true with regard to every city, with very few exceptions.

Instead of merely talking about our young people, instead of saying that the young people are doing wrong, and instead of worrying about how many more police we can put on the beat to try to control these youth gangs, why do we not employ people who are youth directors to take young men out to the forests, to the great outdoors, and let them do something constructive for our country?

I say to the Senate that we can save money, if saving money is what people are interested in primarily, with a Youth Conservation Corps.

The editorial I mentioned, and the hundreds of editorials I have received, tell the whole story of the importance of a youth conservation measure; and I am hopeful that those who occasionally glance at the RECORD, this great public document recording the debates and discussions and the speeches in the Congress of the United States, will take note of the fact that there is a way and that the answer is not another 1,800 policemen.

The answer is not to weep crocodile tears over gang wars. The answer is to get up and do what we know will be effective. Take these young men and give them gainful work to do. They are seething with energy. Let them help conserve our soil, our land, and our timber. Let them help work in the great out-of-doors, and we will have a better America and many better young people.

REPORT OF THE COMMISSION ON CIVIL RIGHTS

Mr. HUMPHREY. Mr. President, I address myself now to the subject matter which I had hoped to discuss earlier today, but because of the debate in the Senate on the interest rate policies of our Government I was foreclosed from

so doing. I refer to the report of the Commission on Civil Rights.

The report of the Commission on Civil Rights which was submitted to the President and to Congress this morning is, in my mind, a most encouraging document. I wish to commend the Civil Rights Commission for its courage, for its forthrightness, and for its vision.

To be accurate, I should refer in the plural to the documents submitted by the Commission. There is the full 600-page report, a 190-page abridgment, 4 volumes of hearings on voting, education, and housing, and, to come shortly I understand, a volume containing the reports of citizens' advisory committees that the Commission organized in 48 States.

I salute the Commission. Speaking as one Senator, I say "Well done." I express both a personal and an official "thank you" for the work which I believe has been almost beyond the call of duty.

I had hoped earlier tonight to have dinner with one of the most distinguished members of that Commission, Father Hesburgh, president of Notre Dame University. To the Chairman of the Commission and to every member I express my thanks and appreciation for the fine public service that has been performed.

None of us has had an opportunity to study in detail this mountain of material. It appears to be the most comprehensive such study ever undertaken by a Government agency. I have gone over the findings and recommendations of the Commission, which take up about 30 pages. These are most interesting and important.

When the President appointed three Commissioners from the South and three from the North some people predicted that the Commission would be unable to agree upon anything. But the Commissioners agreed unanimously on many of the findings and recommendations, as the Vice Chairman of the Commission, Dean Robert Storey, of Southern Methodist University Law School of Dallas, has stressed. The findings and recommendations on education and housing are unanimous as far as they go. All the findings and the first four recommendations on voting are unanimous. On the biggest and most controversial proposal—for the appointment of temporary Federal registrars to actually register citizens who are qualified to vote under State law but who are illegally denied their right to vote—there was agreement by five out of the six Commissioners.

The two southern members who supported this far-reaching recommendation explained why they did so. I think the words of these two respected southern leaders should be listened to with great attention.

We strongly believe—

Said Dean Storey, of Texas and former Gov. Doyle Carlton, of Florida—

in the right of every qualified citizen of the United States, irrespective of his color, race, religion, or national origin, to register, vote, and have his vote counted. We regard full protection of these rights of suffrage by both State and Federal Governments as necessary and proper (abridged report, p. 95).

While my friend John Battle did not go along with his colleagues on this particular remedial measure, he joined in the unanimous findings of fact on the discrimination against Negro voters and the denials of the right to vote shown in the Commission's Alabama hearings. He also joined in the Commission's unanimous finding that "many Americans, even today, are denied the franchise because of race," and that "this is accomplished through the creation of legal impediments, administrative obstacles, and positive discouragement engendered by fears of economic reprisal and physical harm." Abridged report at page 86.

It will be up to this Congress and to the President to do something about the facts thus unanimously found by this bipartisan Commission. The Commission's recommendations and lengthy documentation supporting these recommendations will need to be carefully studied. From a short perusal of the abridged report I can assure this body that there are facts here that can no longer be ignored in this country. I will cite only a few.

The most detailed example of the manner of denying Negroes their right to vote is to be found in the Commission's Alabama voting hearing, with its unanimous findings of fact. But some of the other instances given in the Commission's report are just as alarming. In one county in Georgia the chairman of the board of registrars denied registration to a Negro on the ground that in his reading test he had pronounced the word "equity" as "eequity"—abridged report at page 56. In Louisiana, registrars were instructed to require registrants to give a reasonable interpretation of the following clauses of the State constitution:

The legislature shall provide by law for change of venue in civil and criminal cases.

The exercise of the police power of the State shall never be abridged.

Prescription shall not run against the State in any civil matter (abridged report at p. 80).

I leave it to your judgment how many of our constituents, or for that matter how many of the nonlawyers in this body, would give an adequate interpretation of "change of venue" or "prescription" running against a State.

Fortunately, denials of the right to vote by reason of race or color are limited to a relatively small geographical area. The heart of the problem is to be found in the 16 counties where, according to the Commission's report, nonwhites constituted a majority of the voting age population in 1950 but not a single Negro is registered, and in the 49 other Negro majority counties with some but fewer than 5 percent of voting age Negroes registered—abridged report at page 45.

It is discouraging, however, to see how ineffective the previous measures adopted to remedy this situation have proved to be. The Commission notes that the provision for civil injunctive actions in the Civil Rights Act of 1957 has not been adequately tested, only three suits having been brought by the Department of Justice in the last 2 years—abridged report at pages 84–85. I would like to call special attention to the footnote of Commissioner George Johnson, one of the Republican members, on page 85 of the abridged report. Commissioner Johnson notes that the Civil Rights Act of 1957 authorizes the Attorney General to "institute a civil action or other proper proceeding for preventive relief" where "there are reasonable grounds to believe any person is about to engage in any act or practice which would deprive any other person" of the right to vote. Commissioner Johnson urged, and I join him in this, that the total absence of Negroes from the registration rolls in 16 Negro-majority counties and the presence of only a few Negroes registered in 49 other such Negro-majority counties warrants an investigation by the Department of Justice to see whether there are not "reasonable grounds" to institute such civil actions. In view of these facts, the record of only three suits by the Civil Rights Division of the Department of Justice in these last 2 years seems to me both incredible and inexcusable.

The Civil Rights Division of the Department of Justice has known of these hearings. It has been informed of the facts in the cases that have been investigated. The work of the Civil Rights Commission has been no secret. Yet the administration, with the authority of law, with all of its high pronouncements on civil rights, with the facts as evident as the nose on one's face, has instituted only three suits in the last 3 years in an effort to protect the voting rights of fellow citizens.

