in the World War veterans' act; to the Committee on Economy.

7643. Also, petition of Association of Commerce, St. Paul, Minn., opposing the transfer of jurisdiction over river and harbor improvements from the Corps of Army Engineers to the proposed department of public works; to the Committee on Rivers and Harbors.

7644. Also, petition of Association of Manufacturers' Representatives, Minneapolis, Minn., urging reductions in public expenditures; to the Committee on Economy.

7645. Also, petition of Association of Manufacturers' Representatives, Minneapolis, Minn., opposing payment of adjusted-service certificates; to the Committee on Ways and Means.

7646. By Mr. LAMBERTSON: Resolution adopted by the Topeka Central Woman's Christian Temperance Union, Topeka, Kans., signed by the president, Anna B. Fisher, and the secretary, Marion Wiede, urging support of the prohibition law and its enforcement and against modification, resubmission, or repeal; to the Committee on the Judiciary.

7647. By Mr. LINDSAY: Petition of the American Banker, opposing the Glass Banking Act of 1932; to the Committee on Banking and Currency.

7648. Also, petition of the New York Florists' Club, New York City, favoring the modification of the Volstead Act and also its repeal; to the Committee on the Judiciary.

7649. Also, petition of United States Building and Loan League, Chicago, Ill., favoring the home land bill; to the Committee on Banking and Currency.

7650. Also, petition of the Ohio Chamber of Commerce, Columbus, Ohio, favoring the balancing of the Budget; to the Committee on Appropriations.

7651. Also, petition of Eastern Association for Selection of Football Officials, Bethlehem, Pa., protesting against the 10 per cent tax on admissions to intercollegiate athletic games; to the Committee on Ways and Means.

7652. By Mr. LUCE: Petition of Wellesley College Christian Association, Wellesley, Mass., relating to the reduction of War Department expenditures; to the Committee on Appropriations.

7653. By Mr. NOLAN: Petition from various organizations in Minneapolis, favoring Federal supervision of motion pictures; to the Committee on Interstate and Foreign Commerce.

7654. Also, petition of organizations in Minneapolis, favoring Federal supervision of motion pictures; to the Committee on Interstate and Foreign Commerce.

7655. By Mr. ROGERS: Petition of Polish-American Citizens Club, of Manchester, N. H., signed by Frank Bialon, W. L. Bigos, and W. S. Kijez, memorializing Congress to enact House Joint Resolution 144, General Pulaski's Memorial Day; to the Committee on the Judiciary.

7656. Also, resolution by the mayor and board of aldermen of Manchester, N. H., signed by Mayor Damase Caron, regarding the curtailment of Federal expenditures and a decrease in taxation; to the Committee on Economy.

7657. By Mr. RUDD: Petition of C. B. Axford, editor American Banker, opposing the Glass banking legislation; to the Committee on Banking and Currency.

7658. Also, petition of the New York Florists' Club, New York City, favoring the modification or repeal of the Volstead Act; to the Committee on the Judiciary.

7659. Also, petition of United States Building and Loan League, Chicago, Ill., favoring the passage of the home-loan bank legislation; to the Committee on Banking and Currency.

7660. Also, petition of the Ohio Chamber of Commerce, Columbus, Ohio, favoring the balancing of the Budget; to the Committee on Appropriations.

7661. By Mr. SNOW: Petition of William E. Fish, jr., and many other citizens of Bangor, Me., favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7662. Also, petition of George T. McCarthy and many other citizens of Bangor, Me., favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7663. By Mr. TIERNEY: Petition protesting against reduction of benefits to disabled veterans; to the Committee on Pensions.

7664. By Mr. WEST: Petition of 210 members of the Ohio Railroad Employees and Citizens League, protesting against the unjust, unreasonable, and discriminatory operation of inadequately regulated and taxed busses and trucks engaged in transportation, the subsidizing with public funds of water and other forms of transportation competitive with railroads; to the Committee on Interstate and Foreign Commerce.

7665. Also, resolution of the Licking County Rural Letter Carriers' Association, protesting against Senate bill 2490; to the Committee on the Post Office and Post Roads.

SENATE

TUESDAY, MAY 10, 1932

(Legislative day of Monday, May 9, 1932)

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

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the following bill and joint resolution of the Senate:

S. 2775. An act to amend an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia," approved March 3, 1869, as amended; and

S. J. Res. 50. Joint resolution to authorize the Commissioners of the District of Columbia to close upper Water Street between Twenty-second and Twenty-third Streets.

The message also announced that the House had agreed to the concurrent resolution (S. Con. Res. 27) providing for the correction of an error in the enrollment of Senate bill 3584, relating to insurance corporations in the District of Columbia, with amendments, in which it requested the concurrence of the Senate.

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

H. R. 7305. An act to permit construction, maintenance, and use of certain pipe lines for petroleum and petroleum products; and

H. J. Res. 154. Joint resolution to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes.

MINERAL RESOURCES AS RELATED TO FARM LANDS (S. DOC. NO. 93)

The VICE PRESIDENT laid before the Senate a letter from the Secretary of Agriculture, submitting, pursuant to Senate Resolution No. 377, of the Seventy-first Congress, a report pertaining to the mineral resources of the country as related to farm lands, prepared in the Bureau of Agricultural Economics of the department, which was ordered to lie on the table and to be printed with an illustration.

DISPOSITION OF USELESS PAPERS

The VICE PRESIDENT laid before the Senate a letter from the Assistant Secretary of Labor, transmitting, pursuant to law, a list of papers and documents on the files of the Bureau of Labor Statistics and the Children's Bureau, which are not needed in the conduct of business and possess no historical interest, and asking for action looking to their disposition, which was referred to a Joint Select Committee on the Disposition of Useless Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. METCALF and Mr. COPELAND members of the committee on the part of the Senate.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

AMENDMENT OF REVENUE BILL—TAX ON BEER

Mr. BINGHAM. Mr. President, I ask unanimous consent to introduce at this time an amendment to the revenue bill, which I ask to have printed and lie on the table. The amendment is a little difficult to understand because of some of the blind references to figures in it. I may say in explanation of it that it provides for the elimination of a number of nuisance taxes and the substitution therefor of a tax on beer in order to provide the necessary revenue.

As a matter of fact, the present revenue laws now on the statute books provide for a tax of $6 a barrel on beer. Therefore all that would be necessary to be done in order to take advantage of this tax would be to amend the Volstead Act by striking out the words "one-half of 1 per cent" wherever they appear in such act and insert in lieu thereof the words "4 per cent."

A conservative estimate of the amount of revenue which could easily be raised by this change is $375,000,000. Some persons estimate it to be as high as $500,000,000. Adopting the more conservative figure, it would provide sufficient revenue to meet the elimination of the taxes in the new bill which I propose to strike out. The amendment provides for eliminating all postal increases, including the 3-cent charge on first-class mail matter and the increases in second-class mail matter, the estimated returns from which amount to $160,000,000. I also propose to strike out the tax on admissions to movie theaters and other forms of entertainment, which are calculated to raise $110,000,000. The amendment provides for an elimination of the tax on telegrams and telephones, which is calculated to raise $24,000,000. It eliminates the tax on radios and phonographs, a loss of $11,000,000. A reduction is proposed in the tax on automobiles, putting the tax back to the House figure of 3–2–1 in lieu of the increase substituted by the Senate committee, amounting to $17,000,000. The amendment proposes to reduce the normal income-tax rates from the 3–6–9 rates as proposed in the Senate bill to the House rates of 2–4–7, a reduction of $29,000,000; and also to reduce the tax on lubricating oil from 4 cents to 2 cents a gallon, a loss of $22,000,000.

In short, the amendment would strike from the bill revenue-producing features totaling $373,000,000. By eliminating increased postage rates, increased taxes on admissions, new taxes on telephones and telegrams, new taxes on radios and phonographs, reducing increases in normal income-tax rates, reducing the tax on automobiles and on lubricating oil, and substituting therefor the legalizing of the manufacture and sale of good, wholesome beer, it is conservatively estimated to raise $375,000,000, or $2,000,000 more than the estimates for all the eliminated items. This is in line with the recommendations of the majority of the subcommittee which held hearings on the beer bills.

The amendment would not only eliminate the worst of the nuisance taxes but would immediately restore work to hundreds of thousands of unemployed and provide a new market for grain, coal, transportation, and numerous other articles for which there is now no demand.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a letter in the nature of a memorial from Eugene Jackson Koop, of New York City, N. Y., remonstrating against certain special payments to war veterans and their relatives, which was referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a memorial from the Lockport (N. Y.) Board of Commerce, remonstrating against the principle of Members of Congress answering certain communications by telegram instead of by letter, which was referred to the Committee on Post Offices and Post Roads.

He also laid before the Senate a communication from Everett G. Glidden, of Schenectady, N. Y., submitting a plan for the relief of economic conditions and unemployment, which was referred to the Committee on Education and Labor.

He also laid before the Senate a resolution adopted at the annual convention of the American Newspaper Publishers Association, of New York City, N. Y., favoring the passage of legislation providing for the retroactive repeal of the recapture provision of the transportation act of 1920, which was referred to the Committee on Interstate Commerce.

He also laid before the Senate a resolution adopted at the annual convention of the American Newspaper Publishers Association at New York City, N. Y., favoring the passage of legislation applying to radio advertising the same provisions of law as are imposed upon newspapers by the postal laws and regulations, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the Thomas Nelson, Jr., Chapter, Sons of the American Revolution, Newport News, Va., favoring the passage of legislation providing for the building up of the Navy to the Washington and London treaties strength, which was ordered to lie on the table.

He also laid before the Senate a letter from W. A. Denson, of Birmingham, Ala., relative to the alleged duty of Congress in connection with regulating the value of money, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the faculty of the Pennsylvania Military College, of Chester, Pa., favoring the adoption of the sales tax in the pending tax bill for the purpose of balancing the Budget, which was ordered to lie on the table.

Mr. ASHURST presented a telegram in the nature of a petition from H. M. Purcell, M. D., of Phoenix, Ariz., praying for the passage of the bill (S. 4436) to amend sections 305 (a) of the tariff act of 1930, and sections 211, 245, and 312 of the Criminal Code, as amended, which was referred to the Committee on the Judiciary.

He also presented a telegram in the nature of a memorial from Mrs. David W. Russell, State regent, Arizona Society, Daughters of the American Revolution, of Prescott, Ariz., remonstrating against cuts in appropriations affecting the national defense, which was referred to the Committee on Appropriations.

He also presented a telegram in the nature of a memorial from F. L. J. Carroll, department commander, Veterans of Foreign Wars, of Phoenix, Ariz., remonstrating against cuts in the appropriations affecting the national defense and military activities, which was referred to the Committee on Appropriations.

He also presented a telegram in the nature of a memorial from John J. Durkin, editor Southwestern Labor Record, Tucson, Ariz., remonstrating against inclusion of a manufacturers' sales tax in the pending tax bill, which was ordered to lie on the table.

He also presented telegrams in the nature of memorials from the Liberty Theater, by Adah Cadwell, of Holbrook; the Chamber of Commerce of Winslow; Charles Born, of the Elks' Theater, of Prescott; Sultana Theater Co., by Charles M. Proctor, of Williams; A. R. Cavaness & Sons, of the Plaza Theater, and Oscar Irvin, both of Phoenix, all in the State of Arizona, remonstrating against the imposition of a tax on admissions to amusements, which were ordered to lie on the table.

Mr. WALCOTT presented the petition of the Connecticut State Association of Letter Carriers, praying for the passage of the so-called Sweeney bill, being House bill 6183, to promote substitute postal clerks and carriers, etc., which was referred to the Committee on Post Offices and Post Roads.

He also presented the memorial of members of the congregation of the First Methodist Episcopal Church of Stamford, Conn., remonstrating against a referendum in connection with the repeal of the eighteenth amendment of the Constitution, which was referred to the Committee on the Judiciary.

He also presented memorials and papers in the nature of memorials of William H. Gordon Post, No. 50, of Ansonia; Bolton-Kasica Post, No. 68, of Berlin; Dilworth-Cornell Post, No. 102, of South Manchester; Campilio-Holmes Post, No. 123, of Rockyhill; Westville Post, No. 39, of New Haven; and Carlson-Sjovall Post, No. 105, of Cromwell, all American Le-

gion posts, in the State of Connecticut, remonstrating against the passage of legislation curtailing the benefits accorded to World War veterans, which were referred to the Committee on Finance.

He also presented petitions and papers in the nature of petitions of New Haven Post, No. 47, of New Haven; Kiltonic Post, No. 72, of Southington, both of the American Legion, and Frank Badstuebner Post, No. 2090, Veterans of Foreign Wars, of Rockville, all in the State of Connecticut, praying for the immediate payment of adjusted-compensation certificates (bonus) of World War veterans, which were referred to the Committee on Finance.

He also presented memorials and papers in the nature of memorials of the Master Builders' Association and the Association of Insurance Agents, both of New Haven; the State Exchange Club and the Putnam Chamber of Commerce, both of Putnam, in the State of Connecticut, remonstrating against the immediate payment of adjusted-compensation certificates (bonus) of World War veterans, which were referred to the Committee on Finance.

He also presented a letter from the Broadway Parent-Teacher Association, of Mystic, Conn., indorsing the so-called Brookhart bill, relative to the block booking of motion pictures, which was ordered to lie on the table.

He also presented a telegram in the nature of a memorial of the Bridgeport Metal Goody Manufacturing Co., of Bridgeport, Conn., remonstrating against the imposition of a tax on containers used in the perfume and cosmetic industry, which was ordered to lie on the table.

He also presented the memorial of the Woman's Club of Winsted, Conn., remonstrating against the imposition of a tax on clocks, which was ordered to lie on the table.

He also presented memorials of the Association of Cashiers of Hartford Investment Bankers and employees of Shaw & Co., both of Hartford, Conn., remonstrating against the imposition of a tax on sales of securities, which were ordered to lie on the table.

He also presented memorials of Plainfield Granges, Nos. 54 and 140, of Plainfield, and Tolland Grange, No. 51, of Tolland, all of the Patrons of Husbandry, and sundry citizens of Willimantic, all in the State of Connecticut, remonstrating against the imposition of taxes on the automobile industry, which were ordered to lie on the table.

He also presented a telegram in the nature of a memorial of sundry citizens, being jewelers, of Danbury, Conn., remonstrating against the imposition of a tax on jewelry, which was ordered to lie on the table.

Mr. COPELAND presented a resolution adopted by the Niagara County (N. Y.) Board of Supervisors, remonstrating against any discontinuance or reduction in size of the United States Naval Reserve unit stationed at Niagara Falls, N. Y., which was referred to the Committee on Naval Affairs.

He also presented a petition of employees of the Erie Railroad, residing in Nyack, N. Y., praying for the enactment of legislation providing for the establishment of a pension system for railroad employees, which was referred to the Committee on Interstate Commerce.

He also presented a communication from the New York Chapter, Knights of Columbus, of the city of New York, indorsing House bill 8686, concerning recognition of the military status of persons who honorably served with the American Red Cross and kindred American organizations of the United States forces during the World War, which was referred to the Committee on Military Affairs.

He also presented a resolution adopted by members of the United Bowling Clubs of New York (Inc.), of New York City, favoring the repeal of the eighteenth amendment to the Constitution, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by the New York Florists' Club, of New York City, favoring the modification or repeal of the Volstead Act, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by the board of directors of the Albany Chamber of Commerce, of Albany, N. Y., protesting against the removal of customs facilities in the city of Albany, which was referred to the Committee on Finance.

He also presented petitions of the Westchester County Council, Veterans of Foreign Wars, of Westchester County, N. Y., and of Joshua Earl Sipes Post, No. 505, American Legion, of Curwensville, Pa., praying for the enactment of legislation providing for the immediate cash payment of World War adjusted-compensation certificates (bonus), which were referred to the Committee on Finance.

He also presented a resolution adopted by Woodhaven Post, No. 118 (Inc.), American Legion, of Woodhaven, N. Y., protesting against the enactment of legislation proposing to reduce the benefits for disabled World War veterans, which was referred to the Committee on Appropriations.

He also presented a communication from the National Economy Committee of New York City, N. Y., transmitting a petition of citizens of the State of New York for a redress of grievances, praying the elimination of appropriations for veterans of wars whose disabilities were not incurred in service, which was referred to the Committee on Appropriations.

He also presented a resolution adopted by the American Society of Landscape Architects (Inc.), of Boston, Mass., favoring the elimination from the District of Columbia appropriation bill of the provision withdrawing authority from the National Capital Park and Planning Commission to incur obligations for preservation of the Great Falls of the Potomac in the establishment of the George Washington memorial parkway and other park projects for the Washington region, which was referred to the Committee on Appropriations.

He also presented a memorial of the Radio Association of Western New York, of Buffalo, N. Y., and of members of the Rochester (N. Y.) Amateur Radio Association, remonstrating against the inclusion of fees in House bill 7716 imposed on amateur radio stations, which were ordered to lie on the table.

He also presented a resolution of the directors of the Eastern Intercollegiate Association, remonstrating against a 10 per cent tax on admissions to intercollegiate athletic games, which was ordered to lie on the table.

He also presented a resolution of the Northern Federation of Chambers of Commerce, Messena, N. Y., favoring a duty on ground wood and chemical pulp and imports of other products which are sold below the cost of production in the United States, which was ordered to lie on the table.

ACTION IN THE ECONOMIC SITUATION

Mr. BARBOUR presented a telegram from the Manufacturers' Association of New Jersey, signed by J. Philip Bird, its president, embodying a resolution adopted by that organization, which was ordered to lie on the table and to be printed in the RECORD, as follows:

ATLANTIC CITY, N. J., *May 7, 1932.*

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

The following resolution was unanimously adopted this morning:

"*Be it resolved by the Manufacturers Association of New Jersey, in convention assembled,* That they greet with thankfulness and elation the nonpartisan effort and leadership of the President of the United States to bring to an end the petty posturing of special groups and individuals seeking their own personal agrandizement at the cost of the continued suffering of the people of this country in this time of business depression and unemployment; that this association, constituted of over 3,900 members, whose employees number even in these times more than 460,000, and constitute 85 per cent of the manufacturing industries of the State of New Jersey, pledge their whole-hearted support of the President in this nonpartisan action looking to a prompt and financially sound solution of the problems of governmental revenue and expenditure. The members of this association have been thoroughly disgusted with the inefficiency, selfishness, and lack of even ordinary common sense exhibited by certain elements of the Government of the United States, and this association demands that the nonpartisan leadership of the President be accepted without question, that the political posturing by groups in Congress cease, and that constructive action be taken without fear or favor for the interests of this Nation as a whole and not for the interest of any class or party or faction, no matter how vociferous or unreasonable. The members of this organization have reached the limit of patience. They refuse to see employees standing idle waiting for work and kept in that condition while a few men and groups in this country disport themselves at the expense of the suffering of the idle. This association further

"*Resolved*, That copies of this resolution be immediately telegraphed to the President of the United States and to each Member from New Jersey of the Congress of the United States in order that there shall be no lingering doubt in the mind of anyone as to the attitude of this association and of its members and of their demand for immediate action."

MANUFACTURERS ASSOCIATION OF NEW JERSEY,
By J. PHILIP BIRD, *President*.

TAX ON AUTOMOBILES AND TRUCKS

Mr. VANDENBERG. Mr. President, the considered business judgment of leaders in industry can not be ignored by the Senate in respect to the results of prospective new taxation. Even under the pressure of need to complete the tax bill in the shortest possible time we dare not neglect frank study of the economic effects of our tax action. The Senate committee's report not only retains but increases the special and discriminatory levies upon automobiles, trucks, and parts. I shall discuss this matter in detail when the tax bill is before us. It can not be pushed through without full hearings. The implications are too serious. The livelihood of 4,000,000 men is involved. At this immediate moment I am simply warning the Senate that these motor taxes, in the view of experienced men who know whereof they speak, are calculated to stunt employment and thus increase rather than diminish the national emergency. I content myself to-day with a request that there be printed in the RECORD a telegram filed yesterday with the Finance Committee by eight American business executives, whose judgment can not be ignored in perfecting rational and safe tax legislation.

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

News that the Finance Committee has voted heavy taxes against automobiles, trucks, parts, accessories, and rubber is a distinct shock to those in the automobile business in every State. Coming at this time, when practically all of us in the automotive business are operating at a loss, this burden placed upon our industry and its users is certain to make itself felt in increased unemployment and additional hardships upon the 4,000,000 workers dependent upon the automotive trade. Such a heavy portion of the new tax bill should not be at the expense of the revival of the largest business in this country. As representatives of our industry we urge you to reconsider the piling up of burdens upon the automotive and all its related business and to give us a chance to bring back employment everywhere.

ALFRED P. SLOAN, Jr.,
President General Motors Corporation.
EDSEL B. FORD,
President Ford Motor Co.
ALVAN MACAULEY,
President Packard Motor Car Co.
A. R. ERSKINE,
President Studebaker Corporation.
C. W. NASH,
President Nash Motor Co.
ROY D. CHAPIN,
Chairman of the Board, Hudson Motor Car Co.
R. P. PAGE, Jr.,
President Autocar Co.
WALTER P. CHRYSLER,
President Chrysler Corporation.

CREDIT EXPANSION BY USE OF TRADE ACCEPTANCES

Mr. VANDENBERG. Mr. President, the chairman of the Westinghouse Electric & Manufacturing Co., Mr. A. W. Robertson, made an interesting suggestion in a recent address before the University of Pittsburgh bearing upon commercial credit expansion through the use of trade acceptances. From such a source, the suggestion is worthy of serious attention. Its importance lies in the fact that it is addressed to ways and means and methods within complete control of business itself and in no degree dependent upon governmental action. After pointing out that our annual national income has been cut in half, although the total cost of government up and down the country remains almost static, and although interest charges are just as heavy upon the debtor as ever, and after commenting that this means 45 per cent of the national income instead of 20 per cent is consumed in these fixed charges, Mr. Robertson goes ahead with the suggestions, which deserve attention. I ask that his subsequent comments be published in the RECORD and referred to the Committee on Banking and Currency.

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

Intelligent students of the problem and people whose judgment I respect and trust all agree that there are two ways out of the mess we are in.

The first is to follow along the bankruptcy road on which we are going and foreclose every mortgage and wipe out enough of the debts by bankruptcy and default to bring them down to some unknown level and start afresh from there. This would mean frightful losses. Following such a course, we could not expect to return to the prosperity of the past for a long time.

The other road is a happier one. It is to bring our income back to the $90,000,000,000 level, where it was when we started to deflate everything and everyone except governmental expenses and debts. These two items now take approximately 45 per cent of all we make. Double our income and these items will take less than one-fourth of our income, which will still be too much of it. This would avoid foreclosures and receivership and would make possible the orderly discharge of our obligations. Our incomes can be increased by increasing the price level, which can be done by increasing the amount of monetary exchange or credit available for business. The supply of monetary exchange or credit has dropped to two-thirds of what it was in 1929. It can be brought back to what it was and without danger. In addition to what can be done through the operations of the Federal reserve system—and you are doubtless aware of the new open-market policy of the Federal Reserve Board, under which the system is buying Government securities at the rate of about $100,000,000 a week, thereby forcing money on the banks and driving the yield on Government securities down to such unattractive levels that banks will eventually be forced to seek other investment channels or opportunities for commercial lending—in addition to this, I say, the supply of credit can be increased by the use of trade acceptances in ordinary productive, commercial transactions; i. e., to pay our current bills for goods purchased for resale or materials bought for manufacture by accepting 90-day drafts, which can be discounted at commercial banks and rediscounted, where necessary, at a Federal reserve bank, thus affording commercial paper collateral for Federal reserve note issue. It has been done before and is always done in good times, and if done now would help materially to improve conditions and stimulate business generally. This practice can do no harm and can not in any sense be called fiat-money inflation. It would simply help to restore the price level and the normal relation between income and debt burden. The stimulation due to this increase in credit would not perform a miracle, but it would go far toward reviving business and restoring prosperity.

ENROLLED BILL PRESENTED

Mr. VANDENBERG (for Mr. WATERMAN), from the Committee on Enrolled Bills, reported that on the 9th instant that committee presented to the President of the United States the enrolled bill (S. 283) to provide for conveyance of a certain strip of land on Fenwick Island, Sussex County, State of Delaware, for roadway purposes.

REPORTS OF COMMITTEES

Mr. TYDINGS, from the Committee on the District of Columbia, to which was referred the bill (S. 3792) to amend sections 5 and 6 of the act of June 30, 1906, entitled "An act to prohibit the killing of wild birds and wild animals in the District of Columbia," and thereby to establish a game and bird sanctuary of the Potomac River and its tributaries in the said District, reported it without amendment and submitted a report (No. 672) thereon.

Mr. KEAN, from the Committee on the District of Columbia, to which was referred the bill (S. 3053) to promote safety on the streets and highways of the District of Columbia by providing for the financial responsibility of owners and operators of motor vehicles for damages caused by motor vehicles on the public highways in the District of Columbia; to prescribe penalties for the violation of the provisions of this act, and for other purposes, reported it with amendments and submitted a report (No. 673) thereon.

Mr. REED, from the Committee on Finance, to which was referred the bill (S. 3543) for the relief of Robert Emil Taylor, reported it without amendment and submitted a report (No. 674) thereon.

Mr. TOWNSEND, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the resolution (S. Res. 208) authorizing the employment of a clerk in the disbursing office of the Senate, reported it without amendment.

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. GEORGE:

A bill (S. 4617) granting a pension to Julia Bush; to the Committee on Pensions.

By Mr. WALSH of Massachusetts:

A bill (S. 4618) for the relief of P. F. Gormley Co.; to the Committee on Claims.

By Mr. COUZENS:

A bill (S. 4619) granting an increase of pension to Sarah F. Carpenter (with accompanying papers); to the Committee on Pensions.

By Mr. SHIPSTEAD:

A bill (S. 4620) granting an increase of pension to Nora Mitchell (with accompanying papers); to the Committee on Pensions.

By Mr. ROBINSON of Indiana:

A bill (S. 4621) granting a pension to Annie B. Schubert (with accompanying papers);

A bill (S. 4622) granting an increase of pension to Charlotte A. David (with accompanying papers); and

A bill (S. 4623) granting an increase of pension to Lucy S. Kemp (with accompanying papers); to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

A bill (S. 4624) for the conservation of oil and gas and protection of American sources thereof from injury, correlation of domestic and foreign production, and consenting to an interstate compact for such purposes; to the Committee on the Judiciary.

By Mr. HAYDEN:

A bill (S. 4625) for the relief of W. L. Johnson; to the Committee on Public Lands and Surveys.

By Mr. JONES:

A bill (S. 4626) placing postmasters under the civil service, and for other purposes; to the Committee on Post Offices and Post Roads.

A bill (S. 4627) to authorize an appropriation for the construction of a road on the Makah Indian Reservation, Wash.; to the Committee on Indian Affairs.

By Mr. WATSON:

A bill (S. 4628) granting an increase of pension to Viola Smith (with accompanying papers); to the Committee on Pensions.

By Mr. COPELAND:

A joint resolution (S. J. Res. 156) authorizing the Reconstruction Finance Corporation to make loans to a municipality for the relief of unemployment; to the Committee on Banking and Currency.

HOUSE BILL AND JOINT RESOLUTION REFERRED

The following bill and joint resolution were each read twice by their titles and referred to the Committee on the District of Columbia:

H. R. 7305. An act to permit construction, maintenance, and use of certain pipe lines for petroleum and petroleum products; and

H. J. Res. 154. Joint resolution to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes.

INCREASE OF BANKING FACILITIES—AMENDMENTS

Mr. BLAINE, Mr. NORBECK, and Mr. DICKINSON each submitted an amendment; Mr. COPELAND submitted 3 amendments; Mr. METCALF submitted 5 amendments; and mr KEAN submitted 17 amendments, intended to be proposed by them, respectively, to the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which were severally ordered to lie on the table and to be printed.

FEDERAL RESERVE AUTHORITIES AND GOVERNMENT SECURITIES

Mr. HOWELL submitted a resolution (S. Res. 211), which was read, considered by unanimous consent, and agreed to, as follows:

Resolved, That the Federal Reserve Board is hereby requested to report to the Senate as soon as practicable the amount of Government securities purchased, sold, and held by the Federal reserve authorities for each calendar month beginning with the month of January, 1919, and ending with the month of April, 1932.

CREDIT EXPANSION—ARTICLE BY CLARENCE POE

Mr. GEORGE. Mr. President, I desire to have inserted in the RECORD an article by Clarence Poe, president of the Progressive Farmer-Ruralist Co., dealing with the question of credits. Without approving the remedies suggested in full, the article is worthy of careful consideration.

The VICE PRESIDENT. Without objection, leave is granted.

The article is as follows:

[From the Progressive Farmer-Ruralist, May 1-14, 1932]

THE FIGHT FOR "HONEST MONEY" NOW FEATURES THE WORLD'S NEWS

(By Clarence Poe, president the Progressive Farmer-Ruralist Co.)

If the average well-informed American citizen could speak to our average Senator or Representative in Washington, we believe he would say something like this:

"The plain people of America are pleased with the seriousness with which you are going about your work.

"You did well in passing the Reconstruction Finance Corporation act.

"You did well in passing the Glass-Steagall Currency Expansion Act.

"You did well in killing the sales tax and substituting higher income and inheritance taxes, etc.

"You are doing well in promoting governmental economy.

"You will render all America a magnificent service if you pass the proposed plan for guaranteeing bank deposits.

"Yet no one of these things, nor all of them combined, can restore prosperity until you provide for two other things:

"1. Either so increase prices of cotton, wheat, tobacco, and other commodities or so deflate the dollar that our colossal debt burden can be paid off with dollars of the same value that dollars possessed when these debts were created, and

"2. Provide for a genuinely stable system of money from now on."

Since this issue will definitely present itself to Congress this month, we wish briefly to review the outstanding facts involved.

I. HOW DEFLATION HAS DOUBLED FARM DEBTS

Every Congressman and Senator knows how tremendously all forms of debt have increased in the last 15 years—Federal debts, State, county, municipal, and private debts; debts to commercial banks, land banks, mortgage companies, and all financial institutions. And all these debts, public and private, have practically doubled because of the increased value of money. As National Master L. J. Taber of the National Grange has pointed out, if a farmer made a debt so recently as 1930 it now takes 77 per cent more farm products to pay the principal of the debt than then; and Mr. Taber has compiled the following table showing in terms of what the farmer has to sell, just how much he now has to pay in the form of farm products for each $100 borrowed (or each $100 of debt incurred) in any of the years indicated in the table—in principal alone besides increased interest:

Year $100 borrowed:	Present amount
1930	$177
1929	202
1928	208
1927	200
1926	196
1925	217
1924	215
1923	200
1922	197
1921	180
1920	230
1919	333
1918	308
1917	291
1916	225

There can be no economic recovery that ignores this fundamental situation. As James C. Stone, of the Federal Farm Board, said recently:

"The fellow who is in debt and whose debt was created when commodity values were much higher than now has only three ways to get out. He can repudiate his debt because he can not hope to pay it when the commodity upon which he based the debt was then selling it for four times what it is now. For example, if a cotton grower borrowed money on his land when cotton was 25 cents a pound, it now takes five bales to pay the debt where it took only one when the debt was created—and it is impossible for him to produce five bales where he produced one then. The second way out for the farmer is for the price of the commodity to rise within a reasonable distance of where it was when that debt was created. The third alternative is in some way to provide cheaper money for him to pay his obligation. One of these three things is going to happen. We are going through the repudiation stage now and have been for several years. If that continues, it will be a long-drawn-out process and it will keep business and finances upset. A great many people think that is the natural normal way for it to adjust itself, but personally I do not. One of the other ways should be adopted, and I do not believe it will be necessary for us to go off the gold standard to do it."

II. BUSINESS MEN SUFFER EQUALLY WITH FARMERS

And not only is it impossible for agriculture to recover without either increased commodity prices or deflated debts, but the same thing is true of all business. From no farm leader, from no

spokesman of agrarian opinion, has Congress had any warning more emphatic or clear-cut than this voiced by the ablest organ of American business, the Business Week, of New York City:

"The only remaining road to recovery for ourselves and the world is by concerted and courageous action, through governments and central banks, to raise the commodity price level and reduce the value of gold to the level at which it was when the bulk of the world's public and private debt burdens were contracted. Otherwise universal bankruptcy, default, and repudiation are unavoidable."

III. THE FUNDAMENTAL DISHONESTY AND IMMORALITY OF OUR PRESENT MONEY SYSTEM

If "universal bankruptcy, default, and repudiation" were necessary as a result of following rigid rules of honesty and fair dealing, that would be one thing. But when all this disaster is the result rather of a fundamentally immoral and dishonest standard of values (or absence of standards), the situation becomes entirely different. When we reflect that all debts must really be paid in commodities, and when we find the financial committee of the League of Nations reporting that whereas in 1928 it took 100 units of commodities to pay a debt of 100 gold units, to-day it requires 170 units of commodities, we must agree that this is not only "the crux of the crisis," but presents a ghastly and flagrant perversion of essential morality. As C. V. Gregory says: "If Congress had passed a law in 1926 requiring every debtor to pay back $1.50 for every $1 he had borrowed, besides interest, we would have had a revolution. Yet that is what deflation has done. Suppose Congress had passed a law in 1926 doubling the size of the bushel basket or the number of pounds in a bushel, and had told us that in measuring our products to pay our debts, we must give the same number of bushels of grain, but measure it out in these new and enlarged bushel baskets! By failing to take action to stabilize the value of money, Congress has done what amounts to the same thing."

When such conditions prevail and when a man may pay and pay on the principal of a debt and still find himself owing the creditor more in goods and commodity values than at first, then the Government is simply permitting robbery under the sanction of law. As Dr. Irving Fisher, of Yale University, said in substance before a Congressional committee recently:

"Not only are we having a tragic liquidation of debts through foreclosures, etc., but it is a liquidation that does not liquidate. You may pay $300 on a $1,000 debt, only to find that you have increased your indebtedness to $1,100 in terms of commodities. So in spite of all that America has paid on its debts there has been no real liquidation since 1929. We are now in debt more than we were then in terms of what we have to pay with. We are told that the national debt has been reduced by 28 per cent, but that is an illusion. The remainder must be paid by taxes paid by the farmer and factory, in commodities. Instead of our debt being reduced from twenty-five billions to nineteen billions, it now stands at thirty-five billions in market-basket dollars—ten billions more than it was in 1924. Of America's gross debt we have liquidated fifty billions of two hundred billions indebtedness, but now find ourselves with a debt of two hundred and thirty billions in market-basket dollars. Some think that we are working our way out but we are working ourselves in."

IV. WHAT CAN CONGRESS DO ABOUT THE SITUATION?

If the commodity price level of 1920–1930 can be restored and thereafter steadily maintained wholly by Federal reserve action, good and well. But millions believe that it is going to be necessary to provide that hereafter the quantity of gold in our standard dollar shall be increased or decreased so as to equal the average 1920–1930 purchasing power of a dollar. This could be done by storing gold bullion in the United States Treasury and issuing not coin but certificates against it—just as is now done with our silver certificates.

After the tragic experiences America has just been through, all enterprises will lag, all business will halt, all enterprise will be frightened, all development will be checked if every man on the farms and in business must make future plans with no assurance as to whether the dollar at pay time will be worth 50 cents, $1, $1.50, or $2 in commodity values. On the contrary, if as a result of this depression Congress will for all future time provide two such measures as are now under consideration—(1) Government guaranty of bank deposits and (2) a stable currency system based on average 1920–1930 commodity prices—then both American agriculture and American business can at once go forward to an assured and permanent prosperity.

PRESENTATION OF BUST OF GEORGE WASHINGTON TO ARIZONA

Mr. ASHURST. Mr. President, I ask leave to print in the RECORD the dedicatory address of Hon. C. O. Case, superintendent of public instruction of Arizona, and the response thereto of Gov. George W. P. Hunt upon the presentation to the State of Arizona of a bust of General Washington by the United States Commission for the Celebration of the Two Hundredth Anniversary of the Birth of George Washington, on April 30 last.

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

The addresses are as follows:

ADDRESS OF C. O. CASE, SUPERINTENDENT OF PUBLIC INSTRUCTION FOR ARIZONA

Firesides endangered, human rights imperiled—the intensity of intangibles—stir armies to victory.

In the Revolutionary War, Americans, inadequately armed, suffered from want of food and clothing; but, fighting for a principle, surprised and captured the hired Hessians, who, with nothing to fight for, were celebrating their pay day in a night of drunken debauch.

Washington, trained only in the military tactics of the frontier, was "first in war" because he shared preeminently with the men he led their faith in that for which they fought, their dauntless courage, their deathless dream of right, triumphant.

Washington, also "first in peace," in the discharge of civic duty, was the leader of men whose ideals have made this Nation great.

Leading the armies that won America independence, presiding in the convention that adopted the Federal Constitution, serving as first President of the United States, retired, a private citizen at Mount Vernon, Washington was ever "first in the hearts of his countrymen." Enshrined, he will always hold that place in our hearts.

We have reached a new historic milestone, the two hundredth anniversary of the birth of George Washington. In celebrating this anniversary we celebrate the birth of new ideals in government, rekindle the camp fires of Valley Forge, renew acquaintance with the best and most enduring in the Republic that Washington helped to establish.

The present is the past. The living present is such part of the past as is kept alive by appreciation and proper recognition. Personalities like that of Washington live, participating potentially in public life if a nation in its attitude will permit them. When national indifference to them prevails and appreciation becomes dormant or stinted, national decline has begun.

Down the centuries, establishing monarchies, obliterating republics, with the stride of a giant, came the force of an idea, decreeing with despotic favoritism, that a few should be kings and the rest slaves. It was a fatal day for that idea when Washington was born, for coincident with his birth there came to the hearts of the pioneers of America the resolute conviction that "all men are created equal" under the law.

Two hundred years have passed. The faith of the common people has become the "divinity that shapes" the ends of government, establishing republics, obliterating monarchies.

On the 30th day of April, 143 years ago, with the beauty of a new-born flag, floating in pride and confidence above him, George Washington took the oath of office as first President of the United States. That flag still floats, exultant with hope, and the unfailing integrity with which that first inaugural pledge was kept pleads to-day at the bar of public sentiment that popular government may never permit the American colors to be pulled down and disgraced by the disloyal hands of broken promises.

In celebrating the bicentennial of the birth of Washington we are honoring a name that is now immortal. We are renewing a promise that those principles in our government that are worthy of immortality will be perpetuated.

Governor Hunt, the United States Commission for the Celebration of the Two Hundredth Anniversary of the Birth of George Washington is, with splendid patriotism and cooperation, presenting to you, our governor, for the State of Arizona, a bust of Washington. This gift and its acceptance are a manifestation, timely and appropriate, of understanding and harmony between State and Federal Governments.

I have been appointed by the United States Commission to act as its representative in presenting to your excellency this patriotic memorial, an expression of the desire of our State and Nation to honor and cherish the memory of Washington.

REMARKS OF GOV. GEORGE W. P. HUNT, OF ARIZONA, ON THE OCCASION OF THE PRESENTATION TO THE STATE OF ARIZONA BY THE NATIONAL BICENTENNIAL COMMISSION OF A BUST OF GEORGE WASHINGTON ON APRIL 30, 1932

To me Washington's career is an inspiration because of his courage and fortitude. Perhaps Washington was not as brilliant as Hamilton, as humane as Jefferson, or as versatile as Franklin, but he was preeminently brave. Morally and physically he had the supreme courage of his convictions, and I believe courage to be the first requisite of a public servant.

His eight years in the Presidency might have been equally well served by others had they possessed the confidence needed by the people in the head of a new government, but his seven years' struggle for independence made him immortal.

He knew that a quibbling Congress was delaying needful action; that the wealthy and prominent colonists were Tory and considered him not only a traitor to his King but to his class and associates; that more Americans were frequently enlisted in the British service than under his flag; that jealous underofficers were engaged in a Conway cabal to supplant him in command, but for seven long years he took his punishment and when his opportunity came he was ready for it. He purchased our liberty at a price that insures a high value on independence.

Washington detractors, by making him human, have but raised the eminence to which we, other humans, can aspire. History may forget popular leaders, but it does not permit the valiant champions of unpopular but righteous causes to remain in obscurity.

America is fortunate to have had such a man as her first President, because as long as our children emulate him, this Nation will go forward to a justified perseverance.

AGRICULTURAL SITUATION IN THE WEST

Mr. CAREY. Mr. President, I ask unanimous consent to have inserted in the RECORD a letter which I have received with reference to the agricultural situation in the West, and from which I have deleted a portion, together with the name of the writer. I feel that the letter contains much valuable information which should be transmitted to the Senate.

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

The letter is as follows:

DENVER, COLO., *May 6, 1932.*

Hon. ROBERT D. CAREY,
Washington, D. C.

DEAR SENATOR CAREY:

* * * * * * *

Since February I have been at meetings of various kinds in the Dakotas, Washington, Idaho, Utah, Wyoming, Colorado, Oklahoma, and New Mexico. I find there is no general western agricultural problem nor sentiment. Thought by the individual farmers or stockmen is largely based on the condition of the market for the commodity in which they are interested.

There is, however, a general trend to be noted in the expressions heard everywhere on the political, economic, and financial questions. Debts created on the former high commodity price levels and the heavy county and State taxes on tangibles are the two principal causes of irritating and depressing mental attitudes by those involved. These are common problems.

As to farm debts, and irrespective of the governmental or other aid for these conditions, I find two plans are slowly crystallizing in the minds of farmers to cast off these burdens. One is for the calling together of a joint meeting of banking and merchant creditors with the farmer debtors in county or possibly larger areas for a frank discussion of the untenable situation. The thing that is in the minds of those proposing this idea is a scaling down of debts made on the former higher price levels. It would mean practically a compromising of the debts on a percentage basis as is frequently done in commercial life by retail or wholesale dealers with their creditors to avoid receivership or bankruptcy. It is predicated on the fact that not only are commodity prices on a much lower basis but the capital structure of practically all business is liquidated to the bone as indicated in quotations on the stock exchanges and the smaller, or lack of, dividends of corporations. Such a reduction in farm assets it is felt must also be recognized.

The second idea that I occasionally hear discussed is more drastic in its action to relieve the farmers' debts. It is to take advantage of the national bankruptcy laws. This has always been repugnant to the agricultural classes although relatively common in commercial business. I would not say that this idea has been encouraged by banking and insurance interests in the big centers but apparently it is not seriously opposed.

A typical illustration of a farmer's condition is as follows:

He has a first mortgage on the farm. Often a second mortgage secures a local loan. The local banker will hold either a personal or crop-loan note. Three to five machinery people have notes on file. In addition local merchants have open accounts for supplies, prices of which due to credit extended often run 25 to 50 per cent higher than cash prices. One instance I know of is of tractor gasoline billed at 35 cents, when the season's cash price was never over 20 cents.

In cases where discouraged farmers have broached the subject of throwing up their whole business under such handicaps, certain first-mortgage holders have suggested that the bankruptcy act could be taken advantage of; homestead and household exemptions, which can not legally be signed away, could be claimed, and thus they can run on a clean slate for another year. In the meantime the first-mortgage owner would bid in the farm and lease it back to the original owner, the inference being that at a later date he could buy it back on easy terms. (One instance in Idaho I ran into was of two adjoining farms, only fairly well improved, on both of which an insurance company had loans. The latter foreclosed one mortgage of $4,000 and was offering the property at $3,500. The neighbor had a $4,000 loan also, along with a lot of other debts, and was seriously considering throwing up his place and buying in the adjoining land at $500 less than either mortgage.)

The above two plans are not in universal thought among farm debtors as yet, but are in process of development in certain sections. Should they result in action and spread, it would certainly play havoc with local business men and bankers who are listing a lot of this top-heavy debt as assets.

As to agricultural or farming conditions and plans:

Due to relative scarcity of durum and spring wheat last year and very fair prices as a result mainly of drought and grasshoppers, I note a greatly increased intention to plant wheat in the Northwest. There will be a decrease in flax. In many other sections farmers are starting spring work in a disheartened and despondent state of mind. The potato men in the Yakima, Walla Walla, Idaho, Colorado, and Red River sections all are that way, yet they are planting potatoes again. Practically all fruits and vegetables were in oversupply last year, but crops of these are going in everywhere. Onions were the high-priced article of 1931, and farmers are almost universally responding to price and are plunging heavily on them. Seed is almost impossible to obtain, the demand is so great. I saw letters from Kalamazoo, Mich., in New Mexico wanting onion seed or plants. At a conference at Santa Fe, N. Mex., of western men we were told that the estimate is for 300,000 tons of canning peaches in California this year. Last year's canned storage is heavy, and canners will only contract 100,000 tons, so two-thirds of the crop is to be wasted. Numerous other crops are in the same situation.

Here in Colorado and in your State the lack of a minimum price for sugar beets is causing a lot of worry and actual distress among tenants and labor. Yet plantings are going on irrespective of the bad trading position growers will be in this fall in trying to sell to one buyer. They hope "something will turn up" to clarify the sugar situation. In Oklahoma, Texas, and eastern New Mexico cotton is being planted in a half-hearted, discouraged way, as losses were real last year and the heavy carry-over portends a weak situation again. Winter-wheat fields down there generally look bad, but as last year's surplus is still a weight on the market, growers expect only small gross returns for the current crop, although the lighter crop will doubtless aid in reducing the surplus. It will, however, bring little money into the different regions and it is very questionable whether many farmers can stand another light-income year.

Water, either subsoil moisture or snow in the mountains, for irrigation is in good supply in all but a few small areas. From a production point of view prospects haven't been better, in the main, for a number of years.

As to livestock, it has been a bad winter; feed was scarce, as was money to buy it, so lots of stock had a pretty tough time and there were heavy losses.

Except where overwhelmed with debts or with $8 loans, the sheepmen as a class are the most hopeful for the future of any that I have met. They point to the fine distribution of the entire lamb crop last year, even if at low prices. They believe the total number of ewes shown January 1, which included the culls of two years in many flocks, would show a sharp decrease if counted as of June 1, due to winter losses. Around 75 per cent of the ewe lambs of 1930 and over 85 per cent of the ewe lambs of 1931 were sold by owners in order to get money, so it is estimated that average ages of ewe bands have risen over one and one-half years. This will mean enforced replacement or else going out of business in a year or two. Wherever possible to finance operations, I believe you will see a lot of ewe lambs held back this fall. This holding will reduce supplies of market lambs and prices, which, while low, are very buoyant, will rise—it is fondly hoped by sheepmen—and they will be on their feet again. They believe that a market which could absorb the increased number it did the past year in the face of seriously declining purchasing power will respond rather broadly not only to a shorter total lamb crop but to reduced market numbers due to these replacement needs.

The beef-cattle men in general are in the attitude of sailors riding out a storm. There is little husbandry trouble within the industry, their serious price situation being due to restriction in labor demand for a supply of meat of only normal tonnage. Sales at younger age and lighter weight are absorbing more numbers in a given tonnage when compared to 10 years ago. So, although they are at present hard pressed, they are in a good statistical position to take advantage of the if and when of industrial movement.

I am writing you all of this as my personal observations and am not interested in politics. But the latter is cropping out in one or two governmental activities. The main one is in the use of the so-called reconstruction money, or at least that part of it assigned to agricultural aid. I mean in the way it is being considered by recipients. Farmers who even in distress were too proud to accept of the drought, seed, and feed emergency loan appropriations feel that the new funds are political in character and that they might as well get their share of the distribution. They are aided and abetted in this by local business men. "The big corporations, banks, loan and insurance companies, and railroads are getting theirs; this is what was allotted to us so we might as well have it" is the attitude in many instances.

The livestock interests, however, in some sections are arising in wrath at the terms and conditions being forced on them through the operations of the newly set up livestock loan companies to use the reconstruction money. These companies, whose principals are often local bankers, are forcing borrowers to put up 10 per cent of their loan for capital stock in the companies, in most cases as a cushion for bad loans formerly made by the local bankers and over which the conservative borrowing stockmen have no control. Also, it is stated that banks are shoving the loans of customers, as they come due, off onto the loan companies whether the stockmen want to go or not and at additional cost. It is claimed that while the face of the paper shows 7½ per cent interest, actual operations, inspections, deductions, etc., will run the costs to the prohibitive figures of 15 to 18 per cent per annum for actual use of money for around 18 months. The 10 per cent investment required is not to be paid back when the conservative loan is repaid but is held until all loans are liquidated and assumes its share of the loss for irresponsible loans. I saw one actual loan worked out which shows over 17 per cent costs for the money on a fair loan forced out of a local bank.

You may already have heard of some of this discontent with the treatment which stockmen claim they have had; as I under-

stood protests were being drawn up to go either to your body or to the heads of the Reconstruction Finance Corporation.

This communication is entirely too long. However, you asked me for a report on western conditions which takes in a lot of items.

Yours truly, ——— ———.

CALL OF THE ROLL

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

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

Ashurst	Coolidge	Johnson	Sheppard
Austin	Copeland	Jones	Shipstead
Bailey	Costigan	Kean	Smoot
Bankhead	Couzens	Kendrick	Steiwer
Barbour	Davis	Keyes	Stephens
Bingham	Dickinson	Logan	Thomas, Idaho
Black	Dill	McGill	Townsend
Blaine	Fess	McKellar	Trammell
Borah	Fletcher	McNary	Tydings
Bratton	Frazier	Metcalf	Vandenberg
Broussard	George	Moses	Wagner
Bulkley	Glass	Norris	Walcott
Bulow	Glenn	Oddie	Walsh, Mass.
Byrnes	Goldsborough	Patterson	Walsh, Mont.
Capper	Hale	Reed	Watson
Caraway	Hastings	Robinson, Ark.	Wheeler
Carey	Hayden	Robinson, Ind.	
Cohen	Hebert	Schall	

Mr. SHEPPARD. I desire to announce that the Senator from Okahoma [Mr. GORE], the Senator from Nevada [Mr. PITTMAN], the Senator from Texas [Mr. CONNALLY], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Tennessee [Mr. HULL] are absent on official business.

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

INCREASE OF BANKING FACILITIES

The Senate resumed the consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS resumed and concluded the speech begun by him yesterday. The speech follows entire.

Monday, May 9, 1932

Mr. GLASS. Mr. President, some time back the Senate unanimously passed a resolution known as Senate Resolution 71, and I now desire to invite the attention of the Senate to the text of it. It resolved that—

> In order to provide for a more effective operation of the national and Federal reserve banking systems of the country, the Committee on Banking and Currency of the Senate or a duly authorized subcommittee thereof be and hereby is empowered and directed to make a complete survey of the systems, and a full compilation of the essential facts and to report the result of its findings as soon as practicable, together with such recommendations for legislation as the committee deems advisable.

I desire to invite particular attention to this sentence of the resolution:

> The inquiry thus authorized and directed is to comprehend specifically the administration of these banking systems and respect to the use of their facilities for trading in and carrying speculative securities, the extent of call loans to brokers by member banks for such purposes, the effect on the system of the formation of investment and security trusts, the desirability of chain banking, the development of branch banking as a part of the national system, together with any related problems which the committee may think it important to investigate.

The resolution was a modification of a more elaborate resolution proposed by the junior Senator from Utah [Mr. KING].

In obedience to that unanimous action of the Senate, the Committee on Banking and Currency set up a subcommittee of five members with jurisdiction of all the questions propounded in Senate Resolution 71. The subcommittee in January and February of last year instituted extensive hearings on every phase of the banking problem as comprehended in the resolution. The committee brought here banking experts and economists and textbook writers, and heard, in addition to the persons summoned, all responsible bankers or technicians who expressed a desire to be heard. The committee covered the entire field of existing banking, and made a searching inquiry into proposals for modifications of the banking laws.

In addition to these hearings the experts of the committee prepared sweeping interrogations which were sent out to several thousand of the more or less important banking institutions of the country, including, of course, all of the Federal reserve banks and all of the member banks of the Federal reserve system, as well as many of the more important banks outside of the Federal reserve system. The committee thus acquired perhaps the most extensive information on banking problems of any theretofore assembled by any committee of the Congress. These data we searched with the utmost diligence and scrutinized in all their varying phases.

Perhaps it might be somewhat interesting to the Senate in this connection to give a little of the background of the Federal reserve banking system. Before the adoption of that system, as all Senators will recall, we had an utterly inadequate banking system in this country, the national bank currency being based on the bonded indebtedness of the United States, and State banks being precluded from all issue by a prohibitive tax of 10 per cent.

In those days the bonded indebtedness of the United States, somewhat less than $1,000,000,000, measured, with a limited supply of Treasury bills, the entire possible volume of outstanding currency. In time of stress a national bank in any given community could only issue such amount of currency as would measure the volume of its bonds having the circulation privilege impounded with the Comptroller of the Currency in Washington. Although the demands of that community, commercial and industrial, might be for currency aggregating $10,000,000 or more, if the national banks in that given community had impounded with the Comptroller of the Currency only three or five million dollars of United States bonds they could issue only that amount of currency.