It seems to me that the administration has some explaining to do, and I urge that the Department of Justice take the action which the present law not only makes possible but literally directs in order to protect the great right, and to my mind the most important right, the most important political right, I should say, of a citizen, the right to vote.

However, I must agree with the Commission that "even if the Attorney General should bring civil suits for preventive relief in a larger number of districts where there are presently reasonable grounds to believe that persons are being deprived of their right to vote, there is little reason to believe that such litigation would afford adequate relief." As the Commission explains:

The burden of litigation involved in acting against each new evasion of the Constitution, county by county, and registrar by registrar, would be immense. Nor is there any presently available effective remedy for a situation where the registrars simply resign (abridged report at p. 85).

From all this the Commission finally concluded that "against the prejudice of registrars and jurors, the U.S. Government appears under present laws to be helpless to make good the guarantees of the U.S. Constitution."

That is why the Senator from Illinois [Mr. DOUGLAS], the Senator from Minnesota [Mr. HUMPHREY], the Senator from New Jersey [Mr. WILLIAMS], and other Senators have urged that the Department of Justice be given greater authority to institute proceedings to protect

the legal rights, the voting rights of citizens of the United States.

The Commission's report has laid the groundwork for legislative action to finally remedy this situation. The Commission's recommendation for temporary Federal registrars in cases of arbitrary denials of the right to vote, and the proposal by three members of the Commission for a constitutional amendment establishing universal suffrage and doing away with literacy or interpretation tests or poll taxes may at last provide the ingredients for a solution to this perennial problem.

I hope that action on these and other substantive civil rights measures will be taken early in the next session of this Congress.

I know that it may not be possible to take action in this session, but the 86th Congress has a political and moral responsibility to take action and at least to follow through on the recommendations of the Civil Rights Commission.

If we fail to act on this problem during the next session, it takes no crystal ball to see that these issues will be sharply before both national party conventions and before the people during the next national election. The surest way to prevent trouble at the national party conventions is to take constructive action in this Congress. In that way we can be assured that the respective political parties will be able to adopt resolutions and platforms consonant with the requirements and the needs of the time.

Meanwhile, we must now extend the life of the Commission.

We must extend the Commission because its works has just begun. It has more voting complaints to investigate. There are other States where it will need to hold voting hearings. It needs to complete and keep up to date its compilation of racial voting statistics, county by county. It needs to continue its studies of discrimination in housing and of the role played by Federal housing laws and policies. Particularly in education it needs to continue and extend its studies. It has made a worthwhile beginning here. I would particularly call attention to the two fundamental premises it unanimously adopted in its findings on education:

(1) The American system of public education must be preserved without impairment because an educated citizenry is the mainstay of the Republic and full educational opportunity for each and every citizen is America's major defense against the world threat to freedom.

(2) The constitutional right to be free from compulsory segregation in public education can be and must be realized, for this is a government of law, and the Constitution as interpreted by the Supreme Court is the supreme law of the land.

That three distinguished southerners should join the three northern members in accepting those fundamental premises is most heartening. I am also impressed by their unanimous statement that "the problem, therefore, is how to comply with the Supreme Court decision while preserving and even improving public education." They also state the hard fact which responsible citizens must face and act upon:

The ultimate choice of each State is between finding reasonable ways of ending compulsory segregation in its schools or abandoning its system of free public education (ibid.).

I was also happy to read the Commission's finding that "in many instances desegregation has been used by the local community as the occasion to raise its educational standards."

From these excellent starting points, the Commission can and should go on to become a valuable center for information on how local communities can comply with the constitutional requirement of desegregation and at the same time improve the educational standards of all students.

And beyond these studies in voting, education and housing, the Commission should take up and report upon the other questions of equal protection of the laws such as discrimination in employment, in the administration of justice, in public accommodations, in public transportation.

So let us promptly extend the Commission and during the next few months study its report in order to act promptly on its substantive recommendations in the next session. As Father Hesburgh, the president of Notre Dame and a member of the Commission, says in his closing statement in the Commission report, "no American can escape taking a stand on civil rights."

Each of us—

He says—

must choose to deepen the anguish of the problem, by silence and passivity, if nothing more, or must take a forthright stand on principles that give some hope of eventual solution.

I would like to close by quoting the central principle stated by Father Hesburgh, the principle that I hope this Congress and if not this administration, then let us make sure the next administration, will finally bring to full fruition in this land.

Civil rights—

Says Father Hesburgh—

are important corollaries of the great proposition, at the heart of Western civilization, that every human person is a res sacra, a sacred reality, and as such is entitled to the opportunity of fulfilling those great human potentials with which God has endowed every man.

Mr. President, the report of the Civil Rights Commission is most timely. It comes when we will be called upon within a few days to act upon, No. 1, a supplemental appropriation for the Civil Rights Commission and, I gather, No. 2, an extension of authority of the Civil Rights Commission. I wish the Senate to know that both of these are absolutely required. The work has just started. The beginnings are constructive and lend themselves to a helpful and decent solution of many of the grave problems which affect our country today in the field of human rights. I am pleased that we have made such splendid progress, and I am hopeful we shall continue on in this same constructive and responsible manner.

Mr. ALLOTT. I hope the Senator from Minnesota will not mind if I comment briefly on his speech, which I think is creditable.

As we study the civil rights issue I believe we can agree that one of the main things in the core of the problem which concerns us is to be sure that people have the right to exercise their franchise at the polls; and I agree wholeheartedly that we must act at this session of the Congress or we will have abrogated many of our responsibilities to our constituents. I feel just as deeply as he does about this issue, as he well knows, and I compliment him on calling the matter to the attention of the Senate.

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

Mr. ALLOTT. I am glad to yield.

Mr. HUMPHREY. Not only the voting record of the distinguished Senator from Colorado, as viewed by one on this side of the aisle, but the actions of the Senator from Colorado have demonstrated again and again his sincerity of purpose in the field of civil rights, as in many other areas. He has been a copartner, so to speak, in all the effort that has been made in Congress to enact effective civil rights legislation. I am hopeful that we will be able to continue that record this session and into the next.

Mr. ALLOTT. That is my wish, also, and I appreciate the kind remarks of the Senator from Minnesota.

WATER RIGHTS UNDER STATE LAWS

Mr. ALLOTT. Mr. President, I shall speak briefly on the subject of "Water Rights." What I have to say should be of interest to every Member of the Senate. Water rights mean rights to use water from natural flows for recognized beneficial purposes under whatever laws that apply within any State, whether under a riparian doctrine, or under the doctrine of priority of appropriation. These rights are property rights in this country and are in the category of real property. In some States both surface and ground water rights are granted pursuant to their laws.