Then we had a system of pyramided reserves, the reserve of a bank being, as it were, an index, a thermometer, to the bank itself, as to its patrons, of the solvency of the bank. Under then existing law an interior bank, known as a country bank, might carry a part of its reserve with a bank in a reserve city, and the bank in the reserve city, in turn, might carry a greater proportion of its reserve with a bank in a central reserve city. Thus the reserves of the country were pyramided, and did not furnish an accurate, enlightening index of the solvency of the banking community.

Moreover, under the old system, a practice, not now altogether abandoned, grew up of not only sending these reserves in a pyramided form to the money centers but of sending all the surplus funds of an interior bank to the money centers at a nominal rate of interest, usually about 2 per cent.

I have often said that the banking business of the country was the only business of which I had any knowledge that refused to be governed by the law of supply and demand. In other words, in lax periods, when credit was abundant and currency likewise, few if any of the unit banks would give their industrial and commercial patrons the benefit of that situation. Rather than reduce what they termed their standard rate, whatever it might be—6 per cent in some communities, 7 per cent in others, and as high as 12 per cent in some of the States—rather than "demoralize," as they termed it, their standard rate of interest, they would bundle up their surplus funds and send them to the money centers at a 2 per cent rate; and thus sent to the money centers the banks there must make use of them, for naturally they would not permit them to remain idle drawing the nominal rate of 2 per cent. The use they made of them was "on call." They used the idle funds of the whole banking system of the United States largely for stock speculative purposes on the market.

When business should become active, when credit should become in urgent demand, when local banks must respond actively and at times urgently to the local demands of credit, they in turn would seek to withdraw their reserves and their other deposits from the banks in the money centers. Inter-

est rates on call thereupon would rise and rise and rise, until finally disaster would overtake the entire banking community. The banks in the money centers found themselves unable to respond to the demands of the country banks throughout the Nation.

The country banks then were forced to preclude loans for local commercial and industrial purposes, and as the difficulty thus became accentuated the interior banks found themselves unable to respond to their checking balances and depositors found themselves unable to withdraw their funds on deposit with their local banks. That meant that throughout this Nation wherever there was an institution known as a clearing house the banks in that state of organization would get together and severally and unitedly issue what were known as clearing-house certificates, to be used instead of the ordinary currency. It was an utterly illegal and irregular expedient, but the banks were compelled to resort to it in order to avert a complete breakdown and in order to avert a complete stoppage of business. Thus every decennial we would have what was known as a "financial panic" in the United States. The chief harm was not to the banking community by any means, because by these irregular expedients the banking community protected itself; but the almost irretrievable disaster frequently was to the business interests of the country, to industry, to commerce, to the man behind the plow, to the laborer in the factory, and everywhere.

The last recurrence of a disaster of this kind eventually prompted the Congress of the United States to adopt what is now known as the Federal reserve act. We sought by that legislation to withdraw the reserve trust funds of the country from the money centers, from use in "speculation," as some politely term it, but "stock gambling" as I have no hesitation in describing it, and to impound them in 12 regional banks for commercial and industrial uses and not for stock-speculative uses.

We had hoped that in thus withdrawing the reserve funds and distributing them throughout the country in these regional banks we would set an example that would readily be followed by the country banks. We regarded it as a banking declaration of independence. We undertook to rescue the country bank from involuntary servitude to the great banks in the money centers. But we failed to do that; they are still in involuntary servitude, and right now, as I am receiving telegrams of protest from the money centers against a proposition to have branch banking in the national system, the very bankers who are sending the telegrams know perfectly well that some large banks have as many as 4,000 correspondent banks throughout this country which are in involuntary servitude to them. By granting the correspondent banks privileges and giving them accommodations which they may obtain, if they would obtain them, at their respective Federal reserve banks, the banks in the money centers know that they put them under obligation, so that "advice" from a great bank in a money center usually amounts in the last analysis to coercion; and the country to-day is witnessing the evil results of a system of that sort.

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

Mr. GLASS. I yield.

Mr. WATSON. Is not that the very method that was used in order to induce the correspondent banks to take many of these foreign securities?

Mr. GLASS. That is just what I am about to say. The Senator anticipated me.

It was because of that system of involuntary servitude that the great banks in the money centers choked the portfolios of their correspondent banks from Maine to California with utterly worthless investment securities, nearly eight billions of them being the investment securities of tottering South American republics and other foreign countries.

Incidentally, I may remark that the State Department is largely culpable for the extent of these worthless loans. It assumed, without sanction of law and without precedent of any sort, the impossible function of passing upon foreign loans. A little clerk up there, devoid of facilities of examination or of inquiry or of estimation, undertook to say whether a foreign loan was acceptable or unacceptable to this Government, with the result that these foreign investment securities would go into the open market practically with the imprimatur of this Government upon them in competition with sound domestic loans seeking credits for purpose of promoting our commerce and our industrial life.

I say the State Department is largely responsible for its part in promoting credits of this kind; and this notwithstanding the Senate by unanimous vote, without a word of dissent, passed a resolution expressing it as the sense of this body that the State Department should desist from this evil practice. The newspapers the next day announced that the Secretary of State would pay no attention to the expressed conviction of the Senate; and it pursued the lawless practice with just such revelations as we had before the Finance Committee of the Senate.

But to get back to the Federal reserve system, if anything was made plain in the spirit and the text of the act, it was that the Congress intended that the reserve trust funds of the Federal reserve system should never be used for speculative purposes.

Mr. NORRIS. Madam President——

The PRESIDING OFFICER (Mrs. CARAWAY in the chair). Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. I desire to ask the Senator if in the investigation of the committee any evidence was adduced that not only the State Department but the Treasury Department had been instrumental to some extent, through its examiners or otherwise, in inducing so-called country banks to make the investments the Senator has mentioned?

Mr. GLASS. I do not know that we took testimony upon that particular point; but I do know that a few days ago my attention was called by a letter from one of the most responsible bankers in Virginia to the fact that an official of the Federal reserve system itself had issued a letter, over his name as an official of a certain Federal reserve bank, promoting an investment stock.

Mr. NORRIS. Madam President, will the Senator yield further?

Mr. GLASS. Yes; I yield.

Mr. NORRIS. I am induced to ask the question because a great many bankers in my section of the country have told me that that was true. Those who were stockholders in banks that failed mainly on account of investments of this kind have told me likewise that it was almost a common practice for the national-bank examiners to advise the banks to make investments of this kind rather than to loan their money to farmers in the community, where, as they claimed, the loans would lack the liquidity that they otherwise would possess if the banks invested in the stocks and bonds mentioned.

Mr. GLASS. I myself have heard that bank examiners were not at all averse to giving advice not only to banks but to individuals as to how they might, in view of the bank examiner, better invest their funds. I assert, however, that nothing in the Federal reserve act is plainer than the expressed intent of the Congress that no longer should the reserve funds of this country and the accumulated assets of the Federal reserve banks be used for speculative purposes.

Under section 13 of the act it is provided that—

> Upon the indorsement of any of its member banks, * * * any Federal reserve bank may discount notes, drafts, and bills of exchange arising—

How? Out of speculative transactions? Never!

> Arising out of actual commercial transactions; that is—

In further explanation—

> notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes.

That is what these credits were to be made for; and the act charges the Federal Reserve Board with the exclusive

right to determine or define the character of paper thus eligible for discount within the meaning of this act.

There is the affirmative side of the law, stating textually what these credits are to be set up for. There is, however, a negative side of the proposition:

Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount, and the notes, drafts, and bills of exchange of factors issued as such making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount.

Thus far, we see, the act provides what may be eligible and only what may be eligible for rediscount at the Federal reserve banks. Then, however, it proceeds a step farther, and puts its negation upon speculative credits:

But such definition—

That is, the definition to be made by the Federal Reserve Board exclusively—

Such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

I can not conceive that anything in a Federal statute could be made plainer than the intent of Congress to provide against the use of Federal reserve facilities, directly or indirectly, in stock-market speculative operations. So Senate Resolution 71 charged your Banking and Currency Committee particularly to investigate that aspect of the question, and to ascertain to what extent, if any, the Federal reserve banking facilities had been used for these speculative purposes. Thus, at the very outset, this bill, S. 4412, undertakes to deal with that question.

FEDERAL RESERVE SYSTEM TRANSFORMED

Not only has the Federal reserve banking system been used in an inordinate measure in stock-market transactions but there appears to have been an extraordinary misconception by the administrators of the act of its real purpose. In large degree the system has been transformed into an investment banking system, whereas the fixed purpose of Congress was to set up a commercial banking system and to preclude speculative operations. Your committee was even informed in writing recently that one of our assumptions embodied in a certain provision of the bill would be sound, would be feasible, based upon the supposition that member banks of the Federal reserve system rediscounted with the Federal reserve bank for the purpose of relending the funds thus secured. What else, I may ask, was ever designed than that process? The whole purpose of the act was to enable a member bank of the system, when it should have depleted its own liquid and ready resources in responding to the requirements of commerce and agriculture and industry, to take its eligible paper to its Federal reserve bank and get additional funds. And for what purpose? To respond further to the demands of commerce and industry. That is what was meant by the rediscount operation of the Federal reserve banking system.

Yet we are quietly told that that is not the process any longer; that the administrators of the law know perfectly well what the intent of Congress was, but that "the evolution of banking" activities has been such that no longer is that done to any considerable extent.

Let me tell Senators the meaning, and, in the last analysis, the result of that sort of administration of the law. It means that a member bank may engage in any sort of speculative business it may please, and then, when its reserve in the Federal reserve bank is impaired, it may take its eligible paper for rediscount and use the credit and the currency thus afforded to reestablish its reserve, and not to relend for "commercial, industrial, or agricultural purposes."

That is an evasion of the intent, the spirit, and text of the Federal reserve banking act. It never was intended that its facilities should be used for investment purposes, or for speculative purposes, in that roundabout way.

OPEN-MARKET OPERATIONS

We had an open-market provision in the Federal reserve bill. One has only to read the report made in 1913 to the House of Representatives on the bill as it passed and became a law to understand what the open-market provision of the bill was intended for.

It was intended for two purposes only: To enable the Federal reserve bank to enforce its discount rate against the acquisitiveness and greed of any member bank in its region, an authority somewhat akin to the practice of the Bank of England.

The other design of the open-market provision was to enable the Federal reserve bank to use its idle funds, not in a speculative venture, but to use its idle funds in a reasonably profitable way in order to cover its overhead, in order to pay its expenses.

I find that the average person, if not the average Congressman, is laboring under the hallucination that the expenses of the Federal reserve bank system are borne by the United States Government, and the Economy Committee at the other end of the Capitol actually proposes to "economize Government expenses" by cutting down the salaries of the members of the Federal Reserve Board, whereas the Government of the United States never spent a 10-cent piece toward the expenses of the Federal reserve banking system, never paid the salary of a janitor. The expenses of the system are paid by assessments upon the member banks; and how on earth we may "economize Government expenditures" by cutting down the salaries of the Federal Reserve Board I am unable to understand.

I have indicated what were the two purposes of the open-market provision of the reserve act, vehemently opposed by the large banks in the money centers, because, they said, it would bring the Federal reserve bank into competition with them in their ordinary business transactions.

What has happened? The rediscount feature of the system has practically been submerged by the open-market transactions in the large money centers, somewhat speculative, altogether of an investment nature, totally, I contend, unrelated to what were intended to be the normal operations of this great banking system.

For a period of six years one of the Federal reserve banks has apparently given more attention to "stabilizing" Europe and to making enormous loans to European institutions than it has given to stabilizing America. Accordingly, we have a provision in this bill asserting, in somewhat plainer terms, the restraint the Federal reserve supervisory authority here at Washington should exercise over the foreign and open market operations of banks which may assume to be a "central bank of America."

We did not think that we were having a central bank. We thought we were having 12 regional banks. The operations of the bank particularly referred to were so extensive in the European field that it found itself liable for hundreds of millions of dollars of foreign acceptances which could not be collected, which had to be renewed at maturity—just a sort of a revolving fund—absolutely foreign to the intent, and, as I contend, to the text of the Federal reserve act.

For a long time that great bank resisted any suggestion—and it does now—that it should be brought within the actual jurisdiction of the central authority here at Washington. At one time it was so—and I think it is now—that all Europe regarded this Federal reserve bank as "the central bank of the United States." When its governor would go abroad he was accorded the privilege of an office and a clerical staff in the Bank of England, and he was spoken of as the "governor of the central bank of the United States." In turn, when the governors of the Bank of England and the continental central banks would come here they came by invitation or notification to the governor of this one Federal reserve bank. Two members of the Federal Reserve Board once told me that the only contact this central supervising power at Washington ever had with one of these foreign central bank presidents was by courtesy of the governor of this particular Federal reserve bank.

There is not a word in the law which provides for a "governor" of a Federal reserve bank. The statute will be searched in vain for any suggestion of a "governor" of a Federal reserve bank.

While we intended to preclude all idea of central banking, we designed that the Government, through its agencies, should keep a strict supervisory control of the system, and we appointed a Government agent, one of three of the Government directors at the Federal reserve bank, who should be the presiding officer, and whom we intended to be the head officer of the bank. He has been literally brushed aside. He is a mere custodian of evidences of credit. They have set up in each of these banks a government of their own.

For a while this "board of governors" came well-nigh usurping important functions of the Federal Reserve Board here in Washington. They would have their meetings at their pleasure and convenience, resolve this, that, or the other thing, and graciously let the supervising authority here know what they had done. It was proceeding so far that the Federal Reserve Board was threatened with the humiliating status of "unofficial observers" of the transactions of the Federal reserve banking system. Finally the governor of the board here had the discernment and the courage to put a stop at least to that sort of thing, and served notice on them that they should meet only when the board required them to meet, and upon the sanction of the board.

The system has been transformed. The open-market operations of one bank alone have practically submerged the rediscount phase of banking. In their open-market operations they have never bought a dollar of commercial paper. They have made no effort to establish and foster a market for commercial paper which might be bought in the open, and thereby made more valuable than it otherwise might be. They have bought investment securities. They have bought by the millions United States bonds for which they have no use, and are doing it to-day in a futile effort to "control prices." They have about as much prospect of controlling prices as I would have of taking a broomstraw and sweeping Niagara upstream. They may improve the liquidity of certain banks in the money centers and thereby abate fears of withdrawals. The theory appears to be grounded in the fanciful expectation that these great banks are philanthropically going to let some measure of resultant prosperity drip down upon the interior banks of the country. I have not noted that this experiment has raised the price of a staple product one stiver. I can not do it unless these gentlemen have discovered something that nobody else on earth has ever discovered, and that is that manipulation of bank credits or legislative fiat can control the inexorable law of supply and demand.

SPECULATIVE BANKERS WANT NO RESTRAINT

These great speculative banks are opposed to sections 3 and 8 of the bill because they say we have no right to interfere with the independent operations of member banks or of the Federal reserve banks; that we have no right, more explicitly than the act now does, to put a stop to the use of Federal reserve facilities for stock speculative purposes. Under the 15-day provision of the existing act, 10 of the larger New York banks alone in 1929, over a period of six months, borrowed a billion dollars from the New York Federal Reserve Bank, with United States bonds as collateral security, chiefly for stock speculative purposes—not all at one time; I said over a period of six months—when they had no right to borrow a dollar for that purpose from the Federal reserve banks; it was contrary to the express provision and the real intent of the law.

To show conclusively that it never could have been the intention of Congress to authorize a stock-gambling use of Government bonds in that dangerous fashion, it need only be stated that when the Federal reserve act was passed there were less than $1,000,000,000 of United States bonds in existence. Of the amount outstanding, $748,000,000 of them were held by national banks for circulation purposes. Nearly all the balance was held in estates, by fiduciary officials, and by individuals. So that it is perfectly safe to say that there were far less than $100,000,000 of United States bonds outstanding that might be used for rediscount purposes at the Federal reserve banks. I would think less than $50,000,000 that might be used for that purpose. And yet, here 10 large banks in New York, over a period of six months, were using $1,000,000,000 of them for speculative purposes. The bill proposes to put a stop to that practice, and if it does not do that, it is not worth the paper upon which it is written and I would be willing to cast it in the scrap basket.

Mr. BORAH. Mr. President, section 3 and section 8 are the sections to which the Senator has been referring?

Mr. GLASS. Yes.

A GENERAL DESCRIPTION

Briefly now, in explanation of the bill itself, the first two sections simply deal with the title of the act and the definitions particularly of the banking facilities. Section 3 of the act puts a requirement upon Federal reserve banks to acquaint themselves with the condition of member banks and with the purposes for which member banks are using their funds and their facilities. I had the once governor of a great Federal reserve bank to tell me that he would not ask a member bank, seeking privileges at the Federal reserve bank, "what it was going to do with the money"; that he did not believe he had any right to ask a member bank what it was going to do with the money. It was his duty to know what the member bank was going to do with the money in order that the reserve bank might not make an irregular or illicit use of the Federal reserve facilities.

Neither a Federal reserve bank nor the Federal Reserve Board has any control over an individual bank so long as the individual bank is not seeking the privileges of the Federal reserve system; but the instant a member bank wants to recoup itself at the Federal reserve bank, it is the business of the Federal reserve bank to know the reason why. So that in this section we require a Federal reserve bank to keep itself informed and we require the agent of the Federal Reserve Board at that bank to keep the Federal Reserve Board informed. If at any time it shall appear that the member bank seeking the privileges of the Federal reserve bank is inordinately extended in stock-market transactions or unsound and unsafe loans, we empower the Federal Reserve Board, upon due notice and hearing, to suspend the facilities of the Federal reserve bank to that offending bank.

Mr. TYDINGS. Mr. President——

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

Mr. GLASS. I yield.

Mr. TYDINGS. The Senator stated that many of the banks are opposed to section 3. Am I to understand they are opposed to section 3 because they object to letting the Federal reserve banks know why they want the money?

Mr. GLASS. They object to section 3 because it empowers the Federal reserve bank and the Federal Reserve Board to prevent the misuse of Federal reserve facilities for stock speculative and other illicit purposes. It is not any increased power that we are conferring upon the Federal reserve bank and board. They have the power under existing law; but there has been a division among them as to the interpretation of the law, and this section simply makes the intent plain and the authority peremptory.

Section 4 of the bill relates to the distribution of earnings. Although the Federal Government has never expended a dollar in the maintenance of the Federal reserve system and does not own one dollar of proprietary interest, it has collected in excess of $150,000,000 from the earnings of the Federal reserve banks upon the pretense that it was a franchise tax for privileges granted. Senators will find upon examination that the 12 Federal reserve banks do, without charge, a fiscal business for the United States Government that twenty times over compensates the Government for any privilege the Federal reserve banks may have. In fact, the only privilege a Federal reserve bank has from the Government is the privilege that national banks have possessed for more than 60 years, and that is the issuance of currency. Some institution has got to issue currency under severe espionage and restriction, and, of course, the Federal reserve banks are now doing that in conjunction with the national banks.

It was originally intended that national-bank currency, which was a bond-secured currency, inelastic and at times ruinous, should be retired and that the currency of the country should automatically issue upon commercial transactions such as the law authorizes, and automatically retire at the consummation of those transactions, meeting every possible business requirement promptly and completely, and retiring so as not artificially to inflate the credits of the country. The Federal reserve banks do a fiscal business for the United States Government that has never been paid for. The Government has not floated a loan since the beginning of the World War that it has not done it through the agencies and instrumentalities of the Federal reserve banking system.

We propose now a different distribution of the earnings of the system. We propose to pay the member banks 6 per cent cumulative dividends on their stock, as always has been done. Then we propose to transfer future earnings of the banks to surplus account. We propose to recapture from the Federal Treasury $125,000,000 of the one hundred and fifty million dollars and odd that has been paid into the Treasury, and pass it to the credit of a revolving fund for prompt liquidation of failed banks. Now, when a bank fails——

Mr. BLAINE. Mr. President, would it interrupt the Senator if a question were asked at that point?

Mr. GLASS. No.

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

Mr. GLASS. Certainly.

Mr. BLAINE. I do not want to interrupt the Senator. I am sorry I could not be here for the opening of his remarks. The $125,000,000 to which the Senator refers as being "recaptured" is money that belongs to the Government of the United States?

Mr. GLASS. Yes; and ought not to.

Mr. BLAINE. It becomes necessary to make an appropriation out of the Federal Treasury to the extent of $125,000,000?

Mr. GLASS. Yes.

Mr. BLAINE. How does that proposal fit in with the administration's plan for economy and a balancing of the Budget?

Mr. GLASS. Well, I am not a part of the administration in its detailed arrangements about economy; I had not that in view. I had only the equities of the case in view. We wanted to establish a liquidating corporation to pay the depositors of failed banks with some degree of promptness and completeness; and this was a fund that we thought, in equity, ought to be recovered and adapted to that purpose.

Mr. BLAINE. But the $125,000,000 is money that actually belongs to the people of the United States, and now it is proposed to transfer that money to a liquidating corporation without any consideration whatever.

Mr. GLASS. The Senator from Wisconsin must not have been here when I undertook to show that the Government of the United States was never equitably entitled to a dollar of that fund.

Mr. BLAINE. But that is not the point. The point is——

Mr. GLASS. Of course, the Government has actual ownership of it now or we could not "recapture" it from the Government.

Mr. BLAINE. But whether or not the money came to the Government rightly has been passed upon by the Congress. Congress stated how this money must be paid into the Treasury.

Mr. GLASS. And now I want Congress to say we shall take it back and adapt it to a better purpose.

Mr. BLAINE. This is applying $125,000,000 of Federal money to a private organization known as the "liquidating corporation."

Mr. GLASS. Yes; to a private corporation, but for public purposes.

Mr. BLAINE. For public purposes, but not for a public purpose excepting for special banks and the depositors of those special banks.

Mr. GLASS. Well, I do not think it would be profitable for the Senator and I to enter into the technical distinctions involved. As a matter of fact, if the Senator thinks the proposal impinges upon the economy program of the administration, I may remind the Senator that the administration itself for the liquidating corporation proposed by it recommended $100,000,000 out of the Public Treasury.

Mr. BLAINE. I did not want to ask the Senator that direct question, but I am glad he brought it up, as I understood the administration, acting through the Secretary of the Treasury, had proposed or approved—whichever may be the case—that this $125,000,000 be transferred from the Public Treasury to the liquidating corporation. Am I mistaken or correct in that supposition?

Mr. GLASS. The administration recommended an appropriation of $100,000,000, another branch of the Congress proposes $150,000,000, and we thought that $125,000,000 would be about right. We propose to make that change in the earnings of the Federal reserve banks, still providing that the surplus funds of the banks shall not be diminished, but from time to time shall be replenished.

Mr. NORRIS. Mr. President——

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

Mr. GLASS. Yes; I yield.

Mr. NORRIS. Is it proposed that future earnings shall go into this fund instead of going to the Government as heretofore?

Mr. GLASS. No; future earnings of the fund will go into the surplus account of the Federal reserve banks. In other words, we propose to take $125,000,000 from the Federal Treasury, which we conceive to be a recapture of a part of a larger amount paid into the Treasury to which it was not entitled. Then we propose to take one-quarter of the existing surplus of the Federal reserve banks themselves and apply it to this fund; but hereafter the future earnings of the Federal reserve banks will go to the surplus fund of the Federal reserve banks and none to the Government.

Mr. NORRIS. And none to the revolving fund for the relief of depositors in failed banks?

Mr. GLASS. No; because we think the revolving fund, as we have set it up, is somewhat more than ample for that purpose.

Mr. NORRIS. It is the judgment of the committee that that fund will not need replenishing and that this money will be sufficient?

Mr. GLASS. That is true. We think it will be more than ample; and I may say that the Federal Reserve Board thinks it is excessive.

Mr. McKELLAR. Mr. President——

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

Mr. GLASS. I yield.

Mr. McKELLAR. May I ask if the bill is not a form of guaranty of bank deposits?

Mr. GLASS. No; the bill does not guarantee any bank deposits; it takes over the assets of failed banks, has them immediately estimated by competent actuaries, and, instead of waiting for a period of years—sometimes 10 or 12 years, though not often that long—instead of waiting an inordinate time, it takes over the assets by purchase or makes loans to the receiver, so that the depositors of failed banks may be promptly and, as completely as the circumstances permit, paid their money.

Mr. NORRIS. Mr. President——

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

Mr. GLASS. I do.

Mr. NORRIS. It is not contemplated, then, that any of this money will be used for the purpose of assisting failed banks excepting in so far as the money used will be secured and will not be liable for loss on account of the failure of a bank?

Mr. GLASS. That is true; yes.

Mr. NORRIS. In other words, it is not the idea of the bill or of the committee, as I understand, that the revolving

fund will be lessened or that it will take over any assets except such assets as are considered perfectly good?

Mr. GLASS. That is true; yes. The revolving fund will have, as we conceive, accretions or earnings, 70 per cent of which will go to the revolving fund and 30 per cent of which will go to the member banks as an additional dividend.

Mr. WAGNER. Mr. President——

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

Mr. GLASS. Yes.

Mr. WAGNER. Perhaps I did not listen carefully. Is not also a contribution to be made of a certain percentage of the deposits of the member banks?

Mr. GLASS. I am about to refer to that.

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

Mr. GLASS. In addition to the recapture of $125,000,000 from the Federal Treasury, and taking over one-fourth of the surplus fund of the Federal reserve banks, the bill makes an assessment of one-quarter of 1 per cent of the deposits of the member banks as a contribution to this fund. One call is expected to be made within 90 days after the passage of the bill, should it become a law, and the other call held in reserve, to be made if necessary; but the committee frankly does not think it will ever be necessary to make the second call.

Mr. NORRIS. That will make up a total fund of how much?

Mr. GLASS. These direct contributions to the revolving fund will make up a sum total of approximately $400,000,000—between three hundred and fifty and four hundred million dollars. I will ask the Senator from Delaware if that is not correct.

Mr. TOWNSEND. I think that is correct.

Mr. GLASS. In addition to that, we authorize the liquidating corporation to issue its own debentures to twice that amount. We do not think it would ever have to issue debentures, but the administration made a proposal of that sort in the measure suggested by it, and we took that over. Frankly, however, we do not think the corporation will ever have to issue its debentures, because we think the direct contribution is certainly ample, if not more than ample, for the purpose. As I have indicated, the governor of the Federal Reserve Board thinks it is excessive. Therefore there has been a suggestion that we make the assessment against member banks one-eighth of 1 per cent rather than one-fourth of 1 per cent. That is a matter for the decision of the Senate. As the committee reported the bill, it provides for an assessment of one-quarter of 1 per cent.

Mr. WAGNER. Mr. President——

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

Mr. GLASS. I do.

Mr. WAGNER. The administration bill, so called, which attempted to set up the same type of liquidating corporation, did not provide for any contribution represented by a percentage of the assets of the member banks into the fund.

Mr. GLASS. No; it did not.

Mr. WAGNER. In that respect the pending bill differs from the administration bill.

Mr. GLASS. It differs in that respect, and it differs in another respect: The member banks are to receive 30 per cent of the earnings of the corporation, and, therefore, we did not think it would work any hardship upon them at all to make this assessment.

Now let me discuss that question for just a moment to show how utterly unreasonable some of the bankers are at times when they think their interests are affected. They were perfectly willing to agree to, or, if not perfectly willing, they were acquiescent in the proposition to contribute 2 per cent of their deposits or 10 per cent of their capital and surplus to the so-called National Credit Corporation in New York, over which they had not one particle of control; and yet they are caviling about contributing one-quarter of 1 per cent to this liquidating corporation, 30 per cent of the earnings of which will be returned to them. The fact of the matter is, I may say incidentally in passing—and I have a good many incidental comments to make—when things occur which excite the moral indignation of any man who considers them—we never would have had any National Credit Corporation in New York but for the fact that the people who were implored to organize it received assurances down here first that the corporation would be taken over by the Federal reserve banking system and that its frozen assets would be dumped en bloc in the lap of the Federal reserve banks. When it was found that some of us here in Congress would resist that to the bitter end, they were told the corporation would be taken over by the Reconstruction Finance Corporation, and that has practically been done. So all of this talk about the "great liberality and generosity" of the organizers of the National Credit Corporation disappears in thin air when the facts involved are scrutinized.

Mr. NORRIS. Mr. President, I think it would be profitable if the Senator would explain in a little more detail from what sources, if any, the revolving fund is going to derive an income. Is there anything in addition to the interest it might receive on the assets of the bank which might be purchased?

Mr. GLASS. No.

Mr. NORRIS. Can the Senator give us any idea as to what the income might be or would probably be from that source?

Mr. GLASS. We could only conjecture about it.

Mr. NORRIS. Of course, there would be some liability also; that is, losses might occasionally occur.

Mr. GLASS. Possibly; but I would not say that it is at all probable. The liquidating corporation would have experienced and capable actuaries, and it would immediately pay only a large measure of the losses to the depositors—not all of them. I think—and that was the considered judgment of the committee—that if they proceeded with anything like due care the corporation would be obliged to earn a substantial dividend for the member banks, and to carry to the revolving fund a substantial sum each year.

If we are going to have approximately within a thousand miles as many bank failures as we have had in the last two years, the corporation would get wealthy if it was managed with any degree of skill.

BANK AFFILIATES

Another problem that confronted your committee was the question of bank affiliates. That is going to be discussed in some detail by two of my colleagues, and I shall make just a passing reference to this aspect of banking.

The committee ascertained in a more or less definite way—we think quite a definite way—that one of the greatest contributions to the unprecedented disaster which has caused this almost incurable depression was made by these bank affiliates. They sent out their high-pressure salesmen and literally filled the bank portfolios of this country with these investment securities. They actually dealt in the stocks of the parent bank; and one of them notably offended by running the stock of a parent bank above 500, and a few days ago it was down to 42. They were organized to evade the law. That is the very purpose of their existence—to evade the national bank act and to do a business outlawed by the national bank act—and yet they are so interlocked that it is difficult to tell which is which.

Right here I am tempted to say to the Senate that a few days ago I came into possession of information that literally astonished me. I learned that one of the most distinguished lawyers at the American bar, at one time president of the American Bar Association, Solicitor General of the United States under President Taft, had given an exhaustive, searching opinion as to the legality of national-bank affiliates. I have read the opinion. Although not a lawyer, I venture to pronounce it a legal classic, searching and sweeping. The opinion is, in effect, an unmistakable declaration that national-bank affiliates are absolutely illegal, that they contravene the national bank act, that the parent bank contravenes the national charter, and the affiliate in many instances the State statute and the charter

of the State from which it derives its existence. Court opinion after court opinion of both inferior courts and the Supreme Court of the United States are cited.

No action was ever taken under this tremendously important opinion of the Solicitor General of the United States. Not only was no action taken, but it is within the confines of fact to say that the opinion was suppressed; and few things have ever happened in this country that better illustrate the power and the blandishments of inordinate wealth, because the opinion dealt with institutions and individuals who had accumulated inordinate wealth. Not only did the Attorney General at that time fail to act, but another Attorney General, some years afterwards, elevated to a place of even higher distinction, declined to permit the opinion to be made public; with what result? With the result that these institutions, declared by the Solicitor General of the United States to be engaged in illicit practices, were perhaps the greatest contributors to the riot of credit and inflation in 1928–29, with the result that the country is now almost in an irreparable condition.

I have gotten permission, of which I think I shall avail, to insert in the RECORD as a part of my remarks this opinion of Solicitor General Lehmann, which clearly discloses, to my mind, as far as I am competent to judge legal distinctions, that the activities of these affiliates are not only disastrous, as we now witness, but that they are absolutely illegal. Yet, although we give them three years, and most, if not all, the members of the committee are willing to give them five years, to separate themselves from the parent banks, to make a readjustment of their capital organizations, they are desperately trying to defeat that provision of the bill.

There was some difference of opinion in the subcommittee and in the general committee—and I want to deal with these various questions openly and frankly—as to whether we should permit national-bank affiliates to continue business under severe espionage and restrictions and requirements of examination and report, or whether we should require them to separate; and that is a question that the Senate must gravely consider. Some of us felt that perhaps it were better to let them continue in business with restrictions as to the loans they may make and restrictions in many other respects, together with the requirement that we have now in the bill that they must be examined periodically by the bank examiners and cotemporaneously examined with the parent bank, because it would be a very defective examination if made at a different time. Some of us felt that perhaps that would be a better restraint and restriction upon them than to separate them entirely and leave them to their own devices under State charter and State law. That the Senate must determine.

Mr. MOSES. Mr. President——

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

Mr. GLASS. I do.

Mr. MOSES. In order to clarify the situation and get the chronology straight, the opinion of Solicitor General Lehmann to which the Senator has referred must have been rendered something like 20 years ago, if rendered when he was in office.

Mr. GLASS. Yes; but if it was good law then, it is good law to-day.

Mr. MOSES. Yes; but in the meantime the whole banking structure has been recast by reason of the creation of the Federal reserve bank system. At the time Solicitor General Lehmann rendered his opinion it was under the old national banking act; was it not?

Mr. GLASS. Yes; and under the present national banking act; and everything he said then applies to-day. It has nothing to do with the reserve banking system.

Mr. MOSES. And the Senator, as I understood, said that the opinion had lain moldering or covered with dust for 20 years, all through various administrations of the banking act.

Mr. GLASS. Oh, yes. I am not criticizing any particular administration.

Mr. MOSES. Nor is the Senator trying to exculpate himself during his own administration of the Treasury Department?

Mr. GLASS. No; not the least bit. I had no knowledge of it then; and the Comptroller of the Currency had no knowledge of it five days ago, although it ought to be right in his office.

Mr. MOSES. Under those circumstances, it must be very interesting to know the various courses that opinion took before it has now come to the surface and into the possession of the Senator.

Mr. GLASS. Yes. The present Attorney General very graciously permitted me to have a photostatic copy made from the original—and only the original exists in the Attorney General's office. It could not be found in the comptroller's office. There is the public official who is the czar of the national banking system. There is the public official charged by law with strict supervision of the national banking system, and yet no copy of this important opinion of the Solicitor General of the United States could be found in his archives. The comptroller very readily complied with my request, however, to ask the Attorney General to let me have a copy of it, and they gave me a photostatic copy of the original.

Mr. MOSES. If the Senator will permit me to suggest further, now that the Senator has come in possession of a copy of this important opinion, I hope that the intimation which he has just made, that he will insert it in his remarks, will be carried out, because I am sure it will be of transcendent consequence to Senators considering this legislation.

Mr. GLASS. I think so, and for that reason I urged the Attorney General to permit me, with some desirable excisions, to print it in the RECORD. I am not concerned with the personalities or the particular institution involved. I am only concerned with the law, and I want it distinctly understood that I am not seeking to involve any of the present officials in any criticism which might be implied, and my friend from New Hampshire will find it impossible to get me into any partisan mood or posture in discussing banking matters.

Mr. MOSES rose.

Mr. GLASS. The Attorney General, who refused to permit access to the opinion or its publication, was a Democrat, if the Senator wants to know.

Mr. MOSES. I want to assure the Senator from Virginia that I have no intention whatever of trying to entice him into any posture regarding his legislation which could possibly be regarded as partisan, because upon both sides of the Chamber it is well recognized that the Senator has lent his great talents and his wide knowledge of the banking situation to an entirely nonpartisan and wholly patriotic effort to bring about legislation which would help relieve the country from the situation in which it now finds itself, and every Member of the Senate, regardless of any shade of partisanship which he may have, feels himself under a great debt of gratitude to the Senator for the labors which he has rendered in this session.

Mr. GLASS. Mr. President, if I had my hat on I would take it off to the Senator from New Hampshire in token of my very deep appreciation of what he has said.

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

Mr. GLASS. I yield.

Mr. BRATTON. Will the Senator tell us the circumstances under which the Solicitor General rendered the opinion, that is to say, at whose request?

Mr. GLASS. At the request of the then Attorney General.

Mr. MOSES. And because, may I ask further, of the fact that this system of affiliates was then beginning to show itself in the national banking system?

Mr. GLASS. As it had shown itself, just in the form and aspect that it has to-day.

Mr. MOSES. Did that arise from any of the restrictions under the old national banking act, which still continue,

which hampered the banks under the national banking act, as they probably thought, in the range of investments that they might make, and they were seeking subterfuges whereby to extend the area of their investments?

Mr. GLASS. As they surely thought, yes; and that is why they organized the affiliates—there was no other reason in the world for it—as annexes, as back doors, to the parent banks. In other words, they were precluded by the whole spirit and text of the national bank act from doing the things which they were organized to do, and which they are doing now, in contravention of the requirements of the bank act.

I sincerely hope that the lawyers in this body will read the opinion, because it amounts to a demonstration that the organization of these affiliates was contrary not only to the text but to the history and the tradition and the spirit of the national bank act.

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

Mr. GLASS. I yield.

Mr. NORRIS. With a view of having more of the Senators read this opinion, I would like to ask the Senator whether, in addition to publishing it in the RECORD, he will not ask that it be published as a Senate document?

Mr. GLASS. That had occurred to me, and I think perhaps it should be so printed. Let me make this clear: I have no evidence in support of any supposition that might arise that the Attorney General agreed with Mr. Lehmann's opinion, nor have I any reason to suppose that he disagreed with it, except that nothing was ever done. The opinion disappeared almost from the face of the earth. No copy of it could be found in the office of the comptroller, especially and specifically charged with the conduct of national banking and administrative affairs, and I had to get it in the way I have indicated.

Mr. NORRIS. Why not make the request now?

Mr. GLASS. Mr. President, I ask unanimous consent that this opinion of the Solicitor General, Mr. Frederick W. Lehmann, to which I have made reference, be printed in the RECORD and as a public document, with certain excisions which I have agreed to make as to the institution and the persons involved.

The VICE PRESIDENT. Without objection, the opinion referred to will be printed as a part of the Senator's remarks and also as a public document.

(See Exhibit A.)

Mr. GLASS. Mr. President, I shall not discuss affiliates further, because two of my colleagues have been charged with the responsible duty of doing that.

A JURISDICTIONAL MATTER

We have inserted in the bill, section 25, relating to court jurisdiction of foreign bank law violations. Naturally I am not so familiar with the technicalities of that subject. I was rather inclined to object to that provision, having gotten some faint idea that when lawyers in this or any other body begin a discussion of jurisdictional matters they consume a great deal of time, and I wanted to get the bill through. But the Senators who are lawyers can determine whether or not that provision of the bill shall remain in it.

BANK CAPITALIZATION

In the matter of capitalization of national banks, our inquiry very thoroughly revealed the fact that approximately 80 per cent, if not a greater percentage, of bank failures in recent years were due to inadequate capitalization. They were of small banks, hundreds of them mere pawnshops which never should have been chartered. Their failure, notwithstanding their inconsequential activities in some respects, created a psychology which was extremely detrimental to the whole banking and business community. When three or four small banks in any given section of the country in any State fail, the fact of the failure of three or four banks in that section, however small they may be, begins to create consternation, to undermine public confidence, and to create runs on the larger and stronger banks.

There are vastly too many banks in this country now. It has been suggested that the Reconstruction Finance Corporation has done a wholesome work by arresting bank failures. That may be so. I would be interested to know just to what extent its activities have had that result. There have been so many bank failures that there are very few real weak banks left to fail. Unless we pass this bank bill, or enact some of its provisions, there are going to be bank failures of institutions which are now regarded as entirely sound and solvent.

We have raised the minimum capitalization of national banks, and made it $100,000, "except that such associations with a capital of not less than $50,000 may be organized in any place the population of which does not exceed 6,000 inhabitants."

Mr. TYDINGS. On what page is that?

HOLDING COMPANIES

Mr. GLASS. Pages 36 and 37. Somewhat akin to investment bank affiliates, we undertake to deal with the question of holding companies, the system of holding companies being one species of what is known as chain banking. It is a species of chain banking that is largely devoid of responsibility.

Some of these holding companies have been admirably managed, managed by bankers of character, long experience, and great skill. Many of them have done no great harm. In fact, they will tell you that they have done great good. But the committee was convinced that they needed pretty severe supervision, restraint, and examination, and I want to say for those officials that they were cheerfully willing that that should be provided. We have incorporated in that provision of the bill many of the suggestions made by them, not because they were made by them, but in spite of the fact, because all of us were very suspicious when we entered upon the consideration of that phase of banking.

There is this to be said, that if one of those holding companies—as some of them have—should come under the administration of unscrupulous persons, the amount of harm that might ensue is hard to conceive. Therefore we have undertaken to encompass them with such restrictions and restraints and requirements of examination and report as, we hope, may induce them perhaps to go out of that sort of banking at their convenience.

There is one, to me, extremely amusing aspect of the topic, and that is the inured ignorance of some bankers who came to Washington to speak for the banking community. They were invited here by their legislative guardians, and after getting here were drilled in a night school, as it were. I am not prepared to say whether they were tutored in the daytime as well as at nighttime, but I suspect at both times. They appear to have been told exactly what objections to make to the bill when they should appear before the committee at a later hearing. What amuses me right now is that I recall that in one provision of the bill we sought to liberalize the discount rate at member banks, not so much as an accommodation to the banks but as an accommodation to the public. One of the pupils of this night school who came before our committee vehemently objected to that provision of the bill because, he said, it was a restriction upon the interest charge that banks might make. It was just the reverse.

There are 34 States which limit the discount charge at their banks to 6 per cent. There are a few which make it 7 per cent and two or three States which permit a discount charge as high as 10 per cent. Formerly they had permitted a charge of 12 per cent, but I think no State goes that high just now. The result of these restrictions, particularly of this restriction of 6 per cent, in time of exigency when Federal reserve banks think the rediscount rate should be raised, would be paralysis of credit. In other words, if the rediscount rate of the Federal reserve bank in certain districts should be 6 per cent, that would practically preclude the members banks from rediscounting at the Federal reserve bank except perhaps at a loss.

If the rediscount rate should be 7 per cent, as it was in four of the Federal reserve banks in 1920, that would estop the member banks of those four districts from rediscounting

except at an actual loss of 1 per cent on every rediscount made. So we inserted a provision, which is existing law, that member banks may charge the rate of discount prescribed by the State law or 1 per cent above the rediscount rate of the Federal reserve banks of a given district. Therefore, rediscounting in no event may be precluded. That is the provision to which this pupil of the night school strenuously objected, when it was to his own advantage and he did not know it. I had to take him aside and explain it to him.

DISMISSAL OF OFFENDING BANK OFFICIALS

It appeared from our inquiry that the office of the Comptroller of the Currency, not simply the incumbent Comptroller of the Currency but at all times as far back as we know anything about it, has been greatly perplexed and embarrassed in the enforcement of the law authorizing him to close what seems to him to be an insolvent bank. The comptroller has great reluctance to apply the drastic condemnation of the law. He waits, sometimes vastly too long, before he takes action. The comptroller now, who is a most worthy gentleman, scholarly, studious, courageous, I believe, in his testimony before the committee admitted that the comptroller's office—not himself, but the comptroller's office—had knowledge of the precarious condition of that large bank at Louisville the failure of which spread consternation and distress over a great part of that country and of another bank in Tennessee the failure of which did likewise; that the comptroller's office had knowledge that these banks were engaged in irregular and unsound if not actually illicit business five years before the failure came; that the files of the comptroller's office were replete with admonitory letters, with letters severely protesting against the practices in those banks over a period of years; but they did not close up the banks because of this reluctance of the comptroller's office to resort to that severe proceeding.

I took the liberty of suggesting to the comptroller that he would have better severely dealt with those banks five years theretofore, so that the failure which was inevitable when it came would not have been so extensive and disastrous. But he suggested, and we have acted upon the suggestion, that there should be a less drastic penalty. The only penalty now is to close up the banks. No matter how much he may admonish them, they disregard the admonition; they disregard what is called the "criticism" of the examiner and of the comptroller's office. So we have embodied in the bill a provision which authorizes the comptroller and the Federal reserve agent, when a bank is found in irregular and illicit and unsound practices which it either fails or refuses to correct, to summon these bank officials to a court of inquiry and give them a thorough hearing and, if the facts sufficiently warrant it, to suspend or dismiss the officers of the bank.

Mr. ROBINSON of Arkansas. Mr. President, may I ask the Senator a question?

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

Mr. GLASS. Certainly.

Mr. ROBINSON of Arkansas. How would the official places be filled?

Mr. GLASS. By the board of directors.

Mr. ROBINSON of Arkansas. In the same manner that the original officers were chosen?

Mr. GLASS. Yes; but the board would be precluded from reelecting the offending officials.

Mr. WHEELER. Mr. President——

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

Mr. GLASS. Certainly.

Mr. WHEELER. What right would they have to suspend the officers of a local or private bank?

Mr. GLASS. None as regards a private bank.

Mr. WHEELER. Of a national bank? I doubt the legality of such a provision. I doubt that they would have the right legally to suspend officers of a national bank.

Mr. GLASS. We are advised that the section as drawn is entirely legal. They are to serve notice upon the offending director or officer and give him a hearing, and we should think that they would have as much lawful right to dismiss such an officer as they would to go to the courts and close the bank. It would be a very much more salutary and helpful proceeding.

Mr. BLAINE. Mr. President——

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

Mr. GLASS. I yield.

Mr. BLAINE. The Senator will recall that that difficulty was brought up in the committee.

Mr. GLASS. Yes; I recall the Senator from Wisconsin objected to that provision of the bill.

Mr. BLAINE. I may suggest to the Senator from Virginia that I have had prepared an amendment which I think avoids the situation to which the Senator from Montana refers.

Mr. GLASS. I am glad the Senator has given it that consideration.

Mr. BLAINE. I doubt very much if an officer of a State bank which is a member bank could be compelled to be removed from office or could be removed from office. I think an amendment will cure that situation. I expect to offer that amendment at the proper time.

(At this point Mr. GLASS yielded the floor for the day.)

Tuesday, May 10, 1932

BRANCH BANKING

Mr. GLASS. Mr. President, on yesterday I tried to present an outline of S. 4412, being the banking bill reported by the Senate Banking and Currency Committee in response to Senate Resolution 71. I am not sure that I made as clear and complete an explanation of the bill as I might desire to do and as would leave in the minds of Senators a comprehensive understanding of the bill; but I did the best I could in the circumstances.

I think, perhaps, I left untouched one of the most controversial provisions of the bill and that I shall undertake to explain to-day. It relates to the problem of branch banking. That is a question which has been controverted over a long period of years and upon which no definite conclusion of any value has been reached by the Congress. When the Federal reserve bill was under consideration it was proposed to authorize member banks under certain limitations to engage in state-wide branch banking.

Another question presented at that time was that of guaranteeing the deposits of member banks. Both the Senate and the House rejected the branch-bank proposals. The Senate incorporated in the bill, on motion of Senator John Sharp Williams, urgently supported by Senator Thomas, of Colorado, what was called a deposit-insurance provision, but that went out in conference.

I may say that at the time I strongly resisted both propositions, but, after studious, if not prayerful, consideration of the problem during the period which has elapsed since the adoption of the Federal reserve system, I have very reluctantly come to the conclusion that we ought to authorize state-wide branch banking by member banks of the system. I know very plausible objections are urged to the contrary, but in my view they are only plausible; they were that when used by me in opposition to the system years ago; they are that now.

One objection is that to authorize branch banking would be an invasion of the sovereign rights of the States. I do not think the Interstate Commerce Commission and the Supreme Court of the United States have left the States with any sovereign rights; but it seems to me, Mr. President, rather an untenable argument to insist that the Congress may authorize the establishment of a national banking system in all the States, but that it would be an invasion of the sovereign rights of the States to authorize such banks to establish branches and to conduct their business in various parts of the States rather than in one place.

The Congress, sustained by a decision of the Supreme Court of the United States, completely swept away the rights of the States in matters relating to the banking business when it imposed on State-bank circulation a 10 per cent tax, which was prohibitory, and under existing law, as confirmed

by the courts, no State bank may issue its notes; only national banks and Federal reserve banks have the power of issuance except under prohibitive taxation. Therefore, I have come to the conclusion that it is no invasion of the rights of the States for Congress to authorize a national bank to establish branches; certainly it is no greater invasion of the rights of the States than the 10 per cent tax on State-bank issues or than the original authorization for the establishment of a national bank. Only by sanction of Congress may a State tax a national bank.

Moreover, Mr. President, when we take the practical view of branch banking and the problems involved, the system appeals to the common sense of some of us who have thoroughly investigated the question; and so I am thoroughly convinced not only of the equity and feasibility of branch banking but of the real necessity for it in order to save the situation that now confronts the country.

We have now a species of nation-wide branch banking in this country that concentrates in the money centers an enormous fund contributed by the interior banks. In other words, as I suggested yesterday, thousands of the country banks of this Nation are in involuntary servitude to the great banks in the money centers by reason of the fact that we do have a species of irresponsible nation-wide branch banking. Every one of the large banks in the money centers makes a monetary exaction from every one of its correspondent banks wherever situated in the 48 States of the Union. The correspondent banks are required to carry a certain deposit with the large banks, the requital being a nominal interest, together with such accommodations, real or imaginary, as the large banks in the money centers may extend to the country banks throughout the States. As I tried to indicate yesterday, the accommodations thus afforded practically put the interior banks in subjection, subtle it may be, but real after all, to the large banks in the money centers; so that any "advice" volunteered, any expression of judgment that may issue as to the purchase of investment securities or as to any policy that may be proposed or pursued in the last analysis, amounts to a species of coercion.

I have heard banker after banker say since this problem of bank reformation has recently been discussed that they had purchased certain securities not because they wanted them, not because they were confident that they would be remunerative or that the facilities of their respective banks would justify their purchase, but because they were indebted to the offering banks for accommodations extended. I insist, as I have done over and over again, that there is no need of these correspondent banks in the large cities. Any bank doing a sound commercial banking business can get all the accommodations it may require at its Federal reserve bank. But this system has grown up and it amounts to a vicious species of nation-wide branch banking without the responsibility that properly attaches to a sound branch-banking system.

There is a dispute, though I do not see how there can be, as to the efficiency of the branch-banking system which prevails in Canada and which has prevailed there for many years. I am not advocating that we have that same system in this country, but it has proven very effective in Canada. During the last 65 years there have been but 26 bank failures in Canada, and not one during this period of frightful depression! Since 1923 we have had nearly 5,000 bank failures in the United States, while they have had but 1 bank failure in Canada. The significant part of it is not the number of bank failures so much as the volume of losses that occur.

As I recall the figures, which I have here, in all the history of Canadian banking, the total volume of losses to depositors of failed banks was $13,500,000, whereas the Comptroller of the Currency informed your committee that the losses to depositors of failed banks in this country in the last two years aggregated two and a half billions of dollars.

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

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

Mr. GLASS. I yield.

Mr. WATSON. Does the Senator attribute that difference solely to the branch-banking system of Canada?

Mr. GLASS. Oh, no; I do not attribute it solely to the branch-banking system.

Mr. WATSON. I just wanted to get the Senator's idea of the causes of the difference.

Mr. GLASS. But I think the branch-banking system is largely responsible for the more efficient operation of banks in Canada.

Mr. KEAN. Mr. President, may I ask the Senator a question?

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

Mr. GLASS. I yield.

Mr. KEAN. Would the Senator mind stating how many banks there are in Canada?

Mr. GLASS. I think there are 16; but they have innumerable branches. Of course, when a large bank with a number of branches fails the disaster covers a large territory. There is no doubt about that. I am not proposing, however, the Canadian system of branch banking. It is inconceivable that this country will ever have but 16 banks. Moreover, we are not proposing nation-wide branch banking. We are proposing to confine it to State lines.

There is a provision in the bill that in very exceptional circumstances, with the assent of the Comptroller of the Currency or the Federal Reserve Board, would enable a bank to cross State lines for a distance of 50 miles from the parent bank in order to maintain the business of its established trade area. Speaking for myself, however, and not for the committee, I would cheerfully have that provision go out, because I urged before the committee that it was simply going to afford a peg for the opposition to hang an objection upon, and it would take care of an inappreciable number of banks and communities.

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

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

Mr. GLASS. I yield to the Senator.

Mr. NORRIS. I desire to ask the Senator about the one bank that failed in Canada. Did it have branches?

Mr. GLASS. Oh, yes; it had a number of branches.

Mr. NORRIS. Were they all closed?

Mr. GLASS. I think 9 of them were closed and 5 of the 9 were rescued, and the total loss to the depositors was less than a million dollars.

Mr. BORAH. Mr. President——

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

Mr. GLASS. I do.

Mr. BORAH. The Senator has described the national branch-banking system which we have by reason of the practice which has grown up. If we establish the State branch-banking system, will that increase or will it diminish the strength of the system which we have now?

Mr. GLASS. I think it will greatly impair the force of it, if it will not eventually break it up.

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

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

Mr. GLASS. I yield to the Senator.

Mr. FLETCHER. I think, under the laws as they exist, branch banking is allowed in States which permit branch banking. One thing that this bill does—and I wanted to hear the Senator on that—is to allow branch banking in States which prohibit branch banking; in other words, in all States, without regard to whether the States prohibit branch banking or not. There are a few States that do not allow branch banking. This bill would permit the establishment of branch banking in all the States without regard to the State regulation on the subject.

Mr. GLASS. I have tried to indicate that there is no law of any State that permits national banks to be established, and yet the Congress of the United States has authorized the establishment of national banks in the 48 States of the Union. There is no State law that prohibits a State bank

from issuing its notes as currency, or that imposes a tax upon State bank issues; and yet the Congress of the United States has practically prohibited the issuance of notes in the form of currency by State banks.