Generally, rights to use water are appurtenant to land areas. Riparian rights attach to lands abutting natural bodies of water. In Eastern States such rights have always been recognized. In the 17 Western States—18 including Alaska—ownership or control is claimed by the States of all surface waters within their borders, subject, of course, to interstate compacts and interstate adjudications, but such ownership or control is for the sole purpose of granting permits to secure rights for beneficial uses and for the administration of those uses for the protection of all rights so acquired. The Western States all recognize the priority-of-appropriation doctrine. Priority in this sense implies that first in time constitutes the better right. Federal reclamation law adopts and requires compliance with these laws.

Western States have granted appropriative rights, with priorities dating back to 100 years, to more than 25 million acres of irrigated lands, to municipalities and to industries—for domestic and manufacturing purposes—and for the generation of electricity. All such rights vest in lands benefited by the application of water for agriculture, as in farms, and they vest in muncipal areas, and in places of use as at hydroelectric powerplants. A water right has a specific date of priority in time which attaches to a specific area or site. Neither points of diversion nor purposes and places of use may be changed if other users would be injured thereby. These qualities give appropriations both security and value with a definite status. This is necessary especially in the arid West where supplies rarely meet the demands.

The Committee on Interior and Insular Affairs in the Senate and the House have before them several types of bills which propose to require that the Government, its agencies, and its officials shall use, or let use be made of the waters from a Federal project only if such use is pursuant to State laws pertaining to the appropriation and administration of those water resources. I shall explain why such proposed legislation is before Congress. We are presently facing a situation where implications resulting from interpretations of decisions of the U.S. Supreme Court need our study and our most careful consideration. The appropriation, use, and controls of the water resources of the Western States have been and are excellent examples of highest administrative efficiency. The result is that billions of dollars are invested by private interests in the development of the waters of the West.

The Western States have relied for a century on Federal statutes dating from the act of July 26, 1866, granting rights-of-way to canal owners over public lands (14 Stat. 253). This and 29 additional statutes were listed in appendix B of a statement presented by Senator O'MAHONEY at the hearings before the House Interior Committee on July 20, 1959. The Senator from Wyoming also submitted appendixes A and C.

Mr. President, I ask unanimous consent that these appendixes be included in the RECORD following my remarks.

The PRESIDING OFFICER. Without objection, the appendixes may be printed in the RECORD, as requested.

(See exhibit 1.)

Mr. ALLOTT. Mr. President, the implications of these interpretations, which I mentioned, by some Federal departments, agencies, and officers, have resulted in claims by them that the Government is not bound, nor are any agencies or officials bound, by the laws of States relating to the uses of surface and ground waters. Two recent decisions of the Supreme Court when taken together have brought about this situation. We find in the Government those who still contend that the Government, first, is the owner of all waters in the Western States because it never ceded the waters to the States; and, second, is in full control of the waters of the Eastern States because of the navigability implications of the commerce clause of the Constitution. I shall discuss these claims in that order.

The third item in Senator O'MAHONEY's appendix B is from the Desert Land Act of March 3, 1877 (19 Stat. 377, as amended). It is apparent that the act severed all nonnavigable waters from the public lands of the United States and declared the sources of water supply to be available for appropriation for beneficial purposes. This was the opinion of the Supreme Court in 1935 in *California-Oregon Power Co.* v. *Portland Cement Co.* (295 U.S. 142).

The Desert Land Act followed and supplemented the acts of July 26, 1866, and July 9, 1870, granting rights-of-way to canal owner over public lands. Under the Desert Land Act water rights were required to be obtained in conformity with the laws of the States and the Territories.

Patents were issued by the United States under the terms of the Desert Land Act for thousands of acres over a long period of years. It was well known to the Government that such approved water supplies for the irrigation of those arid lands were from both navigable and nonnavigable sources. Those water rights have never been questioned. I wish to emphasize, however, that these rights derived from local authority and not from a Federal appropriative statute. We know as a matter of fact there was not such statute then—nor is there one now.

The records in the Bureau of Land Management, Department of the Interior, show final desert land entries to June 30, 1956, by States, as follows:

State or Territory	Entries	
	Number	Acres
California	6,122	1,108,014
Oregon	2,319	357,978
Washington	1,117	137,600
Arizona	2,242	480,070
Idaho	6,262	1,172,540
Nevada	947	177,965
Utah	3,209	495,894
Colorado	5,640	1,013,280
Dakota Territory	1	300
Montana	16,403	3,051,381
New Mexico	1,885	281,581
North Dakota	118	20,254
South Dakota	1,118	180,759
Wyoming	7,937	1,618,367
Grand total	[1] 55,320	[1] 10,095,983

[1] These figures are nearly identical to the patents issued.

Thus, and it must be conceded to have been a requirement of the act, water became appurtenant to the lands irrigated to a minimum area of 1,260,000 acres for the reason the rules required a minium of one-eighth of any legal subdivision entered was to be irrigated. I estimate that under the Desert Land Act about 5 million acres were actually reclaimed by irrigation. These lands still exercise their original rights to use water acquired pursuant to local laws. This fact, most assuredly, is contrary to the claim that the Federal Government could have rights in the West not derived pursuant to State water laws. It also refutes the claim that navigable waters were not subject to appropriation under State laws, because most of the approved water supplies were from navigable streams or their tributaries.

For Federal reclamation developments I refer to item 7 of Senator O'MAHONEY's appendix B. This is section 8 of the act of June 17, 1902 (32 Stat. 390), which is the first of several reclamation acts. It makes mandatory the requirement that the Secretary of the Interior shall follow the procedures of the States in securing rights to the use of water for irrigation. All 30 items in appendix B apply to the West. They show congressional consistency unmatched in any other field of statutory law.

Western Senators are familiar with section 1 of the Flood Control Act of 1944, better known by the title of "O'Mahoney-Millikin Amendment." This was an extraordinary declaration by the Congress of the broad principle stated in the preamble to the section. It declared that Congress recognized the interests and rights of States in planning and providing for the orderly use of the waters within their borders, and to protect present and future rights in the use of those waters. There is need for clarification here, however, because the declaration of policy also implies that the Federal Government has jurisdiction of a kind over the waters of the Nation. This jurisdiction is assumed under the several rivers and harbors acts and flood control acts as well as the Federal Power Act. It is through litigation concerning water resources development by the Corps of Engineers and by licensees under the Federal Power Act that the courts have defined navigation and flood control.

This brings me to the second claim to jurisdiction by certain agencies of the Government over the natural bodies of water—lakes and the perennial, intermittent, and ephemeral streams. The jurisdiction of the Government is, nevertheless, only that conferred by acts of Congress pursuant to permissive provisions of the Constitution.