Moreover, on that point it may be said that there is not a State that might not, if it so pleases, adjust itself to this proposition of allowing national banks to establish branches; and I should be willing to predict that if the Congress enacts this bill into law, there is not a State in the Union that will not promptly authorize its State banks to get on an equality of competition with the national banks by adopting the state-wide branch banking system.

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

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

Mr. GLASS. I yield.

Mr. FLETCHER. May I suggest in that connection that in those States which now do not allow branch banking, the banks are getting around the situation by organizing affiliates. National banks establish affiliates even in those States which prohibit branch banking, and those affiliates are doing exactly what a branch bank would do.

Mr. GLASS. Exactly. The affiliates and the holding companies are acquiring long chains of banks. Not only that; in many instances they are buying up banks. They have systems of chain banks without the responsibility of unit banking or of branch banking, because where a bank has a branch the double liability of the stockholder prevails. Moreover, in the provision of this bill we do not permit the establishment of a branch unless and until the parent bank, if it does not already possess the required amount of capital, shall increase its capital by the amount that is required for the establishment of a unit bank in any given community.

It will be interesting to the Senate to know that during the 11-year period from 1921 to 1931, inclusive, there were 8,221 bank failures in this country.

Mr. TYDINGS. How many banks are there?

Mr. GLASS. There are approximately 22,000 institutions called banks; but thousands of them were little pawnshops that never should have been chartered either by the Federal Government or by State governments. Fifty-nine per cent, or 4,861 of these suspended banks had a capital of $25,000 or less; 25½ per cent, or 2,175 of these banks had a capital exceeding $25,000 but not exceeding $50,000; and of the 8,221 failures, only 37 banks, or four-tenths of 1 per cent, had a capital of as much as $1,000,000. Over 60 per cent of these failures occurred in communities with a population of less than 1,000 inhabitants, and over 90 per cent of these failures occurred in cities and towns with a population of less than 25,000 inhabitants.

It is, therefore, obvious that the problem is largely one of small rural bank failures. Right here, I pause to say what I have repeatedly said before in discussing this question—that the appeal of the little bank, so called, against the "monopolistic" tendencies of branch banking, is misleading when we come to reason about it.

The fact is that the little banker is the "monopolist." He wants to exclude credit facilities from any other source than from his bank. He wants to monopolize the credit accommodations of his community. He does not want any other bank in his State to come there. If it is a manufacturing enterprise, he welcomes it. Whether it be a branch of some great industrial operation or otherwise, he welcomes it; but if it is to trade in credit, if it is to accommodate the commercial and industrial borrowing demands of the community, he wants to monopolize that himself.

Mr. FLETCHER. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER (Mr. ROBINSON of Arkansas in the chair). Does the Senator from Virginia yield to the Senator from Florida?

Mr. GLASS. I do.

Mr. FLETCHER. The Senator stated the number of bank suspensions throughout the country. Can he state how many of those were national banks?

Mr. GLASS. Incomparably fewer were national banks than State banks. In proportion to the number of national banks, as compared with State banks, I should say that approximately the failures would be five to one of State banks as compared with national banks.

Mr. FLETCHER. I think those figures can be obtained, separating national banks from State banks.

Mr. GLASS. They can be obtained from the comptroller; yes. I may have them here; and when we come to a more immediate discussion of the various provisions of the bill, I shall have some things to say that it is not necessary to say here now.

Mr. President, I have been now for nearly 32 years a member of the Banking and Currency Committees of the other branch of Congress and of the Senate. I have been an intent listener and observer of all measures of importance that have been considered; and I assert here that never in that whole period has any merchant or business man having relationships with banks ever protested against branch banking. No man who has wanted credit, no man who wanted to borrow funds with which to conduct his business has ever in that whole period raised his voice against branch banking. It has only been done by the bank which wanted a monopoly of credit in its community.

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

Mr. GLASS. I yield.

Mr. TRAMMELL. I dislike to interrupt the Senator, but I would like to ask him whether the champions of the branch-banking policy have not, on the other hand, been the people who want to enter that field? The Senator says there has been no one opposed to it except those interested on the other side.

Mr. GLASS. I think the insistent proponents of branch banking are people who want credit, who do not want to be confined to the inadequate facilities of their respective communities. Take that restriction of the national bank act which prohibits any bank from loaning to any customer, partnership, concern, or corporation more than 10 per cent of its capital and surplus. That provision of the national bank act requires thousands of business industries and commercial concerns in this country to go to the large money centers to get credit, because the banks in their respective communities can not, under the restrictions of the national bank act, grant them adequate credit.

Take the great shoe industry of my own town, with a population of 45,000 people. The national banks there combined can not begin to respond adequately to the requirements of those industrial concerns, with the result that they have to go to New York, and to Boston, particularly to Boston, and to other large money centers, to get credit.

If a great tobacco industry in Richmond should want to establish a branch house or factory in my town, do Senators imagine there is a human being there who would object to it? Then if some bank should want to sell credit in my town, why should anybody object to it?

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

Mr. GLASS. I yield.

Mr. COPELAND. If what the Senator says now about the tobacco concern or the shoe concern in his town be the fact, what significance has this provision regarding the paid-in capital of the branch banks of $500,000? How would that insure safety to stockholders of that concern?

Mr. GLASS. I do not think any question of safety is involved. We provide that no bank with a capital of less than $500,000 may establish these branches throughout the States.

Mr. COPELAND. Is that what this language means?

Mr. GLASS. Yes.

Mr. COPELAND. "No such association shall establish a branch outside of the city, town, or village in which it is situated unless it"—meaning the association?

Mr. GLASS. Yes.

Mr. COPELAND. Not the branch?

Mr. GLASS. No; the association. It requires that when it establishes a branch anywhere else it must enlarge its capital to the extent that would be required for the establishment of an independent bank in that community.

Mr. COPELAND. I do not think the language in the measure is clear.

Mr. GLASS. Perhaps not. We think it is.

Mr. COPELAND. It could be read either way, either that the association should have paid-in capital, or that the branch should have the paid-in capital. I think it should be made very specific so there would be no doubt as to its meaning. If the association had an increased capital of $500,000 because it had a branch in Richmond, and the Richmond concern were permitted to borrow far in excess of that, I can not see how protection would be given by reason of that slight increase in capital.

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

Mr. GLASS. I yield.

Mr. WHEELER. If I may interrupt the Senator just a moment, I was interested in his statement with reference to branch banks being able to extend better credit facilities. In Montana, where we have had, not the branch-bank system but the chain banks, there has been a general complaint on the part of stockmen and other people of that character to the effect that since the chain banks came into the State, they have not been able to get the credit facilities which they formerly had with the other independent banking group. I received a letter just the other day from an individual who is comparatively wealthy for that section of the country, stating that the banks out there at the present time would extend no credit, even though he had resources and owed no money whatsoever.

Mr. GLASS. The Senator can get letters of that sort from any community in the United States, for that matter.

Mr. WHEELER. That is true, but that has been a general complaint in my State with reference to the chain banks since they have come into the State.

Mr. GLASS. What we want to do is to break up chain banking, which is an irresponsible species of banking, and substitute for it branch banking, which is an entirely responsible species of banking.

Mr. WHEELER. I agree with the Senator that branch banking would be better than chain banking, but I do not know how this measure would break up the latter.

For instance, as the Senator said, these chain banks buy up the stock of banks, my understanding is, and put it into a holding company, and the holding company may or may not be responsible for the double liability on the stock.

Mr. GLASS. They are not responsible.

Mr. WHEELER. They are not responsible.

Mr. GLASS. Some of them, by State law, are responsible.

Mr. WHEELER. They may be or they may not be.

Mr. GLASS. Some of them were wise enough to make themselves responsible by their charter provisions—notably so in Michigan.

Mr. WHEELER. How would this bill break up chain banking? I am asking the Senator for information and not with the idea of criticizing.

Mr. GLASS. It is the view of the committee, upon information presented, that if we do not adopt state-wide branch banking, the holding companies and the banks which they hold are going to be pretty soon wrecked. I do not know that it ought to be stated here, but we want to consider this whole problem in frankness. If the existing requirements of the law were put into effect by the Comptroller of the Currency, there are thousands of banks which have not yet closed their doors, whose capital and surplus have been impaired, which would have to be closed up to-day, and unless we do something of this nature, that part of the country where these holding companies exist—and they are not confined to any one section, though perhaps they are more numerous in the northwestern section of the country than in any other section—are going to find themselves in inextricable difficulties.

Mr. WHEELER. What I would like to have the Senator explain to me is how this measure would help them out. I do not see how this particularly would help them out.

Mr. GLASS. They would convert their banks into branches. They would convert their holding companies into banks. They would convert the banks which they hold into branches, with the double liability. If they are as skillful as they have seemed to us to be, they would manage to increase their capital holdings so as to insure the soundness and solvency of these banks as branches.

Mr. WHEELER. Even though they did put them into branches, state-wide branches, now, for instance, the holding companies are at Minneapolis, and hold a string of banks through North Dakota, South Dakota, Wyoming, Nebraska, and Montana, and under the provisions of this measure they could not turn their holding companies and their affiliates into branch banks, because this would only extend as far as the State line. Is that correct?

Mr. GLASS. Yes; it would extend only to the State line.

Mr. WHEELER. So that they would have to set up branches in each one of these States.

Mr. GLASS. Undoubtedly they would have to set up a parent bank in each one of the States. If the Senator wants to know what those people out there think of the situation, I exhibit to him this pile of telegrams, and I have received probably 2,000 such messages in the last three days from those people, which very clearly indicate their apprehension that if something of this sort is not done that section of the country and other sections of the country are going to have numerous bank failures.

Mr. WHEELER. I am not very much disturbed about the Senator's telegrams——

Mr. GLASS. No; and I am not, either. I have never invited one in the 30 years I have been in Congress; I have never inspired one; I have never had my judgment affected by one. I am every day getting propaganda inspired by the superintendent of State banks of my State, who does not appear to know that his own State authorizes state-wide branch banking in large measure. Does anybody think I am simple enough to be influenced by propaganda of that sort?

Not one of these banks would have ever thought of initiating letters to me about a matter of that sort if this bank official had not been guilty of the gross impropriety of starting that sort of propaganda. I have a contempt for it, and I am not governed by these 2,000 telegrams in favor of this so-called Glass bank bill. I made up my mind as to its various provisions long ago without getting any telegram from any source. But I just wanted to indicate to the Senator what the people of Montana and of the Dakotas and Wyoming and Michigan and Wisconsin and of all that section of the country think about the situation, what their apprehensions are as to what will happen if we do not get some measure of sound branch banking enacted.

Mr. WHEELER. Those telegrams are not, in my judgment, from the rank and file, or from the merchants of the country, except in so far as they have been inspired by the chain-banking group, and for that reason——

Mr. GLASS. I do not know who inspired the telegrams. I know I did not.

Mr. WHEELER. I understand that.

Mr. GLASS. And I know I am not influenced by them. But I am interested in having the Senator know that upon examination he will find that at least two-thirds of them, if not a greater percentage, are from people who are not bankers, but are business men, the patrons of the banks, who want accommodations at the banks.

Mr. WHEELER. As I have said, they have been inspired by the banks, and my comment is the same as what the Senator said about the telegrams, that lots of people who send telegrams do not know what they are talking about when they send them.

Mr. GLASS. No; and that applies to those opposing this bill as well as those favoring it. There was a night school

here in Washington, at which even the bankers had to be taught the objections to the bill. Representatives of the American Bankers' Association came into my office and asked for three weeks to study the bill, saying that they did not understand it, but they got a complete understanding of it between my office and the Western Union Telegraph office, where they went and deluged the country with telegrams urging the killing of a bill which they had told me an hour or two before they did not understand.

Mr. KEAN and Mr. BLAINE addressed the Chair.

The PRESIDING OFFICER (Mr. BORAH in the chair). Does the Senator from Virginia yield; and if so, to whom?

Mr. GLASS. I yield to the Senator from New Jersey, who rose first.

Mr. KEAN. The Senator says that in his home town there is a large shoe manufacturer.

Mr. GLASS. The largest east of the Mississippi and south of the Potomac; not one but several.

Mr. KEAN. Who can not borrow money in his own town.

Mr. GLASS. I did not say that. They can borrow all the money in my town the banks are authorized under the law to lend, but they are not authorized under the law to lend them enough.

Mr. KEAN. The Senator says they have to go to Boston to borrow the money.

Mr. GLASS. They do not have to go there. They do go there or to New York.

Mr. KEAN. Why do they not go to Richmond? I can not see why they can not borrow it just as well in Richmond as they could in Boston.

Mr. GLASS. If Richmond had a branch bank, they might borrow it there more readily and certainly in larger amounts and possibly at a smaller rate of discount than they could borrow from the local banks.

Mr. KEAN. But not cheaper than they could in Boston?

Mr. GLASS. Perhaps not.

Mr. BLAINE. Mr. President——

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

Mr. GLASS. I yield.

Mr. BLAINE. The Senator included in his category of States my own State.

Mr. GLASS. Yes; I have a lot of telegrams from Wisconsin.

Mr. BLAINE. Does the Senator know the type of men who have asked for branch banking in Wisconsin?

Mr. GLASS. I have told the Senator I did not take enough interest in the telegrams to read them.

Mr. BLAINE. May I inform the Senator that the only banks in Wisconsin which desire branch banking are the very small group of large banks that want to obtain absolute control of the banking facilities of Wisconsin?

Mr. GLASS. Perhaps that is so in Wisconsin. As I pointed out, my observation and experience have taught me that the banker who does not want a branch bank in his town is the real monopolist. He is the exclusionist.

Mr. VANDENBERG. Mr. President, may I ask the Senator a question?

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

Mr. GLASS. I yield.

Mr. VANDENBERG. In addition to every other consideration which the able Senator has submitted, is it not a fact that we are in an emergent situation in which many communities are calculated to be devoid of any banking facilities whatsoever except as they have them through a branch bank?

Mr. GLASS. The comptroller has pointed out to us that there are thousands of communities in the United States that are now destitute of all banking facilities. I personally know of them in my own State. The largest tobacco producing county in Virginia, and perhaps in the world, has not any banking facilities. Its three banks in this awful depression have failed. Nearly $3,000,000 of deposits are tied up in the hands of receivers and God only knows when any of the depositors will ever get a dollar of their money.

Mr. VANDENBERG. And there is no local capital to replace it.

Mr. GLASS. O Mr. President, these little pawnshops that call themselves "banks"! Here [indicating] is a chart showing the banks in one State of the West in 1920, enough of them, if they were real banks, to supply the United States. Those which have survived, and they are too many, are shown by this other chart. That condition applies not merely to one section of the country. It is just a startling illustration of the utter inefficiency of these inconsequential "pawnshops" which are chartered.

When they begin to fail, the psychology of the thing is quite as disastrous as the failure of a large bank. When small banks fail, the failure begins to create fear in the depositors of the large banks and the consequence is a run on the large banks and the withdrawal of deposits and the breakdown of the whole credit system of the section.

Mr. THOMAS of Idaho. Mr. President——

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

Mr. GLASS. I yield.

Mr. THOMAS of Idaho. Are the charts which the Senator has just exhibited in such form that they may be made a part of the RECORD?

Mr. GLASS. Oh, no.

Mr. THOMAS of Idaho. They seem to be quite an interesting exhibit.

Mr. GLASS. I do not think they should be made a part of the RECORD. They are not complete for the country. They relate to certain States and I do not care to be responsible for bringing those States under criticism, and therefore I purposely did not say to what States they relate.

Mr. THOMAS of Idaho. Very well.

Mr. GLASS. Credit, except for its delicate nature and its more important nature, is not different from anything else involved in business or in trade. Under sound restrictions I am totally unable to comprehend the objection to having any bank in my State, if it has the facilities, sell its credit in any part of the State. I would not advocate nation-wide branch banking. The species of branch banking which I am advocating now would tend to break down the existing species of nation-wide branch banking without any responsibility whatever or any care of the local interests involved.

Mr. WALSH of Montana. Mr. President——

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

Mr. GLASS. I yield.

Mr. WALSH of Montana. When the Senator addressed himself to this feature of the matter a while ago I was curious to learn why it is that a member bank, which has opportunity to get from the Federal reserve bank whatever credit it is entitled to, should put itself in a state of involuntary servitude to one of the large central banks.

Mr. GLASS. Had the Senator heard me yesterday he would have learned that when, in passing the Federal reserve act, we withdrew the reserve trust funds of the country from the money centers, we had hoped that the banks in involuntary servitude to the money centers would realize that they no longer were compelled to resort to those banks, but might with perfect liberty exercise their privilege to have their eligible paper rediscounted at their respective reserve banks; but they have maintained this alliance. They call it "traditional." They say these bankers are their friends. In fact, they are their masters and not their friends.

Mr. NORRIS. Mr. President——

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

Mr. GLASS. Certainly.

Mr. NORRIS. I think I realize the importance of the question asked by the Senator from Montana; but, as I understand it, one of the objects of the Federal reserve act was to free these banks from involuntary servitude, but they have remained in that state of slavery, so the Senator ought not to call it "involuntary." It is voluntary servitude now.

Mr. GLASS. It is involuntary in the sense that they either do not realize their possible independence or they prefer to maintain their traditional business relations and practices with those banks who in past years have accommodated them. The requirement always is that in order to maintain that relationship they must keep on deposit a certain percentage of their funds.

Mr. SHIPSTEAD. Mr. President——

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

Mr. GLASS. I yield.

Mr. SHIPSTEAD. Is it not also a fact that many of the banks were not able to borrow from the Federal reserve bank because the paper which they could discount was limited, and in many of the communities where these banks do business they did not have that kind of paper and so they had to go to what is called the correspondent bank with what collateral they had and borrow money there?

Mr. GLASS. Oh, no; that is scarcely measurably true. In the first place, I can not conceive of any limitation upon the eligible paper of a bank doing a commercial business under the terms of the Federal reserve act. Any paper that has for its purpose an agricultural, commercial, or industrial business transaction, any note, bill of exchange, or other paper, the proceeds of which are intended to be used for these purposes, is eligible at a Federal reserve bank.

One reason why these banks prefer to keep the required deposit at their correspondent bank in the money centers is that they do not want to put themselves to the inappreciable trouble of assembling their eligible paper and rediscounting at a Federal reserve bank. They prefer to make a straight note and get an accommodation readily from their correspondent bank in the large money centers.

Mr. NORRIS. Mr. President——

Mr. SHIPSTEAD. May I ask another question before the Senator from Nebraska interrupts?

Mr. NORRIS. Very well.

Mr. SHIPSTEAD. Of course I do not refer to banks doing a commercial business. In many of the States, or in many parts of many of the States, there is very little of what is called commercial paper in the banks.

Mr. GLASS. Oh, no; the statistics of the Federal Reserve Board have proved that that is not true. They had $8,500,000,000 and have now that much of rediscountable paper, and they were rediscounting to an inappreciable extent.

Mr. SHIPSTEAD. I am talking about banks who do not have that kind of paper.

Mr. GLASS. The banks that do not have that kind of paper are not commercial banks, and many of them are out of business now, and ought to be out of business. If we do not do something to reform the banking system, many more will be out of business.

Mr. SHIPSTEAD. I hope the Senator will pardon me. I am trying to bring to his attention the fact that in agricultural communities there are banks that are not what we call city commercial banks.

Mr. GLASS. But agriculture has a preferred position under the requirements of the Federal reserve act. If you are a merchant you can get accommodated for only 90 days. If you are a farmer you can get accommodated for nine months.

Mr. SHIPSTEAD. On what kind of paper?

Mr. GLASS. On agricultural paper; on paper the proceeds of which have been used for agricultural purposes, or the intention is that they shall be used for agricultural purposes. Oh, no; there is plenty of commercial paper. In its bulletin of only March last the Federal Reserve Board reasserted that fact and added that it was adequately distributed throughout the country. The banks are simply not making loans.

Mr. VANDENBERG. And is it not a part of our difficulty that we mingle commercial and savings bank business generally throughout the country?

Mr. GLASS. Undoubtedly, and one large part of it is that we do not require the separation of investment banking from commercial banking.

Mr. NORRIS. Mr. President——

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

Mr. GLASS. Certainly.

Mr. NORRIS. I sought to interrupt the Senator a while ago when the Senator from Minnesota [Mr. SHIPSTEAD] had his attention. It seems to me the Senator is discussing a very important feature of our Federal reserve system. Without being an expert, it was almost shocking to me to realize, as I did some time ago when I got the figures, that there was such a large volume of eligible paper in the possession of the various banks of the country, with a place to go and get some money on it, and that the banks were not availing themselves of that privilege while their depositors and the entire country were crying out for the use of currency.

I can hardly conceive in the first place that the banks are ignorant of the fact that they possess this ability and have this source where they can rediscount their eligible paper. So it has always seemed to me that there must be some reason, which I do not know and which I do not understand, why this condition should exist. Knowing of his wide range of knowledge, I had hoped that the Senator from Virginia during the course of his discussion would enlighten me on that subject.

It is hardly sufficient to say, it seems to me, that the bankers do not know about it, and it is not an answer, as I look at it, to say that although there is a great cry for money the banks are really hoarding it and do not want to lend it, because, if they have eligible paper, which they have, and I, for instance, a farmer or a merchant, presented my note at the bank for a loan, they would not have to take the money out of the funds they have in their vaults but could at once send that note to the Federal reserve bank of which they were a member and get the money for it.

Mr. GLASS. Mr. President, one of the most embarrassing things to me, as I have already indicated, is to have imputed to me a knowledge of these matters that I do not actually possess. I can not tell the Senator from Nebraska or the Senate why the banks are frightened to death, but I think that is one reason why they are not making loans. They want to get into as liquid a position as they possibly can to meet or avert runs. Then, also, it is fair to the banks to say that there has been such an arrest, such a cessation, of business in this country that the demands are not nearly so extensive or insistent as otherwise would be the case.

Mr. NORRIS. If the Senator will permit me further, I am not asserting that the banker ought to loan money on a large scale. I have sympathy for him. I suppose I would do the same thing.

Mr. GLASS. I am afraid I should.

Mr. NORRIS. But in this case the banker does not loan his money; as a matter of fact, he merely acts as an intermediary between the man who wants to borrow and the Federal reserve bank. To make the loan would not take a dollar out of his vaults.

Mr. GLASS. The banker loans his depositors' money; and if he be a sound and honest banker, he ought to have and would have constantly in mind the interest of his depositors. It is true that he could replenish his coffers by rediscounting his eligible paper at the Federal reserve bank. Exactly why he does not do it, I can not tell any more than can the Senator from Nebraska.

Mr. THOMAS of Idaho and Mr. BYRNES addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Virginia yield; and if so, to whom?

Mr. GLASS. I yield first to the Senator from Idaho.

Mr. THOMAS of Idaho. Referring to the statement of the Senator relative to the rediscount of paper, what I am about to say applies only to country banks, because I know nothing of the situation in the city banks. What the Senator says about the Federal reserve banks being able to take care of this situation, I think, is true. What he says about the eligibility of the paper, of course, is also true. However, the trouble is that the rules and regulations surrounding the requirements for rediscountable paper make it very

difficult for a country bank at the present time to rediscount paper; in fact, but few country banks have any of the $8,500,000,000 of strictly eligible paper for discount under the rules and requirements of the present administration of the act.

Mr. GLASS. The Senator will recall that I put into the RECORD the statement of the Federal reserve authorities showing that under the restrictions to which the Senator refers there were only 91 member banks of the 7,600 that were without eligible paper.

Mr. THOMAS of Idaho. I am quite in sympathy with what the Senator says about the bill, but, not to take too much time, I wish to answer the question why the banks do not loan the money when they have the rediscountable paper. Whenever the statement of a country bank is published it is a community affair, and past experience has shown that bankers who were borrowing money have sometimes failed, and the public is afraid of a bank which they think is rediscounting or borrowing money. It should not be so, but it is so. So the banks in the country communities are afraid to show rediscountable paper on their statements. For that reason they do not exercise the privilege that they could exercise, as in many cases they have the paper the Senator mentions.

Mr. GLASS. Right there I am prompted to inject that one reason which appeals to me for the establishment of branch banks is that there are thousands of country banks that have failed, and there are others that are now threatened with failure, not because the bank officials are dishonest, not because the bank officials have consciously been guilty of unsound methods, but because those banks are so inadequately supplied with capital that they can not afford to employ expert bank managers and skillful bank officials. Such a condition would not apply to larger banks having branches in a community where the unit bank is so weak and insipient that it can not possibly respond to the agricultural or commercial demands of its respective communities.

Mr. THOMAS of Idaho. I quite agree with the Senator, and I hope Senators will keep in mind all the time the viewpoint not so much of the banker, not so much of the borrower in these communities, but of the poor fellow who has his money on deposit. We must pass legislation here that will make the depositors' money safe. That is the thought that I have.

Mr. VANDENBERG. Mr. President, bearing upon the question submitted by the Senator from Nebraska [Mr. NORRIS], may I inquire of the Senator from Virginia if it might not be at least partially misleading to refer only to the nation-wide total of eligible paper? What I mean is, Is not the vast bulk of such paper calculated to be concentrated in the money centers, and is not the great margin of the liquidity essentially in the money centers?

Mr. GLASS. I can only respond to that by saying that the official of the Federal Reserve Board especially charged with the gathering of statistical information about these matters stated, and the Federal Reserve Board itself stated, that the distribution of eligible paper throughout the country was very adequate.

Mr. VANDENBERG. For example, is it not probable that no bank was given a loan either by the National Credit Corporation or now by the Reconstruction Finance Corporation except as it had first exhausted its eligible paper at the Federal reserve bank?

Mr. GLASS. I do not know that that is at all true with respect to the Reconstruction Finance Corporation. Certainly there is nothing in the act creating that corporation making such a requirement. I do not know, furthermore, that anybody knows anything about the National Credit Corporation. We could not even get the president of it by letter, telegram, and long-distance telephone to appear before our committee. I do not know what the requirements of that organization were.

Mr. VANDENBERG. Does not the Senator think that would be a reasonable assumption in looking the field over?

Mr. GLASS. I suppose I am rather impatient and testy when I undertake to refer to the National Credit Corporation. I do not think there was anything reasonable about it.

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

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

Mr. GLASS. I yield.

Mr. BYRNES. The Senator has made reference to the statement which he inserted in the RECORD during the discussion of the Glass-Steagall bill. I want to say to the Senator that because the statement was so interesting, I secured from the Federal Reserve Board the figures as of April the 27th, and they confirm the statement made by the Senator a few moments ago that eligible paper is still distributed throughout the various districts. However, the statement shows that the borrowings on April 27 were $106,472,000 less than at the time of the previous report. So the statement made by the Senator from Virginia during the consideration of the Glass-Steagall bill is borne out entirely that so far as the eligible paper is concerned, there was no lack of commercial paper or of United States securities, but there were no borrowers.

Mr. GLASS. Mr. President, I hope now, unless some Senator has a question to ask, that I may conclude my remarks in rather an orderly way. I have consumed infinitely more time of the Senate than I ever expected I would do.

Mr. KEAN. Mr. President, will the Senator yield to me for just one question?

Mr. GLASS. Yes, sir.

Mr. KEAN. There are some twenty-nine million dollars of deposits in the banks, of which the banks are forced, unwillingly perhaps, to keep from 7 to 10 per cent with the Federal reserve banks. They keep——

Mr. GLASS. No.

Mr. KEAN. Excuse me for one moment.

Mr. GLASS. Well, I wanted to stop the Senator at the first misstatement of fact.

Mr. KEAN. The Senator says they have $8,000,000,000 of paper eligible for rediscount. If they had 35 per cent of their deposits, they ought to have $9,100,000,000.

Mr. GLASS. As a matter of fact, they are not required to keep the sum the Senator from New Jersey says they are, because of their shiftiness. It will be recalled that some years ago we reduced the reserve requirement behind time deposits to 3 per cent, but our information was that about 85 per cent of the bankers have so manipulated their deposits as to transfer their demand deposits to their time deposits in order to get the benefit of that 3 per cent. That is not honest banking. It takes us back to what was the outstanding incident of the money trust investigation when Mr. Untermyer was cross-examining a great banker and asked him if the banks in the money centers did not consistently try to evade the law, and the very frank and notable response was: "Why, certainly; what do you suppose we hire the best legal talent in the world for?"

Mr. President, the committee's study of the banking situation showed us conclusively that the system of banking in the rural communities had broken down largely through causes beyond the control of individual bankers or of the community interests. These causes are of a basic nature and have many ramifications, brought about through economic and social changes which have occurred in the United States since 1914; and in a large part the economic movement of a large number of independent local utility and industrial operating units toward a stronger and more centralized form of operation in the large cities has curtailed the opportunities of the country bank for diversity and extension of business, while broadening these opportunities for the large city banks.

Senators know that we have in this country hundreds of 1-crop banks, so to speak. The diversity of their business is inappreciable; and if that one crop fails, the bank fails. That would not so actually apply to a branch-banking system. A large bank in the cotton territory would be very

much more apt to have a diversity of business than a weak bank in a small community of that territory; so that when the cotton crop in the far South, or the tobacco crop in Virginia, the Carolinas, Tennessee, and Kentucky fails, it does not necessarily follow that the bank in the larger community, with greater resources, would fail, as so often now occurs with the small banks in small communities.

Two fundamental causes are at the root of the small bank failures—lack of diversity and necessarily lack of earning power. Most of the small banks are what may be termed, as I have stated, 1-crop or 1-enterprise banks. Where the loans of a bank are made to the community which depends upon cotton, and cotton prices are low, or a crop fails, the bank is unable to stand the shock, and the amount of losses can not be absorbed, due to the lack of earnings, and it eventually fails. And so if it is in a tobacco community; so if it is in a coal-mining section.

Many of the banks in the coal-mining section of the country have failed because coal mining has been tremendously arrested, and people who own coal-mining stocks have been literally impoverished. They no longer are getting any dividends. My own small town of 45,000 inhabitants has many million dollars invested in coal stocks, and not one of them is now paying a dividend; and if the banks of that community had to depend upon the coal-mining business they would all fail.

During the 5-year period from 1926 to 1930, inclusive, for which figures have been compiled for national banks, of the banks with total loans and discounts of $150,000 or less, 35 per cent lost money; 28 per cent of the banks with loans and discounts from $150,000 to $250,000 lost money; 20.6 per cent of the banks with loans and discounts from $250,000 to $500,000 lost money; 14.6 per cent of the banks with loans and discounts from half a million dollars to $750,000 lost money; and 13.2 per cent of the banks with loans and discounts from $750,000 to $1,000,000 lost money, according to the figures supplied me by the Comptroller of the Currency. These are small banks; and if we included the year 1931, which was an abnormal year, the figures would show an enormous increase in losses; and as I have pointed out, we have thousands of communities in this country now that are absolutely destitute of banking facilities.

If we had branch-bank authorization, the strong banks that have survived this catastrophe could open up their branches in those communities and afford them not sparse but ample credit facilities—banks sound, expertly managed, with the full responsibility of stockholders' liability. As it is these communities are without banking facilities, and they are unable to raise sufficient capital in the communities to organize unit banks.

Mr. KEAN. Mr. President, would the Senator mind yielding for a question?

Mr. GLASS. Not at all, sir.

Mr. KEAN. I am sorry to interrupt the Senator again.

Mr. GLASS. The Senator need not express any regret. I am glad to be interrupted.

Mr. KEAN. All I wanted to ask was this: The Senator does not mean to say that the banks with $100,000,000 of capital did not lose money during 1931, does he?

Mr. GLASS. No; I do not mean to say that. I pointed out yesterday that one particular bank with more than $100,000,000 of capital lost for its depositors $18,000,000, and its affiliate lost $57,000,000, making a total of $75,000,000; but that was an exceptional case, it is to be hoped.

I say, Mr. President, that it is the duty of Congress to supply these thousands of communities that are now without banking facilities with those facilities that may be afforded by a sound branch-banking system.

Moreover, the Comptroller of the Currency points out that there are hundreds, if not thousands, of communities in the United States where banks have become so weakened by this frightful depression as to make it improbable that they can much longer stand alone. Under the branch-banking system provided by this bill, hundreds if not thousands of these weak banks might be taken over by strong banks, and their activities and usefulness continued as branches of the strong banks. Who that desires credit, who that needs and is seeking banking accommodations objects to that? I have never known a business man or a merchant to raise an objection. Only the little banker who wants a monopoly of his territory objects.

There is interposed here the suggestion that a bank having a branch in a distant community of its State can not altogether sympathize with the requirements of that community and would not so readily respond to the commercial and industrial demands upon it. Why would it be there, what would it have a branch there for, except to do business, and to do all the business that its resources would permit it to do? I grant you that it might be that the sound and sensible man or men in charge of a branch would not be so eager to grant favors and privileges arising out of personal contact and friendly association; but that would be to the credit of the management rather than to the detriment of the community. How many banks have failed utterly because of that sort of favoritism, and because of unbusinesslike loans made for the accommodation of bank officials themselves, or their personal friends?

That is no argument against a sound system of branch banking. The comptroller assures me that hundreds of banks might have been saved in this exigency—and that is a mild statement of the case—might have been saved and taken over by the stronger banks if we had had a branch-banking system; and he points out to me a very significant fact:

When the Congress granted that inappreciable measure of branch banking which is contained in the so-called McFadden bill, the most strenuous opposition came from the bankers in Chicago outside the loop. They hired a skillful and persuasive professional lobbyist and paid him a high salary to come here to Washington—worse than that, they hired some Congressmen, to my positive documentary knowledge—to oppose even that small measure of branch banking. They extolled the unit-banking system to the skies in preference. Yet, in 1931, there were 70 unit-bank failures outside the loop at Chicago, whereas if we had had a larger measure of branch banking many of these banks, failing not because of the dishonesty or perhaps incapacity of the bank officials, might have been taken over and saved and their depositors rescued from impoverishment.

I referred at the beginning of my remarks to-day to the situation in Canada. I stated from recollection that there had been but 26 bank failures in 65 years of the branch-banking system of Canada.

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

Mr. GLASS. Just as soon as I finish this thought. I also pointed out that the chief significance of the figures furnished me by the comptroller's office was that the total losses from bank failures in Canada in 65 years amounted to but $13,500,000, and that since 1900 there had been but 9 failures, 5 being of small banks carrying deposits of less than a million dollars, and that 5 of the 9 failures were so managed that the depositors in the banks did not lose a dollar, because the large banks in concert took them over and saved the depositors.

I now yield to the Senator from Wisconsin.

Mr. BLAINE. I wanted to inquire of the Senator whether or not, in view of the fact that for 200 miles in Canada along the Canadian border there are natural resources, agricultural possibilities, the Great Lakes, transportation, and possibilities of industrial development, he would explain Canada's backwardness as compared with the United States in commerce, agriculture, and industry, as due to its branch-banking system?

Mr. GLASS. No; I do not think its backwardness is due to the branch-bankink system. I think if it had not been for its branch-bank system, with a record such as I have described, its backwardness would have been infinitely greater than it has been. But I am not undertaking to describe the industrial backwardness of Canada, or of any other country. I am simply undertaking to show that the banking system has been sound, and that it has not resulted in tremendous losses to the depositors.

Mr. BLAINE. Is it not a fact that leading Canadians and publicists of Canada claim that the concentration of credit and banking under the branch-banking system of Canada has been directly responsible for the lack of development in agriculture, industry, and commerce in Canada?

Mr. GLASS. I have not seen anything to that effect; but I recall very vividly that when we enacted the Federal reserve act we had before our committee Sir Edmund Walker, at that time the head of the Canadian banking system, and his unqualified defense of their banking system was to me exhilarating. It almost converted me from my fixed judgment to the contrary at the time, and I have since many times regretted that I did not yield to his urgency.

I want to say this, too, that prior to the Civil War the two best banking systems in the United States were the branch-banking systems of Indiana and Virginia. Their notes were at a premium in every State of the Union.

Mr. NORRIS. Mr. President——

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

Mr. GLASS. I yield.

Mr. NORRIS. I wish the Senator would enlighten me on this subject. In speaking of the number of banks which failed in Canada, does the Senator mean that so many branch banks or so many banks with branches failed?

Mr. GLASS. Banks with branches.

Mr. NORRIS. I can not conceive of a branch failing under that system.

Mr. GLASS. Oh, no; the branch can not fail. If the parent bank fails, of course it carries the branch along with it. But, as I have tried to point out, it is not so much in the number of banks which have failed but the small losses to the depositors which have ensued.

Mr. NORRIS. I realize that. Nevertheless, I wanted to get the number if I could. If we count each branch a bank—and it seems to me we ought to do that when we compare them with our unit bank—how many would that mean?

Mr. GLASS. I have not those figures, frankly. I feel so thoroughly convinced that a large measure of the usefulness of this proposed reformation of the banking system is involved in this branch banking that I have presented the matter with as much urgency and force as I have been able to command.

I want to conclude this discussion of the branch-banking feature by again insisting to the Senate that no question of State rights is involved. The matter of the right of Congress to go into a State without its consent and establish a national-bank system, and even to deprive the State, as it were, of the right of taxation, except by consent of Congress; the fact that Congress went into the State and prohibited, under a species of taxation, the issuance of currency by State banks; and the significant and conclusive fact that there is nothing in this provision of the bill, or in any other provision of the bill, which would undertake to interfere in the slightest degree with the State exercising its sovereign power by conferring the right to establish branches on State banks, show that that is not a tenable objection, though a very plausible, and, to some people, persuasive one.

I am a State-rights Democrat. I believe in the Jeffersonian theory of State rights, and of revenue tariff, in contradistinction to some of my colleagues, to whom Jefferson would not speak if he should meet them on the highway. I believe in State rights. But no State rights is involved in this question, because the State is not precluded from putting its State banks on a level of competition with national banks should they avail themselves of a privilege proposed to be granted.

It is not compulsory. No national bank must establish a branch if it does not think the community needs it and desires it, and does not believe there is a profitable business there for a branch. It is a purely voluntary thing.

I would like to impress those Senators who have done me the honor to listen to me with that contention, that it is not a question of ruthlessly disregarding the right of any State, because any State has within itself the power to avert any inequitable or unfair competition which might be involved in behalf of national banks.

Mr. VANDENBERG. Mr. President, may I ask the Senator one further question?

Mr. GLASS. I yield.

Mr. VANDENBERG. In section 19, this privilege of establishing a branch, I apprehend, is limited in each instance to the approval of the Federal Reserve Board?

Mr. GLASS. Yes; just as the right to charter a national bank now resides in the Comptroller of the Currency here at Washington.

Mr. VANDENBERG. I assume it would not be a rash presumption that, in the exercise of this optional power, the Federal Reserve Board would prevent any competitive raid on a banking system in a community where adequate banking facilities exist?

Mr. GLASS. Undoubtedly; the Federal Reserve Board would feel the obligation was upon it not to invade any community with a branch national bank if the existing banks afforded adequate credits. That is presumptively the obligation of the Comptroller of the Currency now. Not longer than three weeks ago he rejected the insistent demands of responsible men in a rich community of Virginia desiring to charter a national bank, giving as the reason that the one State bank there in the community was equal to all the requirements of the situation. It is not to be supposed that if this bill becomes a law the Federal Reserve Board is going out and authorize branch banking by the wholesale.

Mr. VANDENBERG. Pursuing the implication of my question and the implication of the Senator's answer, would the Senator think that it was a dangerous limitation upon this branch-bankink power if the creation of the branches were limited to the taking over of existing unit or affiliate banks in a given community, except in the case where the community has no banking service whatever?

Mr. GLASS. I would not call it a dangerous limitation. It might not be regarded by the Banking and Currency Committee precisely as a desirable limitation.

I may say to the Senator that a suggestion somewhat akin to that cited by him was made to the committee. It was that we provide that no branch might be established in a community unless the parent bank proposing to establish a branch should first negotiate with the existing unit bank or banks to take it or them over. But the committee did not agree that that was a wise restriction, and we did not incorporate it in the bill.

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

Mr. GLASS. I yield.

Mr. FLETCHER. May I suggest, somewhat in line with the remark of the Senator from Michigan, that the banks now having affiliates in different States would prefer themselves that they be branches instead of affiliates, that they would like to dispose of their affiliates, if they were permitted to establish branches?

Mr. GLASS. I think some of them wish they had disposed of their affiliates long, long ago. Yet there are some who are violently railing against this bill because we propose over a period of years to separate affiliates from national banks.

I do trust that Senators will read the legal opinion of Frederick W. Lehmann, to which I made reference yesterday, and which the Senate authorized to be printed as a public document. It will be available in print to-morrow.

I spoke of it yesterday from recollection without having the opinion before me. I made the inaccurate statement, because it had been made to me, as I conceived, authoritatively, that it was not the opinion of the Attorney General, but simply the opinion of the Solicitor General. But, upon examining the opinion itself when I returned to my office, I found that it was also the opinion of the Attorney General, Mr. Wickersham, because Mr. Lehmann states in the second paragraph of his letter of November 6, 1911:

On August 1, 1911, I submitted to you an opinion in which you concurred that the agreement and arrangement in question were

means of enabling the banks to carry on business and exercise powers prohibited to it by the national banking act.

So that it will appear from the language thus used that this was not merely the opinion of the Solicitor General but it was an opinion concurred in by the Attorney General. Why it was not acted on, why the Comptroller of the Currency, having supervision and control under the law of the national banking system, was not supplied with this opinion for his guidance, why it apparently disappeared from the face of the earth and could only be found in its original form, of which I have been furnished a photostatic copy, is something that I can only conjecture.

In this connection I have just been handed a note from Attorney General Mitchell in which he makes the statement, which I had already discovered to be true, that it was not former Attorney General McReynolds who refused to give out this opinion for publication, but it was former Attorney General Palmer. I did not on yesterday state which Attorney General it was. Perhaps I said enough to indicate that one might easily guess it was Attorney General McReynolds, and I felt authorized to do that because the memorandum of the present Attorney General specifically and textually stated it was Mr. McReynolds. He now calls attention to the fact, which I had already noted, that since it happened in 1921 it could not have been Attorney General McReynolds, because he was then on the Supreme Court Bench. It was Palmer and not McReynolds, according to Attorney General Mitchell's note just now handed to me.

The note of the Attorney General, which is not personal, states that his files show that in 1913 Attorney General McReynolds, at the request of Secretary McAdoo, gave the latter—that is to say, Secretary McAdoo—a copy of the Lehmann opinion. I do not know what Secretary McAdoo did with it, but I know what ought to have been done with it when it was written and concurred in by the Attorney General. It ought to have been supplied to the Comptroller of the Currency. It seems to me that, fortified with an opinion of that sort, the Comptroller of the Currency, whoever he may have been at that time, was under obligation to break up these illicit practices and the establishment by national banks of affiliates.

Of course, the present Comptroller of the Currency is not involved in any criticism that may be implied by what I have said. The distinguished Senator from New Hampshire [Mr. MOSES], my very devoted friend, suggested yesterday that I did not do anything about it when I was Secretary of the Treasury. It was not, strictly speaking, any of my business to do anything about it. The Comptroller of the Currency is supposed to be, but is not always, independent of the Secretary of the Treasury; but had I known anything about it perhaps I would have gone out of my jurisdiction and had something to say about it, as I have had now.

EXHIBIT A

[Senate Document No. 92, Seventy-second Congress, first session]

LEGALITY OF CERTAIN AGREEMENTS CONCERNING HOLDINGS OF NATIONAL-BANK STOCK

Mr. GLASS presented the following opinion of Solicitor General Lehmann submitted to the Attorney General on November 6, 1911, relative to the legality of certain agreements and arrangements as to holdings of national-bank stocks:

DEPARTMENT OF JUSTICE,
Washington, D. C., November 6, 1911.

The ATTORNEY GENERAL.

SIR: You advise me that the President desires that there shall be submitted to him upon his return to Washington a fuller discussion of the question of the legality of the agreements and arrangements existing between the ——— ——— Bank of New York and the ——— ——— Co., a corporation of the State of New York.

On August 1, 1911, I submitted to you an opinion, in which you concurred, that the agreements and arrangements in question were means of enabling the bank to carry on business and exercise powers prohibited to it by the national banking act.

I have reconsidered the question with the care demanded by its importance, and have reached the conclusion that both the bank and the company, whether considered as affiliated or as unrelated, are in violation of the law.

At the outset it is well to consider the purposes which the framers of the national banking act had in view. The first, the paramount, purpose was to secure a uniform national system of currency, and to do this without the creation of a great central institution like the old United States Bank.

The opposition to such an institution was deep-seated and widespread, and the sponsors of the various plans which took final shape in the national banking act were careful to point out that the objections to the United States Bank had been duly considered and had been avoided by them.

In August, 1861, O. B. Potter, of New York, submitted to the Secretary of the Treasury a scheme to permit State banks and bankers to issue notes secured by United States bonds, saying: "*None of the objections justly urged against a United States bank lie against this plan.* It gives to the Government no power to bestow favors and does not place a dollar in its hands to lend. * * * It is impossible to see how such a system can be made use of for political ends." (The Origin of the National Banking System, S. Doc. No. 582, pp. 46–48, 61st Cong., 2d sess.)

Samuel Hooper, a Member of the House from Massachusetts, was an active agent in the attainment of the end sought. In support of one of the early measures proposed, which, while it did not become a law, was a step in that direction, he said:

"*Thus are secured all the benefits of the old United States Bank without many of those objectionable features which aroused opposition.* It was affirmed that, by its favors, the Government enabled that bank to monopolize the business of the country. Here no such system of favoritism exists. * * * It was affirmed that frequently great inconvenience and sometimes terrible disaster resulted to the trade and commerce of different localities by the mother bank of the United States arbitrarily interfering with the management of the branches by reducing suddenly their loans and sometimes withdrawing large amounts of their specie for political effect. Here each bank transacts its own business upon its own capital, and is subject to no demands except those of its own customers and its own business. It will be as if the Bank of the United States had been divided into many parts, and each part endowed with the life, motion, and similitude of the whole, revolving on its own orbit, managed by its own board of directors, attending to the business interests of its own locality; and yet to the bills of each will be given as wide a circulation and as fixed a value as were given to those of the Bank of the United States in its palmiest days." (Congressional Globe, 37th Cong., 2d sess., Pt. I, p. 616.)

In the national banking act as passed in 1863 it was believed that the desired result had been obtained.

Mr. Hugh McCulloch, president of a leading bank at Indianapolis, and distinguished as a financier, was induced, at great sacrifice to himself, to accept the office of Comptroller of the Currency and inaugurate the new system. In a letter to a friend published in the Banker's Magazine, Vol. XVIII, pages 8 and 9, he said:

"The national system of banking has been devised with a wisdom that reflects the highest credit upon its author to furnish to the people of the United States *a national-bank note circulation without the agency of a national bank.* It is not to be a mammoth corporation, with power to increase and diminish its discounts and circulation, at the will of its managers, thus enabling a board of directors to control the business and politics of the country. It can have no concentrated political power. Nor do I see how it can be diverted from its proper and legitimate objects for partisan purposes. It will concentrate in the hands of no privileged persons a monopoly of banking. It simply authorizes, under suitable and necessary restrictions, any number of persons, not less than five in number, in any of the States or Territories of the Union, to engage in the business of banking, while it prevents them from issuing a single dollar to circulate as money which is not secured by the stocks and resources of the Government. It is, therefore, in my judgment (as far as calculation is regarded), not only a perfectly safe system of banking, but it is one that is eminently adapted to the nature of our political institutions."

In his first report as Comptroller of Currency, made November 28, 1863, he says:

"By the national currency act the principle is for the first time recognized and established that the redemption of bank notes should be guaranteed by the Government authorizing their issue. The national currency will be as solvent as the nation of which it represents the unity. The country has at last secured to it *a permanent paper circulating medium of a uniform value, without the aid of a national bank.* This national system confers no monopoly of banking, but opens its advantages equally to all. It interferes with no State rights. It meets both the necessities of the Government and the wants of the people. It needs modifications, and may require others than those which are suggested in this report; but it is right in principle, and of its success there can, I think, be no reasonable doubt.

"This examination of the act, and the observation of the manner in which it is being administered, have resulted in the entering up of a popular judgment in favor of the national-banking system: A judgment, not that the system is a perfect one, nor free from danger of abuse, but that it is a safer system, better adapted to the nature of our political institutions, and to our commercial necessities, giving more strength to the Government, with less risk of its being used by the Government against the just rights of the States, or the rights of the people, than any system which has yet been devised, and that by such amendments of the act as experience may show to be needful, it may be made as little objectionable and as beneficial to the Government and the people as any paper-money banking system that wisdom and experience are likely to invent. It promises to give to the people that long-

existing 'desideratum,' *a national currency without a national bank*, a bank-note circulation of uniform value without the creation of a moneyed power in a few hands over the politics and business of the country."

And again in his second report, made November 25, 1864.

When in his letter and reports Mr. McCulloch speaks of "a national bank-note circulation *without the agency of a national bank*," etc., he manifestly has reference to an institution national in the sense of being a central institution like the old United States Bank, operating throughout the country by means of branches.

The banks created by the national banking act were, and were designed to be, local institutions and independent of each other, but under national control and supervision. Nationalization without centralization was the keynote of the law. This is demonstrated by the structure of the banks provided for.

Reference will be made to the national banking act as contained in the United States Compiled Statutes, 1901. It is title 62, and consists of four chapters. The first chapter deals with "organization and powers," the second with "obtaining and issuing circulating notes," the third with "regulation of the banking business," and the fourth with "dissolution and receivership." The entire act is too long for reproduction here, but pertinent sections will be set out in full or in their substance.

Section 5133, "formation of national banking associations," provides:

"Associations for carrying on the business of banking under this title may be formed by any number of natural persons, not less in any case than five. They shall enter into articles of association, which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed by the persons uniting to form the association, and a copy of them shall be forwarded to the Comptroller of the Currency, to be filed and preserved in his office."

It should be noted in passing that only "natural persons" may engage in the formation of a bank.

Section 5134, "requisites of organization certificate," provides:

"The persons uniting to form such an association shall, under their hands, make an organization in certificate, which shall specifically state:

"First. The name assumed by such association, which name shall be subject to the approval of the Comptroller of the Currency.

"Second. The place where its operations of discount and deposit are to be carried on, designating the State, Territory, or District, and the particular county and city, town or village.

"Third. The amount of capital stock and the number of shares into which the same is to be divided.

"Fourth. The names and places of residence of the shareholders and the number of shares held by each of them.

"Fifth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this title."

By this section the bank is distinctly localized, for it requires that "the place where its operations of discount and deposits are to be carried on" shall be designated as to State, county and city, town or village, and it allows but one place.

This is repeated in section 5190, "place of business," which provides:

"The usual business of each national banking association shall be transacted at an office or banking house located in the place specified in its organization certificate."

By an act of May 1, 1886 (ch. 73, 24 Stat. 18), a bank was authorized to *change* its location, but not to a place more than 30 miles distant, and the new location must be within the same State. No provision has ever been made for increasing the number of cities, towns, or villages in which a bank may do business.

Section 5138, "requisite amount of capital," provides:

"No association shall be organized with a less capital than $100,000, except that banks with a capital of not less than $50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants, and except that banks with a capital of not less than $25,000 may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed 3,000 inhabitants. No association shall be organized in a city the population of which exceeds 50,000 persons with a capital of less than $200,000."

This, because of the small amount of capital required in such case, extends the facilities of national banking to the smallest communities.

Section 5146, "requisite qualifications of directors," provides:

"Every director must, during his whole term of service, be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located, for at least one year immediately preceding their election, and must be residents therein during their continuance of office. Every director must own, in his own right, at least 10 shares of the capital stock of the association of which he is a director. Any director who ceases to be the owner of 10 shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place."

Here the local character of the bank is secured. The directors must all be shareholders, they must all be citizens of the United States and three-fourths of them must be residents of the State.

The powers of the bank are conferred in general terms by section 5136, and they are, to have a seal, and perpetual succession, to make contracts, sue and be sued, elect officers and define their duties, and further—

"Sixth. To prescribe, by its board of directors, by-laws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed.

"Seventh. To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidence of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title.

"But no association shall transact any business except such as is incidental and necessarily preliminary to its organization, until it has been authorized by the Comptroller of the Currency to commence this business of banking."

Section 5137 confers power to hold real property and limits it to such as may be necessary for "its immediate accommodation in the transaction of its business," and such as it may acquire in the way of securing payment of debts previously contracted, but real estate so acquired can not be held for a longer period than five years.

Section 5197 limits the rate of interest which may be taken to that "allowed by the laws of the State, Territory, or District where the bank is located."

This again emphasizes the local character of the institution.

Section 5201 prohibits a bank from loaning upon or purchasing its own shares.

It has been repeatedly held that the powers of a national bank are limited to those expressly granted by the act and such as are properly incidental to those granted.

In Logan County National Bank *v.* Townsend (139 U. S. 67, l. c. 75), the court, speaking through Mr. Justice Harlan, said:

"It is undoubtedly true, as contended by the defendant, that the national banking act is an enabling act for all associations organized under it, *and that a national bank can not rightfully exercise any powers except those expressly granted by that act, or such incidental powers as are necessary to carry on the business of banking for which it was established.* The statute declares that a national banking institution shall have power 'to exercise, by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions' of title 62 of the Revised Statutes."

And in California Bank *v.* Kennedy (167 U. S. 362, l. c. 366) the court, through Mr. Justice White, said:

"*It it settled that the United States statutes relative to national banks constitute the measure of the authority of such corporations, and that they can not rightfully exercise any powers except those expressly granted, or which are incidental to carrying on the business for which they are established.* Logan County Bank *v.* Townsend (139 U. S. 67, 73). No express power to acquire the stock of another corporation is conferred upon a national bank; but it has been held that, as incidental to the power to loan money on personal security, a bank may in the usual course of doing such business accept stock of another corporation as collateral, and by the enforcement of its rights as pledgee it may become the owner of the collateral and be subject to liability as other stockholders. National Bank *v.* Case (99 U. S. 628). So, also, a national bank may be conceded to possess the incidental power to accept in good faith stock of another corporation as security for a previous indebtedness. It is clear, however, that a national bank does not possess the power to deal in stocks. The prohibition is implied from the failure to grant the power. First National Bank *v.* National Exchange Bank (92 U. S. 122, 128)."

The proposition is an elementary one in corporation law and needs no elaboration.

It follows that while a bank may take the stocks of another corporation as collateral to a loan, or take them in payment of a debt previously incurred, it can not deal in stocks. The limit of its powers in this respect is stated by Chief Justice White in First National Bank *v.* National Exchange Bank (92 U. S. 122, 128):

"* * * In the honest exercise of the power to compromise a doubtful debt owing to a bank it can hardly be doubted that stocks may be accepted in payment and satisfaction, with a view to their subsequent sale or conversion into money so as to make good or reduce in anticipated loss. *Such a transaction would not amount to a dealing in stocks.*"

In First National Bank *v.* Converse (200 U. S. 425) a manufacturing company had failed, and the creditors, among whom was the bank, organized a new corporation to purchase the stocks, evidences of debt, and assets of the old, and to continue in the manufacture of the same articles that had been manufactured by the old company. This transaction was held to be without the powers of the bank. The court, page 439, said:

"* * * To concede that a national bank has ordinarily the right to take stock in another corporation as collateral for a present loan or as security for a preexisting debt *does not imply that because a national bank has lent money to a corporation it may become an organizer and take stock in a new and speculative ven-*

ture; in other words, do the very thing which the previous decisions of this court have held can not be done."

As to acquiring the stocks of other national banks, the ruling of the court is very explicit.

In Concord First National Bank *v.* Hawkins (174 U. S. 364) the bank of Concord, N. H., had bought and held as an investment 100 shares of the stock of the Indianapolis National Bank. The last-named bank failed and Hawkins as receiver sued the Concord bank to recover the assessment which had been made upon the stock of the Indianapolis bank. The Concord bank denied liability upon the grounds that it had no right to hold the stock. The court refused to so much as to apply the doctrine of estoppel in favor of creditors. Referring to previous decisions of the court and to the distinction made by the circuit court between the acquisition of stocks in national banks and of stocks in other corporations, the court, page 368, said:

"No reason is given by the learned judge in support of the solidity of such a distinction, and none occurs to us. Indeed, we think that the reasons which disqualify a national bank from investing its money in the stock of another corporation are quite as obvious when that other corporation is a national bank as in the case of other corporations. *The investment by national banks of their surplus funds in other national banks, situated, perhaps, in distant States, as in the present case, is plainly against the meaning and policy of the statutes from which they derive their powers, and evil consequences would be certain to ensue if such a course of conduct were countenanced as lawful.* Thus, it is enacted, in section 5146, that "every director must, during his whole term of service, be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located for at least one year immediately preceding their election and must be residents therein during their continuance in office."

"One of the evident purposes of this enactment is to confine the management of each bank to persons who live in the neighborhood, and who may, for that reason, be supposed to know the trustworthiness of those who are to be appointed officers of the bank, and the character and financial ability of those who may seek to borrow its money. But if the funds of a bank in New Hampshire, instead of being retained in the custody and management of its directors, are invested in the stock of a bank in Indiana, the policy of this wholesome provision of the statute would be frustrated. The property of the local stockholders, so far as thus invested, would not be managed by directors of their own selection but by distant and unknown persons. *Another evil that might result, if large and wealthy banks were permitted to buy and hold the capital stock of other banks, would be that in that way the banking capital of a community might be concentrated in one concern, and business men be deprived of the advantages that attend competition between banks. Such accumulation of capital would be in disregard of the policy of the national banking law, as seen in its numerous provisions regulating the amount of the capital stock and the methods to be pursued in increasing or reducing it. The smaller banks in such a case would be in fact though not in form branches of the larger one.*

"Section 5201 may also be referred to as indicating the policy of this legislation. It is in the following terms:

"'No association shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale; or, in default thereof, a receiver may be appointed to close up the business of the association.'

"This provision forbidding a national bank to own and hold shares of its own capital stock would, in effect, be defeated if one national bank were permitted to own and hold a controlling interest in the capital stock of another."

Here is an express recognition and assertion of the local and independent character of our national banks and the denial of any power which would tend to create what is in effect a central bank with branches.

As to the transfer of its shares, a national bank has power only "to prescribe, by its board of directors, by-laws not inconsistent with law, *regulating the manner* in which its stock shall be transferred." Manner relates to method or form and not to substance. So the by-laws may require a formal indorsement of the outstanding certificate, the issuance of a new one, and a register of the transfer upon the books of the bank. But no condition can be imposed which limits or impairs the right of transfer.

The national banking act, as originally passed in 1863, by section 36, denied to the stockholder "power to sell or transfer any share held in his own right so long as he shall be liable, either as principal debtor, surety, or otherwise, to the association for any debt which shall have become due and remains unpaid," etc.; but this provision was repealed by the act of 1864, which, with amendments, is the act now upon the books. The purpose of the repeal was to make the shares more readily transferable. Banks thereafter, however, attempted to enforce the restrictions of the original act by means of by-laws, but these have been held always to be invalid. Speaking to this subject in Bank *v.* Lanier, 11 Wall. 369, l. c. 377–378, the court said:

"The power to transfer their stock is one of the most valuable franchises conferred by Congress on banking associations. Without this power it can readily be seen the value of the stock would be greatly lessened, and, obviously, whatever contributes to make the shares of the stock a safe mode of investment, and easily convertible, tends to enhance their value. It is no less the interest of the shareholder than the public that the certificate representing his stock should be in a form to secure public confidence, for without this he could not negotiate it to any advantage.

"It is in obedience to this requirement that stock certificates of all kinds have been constructed in a way to invite the confidence of business men, so that they have become the basis of commercial transactions in all the large cities of the country and are sold in open market the same as other securities. Although neither in form nor character negotiable paper, they approximate to it as nearly as practicable. If we assume that the certificates in question are not different from those in general use by corporations—and the assumption is a safe one—it is easy to see why investments of this character are sought after and relied upon. No better form could be adopted to assure the purchaser that he can buy with safety. He is told, under the seal of the corporation, that the shareholder is entitled to so much stock, which can be transferred on the books of the corporation, in person or by attorney, when the certificates are surrendered, but not otherwise. This is a notification to all persons interested to know that whoever in good faith buys the stock and produces to the corporation the certificates regularly assigned, with power to transfer, is entitled to have the stock transferred to him. And the notification goes further, for it assures the holder that the corporation will not transfer the stock to anyone not in possession of the certificates."

This ruling holding the restrictive by-law to be invalid was repeated in Bullard *v.* National Eagle Bank (18 Wall. 594), Third National Bank *v.* Buffalo German Ins. Co. (193 U. S. 581), and in many cases on the circuit and in the State courts.

If the law was changed to permit a transfer, when to deny it was in the immediate interest of the bank, it surely never was the purpose to authorize a restriction upon transfer in behalf of any interest foreign to the bank, and with which it is forbidden that the bank, as a bank, may be identified.

From the history of the national banking act, from its terms and provisions, and from the decisions of the Supreme Court construing it, these propositions are derived:

I. The banks are local institutions and independent of each other, none the less that they are creatures of Federal power and subject to Federal supervision and control.

II. A bank may in its by-laws regulate the manner in which its shares may be transferred, but it can not impair or limit the right of transfer.

III. As to business operations, the bank has such powers as are expressly granted by the act and such as are properly incidental to those expressly granted, and none other, and so can engage only in the business of banking as that business is defined by the act.

IV. It is neither banking nor an incident of banking to invest the funds of the bank in another business in any manner or to any extent; and the bank has, therefore, no right to invest its funds in the stocks of another corporation, and especially not in the stocks of another national bank.

V. The powers of a national banking association are and can be granted only by the United States, and as no grant of such powers is made by the act to any State corporation they may not be exercised by such a corporation.

These propositions relate to matters of substance, and so may be no more evaded than violated. Indirection, if it accomplishes the same purpose, stands upon the same footing with direction.

Coming now to the case in hand, we have to consider what is the practical effect of the creation of the ——— ——— Bank and its affiliation with the ——— ——— Company.

So far as concerns matters of form, it may be conceded that the ——— ——— Bank was incorporated as an independent institution. Still its certificate of incorporation while not compelling dependence upon or interrelation with any other institution does provide for it. Its business powers and capacities are very extensive. They authorize the acquisition of any kind of property and the conduct of any kind of business and the doing of whatever may be incident thereto. (See art. 2 of the certificate of association.) The only limitation upon its business activities is to be found in Paragraph VIII of Article II, and this is:

"* * * but nothing herein contained shall be construed as authorizing the business of banking nor as including the business purpose or purposes of a money corporation or a corporation provided for by the banking, insurance, railroad, and the transportation corporations laws, or an educational institution or corporation which may be incorporated as provided in the education law, nor as authorizing or intending to authorize the performance at any time of any act or acts then unlawful."

As the business of banking, which must be taken to include the business of banking under the national banking laws, is expressly prohibited, the powers of the company *as granted by its charter* do not offend the Federal laws.

The tenth article provides in its first paragraph that "the directors of the company need not be stockholders," and in the second paragraph that—

"No transaction entered into by the company shall be affected by the fact that the directors of the company were personally interested in it, and every director of the company is hereby relieved from any disability that might otherwise prevent his contracting with the company for the benefit of himself or any firm, association, or corporation in which he may be in anywise interested."

These provisions in and of themselves violate no Federal statutes, but they give a facility for serving two masters, which is, to say the least, unusual; and they do permit the use of the company

as a mere instrumentality or convenience of some other institution.

The capital stock of the company is by the third article fixed at $10,000,000, but it is provided by paragraph 5 of article 10 that—

"The board of directors shall have absolute discretion in the declaration of dividends out of the surplus profits of the company, and they may accumulate such profits to such extent as they may deem advisable instead of distributing them among the stockholders, and may invest and reinvest the same in such manner as in their absolute discretion they may deem advisable."

Thus, while there is a limit placed upon the capital stock of the company, there is none upon the actual capital it may accumulate, and so none upon its possible financial power.

These various provisions of the certificate of incorporation are important to be considered in view of the use which has been made of the company.

The certificate is dated July 5, 1911, but prior to that date on June 1, 1911, an agreement was entered into between the ——— ——— Bank as the first party [three names of prominent persons eliminated] trustees, as the second party, and [five names of prominent persons eliminated] and other subscribers, "who are shareholders of the said bank," as parties of the third part. In the agreement these parties are designated, respectively, as "the bank," "the trustees," and "the subscribers."

The trustees are all of them officers of the bank. Mr. ——— is the chairman of the board of directors, Mr. ——— is its president, and Mr. ——— is a director.

The agreement, then, is one between the bank, its officers and its shareholders, and, as will be seen, the officers and shareholders are dealt with not as individuals but as officers and shareholders.

The preamble recites that—

"Opportunities and facilities for making desirable investments, *other than those which are possible in the ordinary course of the banking business*, are, from time to time presented to the officers of the bank, which they desire to make available to the shareholders of the bank."

Here is the declared purpose to do something, make investments, not within the scope of the bank's powers. That the officers and shareholders of the bank as individuals may make such investments is conceded, but that the bank, or its officers or shareholders, as officers and shareholders, may do so; in other words, that the powers and facilities granted by the national banking act may be used for purposes outside the ordinary course of banking business is denied.

The first article of the agreement provides for the organization of an investing company. It is here called the United States Investing Co. It is, however, the ——— ——— Company under a provisional name.

It is not within the scope of the bank's powers to have part or lot in such an agreement, for the simple reason that the formation of an investing company, under State corporation laws, is not the conduct of banking under national laws. And what is true of the bank is true of its officers and shareholders acting as such.

The second article accords to each shareholder of the bank, as a right, a beneficial interest, through the trustees, in the capital stock of the investing company, to the extent of two-fifths of the par value of his capital stock in the bank, provided he exercises his right by executing the agreement or by having his bank stock stamped as thereafter provided in the agreement. If the shareholder does not exercise his right in time, the trustees may determine the conditions upon which he may do so thereafter.

The par value of the capital stock of the bank is $25,000,000, and two-fifths of this is ten millions, which is the par value of the stock of the investing company. Every shareholder of the bank exercising his right, the stock of the company is fully provided for.

It is contended that the shareholder of the bank is not required to take his allotted beneficial interest in the company, but manifestly he is under strong compulsion. The bank and the company, as will be seen from later provisions of the agreement, are so closely bound together that the welfare of the company will always be the serious concern of the bank. For better or for worse the bank and the company are united. The shareholder, if he is not in the arrangement, must none the less hazard the worse and get none of the better, and so, inasmuch as against his will he is in for the worse, he will in self-protection go in further and entitle himself to the better.

The third article provides that in order to facilitate participation by the shareholders of the bank in the beneficial interests in the company, the trustees will recommend to the directors of the bank the declaration of a special dividend of 40 per cent on the capital stock of the bank, which will amount to $10,000,000, or the exact amount of the capital stock of the company. The subscribers, shareholders of the bank, agree to apply the dividend to the payment of the stock of the company.

The recommendation of the trustees, officers of the bank, assented to by the bank and by two-thirds of the shareholders, was sure to be adopted, but not even as against a dissenting or nonassenting minority, no matter how small that minority might be, was there a right to declare a dividend except as such declaration was made in the interest of the bank and its shareholders as such. And there is a larger interest, that of depositors and of the National Government, which requires that the bank shall be conducted as a bank pure and simple and not as a promoting agency of speculative investment companies.

The fourth article requires that the subscribers at once assign the special dividend to the trustees in order to enable the trustees to organize the investing company.

This only emphasizes the fact that the resources and facilities of the bank were utilized to create the investing company.

The fifth article provides (1) that the stock of the investing company shall be issued to the trustees and shall be held by them and their successors in trust, and (2) that the beneficial interest of the subscribers in this stock "shall not be transferable separately, but only by the transfer of the shares of stock of the bank held by them, respectively, and every sale or transfer of stock of the bank by a subscriber or his successor shall include the beneficial interest of such subscriber or his successor in the capital stock of the investing company attaching to the shares of the bank so sold or transferred."

The first clause of this article limits the number of stockholders in the company to three, the three being the trustees and their successors in trust.

Article 9 of the agreement provides:

"The number of trustees hereunder shall not be less than three. Any trustee may, at any time, resign. In case of any vacancy in the number of trustees, it shall be filled by the remaining trustees by the selection of some one who is an officer or a director of the bank: And any trustee who shall cease to be an officer or a director of the bank shall thereupon also cease to be a trustee hereunder; *it being intended that only officers or directors of the bank shall act as trustees.*

"No trustee shall be liable for the acts of any other trustee, but shall be liable only for his own willful misconduct.

"The trustees may act by a majority, either at a meeting or by writing with or without a meeting; and they may vote in person or by proxy."

Thus only officers or directors of the bank can ever be stockholders in the company, for the trustees hold the stock and only officers and directors of the bank can be trustees. And the trustees are a self-perpetuating body. Any vacancy is to be filled by the remaining trustees.

By article 8 it is provided that the trustees and such other persons as they may designate, who shall be officers or directors of the bank, shall constitute the first board of directors of the company, and that no one shall ever be a director of the company who is not also an officer or director of the bank.

The certificate of incorporation of the company provides for five directors, but it has only three stockholders; therefore it was provided in the certificate that directors need not be stockholders.

The second clause of article 5 prohibits transfer of beneficial interests in the company without a transfer of the corresponding shares of the bank, and, conversely, prohibits transfer of shares in the bank without a transfer of the corresponding beneficial interest in the company.

Article 6 provides for certain indorsements upon the certificate of bank shares and upon the certificates of beneficial interest in the company. These indorsements are in aid of the plan and purpose of the agreement.

Article 7 requires payment of company dividends to be made to shareholders of the bank whose certificates of bank shares are stamped or indorsed as provided in article 5. Payments of these dividends may be made by the trustees to the bank, and such payment will relieve the trustees from further liability on their account.

Article 10 provides for the amendment, modification, or termination of the agreement. Any of these can be accomplished only "with the written consent of the trustees and of two-thirds in interest of those for whom the capital stock of the investing company is then held by the trustees."

This, then, is the situation: The company was not independently organized, but was organized by the bank, its officers and shareholders, acting as such. Only shareholders of the bank were permitted an interest in the company and these only in the proportion of their holdings in the bank. This constitution of the interests of the company must continue to the end, for no one can ever come into the company without coming into the bank, and no one can ever go out of the company without going out of the bank. The bank, by declaration of a dividend, furnished the entire capital of the company. No person can be an officer or director of the company unless he is an officer or director of the bank.

This is not all. The company has no independence of action. It has no control or authority over its own affairs. It is to be remembered that all its stock is to be held by the trustees, and of course, is to be voted by them. Plenary power over the company is therefore held by these trustees. Now, these trustees were not elected by the incorporators of the company nor by its stockholders. They were nominated by the agreement between the bank, its officers and shareholders, made before the company was in existence. They can not be removed, nor can their successors be elected or determined by any power or interest of the company. The trustees, nominated by the agreement, perpetuate themselves. They appoint their own successors. The only power outside themselves which can make a change in their membership is the shareholding body of the bank. The shareholders by not continuing a trustee as an officer or director of the bank eliminate him as a trustee. The official organization of the company and the vesting of its powers are determined and can be determined only by the corporate action of the bank.

And the agreement which accomplishes all these things is beyond the scope of the legitimate action of the bank to change or terminate. Two-thirds of the shareholders of the bank and the trustees must agree before there can be a change in it or an end of it. In this matter, so material to the welfare of the bank,

the shareholders and the directors have abdicated their powers and duties and abandoned them to a minority of their number and the three trustees.

To facilitate the conduct of the business of the company by the officers of the bank, article 10 of the certificate of incorporation of the company provides that no transaction entered into by the company shall be affected by the fact that its officers or directors are contracting for their own benefit, or for the benefit of any firm, association, or corporation in which they may be interested in any wise.

This arrangement between the bank and the company virtually consolidates them, unifies their every interest, and requires that all the powers and capacities of both shall always be exerted in unison—or it does not.

If we have two institutions, and not one, chartered as each one of them is by public authority, and by different sovereignties, then each has its own peculiar mission and its own distinctive rights and duties, powers, and obligations. The bank is not concerned with the company, except as it might be with any other possible borrower of its funds, and the company is not concerned with the bank, except as it might be with any other institution whose funds it might wish to borrow. The bank will not be influenced to lend money in aid of any enterprise in which the company may be engaged, because of that fact, and the company will not, because of its relations with the bank, look to it the more readily for financial support. The business of each will be conducted with regard to its own distinctive advantage.

If these institutions are twain in the substantial sense indicated, then the arrangement which places the control of the company so absolutely and irrevocably under trustees appointed by the bank, and subject to change only by the corporate action of the bank, offends the fundamental law that "no servant can serve two masters; for either he will hate the one and love the other, or else he will hold to the one and despise the other." This law is implied in every line of the charter of the bank, and the attempt to repeal it in the tenth article of incorporation of the company is vain and nugatory.

If, however, the mission of the bank and the mission of the company are alike and linked always in interest and welfare, if the rights and duties of the two are necessarily harmonious and reciprocal, if the bank at all times must cooperate with the company and the company with the bank, if the officers and directors of the bank who are also the officers and directors of the company can not come into the predicament of divided allegiance, and, indeed, are in the service of but one master, then the bank involved is engaged, participating in, and conducting the business of the company, business beyond its chartered powers, business that is not national banking.

Only the absolute unity and identity of interest between the two institutions would afford moral excuse for the fusion of their powers under one control, but that excuse can not justify transgression of the positive mandate of the national banking act, which, from considerations of public interest, has determined that national banking shall be a business apart to be conducted by institutions organized for that purpose and for no other.

I am constrained to conclude that as to the bank the agreement violates the law, in its details, because it impairs and limits the right of transfer of shares and because it assumes to bind the bank beyond the possibility of release by the majority action of its shareholders and directors, and its general plan and scope, because it embarks the bank in business and ventures beyond its corporate powers.

The operations under this agreement are proper to be considered, and what is said in this connection is based upon a letter of date July 26, 1911, from President ——— to United States Attorney ———.

At that date $9,679,000 of the capital stock of the company had been paid up, showing that more than 96 per cent of the shareholders of the bank had come into the arrangement.

The company had made investments in the shares of 16 different banks and trust companies, the aggregate number of shares being 29,178. The market value of these was not shown. In addition, approximately $3,200,000 had been invested in other companies of different character.

Of the banks, nine were national banks. The number of shares held by the company and the total number of shares of the capital stock of the banks is as follows:

Bank	Company's holdings	Total number of shares of capital stock of bank
Second National Bank of New York	10	10,000
Fletcher American National Bank of Indianapolis	167	20,000
American National Bank of Indianapolis [1]	250	
Fourth Street National Bank of Philadelphia	500	30,000
National Shawmut Bank of Boston	1,000	35,000
Riggs National Bank of Washington	2,240	10,000
National Butchers and Drovers Bank of New York	3,000	3,000
Lincoln National Bank of New York	4,324	10,000
National Bank of Commerce of New York	9,800	250,000

[1] No such bank shown in the American Bank Reporter.

Thus the company holds the entire capital stock of the National Butchers and Drovers Bank, not even deducting the shares, 10 each, which its nine directors are by the law required to hold in their own right. This bank surely is not independent of the ——— ——— Bank, in view of the relations of each to the company.

The company wants but 677 shares to hold a majority of the capital stock of the ——— ——— ———, and practically it may be said that when 4,324 out of 10,000 shares are held in one ownership, the control of the corporation has been secured.

If the ——— ——— Bank may extend its powers to the control of two other national banks, there is no limit to what it may do in that way. If the power exists, there is no restraint upon its exercise. By different methods and under other forms the ——— ——— Bank is doing, and in larger measure, what the Supreme Court in Concord First National Bank *v.* Hawkins, supra, declared to be in cantravention of the national banking act.

And the ——— ——— Co., considered by itself and apart from its relations to the ——— ——— Bank, is also in violation of law. Its charter from the State of New York expressly prohibits it from the business of banking. And that charter could not confer the power to engage in the business of national banking. Such power could be conferred only by the laws of the United States.

Section 5133, quoted above, confers the power to form a national banking association only upon "natural persons." Other sections of the law restrict the place of operations of the association to a single city, town, or village, and require that its directors shall be natural persons, all of whom have a substantial interest in the bank and three-fourths of whom must be citizens, and residents of the State in which the association operates. Then, too, as we have seen, the bank may not as an investment acquire the shares of another bank, or, indeed, of any other corporation. The purpose and the result are that each national bank must be a local, independent institution, managed by natural persons, and not linked by proprietary interest with any other business than that of national banking.

It is not necessary to consider whether the national banking act absolutely prohibits the holding of shares in a national bank by a State corporation to any extent or for any purpose, and it may be conceded that a State corporation may acquire such shares as an incident to securing payment of a debt and hold them to a convenient time for sale, or that an institution like a trust company may hold them in a fiduciary capacity, but certainly there can be no holding of such shares by any corporation when the result is to defeat the policy of the national banking act; that is, to destroy the local character of the bank, break down its independence, vest its control in another corporation, and link it in substantial proprietary interest with some other business than national banking.

The ——— ——— Company may embark in almost any business whatever, and in fact has made large investments in other enterprises than banking. It has acquired ownership of all the stock of the National Butchers and Drovers Bank, a virtually controlling interest in the Lincoln National Bank, and interests of magnitude in other national banks.

The ownership of property implies duties as well as rights. As the company owns all the shares of the Butchers and Drovers Bank it has a duty with respect to them. It must vote them at shareholders' meetings, it must elect the directors of the bank, and decide important questions of policy. If this is not conducting the business of a national bank, how shall it be characterized?

In Anglo-American Land Co. *v.* Lombard (122 Fed. Rep. 721, l. c. 736) the Court of Appeals for the Eighth Circuit, in an opinion by Van Devanter, J., now a Justice of the Supreme Court, held that the acquisition by a Missouri company of the stock, and control of a Kansas company was illegal. He said:

"* * * Where it is not otherwise provided, the implication in a grant of corporate power and life is that the corporation shall exercise its powers and carry on its business through its own officers and employees, and not indirectly, through another corporation operated under its control, *and that it shall maintain an independent corporate existence, and not surrender the control of its affairs or the exercise of its powers to another corporation.* Conceding that a corporation of a private character, not charged with any public duties, may, in pursuance of appropriate action on the part of its stockholders, sell all of its property, wind up its affairs, and permanently retire from business, still, *in the absence of express authorization, neither the corporation nor its stockholders can, incidental to the sale of its property or otherwise, clothe another corporation with the right to maintain the corporate life or exercise the corporate powers.* These views are sustained, and the reasons therefor are fully set forth in De La Vergne Co. *v.* German Savings Institution (175 U. S. 40, 54, 20 Sup. Ct. 20, 44 L. Ed. 66), Buckeye Marble & Freestone Co. *v.* Harvey (Tenn.), (20 S. W. 427; 18 L. R. A. 252; 36 Am. St. Rep. 71), Easum *v.* Buckeye Brewing Co. (C. C.), (51 Fed. 156), and in the cases there cited."

We are dealing with corporations of a public character, with national banks, which have public duties to perform, and of these it is a peculiar obligation "to maintain independent corporate existence and not surrender control of their affairs or the exercise of their powers to another corporation."

No authority is given by the Federal statutes to the National Banking Association for assigning their powers and delegating their duties to a corporation created by a State, and which, under

its charter from the State, may engage in a business and exercise powers denied to the banking association by the law of its creation.

Here again it is to be observed that if the power in question exists, it exists without limit. The company may extend its power to the full control of all the banks into which it has made entrance. Nor need it stop with these. As it grows by what it feeds upon it may expand into a great central bank, with branches in every section of the country. It is in incipient stage, a holding company of banks, with added power to hold whatever else it may find to be to its advantage.

Where public law and public policy are involved, forms and fictions are disregarded and the facts are dealt with as facts. In the Northern Securities case (193 U. S. 197) the securities company had acquired the majority of the shares of two great competing railway companies, and this was dealt with in effect as a consolidation of the railway companies. Harlan, judge, affirming the decree of the circuit court, said (p. 326):

"The stockholders of these two competing companies disappeared, as such, for the moment, but immediately reappeared as stockholders for the holding company which was thereafter to guard the interests of both sets of stockholders as a unit, and to manage, or cause to be managed, both lines of railroad as if held *in one ownership*. Necessarily, by this combination or arrangement, the holding company in the fullest sense dominates the situation in the interest of those who were stockholders of the constituent companies; as much so, for every practical purpose, as if it had been itself a railroad corporation which had built, owned, and operated both lines for the exclusive benefit of its stockholders. Necessarily, also, the constituent companies ceased, under such a combination, to be in active competition for trade and commerce along their respective lines, and have become, practically, one powerful consolidated corporation, by the name of a holding corporation the principal, if not the sole, object for the formation of which was to carry out the purpose of the original combination under which competition between the constituent companies would cease."

So in the *Standard Oil Case* (221 U. S.) and in the *Tobacco Case* (221 U. S. 106) the holding of stocks by the principal companies in the various subsidiary companies was recognized and dealt with as engaging in, directing, and controlling the business of the subsidiary companies.

Here the ——— ——— Company is not simply to control banks, but it may engage in any business whatever, even that forbidden by its charter, if, despite its charter prohibition as to certain kinds of business, it may invest in the stocks of companies conducting such business. The other enterprises in which the company is engaged may stand in need of credit and of funds, and it is too much to expect that the company's banks will deal simply as banks, equitably and impartially as between its own subsidiaries and persons and corporations with whom it is not affiliated. The temptation to the speculative use of the funds of the banks at opportune times will prove to be irresistible. Examples are recent and significant of the peril to a bank incident to the dual and diverse interests of its officers and directors. If many enterprises and many banks are brought and bound together in the nexus of a great holding corporation, the failure of one may involve all in a common disaster. And if the plan should prosper it would mean a union of power in the same hands over industry, commerce, and finance, with a resulting power over public affairs, which was the gravamen of objection to the United States Bank.

I conclude the ——— ——— Company in its holdings of national-bank stocks is in usurpation of Federal authority and in violation of Federal law.

Respectfully submitted.

FREDERICK W. LEHMANN,
Solicitor General.

Mr. WALCOTT obtained the floor.

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

The PRESIDING OFFICER (Mr. FESS in the chair). The clerk will call the roll.

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

Ashurst	Carey	Hull	Pittman
Austin	Cohen	Johnson	Reed
Bailey	Coolidge	Kean	Robinson, Ark.
Bankhead	Copeland	Kendrick	Robinson, Ind.
Barbour	Costigan	Keyes	Schall
Bingham	Cutting	King	Sheppard
Black	Dickinson	La Follette	Shortridge
Blaine	Dill	Lewis	Smith
Borah	Fess	Logan	Thomas, Idaho
Bratton	Fletcher	McGill	Thomas, Okla.
Broussard	Glass	McKellar	Trammell
Bulkley	Gore	McNary	Tydings
Bulow	Hale	Metcalf	Vandenberg
Byrnes	Hastings	Norbeck	Wagner
Capper	Hebert	Norris	Walcott
Caraway	Howell	Patterson	Walsh, Mont.

The PRESIDING OFFICER (Mr. FESS in the chair). I wish to announce that the following-named Senators are detained in committee meeting:

The Senator from Delaware [Mr. TOWNSEND], the Senator from Maryland [Mr. GOLDSBOROUGH], the Senator from North Dakota [Mr. FRAZIER], the Senator from Missouri [Mr. HAWES], the Senator from Washington [Mr. JONES], the Senator from North Dakota [Mr. NYE], and the Senator from Pennsylvania [Mr. DAVIS].

Sixty-four Senators having answered to their names, a quorum is present.

Mr. WALCOTT. Mr. President, I propose to discuss quite briefly the sections of this bill that relate to affiliates—that is, subsidiary companies of banks organized for the purpose of purchasing and selling securities. In the pre-panic period from 1924 or 1925 to 1929 there was an extraordinarily rapid development in the security business. It reached such a volume, there were so many willing purchasers, so much credit for investment purposes was available that there resulted a complete change in our banking system in the respect that business enterprises all over the United States began to finance their requirements by the sale of their own securities rather than by borrowing at the commercial banks upon their commercial paper—that is, upon their notes. The buying public was so eager for these securities, which in the heyday of our earning power were showing increasingly good returns that there seemed to be no end to the movement. Consequently, by rapid stages the volume of corporate securities on which loans could be made by our banking system stepped up and up and up until brokers' loans reached the phenomenal figure of more than $8,000,000,000.

The commercial banking business in consequence of this extraordinary volume of security business declined. The banks had to change to a large extent their method of handling business. There was no longer the great demand for borrowing on commercial paper. The net result of it all was that we were in the flood tide of speculation. Encouraged by the banks, encouraged to a considerable extent by cheap money, easy credit, and by the very extensive loans of the Federal reserve system, a spirit of speculation took hold of almost everybody in the United States. From the cook to the captain everybody was watching the newspapers, everybody was looking for the record of the stock exchange ahead of all other news, international or domestic.

The net result was a gambling fever such as this country and no other country had ever before experienced. It reached its climax in October, 1929; and we are all very familiar with what has happened since. The tumble has been precipitous, and, of course, very disastrous, reaching into almost every home in the United States, with a net reduction in values, as represented by stock-exchange securities and bonds, of probably at least $60,000,000,000, which represents the decline and the rapid shrinkage of credit. We are getting down to a cash basis; relatively we are very near it.

How was all this expansion possible? The private banking houses obviously could not have handled all of it. It took money, currency; it took a very expansive credit, which, of course, brought in the banks. As far back as 1911 the banks were investing heavily in securities, buying and selling securities. Most of the banks had been engaged in underwriting, and still are. The security business became such an important part of the operations of some of the banks, particularly of two or three of our larger banks, that some fear was occasioned that they would get away from the strictly commercial business for which they were organized and put out securities of doubtful value. At any rate, there was a conflict of opinion; there was a conflict between the business of marketing securities and the business of protecting depositors' money. As the result of considerable controversy the national banks engaged in the security business were compelled to divorce their security business from their banking operations, and the term "affiliates" came into being as the result of that divorce. That, in its simplest term, is what we mean by "affiliate" in this bill.

There are two or three different kinds of affiliates, but I want to speak particularly of the affiliate which was formed out of the endeavor to get the banks away from the speculative business of dealing in securities for their customers and to require them to attend more strictly to commercial

banking, for which they were originally organized, and particularly to the security of their depositors' funds. So, when we use the term "affiliate" in this sense and in connection with this bill, we mean that divorced subsidiary of a bank, whether State or National makes no difference, whose business it is to underwrite, purchase, and/or sell various securities as they come along in the market from day to day and week to week. The affiliates have reached enormous size; their growth has been phenomenal, coincident with the growth of the security business, which, as I have just described, is the outgrowth of the willingness of the public to buy readily and without very much inquiry all sorts of issues from the going businesses of the country.

We held very extensive hearings a year ago last January and February, and then finally having produced the draft of a bill, we again held very extensive hearings last winter on the question of affiliates. We found practically no argument in favor of leaving the affiliates as they are without any obligation to be examined, without any regulatory law governing their operation.

Many affiliates operate very much as a high-grade private banking house would do in the business of buying and selling securities. But abuses have crept in. A very notable case of such abuse of affiliates, which it will now do no harm to mention, is the Bank of the United States. There the practice had been so abused that nearly every time the officers of that bank bought a new parcel of real estate—and most of the parcels were in New York City—a so-called affiliate was organized to hold that particular parcel of real estate.

As the market for real estate advanced and new parcels were acquired other affiliates were organized to hold them, and so there were A, B, C, D, E, and F affiliates, some of them with holdings running into several million dollars. Eventually they were buying real estate at close to the top of the market. The whole thing was getting overloaded and top-heavy; they were pyramiding; they were financing by shoe-string operations; and of course it was inevitable that this great structure of innumerable affiliates should collapse. I have forgot the exact number of the affiliates of the organization referred to, but I think there were 50 or 55 in the city of New York alone, each controlling a large tract of land and some buildings; in nearly every case very expensive parcels of real estate. Long before the speculative boom had reached its climax this structure, built up with paper profits, collapsed, and great was the fall thereof. As I recall, it involved something like $495,000,000 of the money of innocent depositors, and that bank unfortunately belonged to the Federal reserve system. I cite that as a typical case of the excessive abuse of affiliates.

This could not have happened, in my opinion, if we had had examiners who were acting strictly under such provisions as are contained in the pending bill. This bill requires thorough and searching examinations of all affiliates, coincidental in every case with the examination of the parent bank itself under the direction of the Comptroller of the Currency. I make the distinction, and it is to be borne clearly in mind, which exists between the parent bank and the affiliate which operates under the parent bank.

The parent bank may own the stock of the affiliate, or its stock may be distributed to the stockholders of the parent bank, or a large portion of it may be owned outside; but that is irrelevant to the question I am discussing. The question is, Shall we control these affiliates or shall we end them? This bill proposes in various ways to examine them regularly, and coincidentally with the examination of the parent bank, and then requires them, at the end of three years, to separate from the parent company, with various provisions against interlocking officers and directors, and with other provisions for voting the shares of the parent company or bank, which up to now has been a kind of holding company.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER (Mr. PATTERSON in the chair). Does the Senator from Connecticut yield to the Senator from Idaho?

Mr. WALCOTT. I yield.

Mr. BORAH. I understand the Senator to say that under the terms of this bill, if it should be enacted into law, these affiliates will be ended.

Mr. WALCOTT. No; I did not mean to say that.

Mr. BORAH. Perhaps I misunderstood the Senator. The bill undertakes to control them?

Mr. WALCOTT. We undertake to control them by strict examination and regulation, but not to put an end to them. There is, perhaps, some question as to when we should separate them or divorce them from the parent company. This bill requires divorce at the end of three years; and a good many of the banks—some with affiliates, some without affiliates—think that that is hurrying the process too much. Some think that it would be better to extend the period to five years. Some banks feel that the affiliates should be allowed to exist indefinitely as to-day constituted, provided they exist under the strict regulations provided in this bill. That is a controversial point, but I do not know of any other controversial points in this portion of the bill relating to affiliates.

Mr. ROBINSON of Arkansas. Mr. President——

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from Arkansas?

Mr. WALCOTT. I do.

Mr. ROBINSON of Arkansas. Will the Senator inform the Senate whether the bill provides a process of divorcement or separation?

Mr. WALCOTT. Mr. President, it is quite simple. I will read the brief passage which covers that matter, on page 8, line 11:

> After three years from the date of the enactment of the banking act of 1932, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank.

That is practically all there is to it.

> Nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

After three years, in a word, the affiliates must be divorced from the parent, which is called here "a member bank," because, which means a member of the Federal reserve system, a parent bank in the sense that it is the owner or controller through stock control of the affiliate or affiliates. Do I answer the Senator's question?

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

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

Mr. WALCOTT. I do.

Mr. FESS. Earlier in the Senator's presentation he mentioned the fact that whether it be a national bank or a State bank, the control of affiliates does not extend outside of the Federal reserve set-up; that is, an affiliate of a State bank that is not a member of the Federal reserve system is not covered, is it?

Mr. WALCOTT. Mr. President, there are State banks which exist now within the Federal reserve system, and they are member banks.

Mr. FESS. Yes.

Mr. WALCOTT. There are national banks within the Federal reserve system. Most of the national banks are under the Federal reserve system; so that, whether State or whether national, provided the bank is a member of the Federal reserve system and has an affiliate, that affiliate must be divorced within three years.

Mr. FESS. The provision does not attempt to go beyond the Federal reserve system?

Mr. WALCOTT. It does not control State banking, and the reason for that is obvious: The Federal Government has no jurisdiction over State banks.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Connecticut yield to the Senator from Idaho?

Mr. WALCOTT. I yield.

Mr. BORAH. Referring to the divorce of which the Senator speaks, who is to initiate the proceedings? Does the bill depend upon the voluntary action of the banks to obey the law?

Mr. WALCOTT. There is a penalty clause here. The man who is to initiate the proceedings and enforce the provisions of this bill, as provided in the bill, is the Comptroller of the Currency in every case. He is also responsible for the examinations being held, just as he is now for the examination of a national bank.

I want to enlarge a moment upon bank loans and their uses, in order to clarify what seems to me a fundamental point in our whole banking system—a foundation stone upon which we have built up a financial structure.

It is evident from what has been said that the underlying factor in the whole prepanic situation was excessive use of bank credit. The question of excess is a question of judgment, and can only be determined by noting in specific terms the forms it has taken and the remedies to be applied to them.

The excessive use of bank credit in making loans for the purpose of stock speculation, or, more generally stated, for the excessive carrying of securities with borrowed money, was generally admitted before the panic of 1929, and almost universally since that time, to have been one of the sources of major difficulty, far exceeding in its scope any total that could be reasonably asked for as a basis for the financing of legitimate investment business. Under the same topic, too, must be mentioned the so-called "brokers' loans." These are merely a special form of securities loan in which a bank or commercial corporation or other enterprise advances funds through an intermediary—the broker—instead of lending direct. An excessive volume of brokers' loans must be considered in the light of the total volume of security loans outstanding. The category of brokers' loans obtained from "others" is a separate and especially difficult aspect of this problem. It was to these brokers' loans that I just alluded when I said they had reached the astounding total of more than $8,000,000,000 by September, 1929.

There seems to be no doubt anywhere that a large factor in the overdevelopment of security loans, and in the dangerous use of the resources of bank depositors for the purpose of making speculative profits and incurring the danger of hazardous losses, has been furnished by perversions of the national banking and States banking laws, and that, as a result, machinery has been created which tends toward danger in several directions.

I desire to enlarge upon that for just a moment, Mr. President. We have been drifting seriously because many of the States have passed laws that are so lax, and in my opinion so unsound, that they have created State banking situations surcharged with danger in troublous times, often not entirely sound even in good times, and as a result of this they furnish a kind of competition which in my opinion is thoroughly unwholesome. In my opinion, the competition of State banks operating under loose State laws has been so great that it has forced, willy-nilly, the more conservative national banks to take more or less unwarranted chances in running their business.

The net result of this competition between the State banking forces operating under loose laws and the national banking system operating under much more strict laws has been the disregard of a great many of the fundamentals of the banking business, taking chances with depositors' money, and the incorporation and rapid growth of the affiliate business, giving an outlet to that speculative type of business quite contrary to legitimate commercial banking. The net result is that to-day we have two billions and more of the money of innocent depositors locked up in closed banks. We have a complete collapse, in many cases, of these affiliate securities. We have banks that have closed their doors because they have overpurchased, as correspondent banks of some of the larger ones, the very securities that the larger banks have forced upon them.

Mr. FESS. Mr. President, will the Senator yield for another question?

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

Mr. WALCOTT. I do.

Mr. FESS. My impression from an examination of that procedure was that many of these brokers' loans were made detached from any particular banking institution at all; that many of the agencies making brokers' loans were not banks; that they were organizations using their own funds, like some great corporation.

Mr. WALCOTT. That is quite true, Mr. President. I did not mean to imply that the Federal reserve system was responsible for all the brokers' loans. It was not; but it was responsible, probably, for a great deal by lending to member banks—mind you, I am not accusing the Federal reserve system of breaking the law; far from it—the member banks, in turn, loaned to various customers, many of whom were brokers.

In addition to that, however, demand money brought such a tremendous premium, as high as 18 per cent at one time, that the temptation was for corporations that had recently sold their securities and made themselves strong in cash to lend that cash and get an excessive rate of interest. Many corporations over a period of months averaged as high as 8 and 9 and 10 per cent on the money which they had available for lending; and they were lending it in many cases through banks that, in turn, would take a small commission for guaranteeing the safety of those loans. It was an extraordinary system that developed overnight.

Mr. FESS. That particular field is not open for us here to correct, is it?

Mr. WALCOTT. No.

Mr. FESS. But it does lie with the States.

Mr. WALCOTT. That was an incident of a rapid evolution; but, in my opinion, if the provisions of this bill governing affiliates are enacted, we shall not be embarrassed by a repetition of this debacle for some time—I hope never; but never is a long time.

Just one more point, Mr. President, and I am through. I have referred briefly to the penalty clause. It is severe, in that the Federal Reserve Board may revoke the permit of the affiliate company unless the affiliate company submits itself to these examinations; or, if the affiliate company in any way covers up its real position, its permit may not only be revoked but its portfolio, showing the list of all of its holdings, may at any time be made public if the affiliate is in any way getting out of hand or abusing its lawful rights.

I think that concludes the description of this section of the bill. It is perhaps the most vital section of the bill, one of the sections most needed at the present time. My reference to the competition which has grown up between State banks not under the Federal reserve system and the member banks of the Federal reserve system indicates, I think, very clearly that we should some day give very serious attention to a unified banking law in this country.

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

Mr. WALCOTT. I yield.

Mr. DICKINSON. I was interested in what the Senator had to say with reference to the small banks which were interested in purchasing securities and bonds from the larger concerns. There was almost a propaganda put on for a while, and I remember out in our section of the country the officials more or less frowned upon the type of security which our banks had been using for 50 years and insisted that they get them out of the files and take what they called "quick assets." Then the "quick assets" began to shrink in value, and in a little while the banks had to close their doors and liquidate.

I am wondering why the committee left out the provision in section 5155 with reference to branches, "if such establishment and operation at the time permitted to State banks by the law of the State in question."

In other words, it looks as though the committee is trying to build this system up as an individual bank unit, while previously we always tried to maintain what was known as the State unit and give the State the authority to devise

the types of banks they wanted, so far as branch banking was concerned. The committee has taken out of the law the sentence I have read.

Mr. WALCOTT. Mr. President, my answer to that is this: I have not intended to cover the law pertaining to branch banking. The Senator is quite correct in his statement, but that particular provision of the law does not concern the affiliates. I am leaving that subject to some one else to describe. I am particularly concerned with affiliates, which has been a very complex and a very controversial question in banking for the last 20 years.

Mr. DICKINSON. Do not the two phases of it go together?

Mr. WALCOTT. They interlock, as do many other questions in this financial system of ours. There will be found running through the whole course of banking in this country for the last 75 or 100 years this competition, continuing all the time, and getting now more and more acute, between the State banks, which are not members of the Federal reserve system, and the member banks of the Federal reserve system. It is a growing menace, in my opinion. It leads the conservative bank astray, or tends to, and apparently the national system has very little influence in correcting the abuses of the State system.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 6477) to further extend naturalization privileges to alien veterans of the World War residing in the United States, requested a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DICKSTEIN, Mr. MOORE of Kentucky, and Mr. JOHNSON of Washington were appointed managers on the part of the House at the conference.

RELIEF OF AGRICULTURE

Mr. HOWELL. Mr. President, in the course of my remarks on agriculture last Thursday I discussed briefly the Goldsborough bill, recently passed by the House and now in the Committee on Banking and Currency of the Senate. I then asserted my belief—and submitted evidence in justification thereof—in the great possibilities of that measure, not only in revivifying agriculture but also every other industry.

I was pleased to learn this morning that the chairman of the Banking and Currency Committee, the Senator from South Dakota [Mr. NORBECK], has already provided for a hearing on this bill, beginning next Thursday morning, and I wish to compliment him upon such prompt ness in the premises.

Since 1922 the Federal reserve authorities have utilized open-market operations to the end of stabilizing credit and, incidentally, commodity prices. That is all that is proposed in the Goldsborough bill, except that it directs the Federal reserve authorities to utilize open-market transactions—that is, the buying and selling of Government bonds with Federal reserve notes, not merely to the end of incidentally stabilizing commodity prices but with such stabilization as the object of such transactions.

To those who may view such open-market transactions on an extensive scale with some apprehension, I would call their attention to the monthly report for May on economic conditions and governmental finance by the National City Bank of New York, and in this connection I ask unanimous consent to have inserted in the CONGRESSIONAL RECORD that portion of the National City Bank's report on this subject.

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

The action of the Federal reserve authorities in determining to buy Government securities on a largely increased scale is a new and important development in the business situation. The reserve banks about the end of February began a program of purchases which averaged $25,000,000 weekly during the five weeks ended April 6. On April 13 Gov. George L. Harrison, of the New York bank, made a public statement that "the program has again been speeded up in rate and volume." The report of condition of the reserve banks on April 13, revealed an increase of holdings of Governments during the week of $100,000,000, and in the succeeding two weeks an increase of $206,000,000 occurred.

This action of the reserve authorities, taken for the purpose of creating easier money conditions, and thereby enabling the member banks first to free themselves of indebtedness to the reserve banks and then to offer funds more freely to the public or buy securities themselves, is probably the most important stroke of central bank policy ever made. Open market operations have never been undertaken before on the scale cited, but some way needs to be found to increase the amount of credit available, and evidently bolder and more powerful methods are called for than ever have been necessary in the past.

PRINCIPLES OF OPEN-MARKET OPERATIONS

Open-market operations for the purpose of influencing the money market are comparatively new in central bank practice. Central banking is an evolution in Europe from almost unregulated private banking, with numerous banks of issue, and the first step was by concentrating currency issues in each country in one central institution closely related to the Government. Its position as the source of currency issues naturally placed the central bank at the head of the country's banking system, other banks using it as a depository, looking to it for rediscounts as occasion might require and following its lead in financial policies of public importance. The central banks developed by experience the practice of using the discount rate to control the volume of credit and the movements of gold into and out of the country. Reserve bank credit is "money" in the market, and an advance of the discount rate tends to make "money" dearer throughout the country while a lowering of the rate has the opposite effect.

The influence of the discount rate has been supplemented to some extent in recent years by open-market operations, to wit, purchase or sale of securities by a central bank. A purchase by the bank giving a check on itself in payment puts credit into the money market and tends to make "money" easier, while, per contra, a sale of securities by the bank withdraws funds from the market and tends to make "money" dearer. Credit for discovery of the efficacy of open-market operations naturally belongs to the Bank of England, which long has had the problem of dealing with larger gold movements than any other institution and also has had resort to the most effectively organized money market in the world. It does not appear that other foreign central banks have used the practice to any great extent.

The Federal reserve authorities have resorted to open-market operations rather freely, buying and selling United States Government securities. The principle followed is that purchases are made when business is depressed, and sales when business is overexpanded, the aim being to promote stability in credit, prices, and trade. A statement by the New York Federal Reserve Bank to the Glass subcommittee of the Senate Banking and Currency Committee early last year gives the conditions under which the operations have been undertaken, as follows:

"Generally speaking, purchases of Government securities since 1922 have been made at times of business depression or recession in the United States accompanied by unemployment, declining foreign trade, weak commodity prices, and reduced speculative activity. Broadly speaking, also, sales of securities have taken place at times of large industrial activity, full employment, firm commodity prices, and tendencies toward excessive speculation. * * * Purchases and sales of Government securities since 1922 have been such as might reasonably be expected to exercise some influence toward business stability by aiding recovery at times of depression and retarding excesses at times of prosperity."

Following these principles, purchases in substantial volume were made in 1922, 1924, and 1927, periods of depression or threatened depression, and sales were made in intervening times to reduce the holdings and with a view to dampening speculative activity. At the end of 1929 and during 1930 the holdings were increased, and further purchases were made during 1931, though their effects were lost in the panic. When the Glass-Steagall bill became a law on February 27, 1932, the holdings amounted to $741,000,000. The banking situation having improved, but contraction of credit continuing, the time seemed appropriate for resumption of purchases; and the Glass-Steagall Act, by making such holdings available as the basis of currency issues, favored larger operations of this kind. For these reasons the purchases since made have aggregated $450,000,000.

RESERVE BANKS TAKE THE INITIATIVE

The special usefulness of open-market operations exists in the fact that the reserve banks take the initiative in making funds more plentiful. Ordinarily the initiative is with private borrowers, who apply to the banks where they do business. If these banks are without surplus reserves, it is their custom to borrow temporarily of the reserve banks to replenish them. This system works well enough in normal times and affords opportunity for the reserve authorities to use the discount rate to restrain excessive borrowing. It does not work so well when liquidation of bank credit is under way, with deposits and reserves falling by reason of the public determination to get out of debt, and by reason of the contraction caused by gold and currency withdrawals. Bank deposits for the most part are made by bank loans and investments, and decline as the volume of loans and investments is reduced. This credit can be called out again by a resumption of borrowing by the public, but with such extreme pessimism as has been manifested in the last year the public is disinclined to take the initiative and the banks are disinclined to borrow from the reserve banks to make loans, the more so as they have been compelled to

borrow to meet cash withdrawals. Hence has resulted a shrinkage of about $500,000,000 in reserve deposits, at the low point of this year compared with one year ago, and of nearly four billions in loans and investments, of the reporting member banks only, in the same period.

This is credit lost to the current supply and the loss is an obstacle to business recovery. Since the public does not take the initiative to correct the situation, it is necessary for the credit-making authority to do so and by its own action increase the amount of credit available in the market. This can be done by the purchase of Government bonds, issuing new credit for the purpose. The checks given for the bonds will be deposited in banks and thence pass back to the reserve banks, either in payment for past rediscounts or for credit in the reserve accounts of the member banks, where the credit will serve as the reserve base for a possible expansion of member-bank loans or investments in at least ten times the volume.

EFFECTS OF REDUCING REDISCOUNTS

The indebtedness of the member banks to the reserve banks at present is an abnormal one, an effect of credit strain caused by the demands for currency and gold beginning last September which forced rediscounting in the largest amount since the fall of 1929. Of course, this borrowing did not add to the supply of credit, being more than offset by the currency and gold withdrawals. Since the beginning of this year, with currency returning to the banks, rediscounts have been declining. The new credit will further assist the member banks in paying off their debt, first in the larger centers and thence working outward, and as the volume of rediscounts is reduced the number of banks wholly out of debt to the reserve banks will increase and the strain on others will be lessened. As this is accomplished, the accumulation of reserve funds will naturally result in a more liberal attitude toward loan applications by the banks or possibly in bond investments for themselves, either of which will put the credit or "money" into circulation.

A manifestation of strength in the bond market will be helpful not only to Government but corporate financing, thus providing the means for expenditures which will increase employment. In short, by placing funds in the money market, where business goes to finance its needs, it supplies funds in the manner most helpful to sound business revival, supplies it by an orderly process, assuring wide distribution, and avoids the dangers that attach to large issues of paper money. It is a careful and calculated method, under experienced control, of overcoming the excessive deflation of credit and of encouraging business confidence and enterprise. Of course, an increased volume of currency will naturally result as needed by increased activity in business.