The authorization of projects to improve navigation on our streams and to alleviate flood damage did not, in my opinion, include the granting of the authority stated in the Red River decision of the Supreme Court (313 U.S. 508). I ask unanimous consent that a paragraph from this decision be printed at this point in the RECORD.

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

OKLAHOMA *v.* ATKINSON CO. (313 U.S. (508) 525 (1941)) (RED RIVER CASE) (POWERS OF CONGRESS)

We would, however, be less than frank if we failed to recognize this project as part of a comprehensive flood control program for the Mississippi itself. But there is no constitutional reason why Congress or the courts should be blind to the engineering prospects of protecting the Nation's arteries of commerce through control of the watersheds. There is no constitutional reason why Congress cannot, under the commerce power, treat the watersheds as a key to flood control on navigable streams and their tributaries. Nor is there a constitutional necessity for viewing each reservoir project in isolation from a comprehensive plan covering the entire basin of a particular river.

We need no survey to know that the Mississippi is a navigable river. We need no survey to know that the tributaries are generous contributors to the flood of the Mississippi. And it is common knowledge that Mississippi floods have paralyzed commerce in the affected areas and have impaired navigation itself. We have recently recognized that "flood protection, watershed development, recovery of the cost of improvements through utilization of power are * * * parts of commerce control" (*U.S.* v. *Appalachian Power Co., supra,* p. 426). And we now add that the power of flood control extends to the tributaries of navigable streams. For, just as control over the nonnavigable parts of a river may be essential or desirable in the interests of the navigable portions, so may the key to flood control on a navigable stream be found in whole or in part in flood control on its tributaries * * *. The exercise of the granted power of Congress to regulate interstate commerce may be aided by appropriate and needful control of activities and agencies which, though intrastate, affect that commerce.

(Cited at the end of the paragraph are *McCulloch* v. *Maryland,* 4 Wheat, 316, *U.S.* v. *Darby,* 312 U.S. 100.)

Mr. ALLOTT. Mr. President, in the best interests of all of our 50 States, we should study this situation before us. I think States and their subdivisions have rights and obligations to plan and control their water resources. I do not want all control and jurisdiction to lie in the Federal Government. Without acts of Congress there would be no navigation nor flood control works. I do not like the assumption that the commerce and property clauses of the Constitution may be cited as authority for navigation and flood control projects constructed by Federal agencies or under license from the Federal Power Commission. It should be stated, rather, that the acts of Congress authorizing such construction have given due regard to the protection of private properties and to local laws concerning water resources.

Nor do I want the Congress to sit idly by and see a decision, such as the Pelton Dam decision—349 U.S. 435—finalize the argument that local plans and controls are to be ignored where Federal reservations are used for water projects. And I do not concur with the First Iowa Co-op decision—328 U.S. 152—which was based on the Red River decision concerning the definition of navigable waters. I cannot agree with the implication existing in both of these decisions that Congress has granted jurisdiction in its several acts over the waters of the Nation—within all 50 States—to agencies of the Federal Government. That the Supreme Court has, in effect, so decided, is the reason we are compelled to consider remedial legislation.

Most of our States are now engaged in studies of their surface and ground waters. They are studying, in addition to the nature and extent of these resources, the laws needed to enable them to plan and manage these resources as well as to protect existing and future rights to put them to use. At present there is little evidence that they realize the limitations of the rights of the States to attain these objectives. I have tried to state the case as it now exists.

In the West we need immediate remedial legislation to restore to the people the security of their investment in a billion-dollar water development. These works were not constructed by Federal agencies. Nor were they paid for from Federal appropriations. S. 851, of which I am one of 16 sponsors, is legislation, I think, that we can now agree upon.

Appendix C, which is a part of exhibit 1, is a draft of substitute for S. 863, 85th Congress, submitted by Department of Interior with the concurrence of the Departments of Justice, Defense, Agriculture and the Bureau of the Budget. S. 851 is patterned after this appendix.

S. 851 provides security and recognition of all water rights under the laws of the States that have their sources of supply from waters that originate or traverse Federal reservations. In the West practically all of our perennial streams rise in national forest reservations. The enactment of this, or a similarly worded bill, would nullify all claims resulting from the Pelton Dam decision. I believe it would leave water rights, where Federal reservations are involved in any way, in the status we assumed them to have prior to that decision. I have indicated that I believe that in the Western States namely, in the priority-of-appropriation States, a decision similar to that in the First Iowa Co-op case might not have been handed down by the Supreme Court. History and practice alike support this view. We should, however, now consider the effect on private property of claims based on the Federal-reservation theory on the basis of the Pelton Dam decision.

The reservations with which we are concerned are those created by withdrawals of the public domain. Thirty of our fifty States were created out of the public lands of the United States. The 20 States which were never public land States are the Thirteen Original States and the following: Vermont, Maine, Kentucky, West Virginia, Tennessee, Texas, and Hawaii. I note that item 29 of Senator O'MAHONEY's appendix B is from an act affecting South Carolina, Georgia, Florida, and Alabama. The first two are honored members of the Thirteen Original States, the other two were created from the public domain. I think we may find it highly desirable to act together in the common objective of protecting the rights of our citizens to the use of water supplies where those rights are recognized by or acquired under the laws of our States.

EXHIBIT I

APPENDIXES AS SUBMITTED BY SENATOR JOSEPH C. O'MAHONEY AT HEARINGS BEFORE THE HOUSE INTERIOR COMMITTEE, JULY 20, 1959

APPENDIX A: FEDERAL CONSTITUTIONAL POWERS FURNISHING BASES FOR ACTIVITIES IN WATER RESOURCE DEVELOPMENTS

Article I, section 8 (commerce clause): "The Congress shall have power * * * to regulate commerce with foreign nations, and among the several States, and with the Indian tribes."

Article I, section 10 (compact clause): "No State shall, without the consent of Congress * * * enter into an agreement or compact with another State, or with a foreign power."

Article IV, section 3 (property clause): "The Congress shall have power to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States."

Article VI (supremacy clause): "This Constitution, and the laws of the United States which shall be made in pursuance thereof, and all treaties made, or which shall be made, under authority of the United States, shall be the supreme law of the land; and the judges in every State shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."

APPENDIX B: PROVISIONS OF FEDERAL STATUTES IN RECOGNITION OF STATE LAW AS GOVERNING WATER RIGHTS

1. Section 9 of the act of July 26, 1866 (14 Stat. 253, 30 U.S.C., sec. 51 (1952)): "Whenever, by priority of possesson, rights to the use of water for mining, agricultural, manufacturing, or other purposes have vested and accrued, and the same are recognized and acknowledged by the local customs, laws, and the decision of courts, the possessors and owners of such vested rights shall be maintained and protected in the same; and the right-of-way for the construction of ditches and canals for the purposes herein specified is acknowledged and confirmed; but whenever any person, in the construction of any ditch or canal, injures or damages the possession of any settler on the public domain, the party committing such injury or damage shall be liable to the party injured for such injury or damage."