A further word may be said upon the attitude of the member banks, since it is the subject of very free comment. There are inquiries as to whether, or to what extent, the banks will put the new reserve credit to use, and some of the comment implies that there is no alternative between a policy of allowing the credit to stand idle as excess reserve, which would nullify the reserve banks' efforts, and one of making loans and investments at excessive risk, which would be unsound banking.

However, there is no such sharp line. Between the alternatives of excessive risk and excess reserves there is a border area of indeterminate width in which the policy of credit expansion may be expected to take effect. As stated, the market for Government and other very high-grade securities of unquestioned safety provides one channel for release of the credit. Moreover, the policy is calculated to revive enterprise and stimulate a demand for credit by good borrowers. Relief of the situation in communities whose credit facilities have been impaired by bank failures or by the effects of fear provides another channel. The effect of the operations of the Reconstruction Finance Corporation is to restore the liquidity of banks which have been compelled to deny credits, and which indeed have become collectors instead of lenders. The effect of the reserve policy is to put new funds into the market which will become available to these banks, the two policies working together.

WORLD COOPERATION DESIRABLE

Undoubtedly this policy would have been inaugurated earlier but for manifestations of European misunderstanding of the measures being adopted in this country for relieving the credit situation, and the gold withdrawals from this country in consequence. Europe on account of past experiences is very sensitive to rumors about inflation or possible departure from the gold standard; and while this country has gold enough to meet any probable demand, it is desirable that misunderstanding should not be promoted. Financial circles in Europe now generally approve of the measures that at first were questioned, and of this Federal reserve policy, holding them soundly conceived and helpful to the world situation.

The inauguration of this policy on the scale now contemplated may result in the development of world cooperation by central banks for the more effective control of credit and prices. Obviously the banking system of a single country can not exercise the control over world prices that might be exercised by the banking systems of all countries or even the banking systems of a group including the more important countries, acting together. The prices in different markets of commodities entering into international trade are interlocked, and while they react upon each other, they must move promptly together, or the lagging ones will be a drag upon the others. Moreover, there is danger that a country leading an advance may lose trade by it. But all countries have a common interest in the stability both of credit and prices.

Able economists have maintained for years that the central banks of the world possessed the requisite organization and power, acting in cooperation, to stabilize the state of credit and the general price level to such an extent as to prevent the wide fluctuations which result in panic and disorder. Practical bankers have admitted the theoretical soundness of the principles involved, but feared popular opposition to anything that looked like international control of money and credit. Such cooperation, of course, would not attempt to control particular prices, and probably would not attempt to do more with general price movements than prevent the wide swings that result from excessive inflation and deflation of credit.

It is possible that the action now being attempted may enlist similar action in other countries and demonstrates the value of such continuous cooperation. The markets of the United States, by reason of this country's position as a source of supply of many commodities, exercise an important influence upon all world markets, but the effort to revive business and raise the price level should have support everywhere. The reserve system is giving the lead.

Mr. HOWELL. Mr. President, as advantageous as would be such a measure as the Goldsborough bill, not only for agriculture, but also for all the other industries in this country, yet it is not all that is necessary to rehabilitate agriculture. We must have something of a constructive nature which will assure, notwithstanding surpluses, United States prices for farm products, inasmuch as the farmer must pay United States prices for the things he buys. This measure will not accomplish that purpose. We must enact an additional measure. We must enact a constructive measure which will make effective the tariffs we have afforded agriculture. There is nothing of that character pending before the Senate, there is nothing of that character pending in the House. But little more than 30 days of this session remain. What are we to do about it, I ask again? Something must be done for agriculture to rescue it from its present deplorable condition.

MESSAGES FROM THE PRESIDENT

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

INCREASE OF BANKING FACILITIES

The Senate resumed the consideration of the bill (S. 4412) to provide for the safer and more effective use of the assets of Federal reserve banks and of national banking associations to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. BULKLEY obtained the floor.

Mr. FESS. Mr. President, will my colleague yield?

Mr. BULKLEY. I yield.

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

The PRESIDING OFFICER (Mr. PATTERSON in the chair). The clerk will call the roll.

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

Bailey	Dickinson	Kean	Robinson, Ark.
Blaine	Dill	Kendrick	Schall
Borah	Fess	Keyes	Sheppard
Bratton	Fletcher	La Follette	Shipstead
Bulkley	Frazier	Lewis	Smith
Bulow	George	McGill	Steiwer
Byrnes	Glass	McKellar	Thomas, Okla.
Capper	Goldsborough	McNary	Townsend
Caraway	Gore	Metcalf	Trammell
Carey	Hale	Moses	Tydings
Cohen	Howell	Norris	Vandenberg
Connally	Hull	Nye	Walcott
Costigan	Johnson	Patterson	Wheeler
Davis	Jones	Reed	

The PRESIDENT pro tempore. Fifty-five Senators having answered to their names, there is a quorum present.

Mr. VANDENBERG. Mr. President, I offer an amendment to the pending bill and ask that it may be printed and lie upon the table.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie upon the table.

Mr. BLAINE. Mr. President, I send to the desk a proposed amendment to the pending bill and ask that it be printed and lie on the table.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie upon the table.

Mr. BULKLEY. Mr. President, the bill now before the Senate represents earnest efforts, extending over more than a year's time, on the part of the so-called Glass subcommittee to discover the causes that led up to the remarkable financial crash and depression, and to recommend to the Senate such measure as might tend to avoid a repetition of such causes. While it is a technical measure in some respects and may not be thoroughly understood by the whole country, yet in my humble opinion it is second to no measure in the effect which it ought to have in the restoration of public confidence at this time.

It has been a great pleasure to work with the subcommittee, because in the consideration of the measure no trace of partisanship has made its appearance. Such differences of opinion as have developed have been honest differences of personal opinion, and have been so far resolved that we are able to present to the Senate a measure in which the subcommittee is unanimous as to almost every feature.

The distinguished chairman of the committee has asked me to speak particularly upon one subject matter covered by the bill, and that is a subject matter concerning which we may have certain telegrams and protests from some of the bankers. I refer to the subject of security affiliates and the related subject of investment banking.

The bill, in section 16, at page 37, provides for separating security affiliates from national banks after a period of three years and makes the same provision in section 5, at page 8, for State banks which are members of the Federal reserve system. These provisions are reinforced by section 18, which appears at page 43, and which provides that no national bank and no State member bank may hereafter be affiliated with any organization engaged in the investment security business. The provision of section 14, at page 34, requires national banks to get out of the business of underwriting and dealing in investment securities, and again, in section 5, at page 8, there is the same provision with respect to State member banks.

Securities affiliates of banks are corporations operating in the long-term capital market in competition with the investment houses, typically unincorporated, that have traditionally done most of the business in that market.

Securities affiliates are controlled usually by having their stock placed in the hands of trustees, who hold it for the pro rata beneficial interest of the bank concerned, each certificate of stock in the bank evidencing by indorsement the ownership also of the same number of shares of stock in the affiliate. All such affiliates are, of course, State-chartered corporations. The majority of them, or about two-thirds, belong to national banks, and about one-third to State banks, the reason for this difference being apparently that State charters are often more liberal than national charters, and grant powers which make an affiliate superfluous. It is also possible for State banks to own their affiliates outright in many States, and this makes resort to the device of trusteed stock less common with them than with national banks. Many of the important securities affiliates, especially those controlled through trusteed stock, were provided with their original capital by declaration of a stock dividend.

In the United States the mechanism for the supply of long-term funds to industry and to Government borrowers was originally in the hands of private bankers almost exclusively. Two causes appear to have brought this about. The first was that capital in any amount had to be imported from Europe, and the intermediaries were usually private individuals; frequently they were the agents of foreign bankers. The second is that nearly all the more important American banks after the Civil War were incorporated under national charter as banks of issue, with limited powers, and were typically of small size. The aggressive lead in supplying long-term needs was therefore taken by private houses and held by them with little competition until very recent years.

The first bank apparently to concern itself quite definitely with securities transactions was the First National Bank of New York, which seems to have engaged in syndicate operations as early as 1911. It organized its affiliate, the First Security Co., in 1908, by declaration of a stock dividend, but the bank itself has always appeared more active in securities business than the affiliate, chiefly as an underwriter. It is understood that this affiliate is used largely to hold long-term securities of a kind which the bank itself has no legal authority to hold or for other reasons desires to segregate from its banking assets. This affiliate is controlled through trustees, who hold its stock for the pro rata beneficial interest of the bank's stockholders.

In 1911 the National City Co. was organized, its capital being supplied by a stock dividend, and its stock was trusteed. A question of the company's legality was raised by the Government, Attorney General Wickersham disapproving it and Secretary of the Treasury MacVeagh approving it. It seems to have been designed originally, like the First Security Co., to hold stocks rather than to deal in them, but by 1916 it was known as an "investment distributing" organization, and subsequently it became one of the largest agencies in the securities business, integrating to a greater extent than any other company, incorporated or unincorporated, all the steps of origination, underwriting, wholesaling, and retailing.

The establishment of these two pioneer companies was followed by the establishment of many others, the great majority of them small and engaged mostly in wholesaling and retailing. Many of these affiliates act as holding companies or do miscellaneous things that the banks controlling them can not do or can not do so effectively. Organization of them was induced by the general desire to increase profits, and in the case of the larger ones which undertook origination, by the particular advantage the banks had in knowing the concerns which might want or might be induced to obtain new capital. Moreover these banks were already being called on by originators, syndicates, and distributors to finance flotations, and for that reason also they were in a strategic position to enter the field of competition. Although the competitive importance of these large securities affiliates activity engaged in origination is very great, the number of them is small.

Banks may at present be engaged in the securities business either in their own name or through the medium of an affiliate. In either event, it will only be the larger ones that are active in origination and underwriting. The smaller ones will be active only in retailing. In general the degree of activity, whether in origination, underwriting, or distribution, will determine whether or not the bank has a securities affiliate; but this is not always true. Some banks of comparatively large size, such as the Union Trust Co. of Pittsburgh, which has no securities affiliate, or the First National Bank of New York, which has one, will do considerable in their own name.

That the larger banks only should be engaged in origination and underwriting is due to the fact that securities issues will ordinarily be in the hundreds of thousands or millions of dollars. Even a small issue can probably be handled by a large bank as well as by a small one or possibly better; the question is one of facilities. Moreover a bank which has opportunities for origination may prefer to turn them over to another bank to be worked up, and secure for itself a larger commission on the underwriting and distribution. Banks which have gone into origination do so on a more comprehensive and omnivorous scale than the older unincorporated houses of issue. The latter specialized more selectively not only as to the kind of business but as to the particular corporations and the size of transactions they undertook to finance. Thus a given house would specialize not only in railways but in certain railways. The banks that recently entered the field seem not to have been observant of such limitations, however; they have sought business aggressively wherever they could get it. Of the total of about 300 securities affiliates of banks the ones that in the last five years have been conspicuous in origination are the following:

National City Co., New York.

Chase Harris Forbes Corporation, New York. (Successor as to securities business of the Chase Securities Corporation, of which it is a subsidiary.)

First National Old Colony Corporation, Boston.

Continental Illinois Co., Chicago.

Bancamerica-Blair Corporation, New York. (Subsidiary of Transamerica and affiliate of Transamerica banks. Not included in National City-Bank of America consolidation.)

Bancamerica Co., San Francisco. (Subsidiary of Transamerica and affiliate of Transamerica banks.)

First Detroit Co., Detroit. (Subsidiary of Detroit Bankers Co. and affiliate of First Wayne National Bank and other subsidiary banks.)

The foregoing list is not exhaustive. Other affiliates have engaged in origination, but the list is probably inclusive of those that have been most active and prominent. It does not include, however, important bank affiliates that, although large enough to have gone aggressively into origination, seem to have chosen to confine themselves principally to underwriting and distribution.

These would include the following and some others:

Guaranty Co., New York.

Security First National Co., Los Angeles.

First Chicago Corporation, Chicago.

Among the things that led American banks into the securities business one of the most important appears to have been the correspondent relationship. This is not to say that without the correspondent relationship the business would not have developed, but rather that the relationship furnished a peculiarly inviting system of distribution. The country banks were becoming increasingly aware of the desirability of diversifying their own portfolios with marketable securities, and also aware of opportunities to retail securities to their customers. At the same time they were dependent either on their city correspondents or on private distributing houses for advice in the selection of investments. The metropolitan banks, therefore, found themselves between their country correspondents who wanted securities and their customer corporations who wanted long-term financing. The one afforded distribution and the other supply. So long as they themselves stayed out of the field the business went to private houses who had not the contact either for origination or for distribution that the banks themselves had, for the latter's relations both with their corporation customers and with their country bank correspondents was constant and intimate. The private houses of issue might be extremely close to a few clients, but they could not have the wide and general access that the large banks had. It is natural that the city banks should have realized their advantage and made the most of it.

In the beginning the tendency probably was for them simply to take larger and larger shares in underwritings and in distribution; but as they did so they were able to exact more and more commission, and eventually if they chose, they were able to invade the field of origination themselves and integrate all the securities functions.

Once committed to the activity on a large scale, they would probably be led to cultivate more intensively the opportunities which the correspondent relationship had opened up to them. This would make securities business more important throughout the American banking structure and impel inland and country banks to set up securities affiliates in order to share more actively in the retail of issues.

As the possibilities in the correspondent relationship became developed, the private distributing houses were keenly aware of the disadvantage they were put under by having no such extensive and dependent a system of outlets as the city banks had. A number, both large and small, sold out to banks and became their securities affiliates, such as Blair & Co. to the Bank of America, New York; W. R. Compton & Co. to the Chatham Phenix National Bank & Trust Co., New York, and so forth.

This advantage in distribution went hand in hand with an increase in the number and amount of issues brought out by banks in 1928 and 1929—an increase that was partly due to business won from private houses, but even more in all likelihood to entirely new capital business that the spirit of the time and the energy of the originators combined to generate. It would be wrong to assume, however, that bank affiliates alone were aggressive, for some of the private houses, such as Dillon, Read & Co. were also intensely active.

All together there appear to be about 300 securities affiliates in the country. This does not mean that the same number of banks have securities affiliates, for in bank groups one securities affiliate may do the securities business for all the banks in the group. Of these 300, about 200 belong to national banks, about 70 to State bank members of the Federal reserve system, and about 30 to nonmember banks. The 270 belonging to member banks, even allowing for those that are in groups and therefore representing numerous banks, is a small number in comparison with the number of member banks in the Federal reserve system, which is approximately 7,000. The banks associated with the 270 or so securities affiliates are, of course, in the main of the largest size and even though they are few in number they represent probably more than half of all the banking business in the country.

Since 1929 there has naturally been a marked diminution in the activity of securities affiliates. Further than this they have absorbed very large losses in their portfolios, and reduced their capital in consequence. Some have dissolved entirely. According to published announcements, the National City Co. reduced its capital in 1931 from $55,000,000 to $11,000,000. The Chase Securities Corporation in 1931 reduced its capital, surplus, and undivided profits from $110,000,000 to $58,000,000. (The Chase Securities is not the operating securities affiliate of the bank, but indirectly owns it. The figures for the operating affiliate, Chase Harris Forbes Corporation, are not available.) The capital of the Guaranty Co. was reduced in the same year from $20,000,000 to $10,000,000. Figures for other important securities affiliates appear not to have been published. The following were discontinued entirely: The Bankers Co., capital $2,500,000, was absorbed in 1931 by the Bankers Trust Co.; the International Manhattan Co., subsidiary of the Manhattan Co., and affiliate of Bank of Manhattan Trust Co., was liquidated in 1931. The Chatham Phenix Corporation was sold to the Atlas Utilities Corporation in 1931 by the Chatham Phenix National Bank & Trust Co. before it consolidated itself with the Manufacturers' Trust Co. The Chemical Securities Corporation was absorbed by the Chemical Bank & Trust Co. in 1932.

These reductions of capital and dissolutions of corporate entity all appear to be retrenchments consequent upon losses; they do not appear to be due to voluntary change of policy. In the case of reductions in capital, the continued existence of the securities affiliate would indicate an expectation of continuing the securities function. In the case of the dissolutions, what has actually happened is that the function itself, much diminished as the result of securities-market recessions, has been taken over by the bank, and the separate corporation hitherto conducting it has been discontinued. There is probably little warrant for a conclusion that because the banks have pared down or dissolved their securities affiliates, they have abjured venturing henceforth into the long-term capital market.

The question we have had to meet in the preparation of this bill is, as has been stated by the able Senator from Connecticut [Mr. WALCOTT], whether the securities affiliate relationship is to be permitted to continue under strict regulation or is to be required to be terminated. The banks generally have not indicated any intention of going out of the investment-security business.

The important and underlying question is whether banking institutions receiving commercial and savings deposits ought to be permitted at all to engage in the investment-security business. The existence of security affiliates is a mere incident to this question. An investment affiliate might be desired by a bank which under its charter is not permitted to go into the investment business, as is the case with national banks, or it might be considered advisable to set up an affiliate for the purpose of segregating the capital employed in the investment-security business so

that the risks involved would not be carried directly by the institution responsible for money received on deposit.

The general principle involved is one that admits of argument, since there is foreign experience and tradition both ways. The English banks of deposit have kept themselves strictly clear of the investment-security business, while the big German banks, on the other hand, have not hesitated to make substantial investments of their own funds in promotions and refinancings with a view to public distribution at such time as might be convenient. In banking literature there are arguments both ways. It seems, however, that the English banking situation has been maintained in a more satisfactory and creditable manner than the German, and that whatever we may learn from comparison of English and German banking should lead us to prefer the English practice, under which commercial banking is strictly segregated from the origination and underwriting of capital issues.

It should not be assumed that any definite, final conclusion can be drawn from foreign experience, and what I shall have to say in support of the segregation of commercial and savings banking from the dealing in investment securities is based entirely upon American conditions and American experience.

It is clear that the national bank act was intended to set up a system of commercial banks, and did not extend to national banks the right to go into the investment-security business in any way. That view has been reinforced by the able opinion of Solicitor General Lehmann brought here by the Senator from Virginia [Mr. GLASS] yesterday, and which the Senate authorized to be printed as a Senate document.

It is clear, also, that until comparatively recent years this segregation of two different lines of banking was generally observed by institutions existing under State laws. And up to 20 years ago practically all the investment banking in this country was done by institutions specializing in that service.

Early in this century certain State banking institutions began setting up bond departments and began to engage in the origination, underwriting, and distribution of investment securities and also began to trade in them. There is still a considerable volume of such transactions carried on directly by banks of deposit, but a recognition of the risks involved has impelled many banks to set up subsidiary or so-called affiliate institutions in order that the capital stock and the stockholders' liability of the parent bank might be held inviolate for the protection of regular banking operations and for the benefit of depositors. Such affiliate corporations, whether of National or State banks, might be owned outright by the parent banks or by trustees for the benefit of the bank or of the bank's stockholders or perhaps by the same stockholders as the bank, with the restriction that stock of the affiliate might be transferred concurrently with stock of the parent bank and not otherwise.

This activity of State banking institutions spreading out into the investment-security field has been matched by many national banks, the pioneers in this respect being the First National and National City Banks of New York. It seems perfectly clear that in the organization of these affiliates under State laws, usually with broad charter powers not only to engage generally in the investment security business but to hold, control, and operate enterprises involving various kinds of business, sometimes including the ownership and control of banks, the national banks which thus set up affiliates presumed to exercise charter rights not contemplated by the national bank act, and indeed directly in conflict with the purpose and intent of their national charters which authorized them only to engage in the business of commercial banking.

Such a departure on the part of national banks was clearly never authorized by law, and it is difficult to understand why it should have been permitted to grow and develop as it has. In any event it has within the past 20 years, but particularly within the past 6 or 7 years, developed on so great a scale that the contention is made that it is now too late to argue that it should be stopped on account of its contravention of the purpose and intent of the law. If it is to be stopped now, it will be stopped not for any technical or legal reason but only after a reconsideration and revaluation of the questions of banking policy involved.

In such a reconsideration of policy it is obvious that there is no valid distinction between national banks and State banks which are members of the Federal reserve system. It is only fair to make a single rule for all banking institutions which receive commercial and savings deposits, regardless of whether their charters are derived from State or National authority; and the real question is not whether such banks shall be permitted to have investment-security affiliates but rather whether they should be permitted to engage in the investment-security business in any manner at all, through affiliates or otherwise.

When the national banks, through their affiliates, followed into the investment-banking business after the State banks had established their bond departments and subsequently their own affiliates, the idea of increased profits more and more obsessed our bankers. Perhaps there was an element of greed in this obsession, and perhaps it was largely a question of professional pride in keeping profits and dividends of one important banking institution up to the level of those of its rivals or a little ahead. Did not professional pride become diverted from the pride of safe and honest banking service to that of profits, greed, expansion, power, and domination? In order to be efficient a securities department had to be developed; it had to have salesmen; and it had to have correspondent connections with smaller banks throughout the territory tributary to the great bank. Organizations were developed with enthusiasm and with efficiency. The distribution of the great security issues needed for the development of the country was facilitated, and the country developed. But the sales departments were subject to fixed expenses which could not be reduced without the danger of so disrupting the organization as to put the institution at a disadvantage in competition with rival institutions. These expenses would turn the operation very quickly from a profit to a loss if there were not sufficient originations and underwritings to keep the sales departments busy.

It was necessary in some cases to seek for customers to become makers of issues of securities when the needs of those customers for long-term money were not very pressing. Can any banker, imbued with the consciousness that his bond-sales department is, because of lack of securities for sale, losing money and at the same time losing its morale, be a fair and impartial judge as to the necessity and soundness for a new security issue which he knows he can readily distribute through channels which have been expensive to develop but which presently stand ready to absorb the proposed security issue and yield a handsome profit on the transaction?

It is easy to see why the security business was overdeveloped and why the bankers' clients and country bank correspondents were overloaded with a mass of investments many of which have proved most unfortunate.

While the banks competed with each other in the business of finding and distributing issues of investment securities, yet they had at all times one great common interest—none of these profits could be made unless the condition of the securities market was such as to assure the absorption of securities. Most of the banks, certainly all the great ones, were interested, therefore, in a good market for capital securities. Can there be any doubt that under such pressure of competition there was an overproduction of capital securities? Can there be any doubt that in order to maintain the market conditions which would absorb the great production of capital securities and produce the big profits for the affiliates and bond departments commercial banks went astray by encouraging an overdevelopment of collateral-security loans? Is it not fair to attribute the vast development of loans on collateral security at least in part to the necessity for keeping up a market condition capable of absorbing capital issues? It does not matter whether this motive was deliberate or subconscious; the fact remains

that the banks generally were involved in it, and that if they are permitted to continue in the investment-security business the same motive will be provided for a repetition of the same performance. If, on the other hand, the business of originating and underwriting investment securities is confined to houses not engaged in deposit banking, then the extent and the desirability of new issues will be subjected to an independent and impartial check. This should tend to restore public confidence.

There is another phase of the situation which can not but have some effect upon the people's confidence in banks. The investment-security business is attended with certain risks. Market conditions may change after the making of a commitment in such a way as to cause considerable loss to an underwriter. A certain issue was underwritten in 1929 at $139,000,000, and the market price of the entire amount of that issue is to-day approximately $18,000,000. That is, of course, an extreme instance but not an unparalleled one. It is no doubt true that only a part of this loss fell upon the underwriter, in that particular case a banking affiliate. But with that much basis of truth, it would not be surprising if rumors went around that a large proportion of such a loss had to be taken by the affiliate in question. And although such a loss would possibly not result in any substantial impairment of the resources of the banking institution owning that affiliate, still it might be suspected that large amounts might have been loaned to the affiliate; and whether that were true or not, there can be no doubt that the whole transaction tends to discredit the bank and impair the confidence of its depositors.

It seems now that the principal responsibility for failure to detect the scandalous frauds connected with the issuance of Kreuger securities can be laid to a firm of private bankers. Yet there were commercial banks and affiliates of commercial banks who participated in the underwriting; and it is clear that public confidence in banks is impaired by events of this character.

It is alleged that the affiliate of a great bank some three years ago accepted a commission for underwriting a new issue of stock to be offered to the stockholders of a great corporation. Shortly before the expiration of the stockholders' rights to subscribe to the issue the great bank in question participated in a stock-market pool to hold the price of the corporation stock somewhat above the price at which it had been offered to the stockholders.

The success of the pool operation resulted in a complete subscription by the stockholders, and the great bank had earned its underwriting commission without being obliged to take up any part of its stock commitment. There is, however, a legal opinion to the effect that the participation by this bank in the stock-market pool amounted to a fraud upon the stockholders of the corporation, in that it deliberately deceived them as to the value of their subscription rights; and it is at least conceivable that legal action might be brought against that particular great bank. The effect of such a suit upon the confidence of depositors in that particular bank would necessarily be bad, and, unfortunately, such a development would have the tendency to undermine confidence in banks generally so long as banks of deposit are permitted to engage directly or indirectly in the underwriting business.

Let us now consider what effect this question has on the relation of a commercial and savings bank to its depositors. The banker ought to be regarded as the financial confidant and mentor of his depositors. This underlying relationship is a natural and desirable one with respect to all depositors, although the aspects of it and the kind of advice called for will necessarily vary a great deal from the poor widow whose life savings are evidenced by a savings passbook to the great corporation requiring financial aid in the development of intricate business problems.

Obviously, the banker who has nothing to sell to his depositors is much better qualified to advise disinterestedly and to regard diligently the safety of depositors than the banker who uses the list of depositors in his savings department to distribute circulars concerning the advantages of this, that, or the other investment on which the bank is to receive an originating profit or an underwriting profit or a distribution profit or a trading profit or any combination of such profits.

It is a long-established rule of English and American law that a trustee may not profit by dealing with his trust estate. It makes no difference that in an individual case a trustee might buy from his trust or sell to his trust to the real advantage of the trust estate. He is not permitted to trade with the estate at all. This is no reflection upon the honor or probity of trustees as a class; it is a recognition of a certain frailty of human nature that makes it dangerous for any man to represent the buyer when he is himself the seller.

The rule is well stated by Justice Day in Magruder *v.* Drury (235 U. S. 119) as follows:

> It is a well-settled rule that a trustee can make no profit out of his trust. The rule in such cases springs from his duty to protect the interests of the estate and not to permit his personal interest to in any wise conflict with his duty in that respect. The intention is to provide against any possible selfish interest exercising an influence which can interfere with the faithful discharge of the duty which is owing in a fiduciary capacity. * * * In effect, he is not allowed to unite the two opposite characters of buyer and seller, because his interests, when he is the seller or buyer on his own account, are directly conflicting with those of the person on whose account he buys or sells.

Let us consider, then, whether this is not also a good rule with respect to bankers. If we want banking service to be strictly banking service, without the expectation of additional profits in selling something to customers, we must keep the banks out of the investment security business.

Take the other side of the picture: A corporation, having carried its account with a bank, having borrowed from that bank for its ordinary commercial requirements, is confronted with the question of raising long-time funds by the issuance of securities. If it is to have the advice of its banker untainted by the prospect of obtaining an originating or underwriting profit we must keep the banks out of the investment security business. If we are to relieve the banker of the temptation to put pressure upon his commercial borrower to put out a security issue on which the banker will make either an originating or an underwriting profit we must keep the banks out of the security business. If the public is to be protected against the possibility of bad bank loans being set up into bond issues to be sold to savings depositors of the same banks without the exacting scrutiny of an independent underwriter interested primarily in the soundness of the securities he is about to sell we must prohibit the banks from engaging in the security business. If we are to keep banks from being tempted to make security loans in order to help make a market or to finance the purchase of securities on which the lending bank is making an originating or underwriting commission we must keep banks out of the investment security business. And if we are to save banks from the embarrassment of having to appraise, as collateral security offered by prospective borrowers, the very securities which their own affiliates have sold to those customers we must keep the banks out of the investment-security business.

It is not, of course, contended that the abuses here intimated are never avoided by the good conscience of the bankers. On the contrary, I believe they are avoided generally by good bankers. Certainly they are avoided much more often than they occur. Yet the danger is always there, and must be there as long as human nature remains human nature. And just as we believe in the strictest rules for the conduct of trusts, just as we believe in examination and audits of institutions whose officers are worthy of the highest confidence as to honor and ability, we must surround the banking business with sound rules which recognize the imperfection of human nature that our bankers may not be led into temptation, the evil effect of which is sometimes so subtle as not to be easily recognized by the most honorable man.

Throughout the development of investment securities affiliates and the development of the investment security business directly through the bond departments of banks, there have been banks which have remained free from this operation. A notable case is that of the Central Hanover Trust Co., of New York, which for years has publicly stressed the fact that it had no securities company, and, consequently, "nothing to sell." Even during the boom period, when the majority of its competitors were in the thick of securities distribution, the Central Hanover affirmed its policy and solicited business on the strength of it. It is to be noted that the Central Hanover, preeminently among American banks, is a trust company not merely in name but in fact, for trust business bulks unusually large in its activities beside commercial banking; and that it emphasized its abstention from securities business, not only in advertising the soundness of its commercial banking department, more particularly in advertising the disinterestedness of its trust service, the assurance being that it could not invest any funds of which it was trustee in any securities issues sponsored by itself. The same argument was also good in urging its ability to advise country correspondents upon the purchase of securities for their portfolios.

While it is true that the Central Hanover advertising has been largely directed to its investment securities department, still, as I demonstrated a few moments ago, it is true that the acceptance of deposits from the public is in itself a public trust which ought to be kept free of the investment-security business.

In line with that thought, and to bring out clearly the tendency of institutions now to see the error of the ways of those who have gone too far in the investment security business, I want to read an announcement recently made by a great New York institution. This institution is also a trust company, but please note that the consideration which impelled it to go out of the investment security business relates also to the acceptance by it of deposits. I read from the Commercial and Financial Chronicle of December 12, 1931, the announcement of the Bank of Manhattan Trust Co. as to the discontinuance of its affiliate.

In indicating the discontinuance of the securities affiliate—International Manhattan Co. (Inc.)—and the carrying on of its activities by the Bank of Manhattan Trust Co., a statement issued on December 10, after meetings of the boards of directors, said:

> After mature deliberation the conclusion has been reached that it is to the best interests of the group to follow the trend of opinion strongly expressed in some quarters to the effect that deposit banks should not have affiliated securities companies. The International Manhattan Co. (Inc.) has operated successfully and in every sense satisfactorily during most difficult times. After writing all securities down to market, its capital and surplus of $2,200,000 are unimpaired, but it is felt that the mere existence of a securities affiliate, no matter how carefully and conservatively run, is inconsistent with the best interests of the trust company and, therefore, of the group as a whole. Accordingly, the Bank of Manhattan Trust Co. will carry on such of the activities of the International Manhattan Co. (Inc.) as are consistent with the most conservative trust-company practice.

Mr. President, I hope that the sections of this bill to which I have alluded, prohibiting the carrying on of the investment security business by national and State member banks, whether through the medium of affiliates or otherwise, will be adopted.

Mr. VANDENBERG. Mr. President——

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

Mr. BULKLEY. I yield.

Mr. VANDENBERG. I think the Senator is submitting an absolutely invincible thesis, with which I find myself in complete accord. I want to ask his judgment respecting the argument made that when these banking facilities are withdrawn from the investment field there will be inadequate fiscal mechanism for industry, and, indeed, for government itself. Will the Senator comment on that suggestion?

Mr. BULKLEY. I shall be very glad to comment on that. It is a question which is not capable of an absolute demonstration one way or the other. Nobody can prove that the facilities will not be adequate, and I confess to some difficulty in absolute proof as to the adequacy of the facilities that will remain. But I can give the Senator some information about it.

It should be noted, in the first place, that with respect to the affiliate relationship we allow a period of three years for a reorganization to be made, and at the end of three years it is not required that the affiliates shall be dissolved or that they shall go out of business. It is only required that they shall be disassociated from the institutions taking commercial and savings deposits. So that it is conceivable that a large proportion of the so-called affiliates which are now engaged in the investment-banking business will have their facilities at the service of the public and entirely unimpaired during this 3-year period that is allowed, and even beyond that, if conditions should require and justify their going on in business—which they are permitted to do merely by separating their stock ownership from that of the ownership of the banks.

I want to submit one other consideration on that point. Something more than a year ago Mr. Charles E. Mitchell, president of the National City Co. of New York, appeared before the committee and gave us some figures as to originations and participations of issues of $20,000,000 or more during a series of four years. It appears from the table he submitted that in the year 1927 originations to the amount of 12.8 per cent were handled by banking affiliates, 78 per cent by private bankers, the balance by commercial banks and trust companies. I will not take the time to read them year by year, but the proportion of originations by bank affiliates gradually increases from year to year, and in 1930 the percentage handled by bank affiliates was 39.2 per cent, as compared with 12.8 per cent in 1927. For private bankers the percentage in 1930 was 55.4 per cent, as compared with 78 per cent in 1927.

Turning to participations, as distinguished from originations, participations of bank affiliates increased from 20.6 per cent in 1927 to 54.4 per cent in 1930, whereas participations by private bankers decreased from 63.2 per cent in 1927 to 38.8 per cent in 1930.

The reason for giving those figures is that it will readily be seen that the originations and participations by bank affiliates had a very rapid increase over the period of three years. Why is it not equally possible that the private banking institutions could recapture that business and expand themselves to meet any demand which may be needed in the course of the three years next ensuing after the enactment of this measure?

I think it may be taken as a safe expectation that all legitimate capital needs of the Nation will be met by institutions which will not be under any of the inhibitions of this bill.

Remember, too, that the overdevelopment of these investment affiliates has unquestionably been one of the causes of the overdevelopment of the capital market, which has brought upon us such disastrous consequences. In other words, it is not expected that the needs of the capital market will immediately be quite as great as they were assumed to be back in the boom years of 1928 and 1929.

Mr. VANDENBERG. I thank the Senator for his answer. I do not want to detour him, but I would like to submit this supplemental question: After all of the banking investment facilities are withdrawn and we have delivered the complete control of investments to so-called investment bankers, is it the Senator's view, as a result of his inquiries, that investment banking as such should be submitted to further and more drastic regulation than at present?

Mr. BULKLEY. That is a subject which our committee has not presumed to go into, and I should add, in that connection, that the purpose of this bill does not extend to safeguarding purchasers of securities as such. The purpose of this bill is to improve the operation of the Federal reserve system and the banks which are members of it. The object of the inhibitions which I am discussing here is not primarily to protect the investing public, although that is a worthy

purpose, but our field is to protect the operations of the banking system itself, and to protect the depositors and customers of the banks so that they shall have the service from national and State member banks which they are entitled to expect.

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

Mr. BULKLEY. I yield.

Mr. LEWIS. I address myself to the Senator from Ohio, conscious, as I am, of his complete knowledge of this bill, a fact to which the distinguished Senator from Michigan has just alluded, as a result of his research and information on the subject. I assume the word "affiliate" to the ordinary mind means a branch, but I take it that it is about as unintelligible to the ordinary citizen as the word "rediscount" is. But I would like to ask the Senator whether he can point out what provision in the measure, if any, he regards as looking to the protection and preservation of the depositors who deposit in these institutions called "affiliates" or in the main banks, in view of the disasters they have lately gone through and the vast losses which they have endured?

Mr. BULKLEY. Mr. President, I call to the attention of the Senator the fact that the word "affiliate," as used in this measure, is defined in section 2.

As to the protection of the depositors, we believe in general that most of the provisions of the measure tend to better protection of the depositors. Section 3, which the Senator from Virginia discussed at length this morning, refers to keeping the funds of Federal reserve banks out of speculative uses. We regard that as protection for depositors.

The Senator from Virginia also alluded to the formation of a liquidating corporation, which was not by any means a guaranty of bank deposits, but which is an assurance to depositors of member banks that they will be able to get promptly so much of their money as they may be entitled to at all in the event of a bank being closed. We regard that as some protection to depositors. But, in my humble opinion, the greatest protection to depositors that we have given in this measure is in connection with the very provision I have been here discussing, by prohibiting a banker from having an interest contrary to his depositors, by prohibiting him from being interested in securities which he recommends his depositor to buy, by keeping him in such position that he may be free and independent to pass on credits without the embarrassment of having brought back to him the very securities that he sold to his depositors and being asked to loan upon them. We feel that by removing the bankers from the temptation of using credit in such a way as to make a good background and foundation for the flotation for more security issues we are protecting the depositors. In other words, I would hesitate to point to any one thing in the bill that was intended to protect depositors, but I would rather say that the measure as a whole is in all of its fiber intended as a protection for depositors.

Mr. President, I have practically concluded what I have to say——

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

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

Mr. BULKLEY. Certainly.

Mr. GEORGE. Let me ask the Senator to refer to the language in lines 5 to 10 on page 8. I wish to ask the Senator a question about that provision. It is as follows:

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

The question I wish to ask of the Senator is, Is not that provision with reference to member banks operative in futuro by reference to the amended section 5136 of the Revised Statutes?

Mr. BULKLEY. I think the Senator means with respect to securities that may be held for investment account?

Mr. GEORGE. That may be held by a State member bank at the time of the passage of this bill. I may say to the Senator from Ohio that I am anxious to have his view upon it. I have conferred with the author of the bill and he assures me that the provision is applicable in futuro.

Mr. BULKLEY. I feel very clear about it. If the Senator will indulge me I think I can demonstrate it. Of course, all it provides on page 8 is that State member banks shall be subject to the same limitations and conditions as are applicable in the case of national banks under paragraph seventh of section 5136 of the Revised Statutes, as amended. Paragraph seventh of section 5136 is amended by this very bill. Section 14 of the bill, commencing on page 34, amends section 5136 of the Revised Statutes. The wording of section 14 shows the reenactment of paragraph seventh of section 5136. The new matter begins in line 15 on page 34 of the bill. On page 35 there are some reenactments, and also some new matter, but the only limitations on what banks may hold for their investment accounts are two. One of them begins in line 5:

> But in no event shall the total amount of any issue of investment securities of any one obligor or maker hereafter purchased and held by the association—

And I there emphasize the word "hereafter"—

> hereafter purchased and held by the association for its own account exceed at any time 10 per cent of the total amount of such issue outstanding.

Then down below it provides:

> Nor shall the amount of the investment securities of any one obligor or maker hereafter purchased and held—

Again I emphasize the word "hereafter"—

> hereafter purchased and held by the association for its own account exceed at any time 15 per cent of the amount of the capital stock of the association actually paid in—

And so forth. I think it very clear that paragraph seventh of section 5136 as here amended is entirely in futuro with respect to securities purchased and held, and that it would relate back to the provisions to which the Senator has called attention on page 8.

Mr. GEORGE. Yes; the distinguished Senator from Virginia [Mr. GLASS], author of the bill, assured me that that is the correct interpretation, and I was anxious to see whether the Senator from Ohio agreed with that view.

Will the Senator give me his opinion upon the following provision appearing on page 40 of the bill?—

> (b) After January 1, 1935, every such holding-company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of the lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per cent of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 per cent per annum of such aggregate par value until such assets shall amount to 25 per cent of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per cent per annum on the book value of its own shares outstanding until such assets shall amount to 25 per cent of the aggregate par value of all bank stocks controlled by it.

The question I wish to direct to the Senator is whether the bank is required to accumulate, as provided in the section which I have just read, 25 per cent under No. 1, and a reserve equal to 25 per cent of the aggregate par value of all bank stocks controlled by it under No. 2? In other words, whether 50 per cent of the aggregate par value of all bank stock controlled by such holding company affiliate is required, or whether it is the intention of the bill to require only 25 per cent? Have I made my question clear?

Mr. BULKLEY. I will be very frank with the Senator that I am not quite certain myself. That is not one of the subjects that was under my personal purview. I would be glad if the Senator from Virginia [Mr. GLASS] would feel that he could answer the question.

Mr. GEORGE. The Senator from Virginia advised me off the floor that he himself did not have direct supervision of this particular section; that is, he had not given particular study to the language.

Mr. BULKLEY. I will undertake to get an answer for the Senator, but I would rather not give it offhand.

Mr. GEORGE. Let me state the question in this way——

Mr. BULKLEY. I understand the question perfectly; but I would rather give the Senator a considered and reliable answer, which I am not able to do now.

Mr. GEORGE. If 50 per cent is required, I do not believe the language is quite clear. If only 25 per cent is required, it still may be said that it is not quite explicitly stated.

Mr. BULKLEY. I agree with the Senator that it ought to be made more clear.

Mr. FLETCHER. Mr. President——

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

Mr. BULKLEY. I yield.

Mr. FLETCHER. It seems to me that the provision in the bill for the liquidating corporation, which has been stated to be for the protection of depositors, is to a very great extent for their protection, but it really ought to be stated that it will benefit them rather than protect them.

Mr. BULKLEY. I think perhaps the word "benefit" is better than "protect." It protects the depositor against having his funds tied up for an inordinate length of time. But I cheerfully accept the correction of the Senator from Florida. I think the word "benefit" is better.

Mr. President, I have concluded what I desired to say. I believe that the Senate will make no mistake in keeping the sections to which I have been referring substantially as they are, in order that we may not go forward to what may be merely building up again for a recurrence of the unfortunate events that we have had in the past.

Mr. JONES. Mr. President, will the Senator from Ohio permit me to interrupt him?

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

Mr. BULKLEY. Certainly.

Mr. JONES. I asked the Senator from Virginia [Mr. GLASS] about this outside the Chamber, but did not get an opportunity to ask him on the floor. I would like to get the Senator's judgment. I have a telegram from one of the leading bankers of Seattle. I think he is one of our most reliable bankers. He said:

> We have made careful study of Glass bill and are in favor of all provisions except section 14, pertaining to investment securities. Feel that bill should permit national banks to maintain bond departments and distribute such securities as are eligible for their own account, with limitations and restrictions by comptroller.

What answer would the Senator make to that suggestion?

Mr. BULKLEY. Mr. President, as I indicated at the beginning of my remarks, that is a question on which honorable men might take a different view from mine. I have no quarrel with anyone who thinks the banks ought to be continued in the investment-securities business, but I have endeavored to give to the Senate my reason for believing that it makes a divided interest in the allegiance of a bank to its customers, and that it is not in accord with what we know human nature to be to expect that a bank shall have securities for sale on which it makes a profit and at the same time be competent to advise its customers with respect to their investments. My own view is very strongly that the Senator from Washington should plead with his friend to reconsider his view and ask him whether the banks would not be relieved of a great deal of embarrassment and a great deal of the loss of confidence from which they now suffer if they were prohibited from carrying on that sort of business, which puts them on the opposite side of transactions from their own customers.

Mr. GLASS. Mr. President——

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

Mr. BULKLEY. Certainly.

Mr. GLASS. I may supplement what my colleague on the committee has just said by referring to that remarkable opinion which the Senate yesterday made a public document. Mr. Lehmann, the Solicitor General, speaks of that sort of thing as a vain attempt to fairly serve two masters, and that it can not be done.

Still further I would say to the Senator from Washington that the mistaken impression prevails that there is some deflationary degree in section 14 of the bill, whereas if he will examine it critically he will see that it relates to future transactions and does not require a single bank to discharge any of its existing investments.

There can be no question, though there is a controversial element in it, that it is not a safe business for a commercial bank to be engaged in investment banking. They ought to be entirely separate.

Let me add—and my colleague will confirm the statement—that those bankers who came to Washington and went to night schools and got their lessons one after another made the same objection to section 14. However, when it was pointed out to them that they had a misconception of its meaning, that it did not involve any deflation of their existing assets, that it related solely to the future, without exception they acquiesced in it as a sound measure and abated their objection to that section.

Mr. JONES. I thank the Senator for that opinion with reference to this matter. I myself have no opinion in regard to it, and I am perfectly willing to take the Senator's judgment.

Mr. BULKLEY. I should say to the Senator that there was no objection whatever at the hearings to the limitation with respect to securities held for a bank's investment account. We have never had a complete agreement on the general subject of whether banks ought to be permitted to continue in the securities business.

Mr. JONES. In this telegram it is stated further:

> Please secure interpretation of page 35, line 2, that "the association may purchase for its own account investment securities under such limitations and restrictions as comptroller may by regulation prescribe," and ascertain whether or not this provision would permit national banks to sell and distribute as well as purchase through well-regulated bond departments; otherwise, we believe that the security markets generally as well as the condition of all collateral owned would be greatly impaired.

Will the Senator give me his opinion with reference to that statement?

Mr. BULKLEY. Mr. President, I am very clear that the language quoted has reference to the purchase by banks of securities to be held for investment in their own portfolios. Banks have always held a certain amount of bonds and other securities as investments, as a so-called secondary reserve. This provision relates only to the purchase for such investment account. I am clear that my view of this would cause the Senator's correspondent to be opposed to the section, but, nevertheless, I believe that what the language refers to is the regulation of purchases of securities for investment for the bank's own account and not for distribution in the sense to which reference is made in the telegram.

Mr. JONES. I thank the Senator.

Mr. BULKLEY. Mr. President, I yield the floor.

Mr. VANDENBERG. Earlier in the day I submitted an amendment to the pending bill and asked that it lie on the table and be printed. I now offer the amendment and ask that it may be considered as the pending amendment.

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

The LEGISLATIVE CLERK. It is proposed to amend section 19 by adding at the end of subsection C, on page 45, the following:

> *Provided*, That only existing unit or affiliated banks shall become branch banks, except that this proviso shall not apply in any city, town, or village where no national or State banking corporation is regularly transacting customary banking business.

Mr. DICKINSON. I offer an amendment to the pending bill, which I ask to have printed and lie on the table.

The VICE PRESIDENT. The amendment offered by the Senator from Iowa will be printed and lie on the table.

THE GLASS BANKING BILL—EDITORIAL FROM FORT WORTH STAR-TELEGRAM

Mr. CONNALLY. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the Fort Worth (Tex.) Star-Telegram in relation to the bill which the Senate is now considering.

There being no objection, the article was ordered printed in the RECORD, as follows:

[From the Fort Worth (Tex.) Star-Telegram, May 1, 1932]

FUNDAMENTAL ERRORS OF THE GLASS BANKING BILL

Although the Glass banking bill as now pending in the Senate is a very much less dangerous measure than that first introduced, it still contains many features objectionable from the standpoint of practical banking, and it continues subject to two fundamental charges of error. Of the latter, the most important is found in the bill's apparent assumption that the human element may be expunged from banking, or that, failing this, human responsibility may be attained in more desirable form merely by shifting from one set of individuals to another. This error is the more glaring since the individuals from whom responsibility would be taken are the bank officials who obviously have a more direct concern with the interests of their customers and their communities, while those upon whom this additional responsibility would be conferred are members of a board isolated in Washington. That mistakes are possible even for the Federal Reserve Board is suggested by the fact that this board is frequently charged with responsibility for the wild speculation and consequent collapse in 1929, the board's "easy-money" policy being blamed.

The second general error of banking policy which may be proved against the present Glass bill is the fact that it would so militate against continued membership in the reserve system on the part of State banks that it likely would drive out of the system institutions now contributing 40 per cent of its resources. The provisions of the bill in this respect involve a direct breach of contract with the State banks now members. During the war period when added strength was vitally needed by the reserve system, a special effort was made to induce State banks to become members as a patriotic duty. In order that the State banks might not be required to surrender their charter rights entirely, an understanding was reached which assured member banks under State charters a reasonable autonomy and freedom of action. This understanding would be forcibly abrogated, without consent of one of the parties, by the Glass bill, which would require State banks members of the reserve system to be entirely subservient to the Comptroller of the Currency and the Federal Reserve Board. In addition, by its branch-banking provisions, the bill would place member State banks at a disadvantage, since these would be prohibited by their State charters from establishing branches in other States, a practice which would be permitted to national banks. These two requirements, in the opinion of bankers, would force nearly all State banks out of the reserve system.

For more than two years the country has been struggling with the most difficult and complicated business situation in its history. Many important readjustments seem necessary and desirable. But granting that some changes are desirable in existing laws, the present, when we are just emerging from an atmosphere of hysteria and fear which was the inevitable consequence of the period, would hardly seem a propitious time for enacting new and far-reaching provisions which in their very nature are excessively deflationary. It would be unfortunate if we were now to rush in and attempt to cure evils of the past year by means which, even if they proved helpful at some future time, would inevitably add to the length and depth of the present depression.

The fact that three years ago an unduly large amount of credit was extended to stock-market operators by member banks and nonmember banks, as well as by corporations and individuals over whom bankers had no control, should not now cause us to go to the other extreme and enact a law which would make all the legitimate investment business an outlaw business by practically preventing banks from extending credit to anyone engaged in that line. Nor should the fact that in the past a few banks went too deeply into the securities market be now used as an argument for prohibiting all banks from dealing in sound investment bonds.

In attempting to prevent a repetition of old mistakes in this line the Glass bill would permit new and greater errors by destroying all machinery for the distribution of long-term securities, which is, after all, an essential part of the Nation's financial business and therefore an important public service. Wrecking this machinery would be a sorry service to States, counties, and municipalities, as well as to railroads and other corporations whose legitimate need for long-term credit must be recognized. It would also deprive business and industry of what is right now its chief reliance for the ultimate act of aid in breaking through the depression. Before business can be restored the investment market will be called upon not only to finance new undertakings but also to absorb bank loans and obligations that have been taken over by the Reconstruction Finance Corporation. If banks members of the Federal reserve system are prohibited from participating in this necessary work, not only will the opportunities for business rescue be reduced but the work of refinancing will be taken away from institutions under supervision and turned over to private institutions over which there is no public control.

It is impossible to escape the conclusion that the effects of this bill would be entirely opposed to the purpose of the two most important reconstruction acts undertaken by Congress this year—the Reconstruction Finance act and the Glass-Steagall Act. These measures, a product of broad-minded and nonpartisan statesmanship of the leaders of both parties, have done much to reestablish national confidence on the part of bankers and the public. The passage of this bill undoubtedly would destroy most, if not all, the good that has been accomplished along this line and would lead to further deflation of securities and additional restrictions on credit at a time when just the opposite influences are needed.

EXTRAVAGANCE OF GOVERNMENTAL EXPENDITURES—ADDRESS BY ROBERT R. M'CORMICK

Mr. WATSON. Mr. President, some days ago Col. Robert R. McCormick, the very able editor of the Chicago Tribune, delivered an address over the radio, April 16, on the subject of governmental expenditures. I ask unanimous consent that it may be printed in the RECORD.

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

The cause of the world-wide depression has been definitely and finally traced to the extravagance of governmental expenditures since the war.

That is the one common denominator found in all countries, defeated, victorious, or neutral, in all forms of government, monarchist, republican, socialist, dictatorship; in every clime, on every continent, and in every State, county, and city.

All governments are either bankrupt or on the road to bankruptcy. Among them we find Germany, Austria, England, Australia, and New Zealand perhaps beyond recovery, and the rest pointing to the same end.

Among cities, Chicago, Detroit, and Philadelphia are known to be bankrupt, but New York City is utterly insolvent. With a debt approaching $2,000,000,000, an outgo far exceeding income, she is increasing her expenditures constantly. One wonders how much longer the banks and the insurance companies of New York will dare to loan money to finance wasteful public business. Her budget for 1932 was $631,000,000. Since 1920 our largest city has much more than doubled its budget. This year's deficit will reach $100,000,000 by June. Cleveland has a deficit of $2,000,000 in her general fund and $2,000,000 in her educational fund, and her credit has gone sour.

Boston is so much older than our mid-western cities that she ought to know better. However, according to William H. Davies, writing in the Boston Herald, she permitted her city officers last year to spend $10,000,000 more than they had ever spent before. And thus she has a deficit of at least $5,000,000 for this year.

Mayor Curley telegraphs me that the overexpenditures exceeded my figures by $2,000,000, but that the deficit is $2,500,000 less, and that he expects to collect it from the $11,000,000 of taxes in default. I trust he is justified in his hopefulness, but defaulted taxes of such enormous proportions in a city the size of Boston would seem to indicate a tax strike. I am afraid that Boston will soon join the ranks of the other bankrupts.

Such is the plight of the larger cities, but the smaller ones have not done better. In 28 States there are known to be defaults. In the others it is just a question of time. Defaults and repudiations are the order of the day in government as a result of submersion in debts beyond ability to pay.

National expenditures are exceeding income by 100 per cent, or $2,000,000,000.

The United States Senate sits smugly on the horns of the dilemma it seems to have chosen—whether to fail to meet the Nation's obligations or to levy taxes which will destroy the entire economic structure of the country as the House has done. No serious thought of retrenchment appears to have entered the heads of our office-holding tyrants.

Not since the States ratified the Federal Constitution has there been so dark an outlook—in all the history of our people.

If we are to save ourselves from the threatened cataclysm, we must find by what steps we were led into this morass, that we may learn how to retrace them.

Time will not permit me to detail the rise of bureaucracy in this country which, hardly noticeable for the first century of our existence, may have found its germ in the vast activities of government in the Civil War, because it was in the following generation that government expansion got its start.

Before Europe went to war there had been added to the constitutional offices a Department of the Interior, a Department of Justice, a Civil Service Commission, an Interstate Commerce Commission, a Department of Agriculture, Department of Commerce, a Bureau of Forestry, a Department of Labor, the Federal Reserve Board, and the Federal Trade Commission. Between them and our declaration of war arrived the National Advisory Commission for Aeronautics, the Employees' Compensation Commission, the Tariff Commission, and the Federal Board for Vocational Education.

The act creating the last-named board was innocent enough in appearance. It provided for Federal assistance on a 50-50 basis to States which would match the Federal Government gift to them in expenditures for teaching in the schools, boys to become machinists and carpenters, and girls to do fancywork. But that entering wedge opened the way for the shiftless States to spend the money of the thrifty ones, with the National Government providing half the funds. That was the means through which Ohio money came to be taken to build roads in Utah. That is the means through which citizens of Philadelphia contribute to the culinary education of Alabama farmer ladies.

But we are getting ahead of our story. Federal Government expenditures, which increased quite steadily prior to the war, did so at a rate that might cause the Democratic and Progressive Parties of 1912 to view with alarm, but they were still very moderate. Less than a billion dollars paid for everything the Congressmen could get each other to vote for. Less than a billion took care of the Army and the Navy, the postal deficit, the Panama Canal, and all the waste.

Nineteen fourteen was the first year that Federal Government expenditures went over a billion dollars, and by 1916, a year before we declared war, the total was only a billion forty-two million. But at that time there were fewer than 40,000 Federal employees in Washington and fewer than 400,000 outside of Washington. At the beginning of the present fiscal year the number of civil employees was the largest in any peace-time year, 72,000 in Washington, 545,000 outside of Washington.

It was, however, the Great War that changed the entire scale of national income and national expenditure.

First the prices of agricultural products soared. Cotton mounted from 7 cents to 43 cents a pound and wheat from 80 cents to $3.50 a bushel. Although the value of cotton was due entirely to the temporary demand for explosives and the demand for wheat was caused by the drafting of European farm workers into armies and the shortage of shipping which prevented South American and Australian competition, farm lands advanced in price, as though farm incomes would be permanently stabilized on a war basis.

Next factories making war material boomed, and factories which could be turned to war manufacture zoomed after them. In consequence factories unadaptable for war manufactures became insufficient to supply the civilian needs of the country, and the demand exceeding supply brought the inevitable high prices of nearly all commodities, while so-called prosperity and the high cost of living brought about increase of wages on an average of 172 per cent.

Neither financiers nor soldiers had thought that the enormous armies prepared in Europe could be supported for more than a few weeks of war, and the various war plans of general staffs all aimed at an early victory. The Schlieffen plan of Germany, plan 17 of France, the Conrad plan of Austria, and the Yonouskevitch plan of Russia all aimed at this result, and all failed because the book-trained staffs had no conception of modern combat.

It was only when the war settled into a siege that the world perceived for the first time to what extent credit could be extended and to what taxes men and industries would submit under the impulse of pariotism.

During three years Europe pinched and fought while we merely increased our production, our cost of production, and our cost of living. When finally we declared war we felt rich; some felt a sense of moral delinquency because we had not entered the war earlier, and all realized that we had incurred a national peril.

We found it necessary to raise our soldiers by conscription, and this led to the moral consequence that the unconscripted could deny them nothing. There followed an organized reign of terror against all criticism. We had organized propaganda, censorship, and a cheka. These were used to fight enemies at home and abroad, and were used just as much to prevent criticism, encourage extravagance, and protect corruption.

In their shadow unscrupulous men sought unconscionable contracts, harbor appropriations, camp locations, and the many spoils of war and politics. Side by side with necessary war activities were perpetrated the grossest frauds in the history of the world up to that time.

Those for whom room was not found in the Army or Navy the cry was raised, "Give till it hurts. Buy bonds till it hurts. Pay taxes till it hurts." And no one complained.

They raised sums more vast than mathematicians had imagined possible, and they set a standard of taxation and extravagance in government which has finally brought this country to the verge of ruin.

They established enormous organizations for the collection and expenditure of taxes and for the creation and enlargement of public debt.

Naturally, at the end of the war the jobholders and the industries which had been created from war conditions wished to continue; the honest as well as the dishonest, and the dishonest as well as the honest.

Those that could not remain in the Federal service flowed over into the States, the counties, and the cities.

The habit of exuberant and exorbitant taxation continued and was borne by a people who had been taught to bear it under the stress of national necessity. The propagandists found new euphemisms for public expenditures in civil life to take the place of patriotism and self-sacrifice for unnecessary waste in war time.

The greatest postwar thefts of public funds have been camouflaged as desirable projects or indispensable services.

One weapon of the peace-time propagandists has been to direct the public attitude toward war-time profiteering, for which they were largely responsible, against necessary peace-time industries. There was a natural antipathy toward the men who got rich from war necessities. Progressive taxation was imposed no mere to provide revenue than to punish the profiteers. Tax thieves have perpetuated this attitude and have hamstrung essential industries and forced millions of workingmen out of employment on the generalization that private profit, however honestly gained and however indispensable to the common welfare, should be penalized.

Before the war our public expenditures were $3,000,000,000 per year, including State and local governments. Five years after the war they exceeded $10,000,000,000. The total public expenditures for 1931 exceeded $14,000,000,000!

Nor must you be hoodwinked with that utterly false statement that the largest part of this sum is spent on war, because only 17 per cent of the National Government's expenditures is even appropriated in the name of the Army and Navy Departments.

The general result is that we now have on the public pay rolls over 3,000,000 people, and we have allied with them, in the form of contractors and other beneficiaries—I can not say how many millions more.

Before the war our national indebtedness, including States and counties, was $4,850,000,000, while in 1922, four years after the war, it had risen to $31,000,000,000. Between 1922 and 1930 the Federal debt had been cut by $6,700,000,000, but borrowings of States and cities had more than offset the Federal amortization. Now the debts of all our governments aggregate about $35.000,000,000.

These costs seemed bearable because of the steep, if temporary, increase in values of all kinds.

The inflations of values began with farm land during war time, and then like a pulse passed through all other land—Florida land, subdivision land, conservative business property, and even the houses in which we live. Inflation went through the securities listed on the exchanges, and the owners of property not on the market felt a glow of wealth which they could not realize upon, to be sure, but upon which they were not loath to pay increasing taxation.

How to account for this phenomenon I am not sure. Increased income from property was responsible for but a small part. The effect of spending borrowed money had some share. The energy created by war enthusiasm and the natural optimism following victory all contributed.

The consequence has been that property of every kind was raised, as a ship on a wave, and left by the receding wave high and dry on the jagged rocks of ruinous taxation.

Earnings never were high enough to support the levels of taxation which were imposed. The unbearable load was concealed, like the face of Mephistopheles, behind a mask of plenty.

Now, under the grinding load of taxation, industry is everywhere slowing up. Incomes are falling and disappearing. Industries, contracting or closing down altogether, are unable to furnish employment to workmen. Everywhere we find economies and hardship excepting on the part of those people who have their hands under color of law, in the pockets of others, and even these are suffering as the pockets become empty.

They are like the wolves of Anticosti. That island was populated by limitless droves of caribou until one year Labrador wolves were carried to it on the ice. The island was favorable to the pursuit of wolves, and its shores prevented the escape of the pursued. The wolves waxed in number, destroyed the caribou, and then, with nothing to feed upon, all died of hunger. That is the prospect which lies before our tax eaters.

The evil talk of tax strikes is heard throughout the land, but far more serious than strikes is the growing inability of taxpayers to pay. Strike or no strike, it is absolutely impossible to pay the taxes assessed. Owners of buildings are tearing them down because the taxes are more than the receipts. Owners of unimproved property are unable to pay their taxes, and tax buyers can not be found to evict them. Individuals, estates, and corporations are beginning to find it impossible to meet Federal taxation extorted with all the ruthlessness of the Germans in Belgium.

We have reached the extraordinary situation where the ownership of property has become a liability, not an asset.

Ever since the war the Government has been living on and living off income taxes and taxes that it called "income" taxes. Where the taxes were levied on profit in the purchase and sale of a fixed article, such as a piece of real estate, or a certificate representing the ownership of a company owning real estate, improved or unimproved, a railroad or a factory, the tax is not on income, but is a capital levy. This fact is recognized in the proposed tax law under which losses in the resale of such property may not be deducted.

Obviously, by the continuation of the principle of taxes, exacting tribute on values as they rise and conceding nothing when they decline, sooner or later the Government will have extorted the entire value of all property.

It will be like the fisherman who, hauling in his line as the fish comes his way, and snubbing his line when the fish would run, soon has him gaffed. If I were inclined to pun on so serious an occasion, I would continue the illustration and say the American taxpayer is a "poor fish."

Now, as to taxes on incomes proper. It being the evident purpose of our Government to take away from its citizens, like the Roman conquerors from their subject peoples, all their property in so far as it is profitable for the Government to do so—how far can the taxes be extended before they destroy the source of income?

Here we enter a less defined field of political economy, but there is ample evidence visible to those willing to see. The great industrial enterprises which pay so large a part of all kinds of taxes, real, personal, and income, employ so many men and women, buy such quantities of primary products, started from small beginnings and have been built up from accumulations. If these accumulations had been sequestered in the past, as they will be in the future, the industries never could have grown. If we stop accumulation at this time, no more industries may grow to take up the slack of unemployment and to pay the cost of government.

A no less vital factor is the repayment of debts. The existence of banks, and hence the existence of bank depositors, depends upon the ability of debtors to pay. To the nonproducing theorist a strictly limited return on capital may seem sufficient and all that is morally justified for some one else to receive, but for the borrower a return sufficient to pay not only the interest but the principal of his debt is necessary lest he lose his all. If the opportunity of repaying his debt is denied him, he can not venture, and if the Government will take from the borrower the money which is needed to repay the lender, the bank dare not lend. We can have no banks.

Nothing is more popular to-day among the human crocodiles than the progressive estate tax. If, they argue, it is fair that the creator of wealth is entitled to its use, this right does not extend to his heirs who did not produce it—an argument plausible to those who wish to see it that way, but one which, carried to its logical conclusion, injures the very people it is supposed to benefit.

Modern property is no longer in the patriarchal stage. The rich man does not own 1,000 goats or 10,000 sheep, of which 500 or 7,000 may be taken by Pharaoh, still leaving the heirs a considerable quantity of mutton and wool.

In its simplest form, for the taxgatherer, this wealth will be found represented in bonds and shares of stocks listed on an exchange, a part of which can be sold to pay the tax on the whole. Forced sales of stocks to pay taxes are another form of bear raids, or short selling. Stock which in the natural order of events would be kept off the market will be forced on the market, breaking the market. The forced sale of the stock sold destroys the value of that retained, and any glee caused by the confiscation of the estate of a rich man will be turned to dismay when it is found out that all stock, in whosoever hands it may be, is thereby depreciated in value. Not only every share of the particular stock sold will be depreciated, but as these shares fall in value they will bring all the other shares down with them. The recent collapse of the stock market is partly due to stocks forced upon the market by Government exactions and for which buyers are wanting, and the same is true of all depreciated values.

But more difficult than this by far will be the case of the many businesses of one kind or another which are operating successfully, employing labor, buying supplies, and paying taxes, which are not listed on any stock exchange and which in many cases do not consist of capital stock. The machinery and fixtures can not be separated and sold piece by piece. They would produce nothing. Assuming an enterprise to have a given value in the hands of its owner, say, one million or ten million dollars, how much will it bring at a forced sale, a sale forced upon the citizen by his government? How much will the individual so fortunately situated as to have his competitor's property auctioned off to him by the Federal Government bid for it? Will he bid its fair value? Will he bid its value as fixed by Cæsar's legates, and if he bids less, will the Government demand a tax on a larger sum that it realizes for its victim? And how long will enterprises exist if they are to be overtaxed during the generation of their founder and confiscated with his death?

Look across the ocean! Look at England, the founder of industrial civilization, the originator of steam machinery. There you will see industries of all kinds groaning along on out-of-date, worn-out machines, incapable of competition in the world markets. Why do the English endeavor to manufacture with out-of-date, worn-out machinery? Because taxation has risen to such heights in England that the owners can not afford to modernize their plants. What money the Englishman can get he puts in hiding, in a losing effort to maintain his declining civilization.

The course whch our rulers have laid out for us, and from which they show no sign of deviating, is the road to complete and inescapable ruin. If they proceed as they are going, they will dry up every profit, every interest payment, and every pay roll. They will bring upon us a fall like the fall of the Dutch Republic and of the Roman Empire. And with our ruin their ruin is also inextricably bound up.

If you ask me what is the alternative, I will make this statement and I will continue to proclaim it: There is not a Cabinet officer, there is not a Member of Congress, who can demonstrate that one-half of the money appropriated for any department of government is used for the purpose designated. I will be specific: not one-half of the money appropriated for the War Department is spent to make an army; not one-half of the money appropriated for the Navy Department is spent to build, operate, and maintain a combat fleet; not one-half of the money appropriated for the Post Office Department is spent to move the mails. As for other great branches of the Government—the Department of Commerce, the Department of the Interior, the Department of Agriculture, are not much better than rackets. Rackets, I regret to say, which are supported by small elements of our population, persuaded that they are receiving from them special benefits at the expense of the general taxpayer.

It took centuries for enough wealth to accumulate to raise our civilization from the misery of the Middle Ages to the high estate we have witnessed. It has taken 15 years of excessive taxation to bring us down to the verge of ruin. The tax bill passed by the National House destroys all hope for the future.

Like the French under Louis XV, we are ground down by an unbearable army which is extorting in taxes from the suffering populace $10,000,000,000 annually, and is spending $4,000,000,000 more, so that local treasuries are largely bankrupt and the Federal credit is stretched to the breaking point. Everywhere people are crying for relief, and nowhere are they receiving it, while smug officeholders quote "After us, the deluge."

If you are to exist you must tear these weasels from the throat of the Nation. To attend meetings is not enough; to pass resolutions is not enough. You will have to go into every detail of political organization. If you do less, you will be destroyed.

Since the passage of the new tax bill by the House of Representatives we read that $6,000,000,000 have been lost in stocks listed on the exchange. Forty thousand farms have been sold for taxes in Mississippi. There has been a bloody riot in Newfoundland, an insurrection in New Zealand, Australia is leaning over the brink of civil war. The prospect is dark, indeed.

But we are the descendants of the people who dared the trackless ocean and the impenetrable forests and who, in the face of obstacles greater by far than those which we face to-day, overthrew a tyrant king and established the greatest Nation in the world.

We face a threat and accept the challenge. There are serious times ahead, but I am confident that the American spirit will yet save our country.

A gathering of patriotic citizens of Aurora, Ill., anxious about the future of their country and inspired by its past, yesterday asked me to point out to you that of the many organizations wielding influence upon public office for good or ill, all are limited in their membership by class, trade, or previous experience, and all are favoring special causes. There is no organization as wide as America and none devoted exclusively to the public welfare. They ask me to suggest that there be organized throughout this country an association of Americans with no other limitation than that of American citizenship; that its Constitution shall forbid its advocacy of any special interest whatsoever, and that it shall devote and confine its activities to the general welfare. Remembering the organization which freed the Colonies from foreign oppression and made it possible to establish this Nation, they suggest that we call it the Patriots.

Listeners all over the land, if this suggestion receives your favor, will you write and tell me? If you disapprove of the suggestion, will you do the same? And if you have other ideas to save us from our peril let me have those also. The danger is nigh and the time is short.

Amazing increases in the expenditures of national governments

	Pre-war, 1913–14	7 years after the armistice, 1925–26	Now, 1930–31
GREAT WAR PARTICIPANTS			
United States	$724, 511, 963	$2,930,707,176	$4, 294, 274, 778
Great Britain	961, 099, 680	4,020,216,000	3, 805, 160, 149
Germany	718, 363, 560	1,754,300,000	2, 679, 273, 600
France	998, 176, 700	1,580,644,000	1, 985, 681, 200
Italy	590, 367, 700	736, 000, 000	1, 636, 325, 200
Japan	286, 139, 000	523, 924, 000	802, 086, 500
Canada	168, 690, 000	320, 660, 000	393, 972, 000
Belgium	[1] 172, 928, 000	369, 962, 400	342, 079, 200
Australia	112, 416, 150	300, 848, 000	319, 242, 400
Brazil	53, 732, 545	137, 739, 464	262, 608, 000
NEUTRALS			
Argentina	171, 537, 000	302, 864, 000	[2] 659, 199, 000
Spain	273, 400, 000	459, 500, 000	384, 000, 000
Netherlands	88, 158, 600	299, 765, 000	334, 227, 624
Sweden	56, 226, 400	[3] 164, 573, 000	192, 820, 000
Chile	58, 256, 545	100, 036, 000	128, 593, 000
Norway	43, 177, 238	120, 997, 000	96, 047, 000
Denmark	29, 856, 000	[3] 71, 500, 000	85, 279, 000
Switzerland	20, 419, 400	59, 439, 000	73, 897, 770

[1] 1912. [2] 1929. [3] 1924–25.

Amazing increases in spending and borrowing by leading cities

Cities	Expenditures				
	1912	1918	1922	1926	1930
New York	$243,208,000	$238,336,000	$389,276,000	$507,815,000	$681,834,000
Chicago	67,802,000	97,948,000	163,080,000	234,621,000	297,376,000
Philadelphia	43,312,000	66,156,000	108,764,000	176,897,000	163,407,000
Detroit	13,836,000	29,682,000	119,543,000	150,444,000	197,795,000
Cleveland	18,555,000	27,181,000	59,039,000	73,057,000	78,673,000
St. Louis	21,580,000	23,959,000	31,548,000	46,196,000	55,194,000
Baltimore	18,091,000	18,691,000	38,394,000	48,445,000	57,486,000
Boston	32,553,000	38,456,000	49,223,000	73,418,000	85,491,000
San Francisco	18,789,000	21,363,000	33,130,000	44,225,000	91,699,000
Newark	13,956,000	17,080,000	29,809,000	39,688,000	54,110,000
	Net debt				
New York	$792,927,000	$1,005,055,000	$1,067,000,000	$1,326,000,000	$1,616,000,000
Chicago	65,668,000	72,728,000	131,341,000	204,429,000	372,067,000
Philadelphia	97,388,000	136,184,000	195,846,000	357,721,000	464,100,000
Detroit	9,109,000	23,513,000	122,587,000	206,246,000	290,674,000
Cleveland	47,475,000	72,666,000	116,089,000	136,871,000	139,854,000
St. Louis	24,013,000	17,488,000	14,183,000	24,956,000	64,429,000
Baltimore	46,328,000	67,083,000	79,911,000	117,042,000	155,039,000
Boston	75,677,000	86,204,000	84,678,000	98,558,000	113,666,000
San Francisco	22,179,000	43,276,000	71,058,000	80,702,000	137,875,000
Newark	28,187,000	39,924,000	48,998,000	70,498,000	103,169,000

EXECUTIVE SESSION

Mr. McNARY. Mr. President, other Senators who desire to speak on the pending measure are unprepared to proceed to-day. I therefore move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate messages from the President of the United States, submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received see the end of Senate proceedings.)

REPORTS OF COMMITTEES

Mr. WATSON, from the Committee on Finance, reported favorably the nomination of Ernest H. Van Fossan, of Ohio, to be a member of the Board of Tax Appeals for a term of 12 years from June 2, 1932 (reappointment).

Mr. SMOOT, from the Committee on Finance, reported favorably the nomination of Asst. Surg. Edwin G. Williams to be passed assistant surgeon in the Public Health Service, to rank as such from May 21, 1932.

Mr. ODDIE, from the Committee on Post Offices and Post Roads, reported favorably sundry nominations of postmasters.

The VICE PRESIDENT. The reports will be placed on the calendar.

THE CALENDAR

The VICE PRESIDENT. If there be no further reports of committees, the calendar is in order.

POSTMASTER AT HEBRON, NEBR.

The legislative clerk read the nomination of Earnest E. Correll to be postmaster at Hebron, Nebr.

The VICE PRESIDENT. On a previous occasion the nomination just stated was passed over. Without objection, the nomination is confirmed.

DIPLOMATIC AND FOREIGN SERVICE

The legislative clerk read the nomination of Erle R. Dickover to be secretary, Diplomatic Service.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

THE JUDICIARY

The legislative clerk read the nomination of James C. Vickers, of Maryland, to be associate justice, Supreme Court of the Philippine Islands.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Jose Abad Santos, of the Philippine Islands, to be associate justice, Supreme Court of the Philippine Islands.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of John A. Hull, of Iowa, to be associate justice, Supreme Court of the Philippine Islands.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Paul W. Kear, of Virginia, to be United States attorney, eastern district of Virginia.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of George S. Pitman to be United States marshal, eastern district of Virginia.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

BOARD OF TAX APPEALS

The legislative clerk read the nomination of Eugene Black, of Texas, to be a member of the Board of Tax Appeals.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of William D. Love, of Texas, to be a member of the Board of Tax Appeals.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of J. Edgar Murdock, of Pennsylvania, to be a member of the Board of Tax Appeals.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. WATSON. Mr. President, I ask unanimous consent that the nomination of Ernest H. Van Fossan, of Ohio, to be member of Board of Tax Appeals, reported by me from the Committee on Finance a few moments ago, may be considered at this time.

The VICE PRESIDENT. Is there objection? The Chair hears none, and, without objection, the nomination is confirmed.

PUBLIC HEALTH SERVICE

The legislative clerk read the nomination of Estella Ford Warner to be surgeon, Public Health Service.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

COAST GUARD

The legislative clerk proceeded to read the nominations of sundry officers in the Coast Guard.

Mr. MOSES. I ask unanimous consent that all Coast Guard nominations may be confirmed en bloc.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the nominations are confirmed en bloc.

POSTMASTERS

The legislative clerk proceeded to read the nominations of sundry postmasters.

Mr. MOSES. I make the same request regarding the post-office nominations.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the nominations are confirmed en bloc.

THE ARMY

The legislative clerk proceeded to read the nominations of sundry officers in the Army.

Mr. REED. I ask unanimous consent that all Army nominations may be confirmed en bloc.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the nominations are confirmed en bloc.

That completes the calendar.

RECESS

Mr. McNARY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon to-morrow.

The motion was agreed to; and, as in legislative session (at 4 o'clock and 23 minutes p. m.), the Senate took a recess until to-morrow, Wednesday, May 11, 1932, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 10 (legislative day of May 9), 1932

MEMBER OF THE UNITED STATES TARIFF COMMISSION

Edgar Bernard Brossard, of Utah, to be a member of the United States Tariff Commission for the term expiring June 16, 1938. (Reappointment.)

DISTRICT JUDGE

Cecil H. Clegg, of Alaska, to be district judge, District of Alaska, division No. 3, to succeed E. Coke Hill, appointed district judge, District of Alaska, division No. 4.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 10 (legislative day of May 9), 1932

SECRETARY, DIPLOMATIC SERVICE

Erle R. Dickover to be secretary in the Diplomatic Service.

ASSOCIATE JUSTICES, SUPREME COURT OF THE PHILIPPINE ISLANDS

James C. Vickers to be associate justice, Supreme Court of the Philippine Islands.

José Abad Santos to be associate justice, Supreme Court of the Philippine Islands.

John A. Hull to be associate justice, Supreme Court of the Philippine Islands.

MEMBERS OF THE BOARD OF TAX APPEALS

Eugene Black to be a member of the Board of Tax Appeals.

William D. Love to be a member of the Board of Tax Appeals.

J. Edgar Murdock to be a member of the Board of Tax Appeals.

Ernest H. Van Fossan to be a member of the Board of Tax Appeals.

UNITED STATES ATTORNEY

Paul W. Kear to be United States attorney, eastern district of Virginia.

UNITED STATES MARSHAL

George S. Pitman to be United States marshal, eastern district of Virginia.

PUBLIC HEALTH SERVICE

Estella Ford Warner to be surgeon.

COAST GUARD

To be ensigns

Donald T. Adams.	George R. Leslie.
Joseph A. Bresnan.	Gilbert I. Lynch.
Garland W. Collins.	Walter B. Millington.
Walter W. Collins.	Emil A. Pearson.
James D. Craik.	Oscar C. Rohnke.
Anthony J. DeJoy.	Richard D. Schmidtman.
Theodore J. Fabik.	Loren H. Seeger.
John P. German.	William H. Snyder.
Robert L. Grantham.	Irvin J. Stephens.
Theodore J. Harris.	Carl H. Stober.
John R. Henthorn.	George D. Synon.
Edward T. Hodges.	Hollis M. Warner.
Reinhold R. Johnson.	Frederick G. Wild.
John R. Kurcheski.	Karl O. A. Zittel.

APPOINTMENT, BY TRANSFER, IN THE REGULAR ARMY

Second Lieut. Leslie Haynes Wyman to Field Artillery.

PROMOTIONS IN THE REGULAR ARMY

Charles Hartwell Bonesteel to be lieutenant colonel, Infantry.

Stephen Ralph Tiffany to be major, Infantry.

Ottmann William Freeborn to be major, Infantry.

Edwin Thomas May to be captain, Infantry.

Stephen Bowen Elkins to be captain, Infantry.

Henry Lee Hughes to be first lieutenant, Coast Artillery Corps.

Norman Mahlon Winn to be first lieutenant, Cavalry.

Edgar Eugene Glenn to be captain, Air Corps.

Narcisse Lionel Cote to be first lieutenant, Air Corps.

William Bertram Meister to be lieutenant colonel, Medical Corps.

James Miles Webb to be chaplain, with the rank of lieutenant colonel.

POSTMASTERS

ARKANSAS

Edgar G. Gunnels, Emerson.
John F. Halbrook, Plumerville.
Menno S. Klopfenstein, Siloam Springs.

CALIFORNIA

Harry A. Canfield, Bellflower.
George P. Morse, Chico.
Lela P. James, El Segundo.
Daniel McCloskey, Hollister.
Marion W. Bessom, Lawndale.
Frances W. Brown, Montrose.
Edward G. Farmer, Needles.
William N. Friend, Oakland.
May C. Baker, Paradise.
Myrtle H. Turner, Reseda.
Louis P. Miller, Rio Vista.
John D. Chace, San Jose.
Alfred Gourdier, Torrance.
William Braucht, Whittier.
Violet D. Manor, Williams.
Belle B. Jenks, Willowbrook.

GEORGIA

William H. Freeman, Toomsboro.

ILLINOIS

Olive G. Woods, Hennepin.
Charles J. Rohde, Lena.
James W. Corwine, Lincoln.
Lyle E. Wilcox, McLean.
Leon M. Shugart, Pontiac.
Samuel M. Combs, Ridgway.
Fred A. Meskimen, Robinson.
Alta Winn, Saybrook.
John Van Antwerp, Sparland.
Willis A. Myers, Wenona.

IOWA

Louis C. Giencke, Guttenberg.
Harvey S. Powers, Iowa Falls.
William A. Grummon, Rockwell.
Cora B. Alberty, Thornton.

KANSAS

John D. Ferrell, Cedar Vale.
Henry B. Gibbens, Cunningham.
Merton M. Fletcher, Glasco.
Onto R. Linday, Mound Valley.
Callie L. Henderson, Udall.

MICHIGAN

Thomas S. Shober, Pentwater.

MISSISSIPPI

Romie Green, Amory.
Myrtle R. Hammons, Boyle.

MISSOURI

Leonard E. Decker, Creve Coeur.
Amanda P. Renfrow, Humansville.

NEBRASKA

Earnest E. Correll, Hebron.

NEVADA

James L. Finney, Boulder City.

NEW HAMPSHIRE

James H. Fitzgerald, East Jaffrey.
Evelyn H. Beane, Henniker.

NEW JERSEY

Harriet C. Rosenkrans, Branchville.
Tobias V. Chieffo, Cliffside Park.
Byron M. Prugh, Westfield.

NEW YORK

Charles H. Werger, Averill Park.
Albert B. W. Firmin, Brooklyn.
Nellie Mac Morran, Firthcliffe.

OKLAHOMA

Daisy E. Skinner, Adair.

OREGON

William P. Skiens, Burns.
Odden L. Dickens, John Day.

PENNSYLVANIA

William H. Harper, Avondale.
Nelson O. Smith, Blawnox.
Leon E. Mayer, Boyertown.
George H. Houck, Cairnbrook.
George A. Frantz, Confluence.
Mertie T. Hallett, Devon.
John L. Elder, Ebensburg.
John P. Rodger, Hooversville.
Gertrude Klinefelter, Jonestown.
Wellesley H. Greathead, McConnellsburg.
Margaret V. Roush, Marysville.
Isaac A. Mattis, Millersburg.
George W. Schell, Myerstown.
Martin T. Weaver, Strasburg.
George N. Turner, Toughkenamon.
Jerold J. O'Connell, Valley Forge.
Cornelius L. Corson, Willow Grove.

VERMONT

James E. Kidder, Derby.

VIRGINIA

Jessie M. Martin, Concord Depot.
Neville L. Adams, Gretna.
Nannie L. Curtis, Lee Hall.
McClung Patton, Lexington.
Charles E. Virts, Lovettsville.
John J. Ward, Nassawadox.
Richard F. Hicks, Schuyler.
Samuel R. Gault, Scottsville.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 10, 1932

The House met at 12 o'clock noon.

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

Almighty God, may we ever covet that strength and courage of Him who trod the wine press alone. Be Thou the food for our meditation, the staff for our feet, the light for our eyes, and the wisdom for our understanding. Willingly and courageously may we always identify ourselves with the great causes for which our Government stands. Let us never shrink from any burden that implies the good and the stability of the Republic. Endue us with spiritual and mental vigor that strikes weakness out of our breasts and that holds us from the compromising levels of life. O thrust us into those great movements which are designed to cross the horizons of our souls and which yield their reverence for God, for home, and for native land. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate has passed without amendment bills of the House of the following titles:

H. R. 615. An act for the relief of C. B. Bellows;

H. R. 1554. An act for the relief of G. Carroll Ross;

H. R. 8637. An act to authorize the sale on competitive bids of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes;

H. R. 9393. An act to increase passport fees, and for other purposes;

H. R. 9591. An act to extend the period of time during which final proof may be offered by homestead entrymen;

H. R. 9970. An act to add certain land to the Crater Lake National Park, in the State of Oregon, and for other purposes;

H. R. 10277. An act to transfer Lincoln County from the Columbia division to the Winchester division of the middle Tennessee judicial district;

H. R. 10284. An act to authorize the acquisition of additional land in the city of Medford, Oreg., for use in connection with the administration of the Crater Lake National Park; and

H. R. 10744. An act to authorize the issuance of patents for certain lands in the State of Colorado to certain persons.

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

S. 2434. An act for the relief of Edgar H. Taber;

S. 3191. An act for the relief of Anne B. Slocum;

S. 4070. An act to authorize the acquisition of a certain building, furniture, and equipment in the Crater Lake National Park; and

S. J. Res. 125. Joint resolution authorizing the attorney general of Wisconsin to examine Government records in relation to claims of Wisconsin Indians.

IMMIGRATION.

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 6477) to further amend the naturalization laws, and for other purposes, with Senate amendments, disagree to the Senate amendments, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. STAFFORD. Reserving the right to object, when the gentleman last made his request I had not had time to examine the various amendments. I have since examined them and find that they were given very little consideration in the Senate. I have no objection to the amendments except the amendment known as section 8, which seeks to authorize the Bureau of Naturalization to compile statistics

which belong to the Bureau of the Census. I simply wish to state my position. It is that amendment that is objectionable, because the expense may run into thousands of dollars. I am willing to agree to all except section 8.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Speaker appointed as conferees on the part of the House Mr. DICKSTEIN, Mr. MOORE of Kentucky, and Mr. JOHNSON of Washington.

MEMORIAL EXERCISES

Mr. MOREHEAD. Mr. Speaker, I send the following resolution to the desk and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 219

Resolved, That on Wednesday, May 25, 1932, immediately after the approval of the Journal, the House shall stand at recess for the purpose of holding the memorial services as arranged by the Committee on Memorials under the provisions of clause 40a of Rule XI. The order of exercises and proceedings of the service shall be printed in the CONGRESSIONAL RECORD, and all Members shall be given the privilege of extending their remarks in the CONGRESSIONAL RECORD. At the conclusion of the proceedings the Speaker shall call the House to order and then, as a further mark of respect to the memories of the deceased, he shall declare the House adjourned.

The SPEAKER. Is there objection to the consideration of the resolution?

There was no objection.

The resolution was agreed to.

ARMY APPROPRIATION BILL

Mr. WHITLEY. Mr. Speaker, I ask unanimous consent to extend in the RECORD a letter to me by Gen. Douglas MacArthur, Chief of Staff.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. WHITLEY. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following letter written to me by Gen. Douglas MacArthur, Chief of Staff of the United States Army:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, D. C., May 9, 1932.

Hon. JAMES L. WHITLEY,
House of Representatives.

MY DEAR MR. WHITLEY: Replying to your inquiry wherein you ask if any reports have been received at the War Department in reference to communistic meetings in your district, I beg to advise you that the following message has been received in reference to a meeting held Friday evening, May 6, showing that the communists of that section are taking an active part in fighting the pending Army appropriation bill. I give you the message in full as follows:

"Smith Street communist meeting held Friday evening, May 6, was jubilant at the prospect of probable cut in military budget.

"Miss Gertrude Walsh (Welch) addressed the meeting and urged the sending of more fictitious telegrams signed Jones, Wentworth, Adams, Brown, Douglas, etc., to Members of Congress.

"Communists here are preparing special posters showing red flag of victory to celebrate the destruction of the Army of the United States."

Very sincerely yours,

DOUGLAS MACARTHUR,
General, Chief of Staff.

SOLDIERS' ADJUSTED-SERVICE CERTIFICATES

Mr. CRISP. Mr. Speaker, I ask unanimous consent to address the House not to exceed 15 minutes, for the purpose of giving the legislative history of the consideration of the bonus bill before the Ways and Means Committee.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. CRISP. Mr. Speaker, in view of what has been said by my distinguished and good friend from Massachusetts [Mr. CONNERY] as to the action of the Ways and Means Committee in making an adverse report on the bill for adjusted-service-certificate payments in full, as acting chairman of that committee, it is my duty to give you the facts relative to the consideration of that bill by the Ways and Means Committee.

Now, I have no criticism or fault to find with any Member who advocates the payment of the bonus. I say they are just as sincere as I am, and are acting as they think for the best interests of the country.

This Congress convened on the 7th of December. On the 8th of December the Code of Rules was adopted, and those rules contain a great liberalization, providing for a discharge of committees from the consideration of bills that they do not report within 30 days. The rules are workable. The rules make it within the power of 145 Members to have a vote on any matter. The rules, as I said, were adopted on the 8th of December, and that particular rule—the discharge rule—was not fixed with reference solely to these adjusted-service certificate bills, or, for that matter, with reference to any other particular bill. The Committee on Ways and Means then immediately went to work trying to perfect the House organization by selecting the Democratic members of other committees, because, under our policy the Democrats of that committee constitute our committee on committees.

As soon as that was finished, the committee had hearings on the moratorium and passed that about the 18th of December. Immediately following that we took up the Democratic tariff bill, and we passed that; and then a day or two after that was passed, we started the hearings on what is the most important measure in my judgment pending before Congress—the tax bill to balance the Budget. We had six or seven weeks of hearings, and then as all know it took in the committee and in the House a month or more to finally dispose of that bill. Before the tax bill was concluded the Committee on Ways and Means had assured our friends, the proponents of the bonus measure, that they would be given the next hearings. When the tax bill was finished nearly every one in the House and especially on the Ways and Means Committee was exhausted, and I saw my friend from Texas, Mr. PATMAN, and others, and they said that they would be delighted if they could have a week intervene before their hearings, so that they could get the witnesses. That was done. When the committee convened to consider the bonus legislation, the committee gladly turned over to the Members of the House, friends of the legislation, the privilege of conducting the hearings so far as the proponents were concerned. They were very helpful. It was a splendid hearing, and those gentlemen put up witnesses as they saw fit, and when they concluded, the opposition had witnesses, and the committee met every day except Saturday. When the opposition concluded, the committee gladly accorded to the proponents the right to rebut. They took only a day or a day and a half, according to my recollection, and then the committee adjourned for one day so that the testimony of the last day of the hearings might be printed; and with just one day intervening after the hearings closed, the committee met in executive session, considered the bills, and the next day decided to report them adversely.

That same afternoon before the report was filed, the gentleman from Texas [Mr. PATMAN] and the gentleman from Massachusetts [Mr. CONNERY] came to my office and asked if we could not reconsider and hold the bills in the committee so that they might file a discharge motion against the Committee on Ways and Means, stating that then they could get a vote on the matter by the 23d of May, and if we reported the matter adversely, and they had to file a discharge against the Rules Committee, it might be the 13th of June before it could be reached, and they wanted a vote. As acting chairman of that committee I endeavored to be courteous and fair and give every side every opportunity to present its case, because I knew the intense interest in it and the great importance of it. I did an unusual thing.

I told the gentleman from Texas and the gentleman from Massachusetts that I would call the committee in session the next morning to consider the question as to whether or not the committee desired to reconsider its action. I called the committee, because you know, under the rules of the House, and they are applicable to the committee, any-

one who votes in the majority on the committee on the next legislative day has a right to enter a motion to reconsider. I considered it imperative to call the committee the next day because the gentleman from Illinois [Mr. RAINEY] was going to file an adverse report, and then it would be too late to enter a motion to reconsider. When the committee convened I stated to them the visit of my friends and called attention to the rule and stated the Chair was ready to entertain any motion to reconsider the action of the committee deciding to report the bills adversely. No one made that motion. That ended it.

Some of my friends, the proponents of the measure, complained that the committee did an unusual thing in making adverse reports. I have not investigated the RECORD to see how many adverse reports have been filed, if any; but I concede that it has not been the usual practice to make adverse reports, but the rules have always provided for adverse reports, and if gentlemen will go back 30 or 40 years they will see provision for adverse reports. But, Mr. Speaker, in my judgment, the amended rule changes the old order of things and does make it advisable for committees when they are opposed to legislation, and vote against legislation, to make an adverse report. Why? Because a workable, effective discharge rule will make it possible for 145 members desiring to vote on it to force the House to vote on a measure that a majority of the committee is opposed to. It will be seen that is the fundamental difference. The discharge rule is needed only to prevent a committee from smothering a bill in the committee room.

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

Mr. CRISP. Yes.

Mr. RANKIN. I am informed that this is the first time, at least in 140 years, that the Ways and Means Committee has ever filed an adverse report on a bill. Is it not a fact that in the parliamentary bodies in America where committees do make adverse reports there is a provision in the rules to the effect that the bill may be called up on a minority report as well as on a majority report? My understanding is that in those parliamentary bodies in the United States where committees make adverse reports, those making minority reports have the right to call the bill up for consideration on a minority report.

Mr. CRISP. I can not answer, because I do not know; but I can say this: As far as the House of Representatives is concerned, a favorable report on this bill would not have been privileged, neither would an adverse report be privileged. You would have had to have unanimous consent to consider either or a special rule from the Committee on Rules.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. CRISP. Yes.

Mr. O'CONNOR. In reference to the proposed petition to discharge on the bonus bill there has been quite a lot of talk among the Members, and to some of us it is not quite clear just what is the parliamentary situation.

Of course, a petition could not be lodged to discharge the Ways and Means Committee from further consideration of the bill, because that committee has finished its consideration and it has reported adversely. Does the gentleman agree with me that far?

Mr. CRISP. I do. I was about to address myself to that very proposition when I was interrupted.

Mr. O'CONNOR. And may I ask the gentleman to touch on this point: The next question is as to filing a petition to discharge the Rules Committee. That method is referred to in the second sentence in the discharge rule, which reads:

> Under this rule it shall also be in order for a Member to file a motion to discharge the Committee on Rules from further consideration of any resolution pending, either special order of business or special rule for the consideration of any public bill or resolution favorably reported. * * *

I call the gentleman's attention to the word "favorably" and trust he will discuss the situation arising from an adverse report.

Mr. CRISP. I understand the gentleman's point, and I was about to answer it. I will cover it in what I believe to be the right way, and what I advised the gentleman from Texas and what I advised the Speaker is the provision of that rule, its true intent and meaning.

Mr. PATMAN. Will the gentleman yield?

Mr. CRISP. I yield.

Mr. PATMAN. I just want to state, as the one selected by the Members of the House to submit the case before the Ways and Means Committee for the proponents of this legislation, that the acting chairman of the committee, the gentleman from Georgia [Mr. CRISP], dealt fairly with us in every way. We have no cause for complaint as far as consideration is concerned. Each and every member of the committee, I believe, gave the proposal serious and careful consideration. They gave us all the time we wanted. We took six days in the beginning to present the case. The committee sat each morning at 10 o'clock and would adjourn at 12.30. After we had finished, the opponents of the proposal consumed nine days, and then we were offered all the time we wanted. Of course, we did not want to take much time, because it was to our disadvantage to take much time. We only took one day. But regardless of the action of the committee, we feel deeply grateful to the committee for the careful consideration shown the proposal which we presented to them.

Of course, as the gentleman from Georgia has suggested, there is a way open to us whereby we believe consideration can be given this proposal, and, of course, we expect to do everything in our power in order to see that the proposal is considered during the present session of Congress. We are to-day filing a rule with the Rules Committee which provides for a special order of business for the consideration of this legislation.

The SPEAKER. The time of the gentleman from Georgia has expired.

Mr. CRISP. Mr. Speaker, I ask unanimous consent to proceed for 10 additional minutes.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CRISP. I thank my friend from Texas. I was about to say I think conditions have changed as to making an adverse report, with this new discharge rule, and it seems to me this is better practice. If a committee is opposed to a bill, is it not better for the committee to report it, giving the reasons why it opposes it, rather than to smother it in the committee? The smothering of bills in the committee is what led to the demand for the discharge rule.

Now, I do not think the proponents of this legislation are deprived of any substantial rights by virtue of the committee making an adverse report. When I drafted that discharge rule, I did my very best to prepare a rule that would work and that would place it within the power of 145 Members to force a vote; and I say to-day, in my judgment, it does it.

Now, answering the question of my friend, the gentleman from New York [Mr. O'CONNOR], of course the discharge rule now does not apply against the Ways and Means Committee, which has reported the bill, but that discharge rule has two plans, and, as I have always believed, the most effective plan is a motion to discharge the Rules Committee. If I had been operating in favor of the legislation, to get a vote, even if the committee had not reported it, I would have operated through the Rules Committee.

Mr. O'CONNOR. Will the gentleman yield?

Mr. CRISP. I do not want to be discourteous, but I would like to finish my statement.

Mr. O'CONNOR. If the committee has not reported, how could that be done?

Mr. CRISP. Well, it could be done under the rule. That is what I am trying to get at. The effective clause of that rule is to work through the Rules Committee. What does the rule provide? It provides that when a bill has been in a committee 30 days and the committee has not reported, a rule can be introduced, sent to the Rules Committee, to

discharge that legislative committee from further consideration, and bring it up. Then the rule further provides that when a bill has been favorably reported and is on the calendar, not a privileged bill, and it does not come up, a rule can be filed and sent to the Rules Committee, making a special order for the consideration of that bill, favorably reported, and if the Rules Committee does not report it within seven days, a motion to discharge the Rules Committee can be made, and if it is adopted, then the consideration of that bill under the terms of the resolution could then be proceeded with.

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

Mr. CRISP. Very well. I was about to go to the next proposition, which I think fits the gentleman's case.

That "favorable report" was put in there to make it possible to consider a bill that had been favorably reported, and the bill was not privileged and it could not be called up. Now, this is the part of the rule that I believe applies to the case before us, in which the gentleman from Texas and the gentleman from Mississippi and others are interested. The rule provides it shall be in order to file a motion to discharge the Rules Committee from the consideration of the resolution providing a special order of business. If I were operating here, my policy would be to file a rule worded somewhat like this:

Resolved, That the day following the adoption of this resolution there be, and hereby is, created a special order of the House for the consideration of this bill, notwithstanding the adverse report; that there be two hours' debate, after which time it should be read for amendment, and that this special order of the House for the consideration of such bill shall be a continuing order until the bill is disposed of.

That would be sent to the Rules Committee. The Rules Committee does not report it within seven days. A motion to discharge the Rules Committee from consideration of that resolution providing a special order is filed. If 145 Members sign the motion to discharge, on the days designated in the rule, it can be called up, and if the House adopts that special order, then we would proceed to a consideration of that legislation under the terms of that special order.

Now, some argue that the rule would not apply to discharge the Rules Committee in dealing with a bill that has been adversely reported. I have argued, just as I have argued to you just now, that it does apply. Privately I have argued that way with the Parliamentarian and I have expressed those views to the Speaker. Therefore, the action of the Ways and Means Committee in reporting the bill adversely has in no wise taken away any of the privileges, rights, or opportunities of the proponents of the measure to bring it up if they can meet the requirements of the rules; and the rules were not adopted for this particular case but the rules were adopted on the 9th of last December.

Mr. RAGON. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. RAGON. There is nothing to prevent the Rules Committee from giving this the same prompt action that it would had the bill been favorably reported, if they introduce their rule.

Mr. CRISP. No. They would have to have a rule or unanimous consent to get it considered because adjusted-service legislation is not privileged and could not come up without unanimous consent.

Mr. PATMAN. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. PATMAN. I presume the gentleman will admit that if we had not had an adverse report made, it would have been possible for consideration to have been given the measure on May 23; but since an adverse report has been made, it will be at least June 13 before consideration can be given to it.

Mr. CRISP. I think that is correct, although I have not checked the date. I do not care to trespass further on the time of the House, but let me say this: I do not blame any of the proponents of the legislation for doing everything they can to get speedy action on it. I do not blame the members of the Ways and Means Committee who are favorable to it for trying to cooperate and bring about speedy consideration, and surely my friends could not expect those who were not favorable to the legislation, who believe the legislation unwise, to cooperate in trying to aid them in bringing up a bill which they thought ought not to be passed. [Applause.]

Mr. TARVER. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. TARVER. Perhaps my colleague intended to cover this particular phase of the matter, but for fear he might not be so intending I wish to ask him how, in his judgment, under the rules, a petition could be filed to discharge the Rules Committee from the consideration of a resolution fixing a special order of business if the Rules Committee should adversely report the resolution.

Mr. CRISP. That is amply provided for in the rules. I tried to anticipate every possible contingency. The rules provide that upon an adverse report any Member of the House can call it up. Now, gentlemen, that is the history of it.

Mr. UNDERHILL. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. UNDERHILL. The Committee on Claims some four years ago reported several bills to the House adversely in order that there might be a record made of the reasons which the committee had for turning down the propositions.

Mr. RAGON. Will the gentleman yield?

Mr. CRISP. Yes.

Mr. RAGON. The gentleman will recall we discussed reporting adversely the bill for which there is a petition to discharge now pending. I insisted on it, and the gentleman suggested that if they filed their petition, it would be filed before we had had a moment of hearings on the bill.

Mr. CRISP. The gentleman refers to the beer bill?

Mr. RAGON. Yes.

Mr. CRISP. I will vote to report it adversely.

Mr. RAGON. The situation was that we were in the midst of these other hearings, and we did not have the time to do it until after they had filed their petition.

Mr. CRISP. I had intended to discuss economy. I think the paramount duty of this Congress is to balance the Budget and in balancing it effect $200,000,000 or $300,000,000 worth of economies. [Applause.] When we were considering the tax bill, the Secretary of the Treasury said we could not save more than $125,000,000. The committee, however, insisted that there should be savings amounting to $200,000,000 and the appropriation bills which this House has already passed, plus the economies carried in the economy bill, carry savings of over $200,000,000, and the Senate is still further reducing those bills. I am in sympathy with the Executive or anybody else in his desire to reduce governmental expenditures. [Applause.] We must do it because the welfare of the country demands it.

[Here the gavel fell.]

Mr. RANKIN. Mr. Speaker, I ask that the gentleman may proceed for one additional minute to answer a question.

The SPEAKER. Is there objection?

There was no objection.

Mr. RANKIN. Legislation from the Ways and Means Committee is privileged, is it not?

Mr. CRISP. Only certain matters—raising revenue, and so forth. A bill which provides for the expending of money is not privileged. I would say to my friend that two-thirds of the bills which come from the Ways and Means Committee are not privileged.

Mr. RANKIN. Would this bill be privileged in the opinion of the gentleman from Georgia?

Mr. CRISP. It would not.

Mr. RANKIN. Then we will have to go through the Rules Committee?

Mr. CRISP. The gentleman is correct.

[Here the gavel fell.]

WAR DEPARTMENT APPROPRIATION BILL

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

(H. R. 11897) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 11897), the War Department appropriation bill, with Mr. LANHAM in the chair.

The Clerk read the title of the bill.

Mr. BARBOUR. Mr. Chairman, I yield myself one-half hour.

Mr. Chairman, we have now come to the discussion of the bill that has been before the House for two days, the War Department appropriation bill. By unanimous consent of the House the remaining time on the bill is limited to three hours, one-half to be controlled by the gentleman from Mississippi [Mr. COLLINS], the chairman of the subcommittee in charge of the bill, and one-half by myself. In view of the fact that the gentleman from Mississippi [Mr. COLLINS] will discuss the entire bill and I propose to touch only upon certain features of the bill, I have agreed with the gentleman from Mississippi that I shall yield him one-half hour of my time.

I want to discuss a few of the items in this bill that I, as a member of the subcommittee on appropriations for the War Department, am opposed to, and I may say in the beginning that I am not a disgruntled or dissatisfied member of the committee because I am not. The other members of the committee, I think, will bear me out in the statement that, during the six weeks we were considering this bill, the relations between the various members of the subcommittee were most cordial, and an honest, earnest effort was made to bring before the House a bill that the Members of the House could support. There are certain features of the bill that I do not indorse and that I am opposed to because I do not believe they will accomplish economies.

This bill carries appropriations amounting in all to $386,983,452. Of this sum, $281,539,197 and $800,000 of purchase of discharge money are appropriated for military activities, and the sum of $105,444,255 will be appropriated for nonmilitary activities, rivers, and harbors, flood control, Panama Canal, and various nonmilitary activities that are carried on by the War Department.

The bill as it comes before the House of Representatives is $58,789,783 below the appropriations for the present fiscal year, and is $24,380,310 below the Budget estimates.

There are four major items in the bill with which I do not agree and to which I propose to address my remarks at this time. I do not agree with them because I do not believe they bring about the real economy that the Congress is striving to accomplish at this session. I do not agree with them because they strike at the very heart of our national defense, and it is my opinion that where reductions in appropriations cut below the point of efficiency then it is not economy but is extravagance of the very worst kind. These four items are the proposed reduction of 2,000 officers in the commissioned personnel of the Army, the reductions having to do with the Organized Reserves, the reductions having to do with the Reserve Officers' Training Corps, and the elimination of the citizens' military training camps for the fiscal year 1933.

To restore the 2,000 commissioned officers to the bill will cost $3,814,823.

To give the Organized Reserves the same privileges relating to their summer training camps that they now have and have had during the entire existence of that organization will cost $2,109,769.

To restore summer training camps to the Reserve Officers' Training Corps, which the bill proposes to eliminate, will cost $1,080,773.

Mrs. ROGERS. Will the gentleman yield?

Mr. BARBOUR. I am just coming to that. To restore the citizens' military training camps will cost $2,603,624.

Mrs. ROGERS. And the Reserve Officers' Training Corps?

Mr. BARBOUR. The Reserve Officers' Training Corps, $1,080,773.

Mrs. ROGERS. That will take away their practical training. The training at the summer camps gives the men six weeks' training in actually firing guns. It gives the Reserve Officers' Training Corps the necessary experience in having a battery of guns under their supervision.

Mr. BARBOUR. That amount would restore their practical training.

Mrs. ROGERS. If the amendment adding $1,080,773 goes into the bill?

Mr. BARBOUR. Yes.

This amounts in all to $9,608,989 that we are asking the House to restore to the bill. If we do this, we will still be almost $15,000,000 under the Budget, and we will not have sacrificed any of these very necessary elements of our national defense.

The United States has never been a militaristic nation. In its entire history it has never been militaristic. The military theory of this country has been that we should at all times maintain a small, well-trained, defensive force, and rely upon a citizen soldiery in time of emergency. Our country does not covet the lands of any other nation. It does not covet the treasure of any other nation. We have no idea whatsoever of attacking any other nation. All that the United States has ever asked is that it be left alone to lead its own existence without interference by any other nation, and it has insisted that it should have the right to lead its own existence and that it shall not be interfered with from without.

George Washington laid down the military policy of this country in the early days of the Nation. He said that in our relations with foreign governments we should proceed upon a basis of friendly negotiation and that we should at all times maintain a respectfully defensive attitude.

That has always been the policy of the United States. In depending upon a citizen army we must have a citizen army that is to a certain extent, at least, trained. Without a trained citizen army, with an army that has no training whatever, this country is absolutely helpless. That has been demonstrated throughout the entire history of the country.

In the War of 1812, with an Army largely composed of untrained militiamen, we were never able to gain a secure foothold in Canada, defended by an inferior force of British-trained regulars.