2. Section 17 of the act of July 9, 1870 (16 Stat. 218, 30 U.S.C., sec. 52 (1952)): "All patents granted, or homesteads allowed, shall be subject to any vested and accrued water rights, or rights to ditches and reservoirs used in connection with such water rights, as may have been acquired under or recognized by section 51 of this title." (Both the act of July 26, 1866, and July 9, 1870, are embodied in 43 U.S.C., sec. 661 (1952)).

3. Section 1 of the Desert Land Act of March 3, 1877 (19 Stat. 377, as amended, 43 U.S.C.A. sec. 321 (1958 Supp.)): "It shall be lawful for any citizen of the United States, or any person of requisite age 'who may be entitled to become a citizen, and who has filed his declaration to become such' and upon payment of 25 cents per acre—to file a declaration under oath with the officer designated by the Secretary of the Interior of the land district in which any desert land is situated, that he intends to reclaim a tract of desert land not exceeding one-half section, by conducting water upon the same, within the period of three years thereafter; *Provided, however,* That the right to the use of water by the person so conducting the same, on or to any tract of desert land of three hundred and twenty acres shall depend upon bona fide prior appropriation; and such right shall not exceed the amount of water actually appropriated, and necessarily used for the purpose of irrigation and reclamation; and all surplus water over and above such actual appropriation and use, together with the water of all lakes, rivers, and other sources of water supply upon the public lands and not navigable, shall remain and be held free for the appropriation and use of the public for irrigation, mining, and manufacturing purposes subject to existing rights."

4. Section 18 of the act of March 3, 1891 (26 Stat. 1101, as amended, 43 U.S.C. sec. 946 (1952)): "The right of way through the public lands and reservations of the United States is hereby granted to any canal ditch company, irrigation or drainage district formed for the purpose of irrigation or drainage, and duly organized under the laws of any State or Territory: *Provided,* That * * * the privilege herein granted shall not be construed to interfere with the control of water for irrigation and other purposes under authority of the respective States or Territories."

5. Act of February 26, 1897 (29 Stat. 599, 43 U.S.C. sec. 664 (19522)): "All reservoir sites reserved or to be reserved shall be open to

use and occupation under sections 946–949, inclusive of this title, and any State is authorized to improve and occupy such reservoir sites to the same extent as an individual or private corporation, under such rules and regulations as the Secretary of the Interior may prescribe: *Provided,* That the charges for water coming in whole or part from reservoir sites used or occupied under the provisions of this section shall always be subject to the control and regulation of the respective States and Territories in which such reservoirs are in whole or part situate."

6. Section 1 of the act of June 4, 1897 (30 Stat. 36, 16 U.S.C. sec. 481 (1952)): "All waters within the boundaries of national forests may be used for domestic, mining, milling, or irrigation purposes, under the laws of the State wherein such national forests are situated, or under the laws of the United States and the rules and regulations established thereunder."

7. Section 8 of the Reclamation Act of June 17, 1902 (32 Stat. 390, 43 U.S.C., secs 372, 383 (1952)): "Nothing in sections 372, 373, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 491, and 498 of this title shall be construed as affecting or intended to affect or to in any way interfere with the laws of any State or Territory relating to the control, appropriation, use, or distribution of water used in irrigation, or any vested right acquired thereunder, and the Secretary of the Interior, in carrying out the provisions of such sections, shall proceed in conformity with such laws, and nothing in such sections shall in any way affect any right of any State or of the Federal Government or of any landowner, appropriator, or user of water in, to, or from any interstate stream or the waters thereof: *Provided,* That the right to the use of water acquired under the provisions of this Act shall be appurtenant to the land irrigated, and the beneficial use shall be the basis, the measure, and the limit of the right."

8. Section 4 of the act of February 1, 1905 (33 Stat. 628, 16 U.S.C., sec. 524 (1952)): "Rights-of-way for the construction and maintenance of dams, reservoirs, waterplants, ditches, flumes, pipes, tunnels, and canals, within and across the national forests of the United States are granted to citizens and corporations of the United States for municipal or mining purposes, and for the purposes of the milling and reduction of ores, during the period of their beneficial use, under such rules and regulations as may be prescribed by the Secretary of the Interior, and subject to the laws of the State or Territory in which said forests are respectively situated."

9. Section 2 of the Warren Act of February 21, 1911 (36 Stat. 926, 43 U.S.C., sec. 524 (1952)): "In carrying out the provisions of the reclamation law, the Secretary of the Interior is authorized, upon such terms as may be agreed upon, to cooperate with irrigation districts, water-users' associations, corporations, entrymen, or water users for the construction or use of such reservoirs, canals, or ditches as may be advantageously used by the Government and irrigation districts, water-users' associations, corporations, entrymen, or water users for impounding, delivering, and carrying water for irrigation purposes: *Provided,* That nothing contained in this section or section 523 of this title shall be held or construed as enlarging or attempting to enlarge the right of the United States, under existing law, to control the waters of any stream in any State."

10. Section 11 of the act of December 19, 1913 (relating to Hetch-Hetchy), granting to the city and county of San Francisco certain rights-of-way over public lands and lands in Yosemite National Park and Stanislaus National Forest for the construction of works to bring water and power to San Francisco for domestic purposes and uses (38 Stat. 250):

"SEC. 11. That this Act is a grant upon certain express conditions specifically set forth herein, and nothing herein contained shall be construed as affecting or intending to affect or in any way to interfere with the laws of the State of California relating to the control, appropriation, use, or distribution of water used in irrigation or for municipal or other uses, or any vested right acquired thereunder, and the Secretary of the Interior, in carrying out the provisions of this Act, shall proceed in conformity with the laws of said State."

11. Sections 9(b) and 27 of the Federal Power Act of June 10, 1920: "9. Each applicant for a license under this chapter shall submit to the Commission—

"* * * * *

"(b) Satisfactory evidence that the applicant has complied with the requirements of the laws of the State or States within which the proposed project is to be located with respect to bed and banks and to the appropriation, diversion, and use of water for power purposes and with respect to the right to engage in the business of developing, transmitting, and distributing power, and in any other business necessary to effect the purposes of a license under this chapter." (41 Stat. 1068, 16 U.S.C., sec. 802(b)(1952)).

"27. Nothing contained in this chapter shall be construed as affecting or intending to affect or in any way to interfere with the laws of the respective States relating to the control, appropriation, use, or distribution of water used in irrigation or for municipal or other uses, or any vested right acquired therein." (41 Stat. 1077, 16 U.S.C., sec. 821 (1952)).