Many military experts believe that the Civil War might never have occurred if the United States had had a well-trained army. That is on the theory that the Confederacy knew that there was no trained Army, and believed they could strike quickly in a military way and the war would be over in a short time. Had the Government maintained a sufficiently well-trained force, some believe the questions which brought on the war would have been settled by negotiations——

Mr. BLANTON. Will the gentleman yield? Does the gentleman think his argument is carried out by the history of the Alamo and the history of the Battle of San Jacinto?

Mr. BARBOUR. Oh, they had trained men who could shoot the eye out of a squirrel at a hundred yards. They knew what they were about and knew how to do it.

Mr. BLANTON. The American youth all over the United States knows how to handle guns.

Mr. BARBOUR. But he must be trained or he will not know how.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. OLIVER of Alabama. I think the gentleman from California is unfortunate and inaccurate in his reference to the War between the States. The South went to war not because they thought they could win, as the gentleman surmised, but in defense of what they conscientiously believed was right—a constitutional right.

Mr. BARBOUR. Oh, absolutely, I do not mean to question the sincerity of purpose of the South, but was merely referring to the military situation which existed at the time.

Mr. BLANTON. When Americans believe they are right, all the obstacles in the world can not stop them.

Mr. BARBOUR. In order to overcome those obstacles, if they are military obstacles, a trained soldiery is sometimes necessary.

Mr. BLANTON. Did not we train an Army of 4,000,000 men and send them across?

Mr. BARBOUR. I can not yield to the gentleman for an argument, because I have not the time.

We had a similar experience at the time of the Spanish-American War. We were thrown into the war with practically untrained troops. Most of you men sitting before me know what occurred during the Spanish-American War, and all of you know what occurred at the time of the World War. We had to call out 4,000,000 of the young men of America, with practically no training whatever, and try to whip them into some kind of shape to send them overseas.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BARBOUR. I yield for a question.

Mr. REED of New York. In that connection during the World War, we even had French officers over here helping us train our men in the early stages.

Mr. BARBOUR. Yes; and British officers also. In 1920 this Government adopted its first real national defense policy, which was the national defense act. That act lays down certain lines of activity which since that time the Congress and the country have been endeavoring to follow. This bill absolutely undermines all that we have done up to this time in carrying out the provisions of the national defense act. We have maintained a Regular Army of 118,750 men, with about 6,000 Philippine Scouts. We have maintained for several years past a force of 12,000 commissioned officers, the idea being that in case of emergency we would have the officer personnel ready to step in and train the young men who would be called on to defend their country. It takes a long time to make an officer, but a trained officer can make a pretty good fighting enlisted man in a much shorter time. That has been the theory upon which we have proceeded—to maintain an ample force of trained officers to furnish the training to the young men who would have to be called on in case of an emergency. We have carried on the Organized Reserves. They are a part of the citizen army. They are men who cost this Government little. They are men in civilian occupations who are giving a portion of their time to military training, and they constitute a part of our present military organization.

We have been furnishing military training to the young men in the schools and colleges, and those following through to the advanced courses are furnishing officer material for any army that we may have to raise in this country in case of an emergency. We have been sending young men between the ages of 17 and 23, each year 37,500 of them, to the military training camps to furnish them with some training in the fundamentals of military drill and maneuvers.

Mr. OLIVER of New York. Mr. Chairman, will the gentleman yield?

Mr. BARBOUR. Yes.

Mr. OLIVER of New York. Is that our substitute for compulsory military training as European nations have?

Mr. BARBOUR. It is, and it is providing the citizen army that this country relies upon with some degree of training. We have maintained in this country only a skeleton of a Regular Army, and this bill proposes to reduce it to even a more emaciated skeleton than it is at the present time.

Mr. HASTINGS. Will the gentleman put in the number of Organized Reserves?

Mr. BARBOUR. I shall put that in later. The gentleman from Mississippi [Mr. COLLINS] will probably do that, but I can put it in later.

The reduction in the pay item provides for the elimination of 2,000 commissioned officers and amounts to $3,784,414. An amendment will be offered to restore that sum, so that we may maintain the commissioned personnel at its present strength, an average of 12,000 commissioned officers.

If we reduce the commissioned personnel by 2,000 trained officers, it is not going to result in economy, and one thing that puzzles me is why some of these ideas are brought in and Congress asked to pass them as economy measures, when they will actually result in the expenditure of more money. If we retire these 2,000 commissioned officers, we do not get rid of them. They do not go into private life, separated entirely from the Government pay roll, but they go on the retired list at three-quarters of their base pay and longevity pay.

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

Mr. BARBOUR. I shall try to yield later. They go on the retired list at three-quarters of their base pay and three-quarters of their longevity pay. Of course that is not as much as they are drawing on the active list, but when you consider that these men are to be retired for age, and on a basis of age only, you are going to get rid of a lot of very efficient and necessary men in the War Department, men who are rendering valuable service to the country, and you will have to hire civilians to do their work. So when you get all through and add the retired pay these men will receive to what it will cost to employ civilians to do a large part of the work, in my opinion there will be no economy whatever. I am of opinion it will cost more than it will if we keep these 2,000 officers in the Regular Army.

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

Mr. BARBOUR. For a question.

Mr. CHINDBLOM. It is not intended that this reduction of 2,000 officers shall be permanent hereafter, is it?

Mr. BARBOUR. Oh, yes; the bill provides that. This is not a temporary measure. That is why I say it strikes at the very heart of our national defense.

Mr. CHINDBLOM. Of course, if they were ever restored hereafter, we would have 2,000 men on the retired list in addition to what we would then consider a necessary officer force.

Mr. BARBOUR. Absolutely.

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

Mr. BARBOUR. I can not yield any more. I must proceed. I am yielding one-half hour of my time to the gentleman from Mississippi.

Mr. BLANTON. I want the gentleman's opinion about this. I want to ask the gentleman if it is not a fact that right now we have by 5,000 more officers in our Military Establishment than the ratio of any other country in existence?

Mr. BARBOUR. I do not care if we have. We do lots of things better in this country, in my opinion, than they do anywhere else. [Applause.] We have an entirely different set-up in this country from that of any other nation.

A large number of our engineer officers are on river and harbor work throughout the country. We have them training the Organized Reserves, the National Guard, the Reserve Officers' Training Corps, and the citizens' military training camps. Those activities are all a part of our organization for national defense, and I do not care how many officers any other nation has, I think we do things better in this country, anyway.

Now, as an economy proposition, as I said a few moments ago, this would not, in my opinion, result in any saving whatsoever to the Government. Then, too, these officers are entitled to fair treatment. They are men who have been in the Army a long time and have given their lives to it, with the promise that they could remain in active service until they were 64 years old and retired.

Many of them are rendering valuable service to the Government. I know, from personal contact, men in the War Department who are rendering service far more valuable to the Government than the salaries which they are receiving. The services of those men will be lost. This is not an economy proposition.

I want to direct attention to some of the effects which will result from the dismissal of 2,000 commissioned officers. I have here a statement that has been submitted to me. Frankly, it was sent to me by the War Department. I believe they are better equipped to picture to us the effect this will

have on the military set-up of the country than anyone else. It is short and concise, and I submit it for your consideration.

RESULTING CURTAILMENT OF ARMY ACTIVITIES

In framing the national defense act it was the intention of Congress to embody in law the following essential elements of national defense:

(a) To provide an Army of the United States consisting of three components—the Regular Army, the National Guard, and the Organized Reserves.

(b) To organize this Army into the military units necessary to form the basis for a complete and immediate mobilization of the Nation's man power in a national emergency.

(c) To make provision for the mobilization of the Nation's material resources and the maintenance of war reserves as an element in mobilization.

To carry out the responsibilities imposed by the act, the Regular Army is called upon to furnish officers for all manner of important duties beyond the limits of the Regular Establishment itself. The number of officers now assigned to duty with the civilian components, about 1,650, is considerably below the number demanded. The proposed reduction in the commissioned personnel of the Regular Army, combined with the relief of all retired officers now on active duty as is also contemplated by the bill, will necessarily result in a drastic curtailment of the activities of the Army in administering the forces of the National Guard (187,000), the Organized Reserves (108,000), and the Reserve Officers' Training Corps (127,000). The national defense act originally provided for a corps of approximately 18,000 Regular officers. Appropriations in recent years have limited this number to an average of 12,000. The War Department has reported to Congress that the minimum number of officers required in the Regular Army to enable it reasonably to carry out its mission is 14,063. This number is required to enable reasonable provision to be made for the training of the civilian components, to maintain a small, balanced, mobile force for emergencies, to man in part the seacoast defenses of the continental United States, and to allow reasonably adequate garrisons in the overseas possessions.

Even with the force of 12,000 officers now provided, the calls for assignments to duty with the National Guard, the Organized Reserves, and the Reserve Officers' Training Corps can not be met, while the present shortage of officers with troop units of the Regular Army is a matter of grave concern to the War Department. A reduction of 2,000 officers and the relief of the 134 retired officers now on active duty would force the War Department to curtail many essential activities to an extent that would practically nullify the provisions of the national defense act. A cursory survey of the situation indicates that the following reductions in the numbers of promotion-list officers now assigned to highly important duties would be necessary.

	Number	Per cent
Foreign garrisons	336	20
Duty with the National Guard	229	50
Duty with the Organized Reserves	227	50
Duty with the Reserve Officers' Training Corps	208	50
Instructors at service schools	88	30
Students at special service schools, except flying schools	414	50
Students at general service schools	157	50
Instructors at the U. S. Military Academy	38	20
Officers on recruiting duty	42	50
	1,839	

There are, at the present time, no more officers assigned to overseas garrisons than are necessary properly to officer the units assigned to those garrisons. A reduction in the number of officers at these strategic outposts would seriously handicap their powers of resistance. The importance of maintaining these defenses upon an efficient basis is vital in the present state of world affairs. Their reinforcement in an emergency can not be counted upon. Each of them has its own strategic and tactical mission confined to restricted area. No use could be made of these garrisons in the continental missions assigned to the Army.

Now, as to the economy of this proposal, President Hoover in all his recommendations for economy has recommended that our national defense be not further reduced.

I have before me a statement issued to the press by the President on March 25, of this year, in which he says:

We must eliminate this deficit for next year by the further reduction of governmental expenditures and by increases in taxation. The expenditures budgeted for the next fiscal year as sent to the Congress, amounted to about $4,100,000,000, after a reduction by the administration of $365,000,000 under the total for the current year. In considering possible further economies in expenditures we must not forget that of this total about $2,100,000,000 is of such character that it can not be reduced; it is largely an inheritance of the great war through increase of payment on Government obligations and the care of veterans and their families. In addition, our Army and Navy costs about $700,000,000. We should not further reduce the strength of our defense. Thus we must make our further economies mainly out of this balance of $1,300,000,000 remaining from the total of $4,100,000,000 * * *.

Mr. SNELL. Will the gentleman yield right there?

Mr. BARBOUR. I yield.

Mr. SNELL. Has the gentleman any reason to believe that the President has changed his mind on this proposition since that statement was issued?

Mr. BARBOUR. Absolutely not. That statement was issued in the latter part of March and a copy of it was furnished to me at my request by the White House this morning. I know of nothing that the President has said since the statement was issued to indicate that he has changed his mind relative to the national defense.

Now, as to the other items in the bill: The Organized Reserves will be denied the pay that they have always received for their two weeks of active training.

The national defense act provides that the Organized Reserve officers, when they go to their summer training camps, shall receive the pay and allowances of their rank and grade in the Regular Army. For instance, a major in the Organized Reserves would receive, for those two weeks, the same pay and allowances that a major in the Regular Army receives, the same for a lieutenant, and the same for a captain.

This bill proposes to permit those men to go to camp during the coming summer without any pay. It provides for the payment of their 4 cents a mile mileage, and then provides $1 a day in lieu of subsistence. They have to furnish and maintain their own uniforms and equipment. Their uniforms they buy themselves. The bill provides that they shall take this two weeks' training without any compensation whatever, after spending many long hours during the preceding winter and the preceding year preparing themselves for it. They must attend camp without any pay.

I say to you, Mr. Chairman, that, in my opinion, it is not fair to those officers. Many of them are men of small means. I know them in my district and you know them in yours. They are young business men and young professional men, with small incomes; some of them are working men; some of them are farmers. They are not men of means. They simply can not afford the time to go to these camps and spend two weeks there practically at their own expense after all the time they have put in, generously, during the past year preparing themselves for the camps. They should not be required to go there at their own expense.

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

Mr. BARBOUR. Mr. Chairman, I yield myself 15 additional minutes.

It is not fair for us to ask them to do it.

I propose to offer an amendment increasing the amount for the Organized Reserves $2,109,769, which will provide for the usual camp pay.

The Organized Reserves to-day have a strength of 108,210, which is exclusive of dual status or National Guard officers who are also members of the reserve and number 12,340. The Budget provided for the active duty training of 20,000 of these Organized Reserve officers at camps. Last year, with a similar provision in the bill, they trained 20,998, or almost a thousand more than were estimated for.

This amendment will simply place the matter right back where it is now, without any change.

As to the Reserve Officers' Training Corps, those units in the schools and colleges, where the young men are giving part of their time to military training, the bill carries $971,289 less than the appropriation for the present year and is $1,080,773 below the Budget recommendation for 1933. I propose to offer an amendment to restore $1,080,773, because the present item in the bill does away with the six weeks' summer training that the advanced students of the Reserve Officers' Training Corps have been receiving each year. After putting in three and four years of their time at the schools and colleges preparing themselves for commissions in the Organized Reserves or preparing themselves

to be ready to go to the defense of their country in case of an emergency, this six weeks of training at camp is a rounding-out course, which more properly fits them for the service that they may in the future be called upon to render. Discontinuing the summer camps, I believe, will greatly reduce their efficiency and the value of the training that these young men have received, and the whole effect will be so discouraging that many of them will lose all interest in this work they have so generously carried on.

Mr. SWICK. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. SWICK. Is it not a fact that this is progressive training which these men have from year to year and if they fail to get this training in their fourth year it makes a very great difference to them?

Mr. BARBOUR. The gentleman has described it exactly. After they have worked and trained and studied for three or four years at college they are then sent to these camps, where they train with the Regular Army, where they put into operation the ideas which have been taught them during the course of theoretical training which they have received at the schools and colleges.

Mr. PATTERSON. Will my distinguished and able colleague yield?

Mr. BARBOUR. I yield.

Mr. PATTERSON. I wish the gentleman had the time to go a little farther and tell us what will be the result in the event these citizens' military camps are discontinued.

Mr. BARBOUR. I will say to the gentleman that when the amendment is offered I am hopeful we shall have ample time to discuss it. Then we can go more into the details of the proposition immediately before us.

Mr. OLIVER of New York. Will the gentleman yield?

Mr. BARBOUR. Yes.

Mr. OLIVER of New York. In view of the fact that many Democrats are in accord with the gentleman's position, does he think it fair that General MacArthur should write a letter to the Republican leader, Mr. BERTRAND H. SNELL, denouncing the proposition which the gentleman opposes, thereby putting a partisan tinge on this whole discussion with reference to the defense of the Nation?

Mr. BARBOUR. I am quite sure General MacArthur would have been pleased to write a letter to the gentleman from New York if he had thought he would like to have one.

Mr. OLIVER of New York. I am sorry he did not write a letter to the public at large rather than to the Republican leader, thereby having no partisanship connected with the entire discussion.

Mr. BARBOUR. I heartily agree 100 per cent with my good friend from New York that there should be no partisanship in this proposition.

Mr. SCHNEIDER. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. SCHNEIDER. The gentleman spoke about these students from the schools and universities going to the training camps. Can the gentleman tell the committee what percentage of these schools and universities enforce compulsory military training?

Mr. BARBOUR. I will say to the gentleman that is all in the hearings. Offhand I can not tell the gentleman, but there is a table in the hearings which gives all of that information. It gives every school and college at which this training is carried on and shows whether it is compulsory or elective.

Mr. SCHNEIDER. If this training is compulsory, then all of the students would be required to go to those training camps?

Mr. BARBOUR. No. I understand they are not required. My information is that it is entirely voluntary.

Now, just one more word. The citizens' military training camps have been absolutely eliminated from the bill. The citizens' military training camps are those camps which have been maintained throughout the country for several years, to which camps young men between the ages of 17 and 23 go for 30 days' training. I think it has been a fine thing for the young men of this country. I have visited those camps; I have seen the young men there; I have talked with them after they have come out, and they have been enthusiastic about the things they have learned there and the benefits that they have derived. This is the activity of the Army that most directly reaches the civilian population. Many parents have written and expressed themselves as to the benefit which they feel that these camps have been to their young and growing sons. I shall offer an amendment to restore to the bill the sum of $2,603,624 in order to carry on the citizens' military training camps. That, it is estimated, will provide for 37,500 young men at these camps during the fiscal year 1933.

That is about all the time I wish to take. My purpose has been not to enter into a detailed discussion of these things. When the amendments are offered under the 5-minute rule I believe we will then have an opportunity to go more into the details. I simply wanted to give the committee an idea as to what this bill does with respect to some of the activities that have been carried on for the last several years with great success, in my opinion, and with real results, and to let the committee know what is coming when the bill is being read for amendment and what amendments will be offered to restore these activities.

Mr. DYER. Will the gentleman yield?

Mr. BARBOUR. Yes.

Mr. DYER. Will the gentleman state what is the entire strength of the enlisted personnel and the entire strength of the active officers now on duty?

Mr. BARBOUR. Of the Regular Army?

Mr. DYER. Yes.

Mr. BARBOUR. We are maintaining an average of 12,000 commissioned officers and an average of 118,750 enlisted men, and in addition to that from 6,000 to 6,500 Philippine Scouts, who are considered a part of the regular force. I might say that this enlisted and officer personnel is scattered all over the United States, and a large part of it is in our overseas garrisons—at Honolulu, at Panama, at Manila, and at other places.

Mr. DYER. The comparison is what I had in mind. It appeared to me that the number of officers is very large for the enlisted strength.

Mr. BARBOUR. I may say to the gentleman from Missouri that it might be considered top-heavy if all these men were on strictly military duty with the enlisted force, but they are not. There are many of the Engineer Corps on river and harbor work throughout the country. They are working in the gentleman's section of the country and he is familiar with the work they are doing there. They are doing work that we would otherwise have to employ civilian engineers to do, and it is work that is right in line with their training and activity as soldiers. Then there is a large number of them with the Reserve Officers' Training Corps at the schools and colleges, and a large number are with the Organized Reserves serving as instructors. Many of them are with the National Guard and a large number are giving their attention to the organization and carrying forward of the citizens' military training camps in the summer time.

Mr. DYER. How many officers are stationed in Porto Rico, for instance?

Mr. BARBOUR. There is a regiment in Porto Rico, and I presume it has its full complement of officers. Just what the number is I can not say.

Mr. DYER. Is there any real necessity for having a regiment in Porto Rico at all?

Mr. BARBOUR. That is a question of military strategy, I presume, that I might not be qualified to answer. We have always maintained a regiment of Porto Ricans——

Mr. DYER. Maintained them; yes.

Mr. BARBOUR. Let me answer the question, if the gentleman please. We maintain in Porto Rico a regiment of Porto Ricans, and, as I understand, it is officered by Americans. It is to preserve order in this Territorial possession of ours and to render any military service it might be called upon to perform there. As to the military or strategic necessity of it or its absolute necessity, I am not military

strategist enough to tell the gentleman whether it is absolutely essential that we maintain that regiment or not.

Mr. SNELL. Will the gentleman yield?

Mr. BARBOUR. Yes.

Mr. SNELL. Is it not a fact that under the program as presented, you actually cut out some of the activities that are a definite part of the preparedness measure that we passed 10 or 12 years ago?

Mr. BARBOUR. They will be absolutely cut out.

Mr. SNELL. And we will have to change our entire system of preparedness if we are going to cut out some of these definite activities.

Mr. BARBOUR. We will have to change the whole system and the entire plan; yes.

Mr. Chairman, I reserve the balance of my time.

Mr. AYRES. Mr. Chairman, I make the point of no quorum.

The CHAIRMAN. The gentleman from Kansas makes the point there is not a quorum present. The Chair will count. [After counting.] One hundred and eight Members present, a quorum.

Mr. BARBOUR. Mr. Chairman, I yield one-half hour to the gentleman from Mississippi [Mr. COLLINS].

Mr. COLLINS. Mr. Chairman, I yield myself 30 minutes.

The CHAIRMAN. The gentleman from Mississippi is recognized for one hour.

Mr. COLLINS. Mr. Chairman, ladies, and gentlemen, I feel that I should preface an explanation of the reductions proposed in this bill with an exposition of the theory upon which they are predicated. After that I shall explain seriatum the principal reductions which we present for your consideration.

In expressing the theory which very largely dictated the formulation of this measure I wish to be as definite as possible, and hence I have written that part of my remarks and beg your indulgence while I read them.

Mr. McFADDEN. Will the gentleman yield to me before he starts his remarks?

Mr. COLLINS. I will.

Mr. McFADDEN. The gentleman speaks of the "theory back of the reductions." Do I understand that this is the gentleman's personal theory or the theory of the War Department or the theory of the committee?

Mr. COLLINS. I should not say they are the reasons of the committee, but rather more my individual reasons.

Mr. Chairman, at the close of the World War certain new weapons overshadowed all others, even in the civilian minds—aircraft, tanks, gas, and machine guns. I include machine guns with new weapons because, although they had been in existence for more than 30 years, their true value and proper use had not been recognized. Hardly were the troops demobilized, however, than the general staffs of most countries, and particularly our own, apparently discarded all that had been learned of these powerful war agencies and hindered rather than aided their development.

In this country military aviation furnishes a good example. It took an act of Congress and the Mitchell case to wrench from the older arms and vested interests sufficient money for the inauguration of our moderate air force. Gas, which produced one-third of the entire war casualties, still gets less than one-half of 1 per cent of the Army appropriation.

The machine-gun development has been slow. Where other nations are making preparations so that they can concentrate perhaps a thousand of these weapons, mounted on 1-man tankettes or single carriers, on a divisional front, we are still limited to mule-drawn weapons tied to the pace of infantry.

Our tank development has been pitiful and so slow that when the principles of the mechanization of armies began to be understood we were totally unable to take advantage of them. I do not mean that this has been the fault of the Ordnance Department, which is charged with the manufacture of tanks in our Army. Our slowness in tank development has come from an inability to recognize their tremendous usefulness and to pull away from less necessary things the money which was required for these modern weapons.

There is, in England, an important reader and writer of military literature, Liddell Hart, who, with two or three far-seeing British Army officers has literally pulled the British Army out of its postwar ruts and compelled it to utilize the war potential which is found in postwar scientific and industrial developments. I shall quote Liddell Hart considerably. In my opinion he is the outstanding civilian authority on mechanization of armies.

In a recent military book there occur these words:

> Every war is different from the one for which the experts prepare. The war the generals always get ready for is the previous war.

In commenting on this statement in a recent article in the London Times Liddell Hart says that he is inclined to believe that it is incorrect; and the war which the War Office prepares for is, unfortunately, not even the last war, but the one before the last. He proves his case by showing that almost all of the disconcerting developments which upset calculations in the World War could easily have been foreshadowed from the Russian-Japanese conflict.

These included the paralyzing effects of machine-gun fire; the hopelessness of frontal attacks; the consequent development of enormous trench systems; and, to conquer these, grenades and high-explosive shell. It did not require a fortune teller to predict the stagnation which finally set in and for which preparation should certainly have been made in order to restore conditions which would permit of generalship.

The World War had hardly ended, however, when there was announced through our military literature the doctrine that trench warfare on a large scale could never exist again; and that wars of maneuver would be the rule, and that our tactical teachings, consequently our development of weapons, would be based on this presumed condition.

The difficulty is to make this doctrine fit the facts. Attempts to prove that it does so are usually founded on a principle which makes insufficient allowance for the increased fire power of the defensive.

If we look back over the last decade it is evident that we are, in general, still using the same drill, the same system of marksmanship and musketry based largely on the rifle, the same ponderous 2½-mile-an-hour divisional organization of infantry troops, and tactical doctrines which ignore facts that we had 10 years ago.

We are the greatest scientific and industrial nation in the world and have applied our science and industry to everything except our military defensive power. One would imagine that it would be almost impossible to prevent our availing ourselves of the astounding scientific discoveries of the past few years, and that by now we should surely have gleaned from the World War facts the important things to our military development; but while the procession is moving along in other countries, we are standing still and seem utterly unable to lift ourselves out of the rut and apply drastically the principles which we should to military science in the United States.

Military reorganization and modern equipment for our forces are greatly needed if our Army is to remain efficient. This is realized by many Army officers, but even some of this class are keeping their eyes still turned to the past war and seem to forget that any reform which takes place must look not merely backward but forward, since the transitions which will follow any future mobilization will be so rapid and radical that we must be fully prepared for them.

The Great War evolved weapons and machines designed to meet very specialized conditions and to answer very definite purposes. While these may never reoccur, we must weigh the facts carefully, choosing and discarding with great judgment. Reorganization, therefore, must depend not merely on the experiences of the last war but with that as a starting point lead clearly to the future, and the vested interests of this branch or that of our military service must not be permitted to stand in the way of progress.

In the generation before the last war the military thought of Europe was fairly well crystallized into a blind faith in the ability of generals to win battles by massed attacks and through this method to push a war to an early and decisive victory. However, because of the severity of modern machine-gun fire, frontal attacks had been abandoned in the school books for more than 40 years.

In the Franco-Prussian War the German victories had been won by wide turning movements, and in the Russian-Japanese War this was invariably the method pursued by the victors. In France and Flanders for the first time in history, when the line of trenches ran continuously from the Alps to the sea, there were no flanks to turn. Ramparts more than 350 miles long, ceaselessly guarded by millions of men and sustained by thousands of cannon, stretched from barrier to barrier.

Confronted with this deadlock, military art remained dumb; commanders and their staffs had no plan except a frontal attack and no weapons to overcome the defensive power, which they should have foreseen. It was useless to squander the lives of endless masses of men; something had to be devised which could overcome the greatly increased power of the defense from automatic and semiautomatic weapons; yet in the World War the usual number of machine guns in the German division was less than 100 and never exceeded 142.

As the war years rolled along, a few leaders realized the causes of the deadlock; and the British military technicians, not having been as successfully deadened by military ritual as their continental companions in arms, finally brought forth the tank as the antidote to machine guns and barbed wire. From the first appearance of the tank until the close of the war, and even until the present time, there has been a continual struggle between those who favored the mechanization of armies and those who by their military conservatism have hampered and opposed every attempt to do away with the masses of slow-moving, slow-shooting, expensive massed troops by the development of proper mechanized forces.

It is necessary to state exactly what is meant by the term "mechanization." Mechanization, according to Capt. Arthur Wilson, of the Field Artillery, is the application of mechanics directly to the combat soldier on the battlefield. Mechanization differs from motorization in that the latter is merely the substitution of motor-propelled vehicles for animal-drawn ones in the supply echelons of all branches of the Army and in the substitution of automotive transport for foot movements.

Mechanization implies the actual use of automotive machines in combat. Aircraft, tanks, and armored cars are the outstanding examples of fighting machines. We have been accustomed to think of this line of development in connection with airplanes, but not as applied to the ground forces of our Army. The purpose of a mechanized force is to provide a powerful, fast-moving weapon, capable of wide maneuverability, which combines fire power, speed, and shock to a much higher degree than now exists in the older arms or in any one combatant arm. It is ideally organized for mobility and surprise. According to Major Brett, in the Coast Artillery Journal for January, 1930, mobility in this connection embraces "fire power, movement, supply, security, mental processes, and all other phases of the battle."

The scheme is simply this: Substitute for the 2½-mile-an-hour infantry masses or the 6 mile-an-hour cavalry lacking fire power, a fast-moving armored force capable of striking suddenly from one direction, disappearing, and then repeating its blows from another.

In considering the mechanization of our Army we must not lose sight of the advice of the British authority, as stated in the London Times of August 25, 1929:

> It is plain that as mechanization develops, the whole army reorganization will have to be considered, since the old-fashioned foot soldier in his trench is helpless against a tank working in cooperation with an air squadron. The army of the future will be a small and highly trained force of experts as compared with the masses required under the Napoleonic system that Germany and the other nations in her wake took over and developed to a ruinous extreme. The traditional British belief in a small army is thus being reaffirmed, very much to the advantage of the cause of peace and economy which the conscript armies of Europe have obstructed too long.

Although written for the British, this quotation has its lesson for our country as well. Our Army is limited, properly and necessarily, by the amount of money authorized for it by Congress. It is then for the military authorities to determine how the sum available to them can best be spent to insure the national defense; but when we see it used on the transient training of schoolboys and drill-ground maneuvers and in the use of single-shot rifles, carried by men on foot who in this age of speed can make but 2½ miles an hour, we are somewhat shaken in our belief in the good judgment of our General Staff. In fact, we see either that this good judgment is lacking or that the power of the vested interests in the branches of our Army is so great that something outside of the War Department is necessary to break the shackles. Obviously, the defense of this country lies in the utilization of science and industry applied to warfare by a comparatively small army of trained experts.

Fortunately, airplanes, tanks, and chemical-warfare agencies fit closely into commercial development.

With regard to this point Liddell Hart has stated:

> If we converted most of our existing regiments into tank or mobile machine-gun units, we should not only need fewer men but the expenditures on machines would have to be met by discharging the large surplus of men in order to apply the cost of their pay to a more practical object. * * * We can fully understand their hardship. * * * But is it right to keep the security of the Nation in jeopardy while soldiers are slowly reconciling themselves to the inevitable? * * *

This is the problem that is facing us in the United States. The problem of the antiquated against the modern army must be considered whether we like it or not.

It is my belief that an army provided with modern equipment and manned by a comparatively small number of experts can eventually be provided from our Army appropriations; and that we have delayed too long in starting on this course. We must not let the training of the masses interfere with the expert construction and utilization of scientific and mechanical means for the defense of the United States.

It was the machine gun which made the trench deadlock in the World War possible.

This deadlock—

Says Hart in his book the Real War—

> was due above all to the invention of an American, Hiram Maxim. His name is more deeply engraved on the real history of the World War than that of any other man. Emperors, statesmen, and generals had the power to make war but not to end it. Having created it they found themselves helpless puppets in the grip of Hiram Maxim, who by his machine gun had paralyzed the power of attack.

All efforts to break through the machine-gun defenses of the western front were in vain until the British developed an invention of another American, Mr. Holt's agricultural tractor, which became the World War tank. Both of these inventions profoundly altered the methods of warfare, but the latter was merely in its infancy when the war was brought to a close. Mechanized forces are merely the extension of the principles of the tank to all other units of our land defense.

Although the first tanks were amateurish in design, their general effectiveness was proved from their first appearance in battle. The highest German commanders have testified that they were a decisive military factor in the tide-turning battles at the end of the war. The Army tanks were slow, and consequently became armored companions to the infantry, a rôle from which it has been difficult to detach them. They proved the first effective antidote to machine guns and barbed wire, the deadly foes of the infantry. Conceived as a device to consist in breaking the stalemate, which had been brought about by trench warfare, their development was neglected as the military minds hoped for the abandonment of this form of battle, and looked forward to wars of maneuver. Groups of tanks operating as free agents, cut loose from the apron strings of the 2½-mile-an-hour foot soldier, are a much more modern conception.

It was not until 1926 that the advocates of a mechanized force in Great Britain succeeded in effecting the necessary separation between the older arms and the armored vehicles. By 1928 the armored cars had been turned over to the cavalry, and by 1929 British officials had determined upon the formation of armored brigades and fast-moving tanks. The description of the types of machines, which were used in the recent 1931 British maneuvers, reveals the extent to which the British Army has become both motorized and mechanized.

A mechanized force, or a mechanized brigade, should be visualized as a separate unit capable of acting without other units in somewhat the same manner as an infantry division. Unlike that division it possesses great mobility. By this increased mobility the art of generalship is given an opportunity.

Visualize the mechanized force as consisting of units of light tanks supported, when desirable, by companies of medium tanks, with artillery support moving on tank mounts; there must be help from the air, both for protection against enemy planes and as assistance for the supporting artillery. There must be smoke units with chemical mortars on fast-moving cross-country vehicles for the use of smoke shell and to blot out the enemy's antitank weapons with smoke screens. Antiaircraft artillery is, of course, essential.

Tanks can seize ground, but they can not hold it. Some form of "mopping-up" personnel supplied with machine guns and semiautomatic weapons on self-propelled cross-country cars must be available both to mop up in rear of the force and to hold gained ground. This form of infantry must also be used for such purposes as the guarding of defiles and bridges, landing fields, and prisoners, for outpost work at night, furnishing working parties, and so on.

There must be engineers for the necessary work of bridging rivers, ditches, and the destruction of man-made tank obstacles. The necessary wireless and radiotelephone service must be provided in special vehicles of the Signal Corps. Command tanks are essential. Without proper communications such a force is comparatively helpless.

Finally, there must be the usual train, repair, and salvage units, water and gasoline units, and medical service.

As I have said, you see we finally arrive at a unit at least as self-sustained as the present infantry division. Our force must have ammunition; it must have gas and smoke; it must have signal communication; it must be able to repair and salvage its own damaged vehicles, feed itself, take care of its wounded, and all of this must be performed on vehicles capable of varying degrees of cross-country ability.

The force, when complete with its trains fully loaded, should be capable of a total mileage of at least 150 miles a day, capable of staying out self-sustained for a considerable period of time and fighting whenever necessary.

It is true that our force can not move among rocky mountains, through forests, and other broken country. Rivers will delay it, but not more than they do other troops; over ordinarily flat or moderately hilly country it can, by picking its way, move day or night. Tank obstacles and antitank mines, plenty of artillery, and antitank weapons will check it; but for that matter it can prevent the movement of the old type of fighting units from any position and immobilize such units. Against a normal formation it can move and act with terrific force.

Imagine an infantry division of our present type on a march through a country in which a hostile mechanized force is known to be; our column is 15 miles long, encumbered with vehicles, moving at 2½ miles an hour with advance, rear, and flank guards out, screened by cavalry in the direction in which the enemy's armored forces are believed to be. The artillery is deployed throughout the column in formation suitable to meet tank attacks. For some hours the commanding general has been getting information from his airplanes of mechanized vehicles moving nearer and nearer to his line of march and at length pushing through places in his protective screen, shooting up units in the main column from time to time and moving off rapidly again. Just as his column is entering some pleasant open country, the enemy's tanks and mechanized artillery are reported to be some 15 miles away. In an hour they may be on him. What can he do?

He can not tell whether the attack will fall on the head or tail of his column, or in the middle of it, nor when the attack may be made. If he halts and further deploys his artillery, he may, and possibly will, find that he is putting it in the wrong place; it can not cover a column 7 or 8 miles long.

What he will do, probably, is to keep moving along, get his headquarters off the road to some place where they can function, notify his artillery to keep on the lookout for proper positions, and offer up a short prayer. Then he gets the report that the attack is coming against the rear brigade and not against the head of his column, as he had expected, and that it is only about 5 miles off. It consists, apparently, of two battalions of tanks employed in three ways, with a swarm of machine-gun tankettes in front and on the flanks of it. His flank guard is coming into action. His batteries of artillery get into position and open fire. His infantry halts, gets their antitank guns into action, and takes advantage of any obstacles which may be handy. Then all sorts of things begin to happen at once. Light tankettes come over and shoot up his divisional headquarters and his artillery as it is going into action; his flank guards are overrun as if they were not there; his guns and antitank machine guns are blotted out with smoke; and his main column is shelled and swept by machine-gun fire.

The first wave of tanks plows through his infantry, the flanks of the penetration are widened by the second wave, and a third wave strikes through his guns. The chemical tanks, laying smoke screens, cover the flanks of the tank companies as they move ahead. It is all over in 30 minutes. A certain number of tanks have been disabled by machine-gun fire, but the attack has not been stopped. The emeny's artillery is still firing, and there is no saying when the tanks may wheel and repeat their attack again.

Our division commander, his tactical teachings of no avail, can not cheer himself by saying, "Well, it was pretty bad, but at least it is over." It is not over. The mechanized force will certainly remain in his vicinity until the full effect of its action has been exploited, even though it does not strike again for some time.

This is a lurid picture, but I have drawn it from a description of a British general who has seen a mechanized force in action. Even if it is only half true, it shows the end of infantry as we know it. Troops can not remain immobilized and accomplish missions. It is necessary to go on with the war.

The ability of mechanized forces to attack flanks, the rear of entrenchments, or any place else that they may wish at quick notice, has added greatly to the confidence placed in this type of unit by the British.

The British mechanized force made its first real appearance in the recent 1931 maneuvers. These involved five exercises designed to show the unit at its best and at its worst. It was so completely successful that all observers agreed that the scrapping of horses, personnel, and obsolete material which had been necessary to create the force, had been many times worth while.

The results have been apparent in British military publications. The new British Field Service Regulations have been considerably changed over the old. The sentence, "Infantry is the arm which in the end wins battles," has been taken out and the infantry is no longer referred to as the "decisive arm." The new manual declares that the "machine gun in the hands of the enemy makes open ground virtually impossible in daylight to attacking infantry, and immobilizes them unless they are supported by an overwhelming artillery concentration." In this connection it will certainly be remembered that during the war it was only by placing artillery hub to hub that as a rule the slightest advance could be made and then at such expense to the victors that a few such were worse than a defeat.

The new manual declares also that the mobility of the armored fighting vehicles—

In formed bodies is at least double that of infantry formations and is likely to increase. Their power of endurance is much greater and they are less vulnerable to air and gas attack.

It then emphasizes their "moral and material effect" on other troops and states, "They can, in fact, render immobile by threat alone" old-style infantry formations.

Liddell Hart says in his book the Remaking of Modern Armies that the effective rôle of the infantry is now limited to "mopping up" the ground that the tanks have conquered and holding it, if possible, for the brief interval before the machine guns can be brought up. But Liddell Hart also points out that with the development of the 6-wheeled carrier "even this transitory rôle disappears, for the machine gun can be rushed forward more quickly than the infantry." I realize that in our Army machine gunners are infantrymen. The machine guns which I visualize as being rushed up, as Captain Hart says, are those carried on 1-man tanks or small cross-country cars, a conception not at all of an infantry nature.

If conditions are as Liddell Hart has pictured them as a result of the British maneuvers and other English studies, the question of the future of infantry as we now know it must be considered. Hart maintains that in certain unusual country, woods, or mountains infantry on foot is still necessary and is still an effective offensive arm when the thickness of the cover gives them a protection they otherwise lack. Such ground, however, is only a fraction of the land surface in theaters where we can expect wars to be fought, and Hart goes on to say that—

It is surely irrational to base the composition and policy of our army as a whole on the peculiar conditions of the northwest frontier of India.

The same argument applies to our Army—that is, if it is for defensive purposes only. In 1927 Hart asked the question, If the machine gun is master of the modern battlefield, in the absence of tanks, and infantry makes so limited a contribution to the military object, why were 136 infantry battalions retained to only 4 tank battalions, 2,176 infantry platoons to only 136 machine-gun platoons? He continues:

Rationally there is no answer, and we stand convicted of spending some 40,000,000 pounds a year on an army the bulk of which gives neither offensive nor defensive value in return. (The Remaking of Modern Armies.)

This criticism certainly applies to our Army when we realize that the bulk of our Army appropriations is for personnel to the almost utter neglect of matériel; that a prewar type of Army is being maintained and the remodeling of our Army along modern lines wholly neglected.

He continually repeats that—

War experience and postwar exercises have established beyond doubt the senile decay of infantry in its traditional form.

By 1929 these criticisms of Liddell Hart were accepted by the military authorities of Great Britain and the reorganization of the infantry took place. Not only were the infantry brigades decreased in size from four to three battalions but gradually the Infantry has been as much motorized as possible. By reducing the proportion of Infantry it was found possible to increase the tank strength, and hence the offensive and defensive power.

The reorganization problem has been discussed by Lieutenant Colonel Beauman in the Army Quarterly for April, 1930 (p. 98). He points out that organization of Infantry has been going on for 20 years. Each change has been bitterly opposed before its inception by the more conservative elements of the Army and has proved by trial to have considerably improved the fighting value of the battalion. The present war-strength personnel of a rifle company is more than is either desirable or necessary in the condition of modern war. In the above-mentioned article the following statements occur:

In the future the use of smoke, of armored fighting vehicles, of low-flying aircraft, and possibly of gas, is likely to become more intense. Each of these factors makes the control of infantry in battle more difficult. We require small, handy companies that can be easily controlled and maneuvered by their commanders. Instead of three companies of 160 men, we could have four companies of 120 men. The latter strength is probably more suitable than the former under the conditions of modern war.

Lieutenant Colonel Beauman states that the actual strength of a company in battle during the latter stages of the World War was seldom much more than a hundred, and such strength proved sufficient for all normal purposes.

The effect of mechanization on cavalry is extremely important. The keynote of cavalry and its essential value have always lain in its mobility, which has made it the best instrument to reconnoiter and to gain information about the enemy and his movements, and to form a protective screen at a distance from the main forces. But modern invention has given us the airplane, which is immensely faster than the cavalry. It possesses a far greater range, both of movement and of observation, and untrammeled by surface obstacles. Aircraft have replaced cavalry as a means of distant reconnaissance, leaving to cavalry the duty of close reconnaissance and acting as a protective screen within a short radius of the main forces, supplemented, however, by armored cars on the roads. Liddell Hart believes that it is possible that even this rôle may be taken over by the light tanks, cross-country cars carrying lightly equipped infantry, or scouts mounted on tractorized motor cycles.

The mobility of cavalry for strategic movements has been important in the past. By this means a commander could transfer part of his strength from one point to another to effect an unexpected concentration of force. But the development of railway and motor transport for troop movements has practically replaced them for this function, except in desert or undeveloped lands. Yet even in this field the cross-country car threatens their position, as was the case in Morocco and the Sahara. Finally, the hitting mobility, which lies in the impetus of attack and the demoralizing effect given by speed of onslaught, has been the rôle of the cavalry as distinct from the early dragoons and their successors, the mounted infantry. The cavalry charge has been the crowning achievement in the battle. But when modern fire made this impossible on the battlefield, armored vehicles took the place of the cavalry. Liddell Hart has stated that in the World War on the western front—

It became one of the tragic jokes of those weary years to see the cavalry massed, in readiness for its long-awaited rôle, behind the point where a grand attack was to be launched, raising hopes never to be fulfilled, for, if even isolated squadrons attempted to pass through, a few odd-machine guns sufficed to bring to a halt their vain advance. (The Remaking of Modern Armies, p. 52.)

If the cavalry played no more essential or important rôle in the last war, when the tank was as yet undeveloped and the machine gun limited in numbers, its excuse for existence in any future struggle is certainly doubtful—and I am aware of the Palestine campaign.

It is the threat of armored attack that has crippled the essential freedom of movement of the infantry and cavalry forces. It is mobility that has beaten them strategically. Small mobile elements have carried out vital tasks or seized the vital points, with the infantry and the cavalry powerless to intervene. Liddell Hart has stated in the Infantry Journal, January, 1929, that—

If horse-given mobility is far better than none, this year's exercises have given little support to the idea that it is equal to mechanized mobility (p. 86).

In this same article on The Army and the Future he emphasized that—

A marching infantryman is as absurd a freak as a man who should set out to walk to Edinburgh on an urgent business errand.

Major Brett in his article on Antitank Defense, in the Infantry Journal for February, 1929, points out that the foot troops should be provided with adequate means of protecting themselves against tanks, and, of course, the obvious means is the protection given by the armor of tanks. Soldiers with nothing to protect them but khaki are virtually asked to commit suicide. Without the protection of the modern means of defense, such neglect results in mass slaughter.

Major Bradley, writing in the August number, 1930, of the Infantry Journal, outlines the criticisms of the present infantry as follows:

The infantry lacks mobility on the march and on the battlefield.

It is too difficult to control on the battlefield.

Success is too costly in man power.

It does not have sufficient reconnaissance agencies.

It is vulnerable to air and tank attacks.

Its organization is not uniform.

All writers on military science agree that the greater mobility would remedy the weaknesses now considered inherent in the infantry and cavalry. Mobility on the march can be increased by lessening the load carried by the foot soldier and by giving him more speed. Speed can be gained only by motorization. Major Bradley urges that if, due to economy, the army can not be motorized that the units should be organized so that they can be transported on commercial vehicles such as trucks, busses, and passenger cars.

Mobility on the battlefield can be increased by increasing the speed of movement and decreasing the size of the units. All weapons heavier than the automatic rifle should be motorized. The speed thus gained by mechanizing the infantry and the cavalry and motorizing practically all equipment would give them more protection. This mode of transportation would permit the gun crews to be materially reduced in size, and the use of armor would supply the greater protection required. Major Bradley states that it appears that the best plan to gain mobility by decreasing the size of units is to decrease the size of our basic units, the squad, and the platoon. Armed with the new service automatic rifle, and I may say, parenthetically, that our ordnance department has developed and tested an excellent one, the major states that experience indicates that a squad of five men so armed will have as great a fire power as the present squad. This reduction in size of the squad and the platoon would make control easier.

Modernization of our wire and wireless means of communication would also aid control. Speed and reliability of transmission of messages and orders can be materially increased by giving the battalion and higher echelons light, cross-country armored cars for this purpose and eliminating the mounted messenger. As I pointed out in the Infantry Journal of January, 1930, in an article on Infantry Tactics by Capt. Charles L. Bolte, the army that adheres to outworn means and methods goes down to inevitable defeat before modern forces with up-to-date scientific methods and equipment.

Major Bradley, in agreement with this conclusion, lays stress on the fact that—

> To conserve man power we must, as far as is practicable, replace men with machines. In other words, we must mechanize.

After stating what he conceives to be the necessary mechanized developments, he continues that unless we do mechanize—

> We shall soon see the infantry losing more men and money to a mechanized corps to which infantry will be attached for certain operations. Then, indeed, will infantry play a subordinate rôle. Infantry must mechanize or mechanization will swallow the infantry. (Infantry Journal, August, 1930.)

The future of infantry which Major Bradley predicted in August, 1930, is already in sight. The methods of combat use of infantry are surely changing. The same conditions prevail in regard to cavalry. The development of weapons which can deliver a greater volume of accurate fire from a smaller number of sources have permitted and at the same time have forced a greater dispersion of combat elements in the contact zone. We can no longer safely group troops in masses or use them in concentrated formation within the zone of hostile ground fire or wherever there is possibility of attack from the air. Dispersion of troops, which has characterized infantry tactics in the past, tends to become stronger still. The density of men per unit of area in the extreme forward areas and throughout the increased depth of the battle zone, owing to the mechanized warfare and the increased dimensions of the battle zone, is becoming less and less.

Just one word as to motorization. From an excellent article on motorized infantry in Tank Notes of January, 1932, by Lieut. Col. A. L. Bump, a comparison of the cost of infantry motorized and infantry on foot with animal-drawn elements is given. The figures are startling.

Colonel Bump shows, based on the experiences of the Thirty-fourth Infantry during the past more than two years, the initial cost and cost of upkeep for both types of units. Here is the comparison at the end of various years.

For a comparison of costs at end of—

	For animal transport	For motor transport
First year	$95,539.27	$119,975.00
Second year	133,366.12	128,975.00
Third year	172,118.97	137,975.00
Fourth year	210,881.82	146,975.00
Fifth year	249,644.67	155,975.00
Tenth year	443,458.92	200,975.00

It is interesting to note that on the 52 Sundays and 13 holidays of a year (week from Christmas to New Year's included), 65 nonworking days for the animals, they eat up about 10 Chevrolet sedans or 13 Chevrolet touring cars or twelve 1½-ton trucks or four 2-ton G. M. C. trucks; that is, 65 days times $100.37 per day equals $6,524.05. As to strategic mobility, there can, of course, be no comparison.

Unfortunately it is maintained that, granted that mechanization is not only advisable but absolutely necessary, this military need to replace man power by machine power must yield to the need of keeping soldiers in employment. According to a British authority, the practical reply would be that—

> Even the dole is but a fraction of what an infantry soldier costs the hard-pressed finances of the country. And all infantry beyond the proportion who can be provided with, and backed by, up-to-date armament are military superfluous. They are, indeed, merely a present charge on and a potential pension increase of the national debt in case of war.

Consequently, if the different arms of the service, particularly the Infantry and the Cavalry, would retain their prestige, they must modernize and look to the future instead of the past. They must develop new weapons and means to meet new weapons and conditions. They must maintain and increase their element of surprise and their mobility. We must develop increasingly the four major weapons which I have pointed out—aircraft, mechanized forces, gas, and machine guns. Unless this is done, we can not hope to have an efficient army, and ladies and gentlemen, unless we curtail expenditures for and on account of personnel in connection with the Military Establishment, I can see no way by which we may ever expect to equip the Army in reasonable measure with these modern, mechanical instruments of war. To undertake to maintain both would make the cost prohibitive.

In this particular bill, practically everything in it is pay, and it has resulted in the Chinesing of our Army. China has two and a half million men in its army; it has no effective fighting machines, and, therefore, it is powerless on the field of battle. Unless we take steps toward arming our soldiers with planes, machine guns, tanks, and smoke screens, our Army will be comparable to that of China. Under our Budget, limited as it is, it would be impossible to provide both unlimited personnel and adequate effective instruments of war except at an expenditure that would bankrupt the Government.

Now, with regard to this particular bill. It is divided into two parts—the military and the nonmilitary. The military part takes care of the Regular Army, including the civil components, and the nonmilitary section includes rivers and harbors, flood control, Panama Canal, Alaska roads and trails, and expenses of national military parks and monuments.

For the several objects comprised by these two titles, or general subdivisions, the Budget recommendation was $301,030,642 for the military title and $110,333,120 for the non-

military. The committee has reduced the Budget recommendation for the military division by $19,681,036 and the nonmilitary by $4,888,865.

With reference to the individual branches of the Army, Chemical Warfare was not touched, the Air Corps was not touched, the National Guard was not touched, but in a sense increased, Ordnance was not touched, Seacoast Defenses were not touched, the Medical Corps was not touched, and many other branches of the Army were not touched in the least by this subcommittee, or the full committee, which has approved the action of the subcommittee.

The reduction below current appropriations shown in the Budget, is more imaginary than real. The fact is there scarcely were any Budget reductions, and if the recommendations of the Budget had been accepted without change, the War Department's spending latitude would have been greater next year than this. Let me refer briefly to those Budget reductions. Firstly, there was about $8,000,000 on account of decreased commodity prices; then there was $18,445,990 for housing the Army, and the reason for that seemingly large reduction is because there was no authorization for additional housing of the Army and therefore the Budget could not properly carry funds for such purpose. The principal Budget reduction, at least from a money standpoint, was $5,000,000 on account of the Air Corps. Frankly, had it not been for the rule adopted by the Committee on Appropriations that it would recommend no increases in Budget estimates, I would have voted to increase the Budget estimate for the Air Corps up to the amount of the current appropriation. And then, much to our surprise, we found the Budget proposed to decrease the National Guard by $1,645,577. Now, let me tell you what the effect of that proposal would be. I say this to some of you folks who can not argue a question but can only resort to calling names. You have not said a word about the National Guard. The effect of the Budget proposal would have been to deprive 36,763 National Guard men from going to camp this year, and the National Guard unquestionably is the most important component of our Army. [Applause.]

The committee in its wisdom saw fit to provide for sending the National Guard men to camp rather than the citizens' military training camp boys, because the guardsmen are a thousand times more effective. We have disregarded the Budget estimate for the National Guard, and provide for them to go to camp, and also that they may have 43 drills a year instead of 42, to which they would be limited under the Budget estimate.

These several Budget reductions aggregate around $34,000,000 or $35,000,000. You will note that the only two real decreases pertain to the National Guard and the Air Corps, and they aggregate around six and a half million dollars. The rest of it was because no authorization existed and because of decreased commodity prices. Am I not, therefore, justified in saying that the Budget recommendations in the main are imaginary and not real?

With reference to the Budget cuts affecting the nonmilitary items, there were certain more or less drastic reductions touching the national military parks. The fact is, these parks as provided for will be left in wretched shape. They will be on a bare maintenance basis.

The Budget recommended $3,000,000 less for flood control for the reason that the annual rate of appropriation was exceeded by that amount in the emergency construction act of last year. The committee did not disturb the estimates as to the nonmilitary items I have mentioned. We found a way of saving some money on account of the Panama Canal by taking some of the surplus cash of the Panama Railroad Co. and applying it instead of appropriating money out of the Treasury. The Panama Railroad Co. had about a $14,000,000 reserve in cash and securities. About $6,500,000 was cash. The Budget included four and a half million dollars for continuing work on the Madden Dam, and the committee took three and a half million dollars of the cash on hand of the Panama Railroad Co. and directed its use toward the construction of this project.

The guiding policy of the committee in shaping this bill has been to economize without impairment of efficiency in every possible direction. Not a single branch of the Army is injured by this bill, in my judgment, and every person identified with the Regular Army and the civil components will be available to us to-morrow in the event of emergency to the same extent that he is available to us to-day. Every man that is available to-day will be available to this country in a period of emergency under the terms of this bill.