12. Section 18 of the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1065, 43 U.S.C., sec. 617q (1952): "Nothing herein shall be construed as interfering with such rights as the States now have either to the waters within their borders or to adopt such policies and enact such laws as they may deem necessary with respect to the appropriation, control, and use of waters within their borders, except as modified by the Colorado River Compact or other interstate agreement."

13. Section 3 of the Taylor Grazing Act of June 28, 1934 (48 Stat. 1270, as amended, 43 U.S.C., sec. 315b (1952)): "*Provided further,* That nothing in this chapter shall be construed or administered in any way to diminish or impair any right to the possession and use of water for mining, agriculture, manufacture, or other purposes which has heretofore vested or accrued under existing law validly affecting the public lands or which may be hereafter initiated or acquired and maintained in accordance with such law."

14. Section 4 of the act of August 28, 1937 (50 Stat. 870, 16 U.S.C., 590(u) (1952)): "As a condition to extending benefits under sections 590r–590x of this title to any lands not owned or controlled by the United States or any of its agencies, the Secretary of Agriculture may, insofar as he may deem necessary for the purposes of sections 590v–590x of this title, require—

"(1) The enactment of State and local laws providing for soil conserving land uses and practices, and the storage, conservation and equitable utilization of waters;

"(2) Agreements or covenants in regard to the maintenance and permanent use of such water, facilities or lands benefited by such facilities;

"(3) Contributions in money, services, materials or otherwise to any operations conferring such benefits."

15. Section 3 of the Water Conservation Act of August 11, 1939 (53 Stat. 1419, as amended, 16 U.S.C., sec. 590z–1(b) (2) (1952)): "No actual construction of the physical features of a project shall be undertaken unless and until—

"(2) the Secretary has found (i) that water rights adequate for the purposes of the project have been acquired with titles and at prices satisfactory to him, or that such water rights have been initiated and in his judgment can be perfected in conformity with State law and any applicable interstate agreements and in a manner satisfactory to him; and (ii) that such water rights can be utilized for the purposes of the project in conformity with State law and any applicable interstate agreements and in a manner satisfactory to him."

16. Section 14 of the Boulder Canyon Project Adjustment Act of July 19, 1940 (54 Stat. 779, 43 U.S.C., sec. 618m (1952)): "Nothing in this subchapter shall be construed as interfering with such rights as the States had on July 19, 1940, either to the waters within their borders or to adopt such policies and enact such laws as they deem necessary with respect to the appropriation, control, and use of waters within their borders, except as modified by the Colorado River compact or other interstate agreement."

17. Section 1 of the Flood Control Act of December 22, 1944 (58 Stat. 887, 33 U.S.C., sec. 701–1 (1952)): "(a) The Chief of Engineers shall transmit a copy of his proposed report to each affected State, and, in case the plans or proposals covered by the report are concerned with the use or control of waters which rise in whole or in part west of the ninety-seventh meridian, to the Secretary of the Interior. Within ninety days from the date of receipt of said proposed report, the written views and recommendations of each affected State and of the Secretary of the Interior may be submitted to the Chief of Engineers. The Secretary of the Army shall transmit to the Congress, with such comments and recommendations as he deems appropriate, the proposed report together with the submitted views and recommendations of affected States and of the Secretary of the Interior. The Secretary of the Army may prepare and make said transmittal any time following said ninety-day period. The letter of transmittal and its attachments shall be printed as a House or Senate document.

"(b) The use for navigation, in connection with the operation and maintenance of such works herein authorized for construction, of waters arising in States lying wholly or partly west of the ninety-eighth meridian shall be only such use as does not conflict with any beneficial consumptive use, present or future, in States lying wholly or partly west of the ninety-eighth meridian, of such waters for domestic, municipal, stock water, irrigation, mining, or industrial purposes.

"(c) The Secretary of the Interior, in making investigations of and reports on works for irrigation and purposes incidental thereto shall, in relation to an affected State or States (as defined in paragraph (a) of this section), and to the Secretary of the Army, be subject to the same provisions regarding investigations, plans, proposals, and reports as prescribed in paragraph (a) of this section for the Chief of Engineers and the Secretary of the Army. In the event a submission of views and recommendations, made by an affected State or by the Secretary of the Army pursuant to said provisions, sets forth objections to the plans or proposals covered by the report of the Secretary of the Interior, the proposed works shall not be deemed authorized except upon approval by an Act of Congress; and section 485h of title 43 and section 590z–1 of title 16 are amended accordingly."

18. Reservation (c) to the Mexican Water Treaty, United States Treaty Series No. 994 (59 Stat. 1265 (1945)): "(c) That nothing contained in the treaty or protocol shall be construed as authorizing the Secretary of State of the United States, the Commissioner of the United States section of the International Boundary and Water Commission, or the United States section of said Commission, directly or indirectly to alter or control the distribution of water to users within the

territorial limits of any of the individual States."

19. The National Parks Act of August 7, 1946 (60 Stat. 885, 16 U.S.C., sec. 17j–2 (1952)): "Appropriations for the National Park Service are authorized for—

"(g) Investigation and establishment of water rights in accordance with local custom, laws, and decisions of courts, including the acquisition of water rights or of lands or interest in lands or rights-of-way for use and protection of water rights necessary or beneficial in the administration and public use of the national parks and monuments."

20. Section 208 of the Act of July 10, 1952, authorizing suits against the United States in State courts for the adjudication of water rights (66 Stat. 560, 43 U.S.C., secs. 666 (a) and (c) (1952)): "(a) Consent is given to join the United States as a defendant in any suit (1) for the adjudication of rights to the use of water of a river system or other source, or (2) for the administration of such rights, where it appears that the United States is the owner of or is in the process of acquiring water rights by appropriation under State law, by purchase, by exchange, or otherwise, and the United States is a necessary party to such suit. The United States, when a party to any such suit, shall (1) be deemed to have waived any right to plead that the State laws are inapplicable or that the United States is not amenable thereto by reason of its sovereignty, and (2) shall be subject to the judgments, orders, and decrees of the court having jurisdiction, and may obtain review thereof, in the same manner and to the same extent as a private individual under like circumstances: *Provided*, That no judgment for costs shall be entered against the United States in any such suit.

"* * * * * *

"(c) Nothing in this section shall be construed as authorizing the joinder of the United States in any suit or controversy in the Supreme Court of the United States involving the right of States to the use of the water of any interstate stream."

21. Subsection 3(e) of the Submerged Lands Act of May 22, 1953 (67 Stat. 30, 43 U.S.C., sec. 1311(e) (1956 Supp.)): "Nothing in this chapter shall be construed as affecting or intended to affect or in any way interfere with or modify the laws of the States which lie wholly or in part westward of the ninety-eighth meridian, relating to the ownership and control of ground and surface waters; and the control, appropriation, use, and distribution of such waters shall continue to be in accordance with the laws of such States."

22. Subsection 3(c) of the act of July 28, 1954, to authorize the Secretary of the Interior to construct facilities for the Santa Margarita River Project, California (68 Stat. 577): "For the purposes of this Act the basis, measure, and limit of all rights of the United States of America pertaining to the use of water shall be the laws of the State of California: *Provided*, That nothing in this act shall be construed as a grant or a relinquishment by the United States of America of any of its rights to the use of water which it acquired according to the laws of the State of California either as a result of its acquisition of the lands comprising Camp Joseph H. Pendleton and adjoining naval installations, and the rights to the use of water as a part of said acquisition, or through actual use or prescription or both since the date of that acquisition, if any, or to create any legal obligation to store any water in De Luz Reservoir, to the use of which it has such rights, or to require the division under this Act of water to which it has such rights."

23. Section 4(4) of the Act of August 4, 1954 (68 Stat. 667, as amended, 16 U.S.C.A. 1004(4) (1958 Supp.)) relating to watershed protection and flood prevention: "The Secretary shall require as a condition to providing Federal assistance for the installation of works of improvement that local organizations shall—

"* * * * * *

"(4) acquire, or provide assurance that landowners or water users have acquired, such water rights, pursuant to State law, as may be needed in the installation and operation of the work of improvement."

24. Section 4(b) of the act of July 23, 1955, providing for multiple use of the surface of tracts of public land (69 Stat. 368, 30 U.S.C., sec. 612(b) (1956 Supp.)): *"Provided further*, That nothing in sections 601, 603, and 611–615 of this title shall be construed as affecting or intended to affect or in any way interfere with or modify the laws of the States which lie wholly or in part westward of the ninety-eighth meridian relating to the ownership, control, appropriation, use, and distribution of ground or surface waters within any unpatented mining claim."

25. Section 7 of the Colorado River Storage Project Act of April 11, 1956 (70 Stat. 109, 43 U.S.C.A., sec. 620f 1958 Supp.)): "Subject to the provisions of the Colorado River compact, neither the impounding nor the use of water for the generation of power and energy at the plants of the Colorado River storage project shall preclude or impair the appropriation of water for domestic or agricultural purposes pursuant to applicable State law."

26. Section 4 of the act of July 2, 1956, relating to the administration of section 9, subsections (d) and (e) of the Reclamation Act of 1939, (70 Stat. 483, 43 U.S.C.A., sec. 485h–4 (1958 Supp.)): "Nothing in this Act shall be construed as affecting or intended to affect or to in any way interfere with the laws of any State relating to the control, appropriation, use, or distribution of water used in irrigation, or any vested right acquired thereunder, and the Secretary in carrying out the provisions of this Act, shall proceed in conformity with such laws, and nothing herein shall in any way affect any rights of any State or of the Federal Government or of any landowner, appropriator, or user of water in, to, or from any interstate stream or the waters thereof: *Provided*, That the right to the use of water acquired under the provisions of this Act shall be appurtenant to the land irrigated and beneficial use shall be the basis, the measure, and the limit of the right."

27. Section 4(b) of the Small Reclamation Projects Act of August 1956 (70 Stat. 1044, 43 U.S.C.A., sec. 422d(b) (1958 Supp.)): "Every such proposal shall include a showing that the organization already holds or can acquire all lands and interests in land (except public and other lands and interests in land owned by the United States which are within the administrative jurisdiction of the Secretary and subject to disposition by him) and rights, pursuant to applicable State law, to the use of water necessary for the successful construction, operation, and maintenance of the project and that it is ready, able, and willing to finance otherwise than by loan and grant under this Act such portion of the cost of construction (which portion shall include all costs of acquiring lands, interests in land, and rights to the use of water) as the Secretary shall have advised is proper in the circumstances."

28. Section 202 of the act of August 28, 1958, setting up a United States Study Commission to formulate a comprehensive plan for the development of certain Texas river basins (71 Stat. 1058):

"SEC. 202. In carrying out the purposes of this title it shall be the policy of Congress to—

"(1) recognize and protect the rights and interests of the State of Texas in determining the development of the watersheds of the rivers herein mentioned and its interests and rights in water utilization and control, as well as the preservation and protection of established uses."

1958 setting up a United States Study Com-

29. Section 2 of the act of August 28 mission to formulate a comprehensive plan for the development of certain streams in the States of South Carolina, Georgia, Florida, and Alabama (72 Stat. 1090):

"SEC. 2. In carrying out the purposes of this Act it shall be the policy of Congress to—

"(1) recognize and protect the rights and interests of the States in determining the development of the watersheds of the rivers herein mentioned and their interests and rights in water utilization and control, as well as the preservation and protection of established uses."

30. Section 1 of the act of December 24, 1942, authorizing the Secretary of Interior to purchase lands necessary to carry on water resource measurements (56 Stat. 1086, 43 U.S.C., 36b): "That the Secretary of the Interior may, on behalf of the United States and for use by the Geological Survey in gaging streams, acquire lands by donation or when funds have been appropriated by Congress by purchase or condemnation but not in excess of ten acres for any one stream-gaging station. For the same purpose the Secretary may obtain easements, licenses, rights-of-way, and leases limited to run for such a period of time or term of years as may be required for the effective performance of the function of gaging streams: *Provided*, That nothing in this Act shall be construed as affecting or intended to affect or to in any way interfere with the laws of any State or Territory relating to the control, appropriation, use, or distribution of water used in irrigation or any vested right acquired thereunder and the Secretary of the Interior, in carrying out the provisions of this Act shall proceed in conformity with such laws and nothing in this Act shall in any way affect any right of any State or of the Federal Government or of any landowner, appropriator, or user of water in, to, or from any interstate stream or the waters thereof."

NOTE.—The House has passed H.R. 4483 amending the 1942 act by making its provisions applicable also to underground water storage. It is now pending before the Senate Committee on Interior and Insular Affairs.

APPENDIX C: DRAFT OF SUBSTITUTE FOR S. 863, 85TH CONGRESS, SUBMITTED BY DEPARTMENT OF INTERIOR WITH THE CONCURRENCE OF THE DEPARTMENTS OF JUSTICE, DEFENSE, AGRICULTURE, AND THE BUREAU OF THE BUDGET, WITH COMMENTS, MAY 13, 1958

SECTION 1. The withdrawal or reservation of surveyed or unsurveyed public lands, heretofore or hereafter established, shall not affect any right to the use of water acquired pursuant to State law either before or after the establishment of such withdrawal or reservation.

SEC. 2. Nothing in this Act shall be construed as:

(a) Modifying or repealing any provision of any existing Act of Congress requiring that rights of the United States to the use of water be acquired pursuant to State law, to the extent that such provisions are otherwise applicable.

(b) Permitting appropriations of water under State law which interfere with the provisions of international treaties of the United States.

(c) Affecting, impairing, diminishing, subordinating or enlarging (1) the rights of the United States or any State to waters under any interstate compact or existing judicial decree; (2) the obligations of the United States to Indians or Indian tribes, or any right owned or held by or for Indians or Indian tribes; (3) any water right heretofore acquired by others than the United States

under Federal or State law; (4) any right to any quantity of water used for governmental purposes or programs of the United States at any time from January 1, 1940, to the effective date of this Act; or (5) any right of the United States to use water hereafter lawfully initiated in the exercise of the express or necessarily implied authority of any present or future act of Congress or State law when such right is initiated prior to the acquisition by others of any right to use water pursuant to State law.

NOTICE OF MOTION TO SUSPEND RULE

Mr. HAYDEN. Mr. President, in accordance with rule XL of the Standing Rules of the Senate. I hereby give notice in writing that it is my intention to move to suspend paragraph 4 of rule XVI for the purpose of proposing to the bill (H.R. 8385) making appropriations for Mutual Security and related agencies for the fiscal year ending June 30, 1960, and for other purposes, the following amendment:

At the appropriate place in the bill insert the following:

Commission on Civil Rights, salaries and expenses. For an additional amount for "salaries and expenses," $500,000: *Provided*, That section 104(b) of the Civil Rights Act of 1957 is amended by striking out the words "two years" and inserting in lieu thereof "four years."

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following additional routine business was transacted:

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. JOHNSTON of South Carolina, from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

ADDITIONAL BILLS INTRODUCED

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

By Mr. CASE of New Jersey (for himself, Mr. BUSH, Mr. DODD, Mr. JAVITS, Mr. KEATING, and Mr. NEUBERGER):

S. 2659. A bill to amend section 13a(1) of the Interstate Commerce Act with respect to the discontinuance or change of operations of certain trains and ferries; to the Committee on Interstate and Foreign Commerce.

(See the remarks of Mr. CASE of New Jersey when he introduced the above bill, which appear under a separate heading.)

By Mr. BUTLER:

S. 2660. A bill for the relief of Peter Zanelotti; to the Committee on the Judiciary.

By Mr. BARTLETT (for himself, Mr. GRUENING, Mr. LONG of Hawaii, and Mr. FONG):

S. 2661. A bill to amend title 23, United States Code, to provide for participation of Federal-aid highway funds in the construction of approach roads to ferry facilities on the Federal-aid systems; to the Committee on Interstate and Foreign Commerce.

By Mr. HUMPHREY:

S. 2662. A bill for the relief of Mrs. Garold Van Cannon; to the Committee on the Judiciary.

By Mr. KEATING (for himself, Mr. BEALL, Mr. COTTON, Mr. DODD, Mr. SCOTT, Mr. BUSH, and Mr. SALTONSTALL):

S. 2663. A bill to provide for equalizing the conditions of competition between domestic industries and foreign industries with respect to the level of wages and the working conditions in the production of articles imported into the United States; to the Committee on Finance.

(See remarks of Mr. KEATING when he introduced the above bill, which appear under a separate heading.)

RECESS UNTIL 9:30 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, in accordance with the order previously entered, I move that the Senate stand in recess until 9:30 o'clock tomorrow morning.

The motion was agreed to; and (at 10 o'clock and 50 minutes p.m.) the Senate took a recess, under the order previously entered, until tomorrow, Wednesday, September 9, 1959, at 9:30 o'clock a.m.

HOUSE OF REPRESENTATIVES

TUESDAY, SEPTEMBER 8, 1959

The House met at 11 o'clock a.m.

Father James Lyons, St. Gertrude's Church, Chicago, offered the following prayer:

In the name of the Father and of the Son and of the Holy Ghost. Amen.

May the ideas and the ideals of St. Francis of Assisi be true of each of our Representatives today. St. Francis wrote:

"Lord, make me an instrument of Your peace. Where there is hatred, let me sow love; where there is injury, pardon; where there is doubt, faith; where there is despair, hope; where there is darkness, light; and where there is sadness, joy.

"O Divine Master, grant that I may not so much seek to be consoled as to console; to be understood as to understand; to be loved as to love; for it is in giving that we receive; it is in pardoning that we are pardoned; and it is in dying that we are born to eternal life."

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 435. Concurrent resolution declaring that the Congress does hereby express its deep realization and appreciation of the basic role that labor plays in our economy and of the contributions that American working men and women have made to America's well-being.

NEBRASKA MID-STATE UNIT IN THE MISSOURI RIVER BASIN PROJECT

Mr. SMITH of Mississippi. Mr. Speaker, I ask unanimous consent that the Committee on Public Works be discharged from further consideration of the bill (H.R. 8985) to provide for the inclusion of the Nebraska Mid-State unit in the Missouri River Basin project, and that the bill be referred to the Committee on Interior and Insular Affairs.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

AUTHORIZING SALE AT MARKET PRICES OF CERTAIN AGRICULTURAL COMMODITIES

Mr. McGOVERN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2504) to authorize the sale at market prices of agricultural commodities owned by the Commodity Credit Corporation to provide feed for livestock in areas determined to be emergency areas, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

Mr. HOEVEN. Mr. Speaker, reserving the right to object, will the gentleman explain the purpose of the legislation and the clarifying amendments which were agreed to in committee?

Mr. McGOVERN. Mr. Speaker, this legislation authorizes the Secretary of Agriculture when he determines that a drought or other emergency is sufficient to authorize the sale of Commodity Credit Corporation feed at the current support price. The original bill passed by the other body would authorize such sales at the "market price," but, as I pointed out before the House Committee on Agriculture, this provision would not accomplish the real purpose of the bill, which is to assist the farmers in an area where there is a feed shortage stemming from drought or other emergencies. Presumably, in a feed shortage area, market prices will rise—perhaps above the level now authorized for the sale of CCC feed. In that case the bill as passed by the Senate would be of no value at all.

My amendment, approved unanimously by the House Committee on Agriculture, can save drought-stricken farmers many thousands of dollars by permitting Government feed to be sold at the existing support level price.

This is sound legislation because it not only gives the Secretary additional authority to help farmers in drought areas, but it can reduce costly Government storages. After all, one of the purposes of a grain storage program is to have a reserve supply of feed in case of drought. I find it hard to understand why the Secretary of Agriculture is so reluctant to use the drought authority he now has.

The Department of Agriculture objected to a phase of the bill as it passed