What is carried in this bill for objects other than pay and perquisites? Let me read them to you: Mechanization, $517,855; seacoast defenses, $1,039,972; ordance, augmentation, $265,366; research and deveiopment, $633,550; chemical warfare, exclusive of personal services, $304,017; new airplanes, $11,199,252; making a total of less than $14,000,000 out of an appropriation of approximately $300,000,000. The rest of it is for pay and perquisites, and that is the reason you are hearing so much squawking around here to-day.

Let us take up individually these items. I shall take up first one of the noncontroverted items—subsistence of the Army. There is a reduction of one item there of $2,667,000. The reason for that reduction is this. We found that because of decreased commodity costs in recent years the War Department was able to build up its working capital fund to $7,644,000. They estimate that approximately $5,000,000 is necessary as a working capital and that that amount should be maintained from year to year. The committee decided that the surplus of $2,667,000 should be drafted, and decreased the appropriation by that amount, which is already on hand. That accounts for that item.

The next is the ration, fixed on the basis of 36 cents rather than 37 cents. As you know, the President fixes the ration for the Army—so much meat, so much vegetables, so much of everything. We found that we can buy now more for 36 cents than we could when the ration was fixed at 50 cents back in 1929. If by any chance the cost of foodstuffs should advance, I might remind you that we have this working fund on hand of approximately $5,000,000, which could, if necessary, be drawn upon to increase the ration allowance from 36 cents to such an amount as might be necessary. So the figure 36 cents does not at all control the amount that will be available for rations, because it entirely discounts the $5,000,000 which is on hand.

The remaining item of reduction by the committee under the subsistence head is represented as a "transfer." All items on page 4 of the report, designated as "Transfers," are the result of this: We found that provision for the transportation of officers and men was scattered throughout this bill. It was very difficult to find out how much was spent on transportation of the Army, and in order to give the House and Congress and the American people the complete picture of it, we grouped all items pertaining to the transportation of persons under one head. That is what is meant by "transfers." We did that in this way: We took the total amount exclusive of the civil components and then deducted one-fourth of that amount, and then added the entire amount expended by civilian agencies, like rivers and harbors and flood control, to the amount which was reduced 25 per cent. When we deducted the 25 per cent we did not take off as much as this House approved on the Navy bill. The House approved a one-third reduction on the Navy bill for the travel of officer personnel.

The next uncontroverted item relates to clothing and equipage. We have subtracted $493,472, looking to the larger use of stocks and because of reduced commodity prices. Stocks on hand have somewhat expanded because we have been able to buy cheaper than we have in the past.

The next item is "Regular supplies." We asked the War Department if they could not give us a lower figure than originally estimated for forage by the Bureau of the Budget, and they did, and reduced the estimate by $750,000; so that amount we save.

Next, the Budget recommended 1,000 horses. The committee recommends 500, because we found that considering

the private mounts in the Army, which it is perfectly proper for us to consider because we give $150 a year to officers below the grade of major who provide their own mounts, and in addition feed and blanket and shoe and house their horses, and in reality they cost more than a Government-owned horse; so we figured, counting the private mounts plus the number of horses we have, according to the testimony submitted to us, we would be 400 horses over the prescribed allowance at the close of the fiscal year 1933; 900 over before we took off the 500, and with the 500 taken off the excess would be as I have indicated. So this $65,000 is for the feed and care of those 500 horses.

Then there is a reduction of $114,000 because of reduced commodity cost under the head of "Regular supplies."

The next item is Army transportation.

Of the reduction of $5,555,456 proposed under this appropriation, $3,363,840 represents a transfer to the pooled appropriation for travel. Generally speaking, deferments and reduced commodity costs account for another $1,636,253, of which $84,000 is on account of motor-propelled passenger-carrying vehicles, and $984,500 is on account of motor-propelled trucks. The committee has approved $80,000 for the procurement of ambulances and motor cycles and $150,000 for motor-propelled trucks, and has included as section 3 of the bill a provision which will preclude the use of cars on hand, except by the Secretary of War, for other than official purposes, and the exclusive assignment of any except to the Secretary of War and medical officers on out-patient medical service.

The estimates include $85,373 for the development and standardization of trucks and parts of truck chassis produced commercially, with a view to determining the extent of practicable and economical interchangeability, and with a further view of adopting standard types at the beginning of the motor-replacement program which are adapted to quantity production in time of an emergency. The committee has omitted the amount. The plan, in part at least, suggests ultimately putting the Army into purchasing parts and assembling cars. The automotive industry, the committee feels, may be relied upon to cooperate to the extent practicable in working out a scheme of standardization looking to the procurement of complete units from the industry.

The estimates include $543,522 for the rail movement of personal effects, and $567,204 for the packing and crating thereof. Officers are entitled upon permanent change of station to have their personal effects packed, crated, and shipped at public expense. The extent is controlled by prescribed weight allowances, graduated according to rank, and ranging from 4,500 to 14,500 pounds. No small part of such shipments consists of privately owned automobiles. The committee has had brought to its attention by the Comptroller General a number of instances where it would appear that the freight paid on privately owned automobiles exceeded the value of the automobile. The committee has halved the amounts for packing, crating, and shipping personal effects and has included a provision prohibiting the transfer of privately owned automobiles at public expense.

The next item is "Barracks and quarters," where we show a reduction of $1,141,000. The total amount appropriated for barracks and quarters is in excess of $13,500,000. A 10 per cent reduction would have entailed a larger decrease than we have made, and we know that commodity prices have been reduced by about 30 per cent.

"Purchase of land." That is land around West Point, for the benefit of the Military Academy. I do not suppose it is necessary to dwell upon that, because it was clearly shown that the purchase of this land is not necessary at this time. Moreover, we can consider the matter under the 5-minute rule.

"Signal Corps: Transfer of $24,000," and "deferments and reduced commodity costs, $398,000."

Now, I shall take up matters about which there seems to be some controversy, and first the proposal to place 2,000 Army officers in an inactive-duty status.

Mr. Chairman, we have over 12,000 officers in the Army. We appropriated for the present fiscal year under "Pay of the Army," for 12,000, and there are in addition 60 paid out of river and harbor funds and a number of officer professors at West Point; say, all told, about 12,100 Army officers. We have 118,750 enlisted men, aside from the Philippine Scouts. The situation as it confronted us was just this: There came into the Army after the war a large number of men.

The CHAIRMAN. The time of the gentleman has expired.

Mr. COLLINS. Mr. Chairman, I yield to myself one additional hour.

The CHAIRMAN. Without objection, the gentleman from Mississippi is recognized for one additional hour.

There was no objection.

Mr. COLLINS. Mr. Chairman, the ages of those men are getting so high that they were keeping the younger men in the Army from reaching positions of responsibility, and that condition will continue until 1950, so that a lieutenant in the Army has very little hope for the future left, because it is certain he is going to remain a lieutenant and certainly will not advance beyond the grade of major before the date of his retirement. Those men, to a very large extent, were all huddled together in the grades of lieutenant to major, inclusive. We have lieutenants 62 years old in our Army. We have captains 61 years old.

This is how it happened: Immediately after the war a great many ex-soldiers, sergeants and corporals, and so on, had a chance to join the Army as commissioned officers. Field clerks, clerks in the departments, had a chance to get into the Army, and they went into the Army. They, in conjunction with many others taken in from civil life, are in a hump, with the result that that hump is destroying the efficiency of the Army. I am not concerned as to whether the Army has 12,000 officers or 10,000 officers. No patriotic citizens can say that we ought to have the 12,000 that we have now, because we all know, and everybody has testified time and again, that many of those officers are overage, and they are preventing, according to their position on the promotion list, the proper flow of promotion for officers junior to them, upon whom we must depend in a future war.

I see my good friend TILSON sitting here, and I want to say to you that I do not have a better friend in this House than the gentleman from Connecticut, and there is no man in this House for whom I have greater respect than the gentleman from Connecticut. [Applause.]

The gentleman told me the other day that he talked to a major general who is now in the United States Army. I shall not tell you the officer's name or where he is stationed, but he asked this major general, "Where can a cut be made in the War Department appropriation bill?" And the general told him to take out 2,000 Army officers.

If you look at the Interdepartmental Pay Board reports—a board made up of Army officers and Navy officers—you will find that they propose reductions in order to make our Army efficient. Do not let our sympathies and the propaganda that is coming to us deter us from doing our plain duty. What are the proper ages for Army officers? West Point graduates should be first lieutenants in 3 years, captains in 10 years, majors in 17 years, lieutenant colonels in 22 years, and colonels in 28 years.

My friends, if an officer in the Navy fails of selection, if he be a captain, which is comparable to a colonel in the Army, he is taken out at about 57; a commander at about 50; and a lieutenant commander at about 43. We are not doing anything in this bill which we are not already doing. Why is it right to do it in the Navy and wrong to do it in the Army? Have we lost our sense of proportion merely because some old general says that what we are doing does not suit him?

These young men in the Army have no chance whatever unless these overage officers are eliminated. General MacArthur, in his promotion scheme, which he submitted to this House, does identically the same thing as is proposed here, except that he carries them as dead weight, while here it is proposed to place them in a retired status. Mind you, an officer is just as much an officer in the United

States Army after he is retired as if he were in the Army on the active list, and his services are available to us at any time. I had a colonel tell me not long ago that he did not have enough work to do to make his job respectable. He said he could do it in 10 minutes a day.

Now, then, do you not know that we do not need more than 2,500 officers for the troops we have? A man is lucky if he has an opportunity to serve with troops every six or seven years, and, therefore, every year he is away from them he is going backward rather than forward, and we are permitting the entire mass to become more inefficient day by day.

Now, then, let us do a little figuring. The national defense act, which these gentlemen say they are approving, provides for an enlisted strength of 280,000 men and 15,035 officers. That is one officer for every eighteen and a half men. Those estimates were made and submitted to the Congress after deliberate thought on the part of the department. Using that proportion of officers to our present enlisted strength it would give us a maximum of 6,500 officers, yet we have over 12,000. In the Hawaiian Islands we have 734 officers and 14,000 men. Certainly we have enough officers over there because it is an attractive place in which to live. That is 1 officer to 20 men. If we follow that through we need only about 5,500 officers. In Panama we have 395 officers and 8,630 men, 1 officer to every 22 men. In China we have 51 officers and 901 men, 1 officer to every 18 men. On that basis we find we need 5,900 officers in our Army.

General Pershing in his book figures a division during the World War at 979 officers and 27,082 men. That is about 1 officer to every 30 men. He figures a brigade at 258 officers and 8,200 men. That is 1 to about 35. He figures a company at 6 officers and 250 men. According to these compilations it is necessary to have less than 4,000 officers in our Army, but allowing that we need 50 per cent more back home it would still be less than 6,000 officers.

What is the situation with reference to another country? Our Army has been built up on the same plan as the British Army. I have made a table showing the British Army and our own Army. The British have 550,000 men in their army, in their overseas possessions, including Canada, Australia, and so on. The total of the army of the British Empire is 550,000 men, and how many officers? Twenty-three thousand and twenty-nine, all told. What about our own Army? We have, eliminating the National Board for the Promotion of Rifle Practice, about 550,000 men, too, and how many officers have we?

One hundred and twenty-seven thousand seven hundred and ninety-two. It looks as though everybody in this country has gotten to be an officer, and if it keeps on we are going to reach the day of the milk-white flag, with a company composed of 100 men, 99 officers and 1 private, and all of the officers taking their turn in drilling him.

Now, then, we have something which the British do not have. We have the National Guard, which is one of the most efficient military organizations on this earth. The British have no component in their army that even approaches in effectiveness the National Guard.

The purpose of this amendment is to take out about 2,000 officers from our Army. What did Mr. Good, when he was Secretary of War, say to my good friend on the Republican side, the gentleman from Washington [Mr. SUMMERS], 11 days before his death? He stated when he was Secretary of War that he was going to propose to the President the taking out of the Army of 5,000 officers. He was unable to do this because of his untimely death.

Now, what is the effect of this reduction? It will take out of the Army the overaged officers, so that promotions will flow for the younger men and give them a chance to be promoted. The method we have adopted is to take them out because of age, and the reason we have adopted this method is because we do not know of anything in the world that affects a man's usefulness in the Army so much as senility.

There is not a man that I know of in the Army who wants them taken out in any way except by order of the legislative body, and this method is prescribed because they do not want any politics in it. They say that if we adopted any other method, every Member of Congress and every Member of the Senate, practically, would be down there saying, "Do not touch this man," and many incompetent men, because of political influence, would be retained in the Army.

However, in order to take care of some officers that it is claimed no one else can replace, although I have not very much faith in that theory, we give them a discretion or leeway of 5 per cent, and we provide, in addition, that no Air Corps officer shall be taken out except with the approval of the Chief of the Air Corps.

I have no pride of authorship respecting the language employed for the accomplishment of the reduction. The subject is more or less technical, but my thought is that taking the provision as a whole, it will accomplish what we seek to accomplish in a reasonable, orderly, and fair way. However, if the provision be adopted, I propose to offer four amendments, namely: One, to exempt the Medical Administrative Corps from the 10,000 limitation. Second, to give the President the right to divide the total number of officers in the grade of first and second lieutenants between grades. Third, in making room for the June, 1933, West Point graduates by removing officers most advanced in age in the grades of colonel and lieutenant colonel, to provide for such removal proportionately from such grades, and fourth, to make the exemption of Air Corps officers mandatory.

I have now discussed, perhaps somewhat more at length than I should, the question of the officers. I have discussed the National Guard, and have advised you that the National Guard appropriation meets with the approval of the National Guard Association and likewise the head of the Militia Bureau in the War Department.

With regard to the Organized Reserves, we undertook to accomplish a saving of $2,109,000, and we undertook to do this by providing that these reservists may go to camp this year; their expenses are paid to and from camp, and they are given $1 a day for subsistence at camp. All of their expenses are taken care of, but we do not provide them with pay while at camp. All they have to forego is the pay that heretofore they have received while at camp. These gentlemen are patriotic Americans. They are outstanding citizens in the community in which they reside; and if they are as patriotic as I think they are, they are going to perform their duty in times of stress like these without the necessity of pay.

There are 19,000 of these men who go to camp. As to 1,000 Air Corps officers, we are going to continue to give them everything they have had in the past; and because of the larger purchasing power of the dollar, they will get more than they have been getting in the past.

In addition, there are 772 that go to schools and are instructors and are with tactical units, and so on. Their term of employment is longer than 15 days, and they are taken care of and are amply provided for.

With reference to the Reserve Officers' Training Corps, the provision in that regard is simply this: These boys go to school four years. The first two years are known as the basic course and the last two years as the advanced course. They have four years of military training.

Under the national defense act it has been the policy to send advanced students to camp for 42 days at the close of the school year. We have been sending between 6,000 and 7,000 of them to camp. This bill proposes to take away from them the camp training this year, but provides that they may go into the reserves, as they have done in the past.

Nobody on the committee wanted to take away from these boys their camp training. I do not want to take it away from them. I want them to continue to go to camp, but I felt that in periods of distress we could well afford to let these boys forego their camp training this year, because it is time that this Congress is doing something toward relieving the overburdened taxpayers in some way besides increased taxes. [Applause.]

I had an Army officer suggest to me yesterday in the dining room that he would not have objected to this if we had taken camp training away from everybody. He said there is discrimination—they take it away from some and not away from others.

But I did not want to go that far, and other members of the committee did not want to go that far. So we postponed camp training for only a part of them, and gave the camp training to the rest of them. This is just a temporary matter. Do you not think that everybody ought to make some character of sacrifice in times like these?

Now, I wish to refer to the citizens' military training camps. These are attended by a number of young men each year. I imagine that most of them are real nice boys.

I imagine they have a good time at camp. They learn how to "fours right" and "fours left," "squad right" and "squad left," and they are given a course in citizenship, patriotism, and so on. I know that it is a pleasant vacation for these young men. It may do them some good, doubtless it does much good, but I never thought that the expenditure for it was commensurate with the good that the Government got out of it in a military way.

In other words, I seriously doubt if it ought to be in this bill, but should be carried in some other bill.

Personally I would like to see the Boy Scouts given some sort of a camp training, but I am not going to advocate that now, because I do not believe that any new activity ought to be gone into at this particular time.

With regard to this activity I asked General Bridges—and you will find it in the hearings—if any serious harm would be done the Government if this activity should be suspended for one year, and he said, "No; not for one or two years"; and he is in charge of it.

It seems to me his opinion ought to be worth something. General Summerall in his last report, before he left as Chief of Staff, said that in his judgment that about the only worth-while good that the Government got out of the citizens' military training camps is the opportunity that the camps afforded the Army officers in charge to contact with the civilian population.

There is no disposition on the part of the committee to discontinue this work indefinitely, but we do feel that this year it ought to be suspended. If times get better, I assume we will be asked to provide for its resumption.

Now, let us see about the purpose of this component. This particular activity has been going on about 11 years, and the purpose is, according to the national defense act, to make officers for the Reserve Corps.

During the 11 years we have trained 223,198 of these boys. Only 10,562 have taken the 4-year course—that is, four training camps.

Now, with regard to those who did complete the course and went into the reserve, how many officers did we get?—1,441. And, listen, we would not have gotten the 1,441 had we not stopped giving the boys an examination at the end of the four years, because they could not stand the examination. So we adopted a new method and told the Army officers to pick out the likely boys and say, "Son, you can go into the reserves." If we had not done that, you would not have got the 1,441. During that particular length of time we spent on that activity $24,022,000. That means that every officer that we have gotten out of it has cost the Government, individually, $16,670, and if we add to that the cost of the Army officers and the civilian and enlisted men that we have used in the training of these, it will increase that amount to $27,000 plus per officer. In other words, we can train a boy at West Point or Annapolis for about half of the cost to train one in this activity. In view of that fact, at this particular time, I think we can forego this activity for at least one year.

With reference to the National Board for the Promotion of Rifle Practice, the head of this organization is one of the finest men I know. He is a very fine gentleman. They have rifle matches every year, or have had for the last four or five years. In the beginning they started out with a match every other year, but the last three or four years they have been having matches every year. The Army sends teams and the National Guard sends teams and the Organized Reserves and the Navy and the Marine Corps send teams there. Last year the membership of the civilian team was 461. In other words, the Army and the Navy and the Marine Corps, and so on, made up the rest of them; and counting the pay of officers, and so on, the camp last year cost $1,013,000, in reality to give two weeks training to 461 people who have not previously gotten rifle training at the expense of the Government. I do not think that any great harm will happen to the Government by a discontinuance of this activity. It seems to me that the training to shoot a rifle of 461 persons who have not been getting rifle practice in this day of want and distress is not worth $1,013,000.

That completes what I think are the controverted items in the bill, except that I do want to say this before I conclude. I read in the RECORD this morning a letter from the Chief of Staff, inserted at the request of the gentleman from New York [Mr. SNELL]. In that letter the Chief of Staff says:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, D. C., May 9, 1932.

Hon. BERTRAND H. SNELL,
House of Representatives, Washington, D. C.

DEAR MR. SNELL: In the hearings held by the Military Subcommittee on Appropriations on the Army appropriation bill no indication was given to the representatives of the War Department that a reduction of 2,000 officers was contemplated, and in consequence no opportunity has been afforded to express the opinion of the department on such a revolutionary step. As the military adviser of the Government, I am therefore taking the liberty of presenting to you the views of the General Staff on this important matter, with the hope that you will lay them before the House.

I think the Chief of Staff is a very estimable gentleman, and I have nothing but the kindliest feelings for my friend Mr. SNELL, but it seems to me, as a matter of strict propriety, that that letter should have been sent either to the Speaker of the House, the majority floor leader, the chairman of the Committee on Appropriations, or the chairman of the Committee on Military Affairs. And then I am wondering again why the Secretary of War did not send the letter instead of the Chief of Staff. The Secretary of War is the head of the War Department, and it seems to me that if he is opposing the economies that this committee is trying to bring about, he ought to have sent this message up here himself.

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

Mr. COLLINS. Yes.

Mr. SNELL. Perhaps I am to blame for that, because I indicated that I would like to have his views, and he sent the letter to me.

Mr. BYRNS. The gentleman has just said that the Secretary of War is the head of the department. Does the gentleman believe that the Chief of Staff would ever think of sending a letter of that importance and significance without first conferring with the Secretary of War?

Mr. COLLINS. I doubt that very much. With regard to that particular statement, on December 28, 1931, I wrote the Secretary of War and asked him how much ought to be reduced from this bill in money if 2,000 Army officers were to be taken off. That was in December. I received his answer on January 14, 1932. The Secretary of War in this letter gave the committee the information it wanted, as to the amount to be deducted in the event 2,000 officers were taken away from the officer personnel of the Army. If these 2,000 Army officers are taken off the saving will be approximately $4,000,000, but that does not begin to state the case, because already there is in the formative stage a proposal to begin a new housing program costing over $97,000,000 to house, among others, a portion of these 2,000 Army officers. The average saving on account of these 2,000 officers ultimately will be approximately $25,000,000 a year.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield before he leaves that point?

Mr. COLLINS. I am sorry, but I can not yield.

Mr. WOODRUFF. I wish you would, because it will clear up in my mind an apprehension as to what the cost of that

particular activity will be. I think the gentleman misspoke himself. He made the statement that there would be a saving of $25,000,000 because of the additional cost of housing.

Mr. COLLINS. Not only housing, but an officer is paid in quite a number of ways. He gets his base pay and then his 5 per cent increase every three years, and in addition to that he gets commutation of rations and commutation of quarters, and so on.

In addition to that, he gets his transportation charges and many other charges, which make the cost of an Army officer over $10,000 to the Government.

Now, further, with reference to General MacArthur's letter, let us consider his testimony and see if he was not advised when he testified. He testified on December 21, 1931. I read from the hearings:

Mr. COLLINS. Should we not have, instead of our present conditions, a nucleus of real, live, vigorous, active officers, trained, commensurate with age and rank, for war-time missions in the field?

General MACARTHUR. That is the ideal condition.

Then later on:

The captain of a company has to go through physical exertions which the age of 63 makes it difficult for him to undertake. He should be in a higher rank at that age and not subject to such effort.

Mr. COLLINS. General, I can not believe that you are advocating as ideal a situation where a first lieutenant is 60 years of age and a captain is 63 years of age, and a major 61 years old. I can not believe that you advocate that as an ideal war condition.

General MACARTHUR. No, sir; I do not.

Then further on:

The average age of the Army in its various grades is much higher than I would have it.

Further, General MacArthur says:

My so-called promotion bill that you probably know about in a general way, is designed to reduce ages as far as possible.

Mr. COLLINS. I had understood that reduction in age was what you were trying to accomplish; that the idea you had in mind was reduction in age of the officer personnel of the Army.

General MACARTHUR. The object of the bill I suggested is to make the flow of promotion more rapid or to place officers in command rank at younger ages.

But at the same time I would not say * * * that those men did not represent a certain degree of merit.

Mr. COLLINS. Your promotion bill does, however, contemplate the carrying of these men on until age takes them out, does it not?

General MACARTHUR. Yes, sir.

And the entire question was brought to his attention at that time, and he gave us the information that we requested.

In addition to that, after this letter was written to Secretary Hurley, Mr. Hurley came before the committee to testify, and he said this:

Mr. Chairman, I, of course, have kept in touch with your hearings as they proceeded, and I am familiar with the bill and the hearings at the present time.

I have read the statement made to you by Chief of Staff, and I think it would be rather a waste of time for me to go over the same ground again unless you gentlemen have some questions you would like to ask me.

Now, it seems to me that all of the advance information that was necessary was afforded these gentlemen, and, aside from that, Congress has been hearing this question discussed ever since I have been on the floor of this House, and that is nearly 12 years. We have had hearing after hearing upon the subject.

There is no man in this House who does not know of the hump that is in the Army. We know the recommendations of the Interdepartmental Pay Board. We know of the hearing held by a committee of the House and by a committee of the Senate on the promotion of Army officers. Nearly all of us know it in more than a general way, and it seems to me, with the information before us, we could at least frame an appropriation bill without the aid of the Chief of Staff of the Army. It is a question of policy, anyway.

Mr. Chairman, the committee feels that the Military Establishment should bear its share in governmental economies, yet sheer economy was not the dominating factor in the drawing up of the bill under discussion. In spite of the vital need for economy, the committee, after a great deal of painstaking effort, has, by keeping efficiency in the foreground, brought forth a bill that combines both economy and efficiency. The reductions submitted to you will impair very slightly our military effectiveness for war. Reductions average less than 10 per cent when it is considered that commodity prices have been generally reduced from 30 to 75 per cent.

We believe that the country demands that governmental appropriations be reduced and that the Army should accept its share of the general reductions without protest and in the spirit of patriotism. Other individuals not on the pay roll of the United States are taking enormous losses, others have had their pay and incomes greatly reduced, while still others are entirely without work and are living on the barest necessities. A large part of our population are living on charity. Hunger is everywhere.

In April, 1930, when the census was taken, there were reported 48,832,589 gainful workers in the United States. Of this number, 3,187,649 were out of employment, as shown by the census. Since then the Labor Department, the Interstate Commerce Commission, and other Government agencies have been furnishing monthly reports of the percentage of jobs lost in various grades of employment that largely compose the better-organized groups of workers. The number of the better-organized groups of workers aggregate 26,643,323, or 54.6 per cent of the 48,832,587 gainful workers, as reported by the last census. Of these 26,643,323, the number of 6,502,794 have lost their jobs since April, 1930. This number added to the number out of employment in April, 1930, makes a total of 9,690,441 unemployed. In addition it should be recalled that we have no figures of the 45.4 per cent of unorganized workers. If unemployment of this group were known we would find that from twelve to fourteen million workers in the United States are now out of employment.

The minimum figure—and it is just as accurate as if we were taking a census—is 9,690,000 unemployed.

Now, then, with such a condition as that confronting us, with this terrible unemployment situation existing throughout the country, with hungry people walking the streets of the cities and towns of this country, do you not think it is time the War Department should take a reasonable cut without complaint, especially when no effective instrument of the Regular Establishment is touched and they are affected only temporarily in the other branches?

Under such conditions as these it would, indeed, be a violation of the trust imposed in us and a great disappointment to the thousands of the great rank and file of our citizens if we fail to let this bill substantially share in the reduction of governmental costs. That the Government has been extremely generous to its workers, civil and military, can not be denied, yet opposition to any reduction in pay and perquisites comes from many classes when it is well known that reductions in governmental costs must be made if our country is to survive.

We are not the only country that has found it necessary to curtail the lavish expenditure of the taxpayers' money. The British have found reductions absolutely necessary in every branch of government, and the recent British budget provided for the army, navy, and air force an appropriation of $364,753,228. The British Army budget is but $127,525,560.

The bill before us is not a partisan one, although an attempt to make it one seems imminent. The urgent demand for economy and the existence of numerous groups lobbying to prevent any move in this direction is well known to both Democratic and Republican Members of this House. That President Hoover agrees with the desire of the committee to bring about savings is evident from his message of May 5. An effort has been made here to-day to show that he does not believe in the reductions and economies brought forth by this committee, but I doubt that. Certainly it can not be true if his statement of the 5th of this month is true. In his message of May 5 he stated—

a drastic program of economy which, including the savings already made in the executive Budget of $369,000,000, can be increased to exceed $700,000,000 per annum.

He further stated that the economy program—

must embrace the rejection of all measures that increase expenditures unless they be for undoubted emergency.

That he understood the difficulties in the way of economies is evidenced by the following:

The Government can not be dictated to by organized minorities. Such action will undermine all popular government. I know that these actions do not reflect the will of the country, and I refuse to believe that the country is unable to reflect its will in legislation.

Mr. Chairman, I have confidence in the membership of this body. The entire country is looking our way. We are expected to bring some measure of relief to a suffering people. Surely in times like these we should unitedly labor for a balanced Budget not alone through increased taxes but through reduced appropriations as well. It is grossly unfair to loyal taxpaying citizens to expect them to make all the sacrifices while governmental expenses run smoothly on. [Applause.]

Mr. Chairman, I yield five minutes to the gentleman from Tennessee [Mr. BYRNS].

Mr. BYRNS. Mr. Chairman, I have asked for this time not to refer to this bill but to refer to some statements that have been made recently with reference to the necessity of reductions to be made by the Congress in order to balance the Budget. Taking into consideration the recommendations of the Secretary of the Treasury in regard to necessary revenue for the next year, it has been said repeatedly that $231,000,000 must be saved by way of reductions in expenditures in order that the Budget may be balanced. In most of the statements there has been no reference to the fact that the House of Representatives has already saved very nearly that amount in the way of reductions in estimates submitted by the President. There seemingly has been a purpose to ignore what the House of Representatives has done, or those who have made these statements are ignorant of just what reductions have been made.

I am simply taking advantage of this opportunity to repeat what I have said several times. As I said the other day, the House of Representatives has made a reduction at this session in the President's Budget estimates of $161,455,101.56. Of that amount, the sum of $14,071,120 represents reductions made in the first deficiency bill, which, therefore, can not be applied to the reductions for the year 1933. But it remains that if the House of Representatives shall concur with the Committee on Appropriations with reference to the reductions made in the pending bill, these bills will have left the House with a total reduction of $147,283,881.56. Add to that the $5,000,000 by which the Senate reduced the Interior Department appropriation bill, and you have $152,283,861.56. If you will add to that the reductions made by the Senate in the bill which carries appropriations for four of the departments, amounting, as I recall, to about $12,400,000, and also add to it the sum of $42,000,000 which it is stated was saved by the passage of the economy bill the other day, you have a total of $206,683,888.56, leaving in order to meet the requirements for the purpose of balancing the Budget, as we are told through the newspapers, about $24,000,000 or $25,000,000.

I call your attention to the fact that there are pending in the Senate the agricultural appropriation bill, the Treasury and Post Office appropriation bill, the Navy appropriation bill, the legislative appropriation bill, the District of Columbia appropriation bill, the independent offices appropriation bill, and there will follow the War Department appropriation bill. Certainly out of that great list of bills there will be many more millions of dollars saved and very much exceeding the $231,000,000 which it is said is essential in order to balance the Budget. I state this not to indicate that Congress ought to stop saving, but to show that Congress is making effective progress in the matter of reductions, and is certainly entitled to more credit than it is receiving. [Applause.]

[Here the gavel fell.]

The Clerk read as follows:

Be it enacted, etc., That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes, namely:

Mr. OLIVER of New York. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am not in favor of the economy program on the Army bill. I believe the Appropriations Committee has usurped the functions of the Military Affairs Committee of the House. I do not believe that by the power of the purse we should change our policy of national defense. I believe this policy should be established by a report from the Committee on Military Affairs and by a vote of the House and the Senate and the signature of the President.

If we are to establish the policy of this Nation in regard to national defense through the medium of the purse, then we can establish the policy of the Federal Reserve Board through the medium of appropriations.

These things are essential to the security of the Nation. The Government is in the red, but I would rather see the Government in the red than to see the country unprotected and to find that the red blood of the boys of this Nation will be shed on battlefields because we are unprepared. I do not think we would have considered it great economy if General Pershing had wired back to the United States, "I saved $200,000,000 worth of ammunition and only lost 500,000 men." I do not believe the people of this country want to see our Nation stripped naked in the presence of those who might be our enemies in order that we may balance the Budget. If we can not balance the power of the Nation to defend itself, what is the use of balancing any budget?

I am opposed to the proposition that the youth of this country shall go into the next war—and God forbid that we shall have one; but there are clouds on the horizon of almost every nation in the world—without an opportunity to know the art and science of warfare and the intricate and technical conditions under which war is fought to-day.

The few millions we save under this bill will cost us billions if there be even the threat of war. The mad rush to train men in that exciting moment will drain the budget of every family in the land. In the last war troops were marched into the battle line who had had only a few weeks in camp under officers trained in the rush and hurry of war hysterics. Will we not take warning from the lessons of the past? Will we save in money now and pay in blood later?

I believe the officers' training camps are the soul of our national-defense policy. I believe that the officers in the Reserve Corps are as valuable to us to-day as the officers in the Medical Corps. You can not train doctors just by calling them to the colors any more than you can train officers by sounding the tocsin of war.

They are the teachers of the art of war. We may as well close up our colleges in the name of economy and pay in ignorance as to fling out these great trainers and war scholars. Ignorance of the arts of peace destroys commerce and liberty. Ignorance of the art of war challenges disaster to the sovereignty of a nation and is sure to bring humiliation and misery to its people.

I do not believe in a policy of economy which imperils our Nation. I believe the peril to the country that the terms of this bill will cause will be resented by the taxpayers. Taxpayers are citizens, and citizens might have to become soldiers. Yes; millions are out of work. I sympathize with them. I hope they will be employed soon. In the event of war millions might be flung into their graves without necessity. Sympathy will do them no good. Jobs will do them no good. To forestall that I vote to uphold our defense policy.

I, therefore, sir, shall support in minor details the recommendations of the committee, but I shall oppose the change

in national policy by mere manipulation of the purse. When this Nation wants to establish its policy it must do it in the open and not through the medium of cutting appropriations.

We are not going to cripple our Government against the day it faces an enemy. Knowing full well that this is not a partisan issue and that no one party has a monopoly on love of country or a monopoly on a desire for the country to be properly prepared, I for one on the Democratic side shall oppose this committee which, through the power of the purse, is attempting to strangle proper defense of our Nation as outlined in the present law of the land. [Applause.]

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

Mr. Chairman, the House is commencing the consideration of the last appropriation bill. The country within the last few days has heard a special message from the President calling upon Congress for nonpartisan cooperation in order that economies in government may be effected.

Last week we considered an economy bill, and we watched, day after day, while the economies, estimated at $210,000,000, were by the action of this House whittled down to $42,000,000. Here is an appropriation bill that has been brought in, prepared by a subcommittee and reported by the entire committee, that has attempted to effect economies in government, and before the first section has been read, I was sorry to hear the minority member of the subcommittee rise on this floor and announce that he proposed to introduce four amendments that would increase the bill by approximately $9,500,000.

Let me appeal to you that we keep in mind the financial condition of this country. Let me appeal to you that we keep in mind the message of the President, which met with the approval of this country.

National defense has not been injured by this bill. Are we to witness again this week the same chiseling process that robbed the economy bill and cut it from $210,000,000 to $42,000,000?

I am sorry to see these amendments come from the minority side of this House immediately following the appeal of our President for nonpartisan cooperation in reducing the expenditures of our Government.

I hope the House will proceed with the consideration of this bill with a realization of its responsibility to the country and with a realization of the financial situation that now faces the Government.

Mr. BARBOUR. Will the gentleman yield?

Mr. HOLADAY. I yield.

Mr. BARBOUR. Has the gentleman read the statement issued by the President to the press on March 25 in regard to economy, wherein he says, "We should not further reduce the strength of our defense"?

Mr. HOLADAY. Let me ask the gentleman whether in offering these four amendments he is doing it at the request of the President of the United States?

Mr. BARBOUR. I am not reducing the national defense beyond what it is now, and that is what the President recommends.

Mr. HOLADAY. Am I to understand, then, that the gentleman in offering these amendments to increase the amount of the bill $9,500,000 is representing the wishes of the President?

Mr. BARBOUR. No; of course not. I am simply citing the statement of the President in connection with our national defense, and I say that by reducing the appropriations $9,500,000 we are doing the very thing the President says we should not do.

Mr. HOLADAY. Then I take it the gentleman assumes he is representing the wishes of the President?

Mr. BARBOUR. No; I do not assume to speak for the President.

Mr. HOLADAY. I simply wanted the attitude of the gentleman made plain, so that the House and the country may know what we are doing.

Mr. BARBOUR. So far as the President is concerned, he can speak for himself, and he has spoken. So far as my amendments are concerned, I assume full responsibility for them.

Mr. HOLADAY. Do the gentleman's amendments coincide with the statement of the President?

Mr. BARBOUR. The President has said that we must not further reduce the national defense, and my amendments are to prevent any further reduction in the national defense.

Mr. BYRNS. Will the gentleman from Illinois yield to me?

Mr. HOLADAY. I yield.

Mr. BYRNS. I understood the gentleman from California, in response to an inquiry by the gentleman from New York [Mr. SNELL] in his speech a while ago on the same subject, to reply that he had an interview with the President; and although he did not say so, he left those of us here under the distinct impression that he was representing the views of the President.

Mr. BARBOUR. Oh, no; that is a violent assumption, I will say to the gentleman from Tennessee. The record will not show anything of that kind.

Mr. BYRNS. I do not know what the record will show, but that was the impression that we got. If I misunderstood the gentleman, I am glad to have him correct me.

Mr. BARBOUR. The gentleman did not hear me say that. I read a statement made by the President of the United States on March 28, and the gentleman from New York [Mr. SNELL] asked me if I knew whether the President had changed his attitude in regard to that matter. I said that the statement was made by the President that we must not reduce our national defense, and that I had called up the White House and asked one of the secretaries to send me that statement, and it was sent.

Mr. BYRNS. We heard the gentleman from Mississippi state that this bill does not carry the slightest reduction in appropriations for the National Guard; it does not carry the slightest reduction in appropriations for chemical warfare; it does not carry the slightest reduction for the Air Corps or the enlisted personnel of the Army. The only reduction it carries, so far as the fighting force is concerned, is with reference to 2,000 officers, and we have more than 12,000 officers now, and as those are retired they will be subject to call if needed. Now, does the gentleman think that these reductions in this bill is going to affect our national defense?

Mr. BARBOUR. According to my understanding we now have many officers not engaged in active military duties. We have men in the Engineer Corps working on the Mississippi River and on the Great Lakes. We have them training students in schools and agricultural colleges, and the Organized Reserves and National Guard and the Reserve Officers' Training Corps.

Mr. HOLADAY. Mr. Chairman, I can not yield further. I want to make this one statement: The gentleman from California is entitled to offer any amendments he wants to. This House and this country are entitled to know whether or not these amendments represent his personal view or the view of the subcommittee or somebody else. Gentlemen, let me appeal to you again, we must face the country on this question of economy, and we must not fail as the House failed on the economy bill last week.

[Here the gavel fell.]

Mr. BEEDY. Mr. Chairman, I move to strike out the last four words. I welcome the opportunity which is now presented to some of us who do not agree with all of the items in the pending bill, to make perfectly clear to the Members of the House and to the country precisely what our position is. Let it be understood once and for all that there is no disagreement among any of us as to the necessity for economy. What is economy? The dictionary says that economy is a careful, thrifty method of management, without loss and without waste. So that economy is a relative term. There is no one here at the outset who wishes this country to waste one penny in this pending bill, or in any other bill. The President and the Director of the Budget went all over the needs of the Army for the fiscal year of

1933 and they reduced the Budget recommendations from $451,000,000 in round numbers in 1932 to $411,000,000 for 1933. It is fair to say that $20,000,000 of that reduction was possible because projects for enlarged facilities in the Army were considered possible of postponement in the present exigency. A part of the remaining $21,000,000 reduction was made possible through the decrease in commodity prices. In addition to this Budget cut, which the Army was glad to take, in view of present necessities, this bill proceeds to cut still farther. After the War Department has taken the Budget cuts by reason of decreased commodity prices, this bill would enforce a further cut, on the same ground, of approximately $3,366,000. We say that the committee is crowding on this item in the pending bill. We think before the debate is over that we will be able to prove it.

Now, I want to get into the mind of the Members of the House, so that none of us can be accused of being militaristic, the picture presented before you on the chart, which I have exhibited here. We are a great Nation. We have a great measure of national wealth, and a great many people. The Army is a protection to both life and property in time of peace and in time of war. In these days God knows we can not afford to cripple this great protective agency, for nobody knows what danger may beset us at any moment. Some of us think that economy, careful management, demands that we go about so far in cutting this bill, and no farther.

I do not think any explanation of what the President meant when he said that we can not afford to go any farther in cutting the national defense is necessary. He meant just what he said, and he said it only this spring.

Look at these tables pictured before you on this chart representing the size of the United States reserve and of the United States Regular Army, which we maintain in proportion to our national wealth. (See charts on pp. 9942 and 9943.) The upper section above the solid black mark is the reserve army. The solid black mark represents our Regular Army. Take Italy. She has the biggest reserve army on the basis of national wealth. Then look at France, Russia, Japan, and also at the United Kingdom and Germany, and last at this tiny mark here, less than a quarter of an inch in width. It represents the total reserve and Regular Army of the United States. Such is the size of the Army which we are maintaining to protect our people and our property in any emergency. It is this Army which the gentleman from Mississippi would have us cut in the pending bill. For our present skeleton of an army we are spending less according to our wealth, infinitely less, than any nation in the world.

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

Mr. BEEDY. No. I can not do it in the time at my command. I will be glad to yield if the gentleman can get me more time.

Mr. ALLGOOD. Oh, I think the gentleman will be able to get more time.

Mr. BANKHEAD. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended an additional five minutes at the conclusion of the present time.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BEEDY. I yield to the gentleman from Alabama.

Mr. ALLGOOD. What is the pay received by the Army and the officers in the United States as compared with the pay received in these other countries?

Mr. BEEDY. Oh, we pay our soldiers, I am happy to say, much more than Italy or China or Russia pays hers. I am now pointing out the size of our Army. The gentleman will note there are no dollar and cent signs on this chart. I am showing you the size of the Army as compared with the size of the armies in other nations of the world based on national wealth.

Mr. ALLGOOD. But that must be a very expensive proposition after all.

Mr. BEEDY. The gentleman can see right in the appropriation bill what we are asked to appropriate for the Army this fiscal year of 1933. It is $281,000,000. This is a cut of more than $53,000,000 from last year. We think, some of us, that such a cut is not in the interest of economy, of careful and prudent management. Let me call your attention to this second chart. Here is your army of reserve plus your Regular Army in the United States as compared with the other countries, based on each 1,000 of population. You can see this tiny mark in the right-hand corner. It represents the Army of the United States based on each 1,000 of our population. Yet we have more property to protect than any nation in the world, and ours is by no means a meager population.

What was this national defense act? We started in 1920 to map out an organized scheme of national defense. We said the only way that we can in safety proceed, in view of our experience in past wars, is this: We must have an Army of 280,000 enlisted men and 17,000 officers. Presently we began to cut our Army appropriation bills, and we cut the proposed 17,000 to 12,000 officers and 118,750 enlisted men. General Summerall when Chief of Staff became very much concerned, and in 1927 he went into a very careful analysis to show just how much we could cut this scheme of national defense with safety. He figured that we could never cut below a minimum of 14,000 officers, in round numbers, and a minimum of 165,000 enlisted men.

Now, we have a trifle less than 12,000 officers and 118,750 men. The pending bill proposes that the number of our officers be cut to 10,000, leaving the personnel as it is. This proposal might be justified if our officers were not obliged to train our entire reserve forces, officers as well as enlisted men.

I simply present these facts to show that we have gone just as far with cutting into our national defense as we possibly can within reason. This is the view of the President as recently expressed, and he favors economy—wise economy. I am glad to approve of all these cuts based on the fall in commodity prices; so is the War Department. But we say that when you make these cuts that absolutely eliminate activities of the Army it is going beyond reason. Our entire national-defense scheme works like a set of cogs in a wheel. If one part is crippled the whole does not function efficiently. So some of us here are trying to reason with the House and are asking it to decide whether this committee is right or whether those of us who shall support some of these amendments are right. None of us want a dollar of the people's money spent except in wisdom and in the interest of our general welfare.

Mr. KETCHAM. Will the gentleman yield?

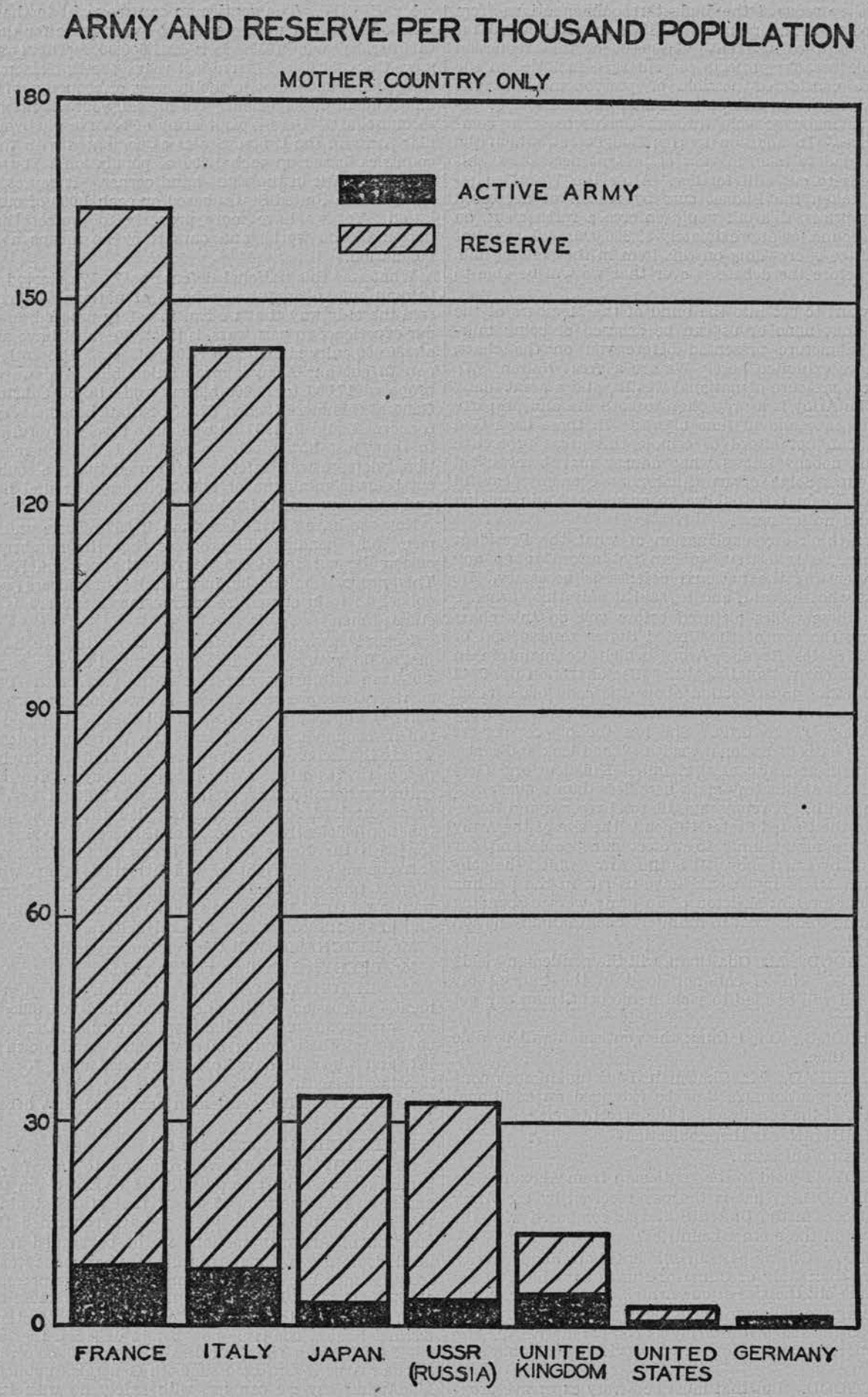
Mr. BEEDY. I shall be glad to yield.

Mr. KETCHAM. Will the gentleman give just a moment's discussion to the effect that the 2,000 officers, who are far beyond their age limit, will have upon the promotion chances of these young men who are lower down on the list, and who will have to be depended upon for the real fighting strength?

Mr. BEEDY. The gentleman has heard that debated for years.

Mr. KETCHAM. No; I have not.

Mr. BEEDY. Well, I have, from time to time, for a number of years. I must confess that I do not claim to be an expert on that question. I do say that after listening to all this running debate for years I have concluded that the question of Army promotions might be argued from now until doomsday without securing a unanimous verdict. I feel that men like General Summerall and the present Chief of Staff, General MacArthur, probably know more about it than I do. By the way, the question of promotions is a distinct issue. The issue now before us is whether we shall cut 2,000 officers from our less than 12,000 officers in the Regular Army. On this issue both Generals Summerall and MacArthur say we can not with safety do with less than 14,000 officers in our Regular Army.


ARMY AND RESERVE PER THOUSAND POPULATION
MOTHER COUNTRY ONLY
ACTIVE ARMY
RESERVE
180
150
120
90
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FRANCE
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JAPAN
USSR (RUSSIA)
UNITED KINGDOM
UNITED STATES
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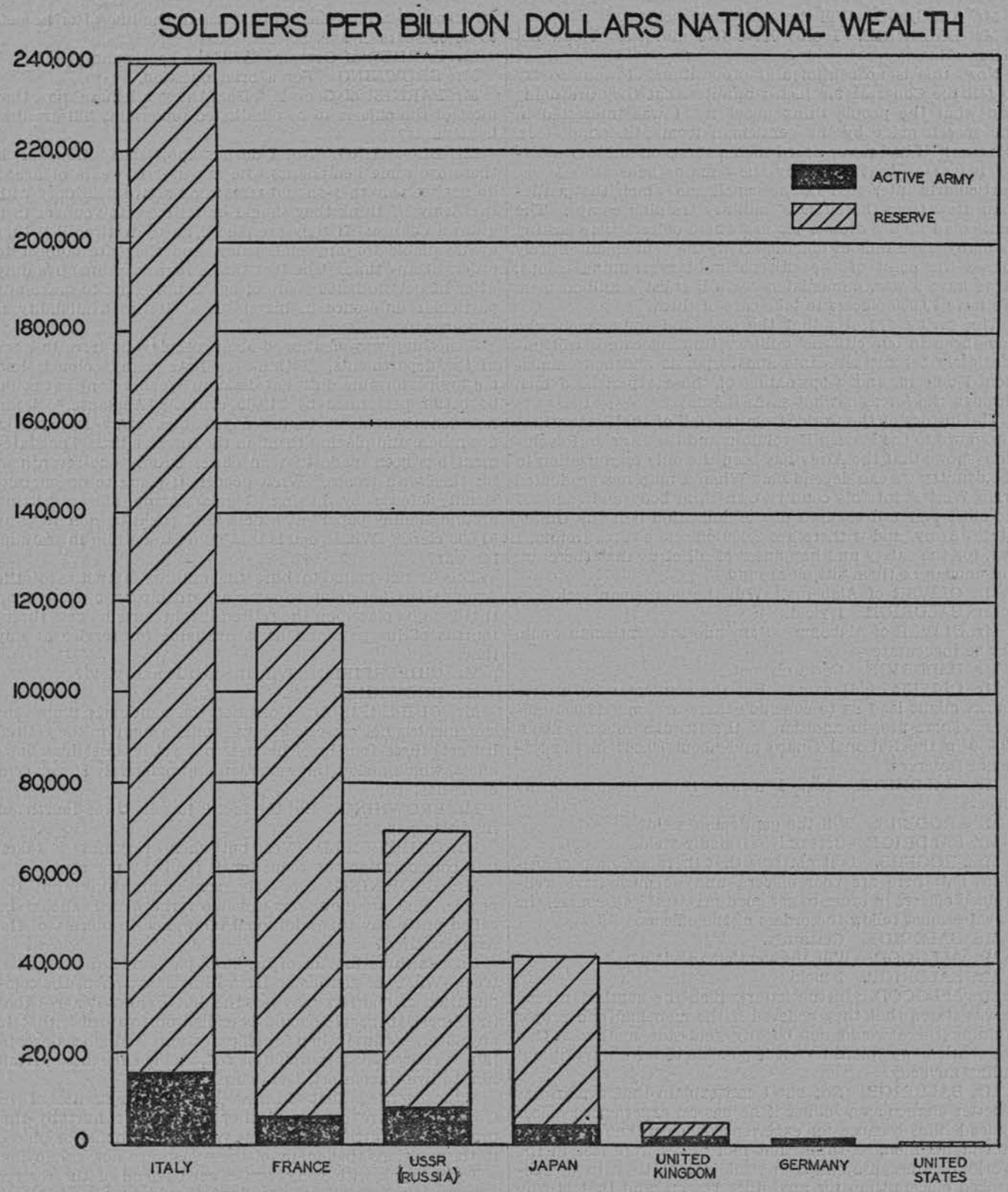

The CHAIRMAN. The time of the gentleman from Maine has expired. [Applause.]

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

Mr. Chairman, we heard an appeal from the gentleman from Illinois in regard to saving $9,000,000, and the gentleman used the word "appeal" a great deal. I would like to read something that to me is a real appeal.

There is an association called American War Mothers, composed of women who are mothers of veterans of the World War. One division of that organization is called the Gold Star Mothers, a division of mothers who lost sons in the World War. I have a note here that came to me, not at my own seeking, but two ladies came to my office this morning, and this is what they wrote:

Every gold-star mother believes that if her boy had had the proper training he might be alive to-day. If there had been more Plattsburgs, there would be fewer white crosses in France to-day.

Gold-star mothers are the most peace-loving people in all of the world, but since we do furnish the man power for our Nation's defense we feel that we have the right to urge Congress to provide our sons with all the necessary and adequate mental and and physical training, experience, and equipment. We are against any reduction in the Army appropriation bill.

Mrs. WILLIAM D. ROCK, *Morristown, N. J.*,
Mrs. NICHOLAS N. NOCK, *Washington, D. C.*,
The Present and Past National Gold Star Chairmen of the American War Mothers.

Mr. ALLGOOD. Will the gentleman yield?

Mr. BALDRIGE. I only have five minutes. I can not yield.

Now, this is no sentimental proposition. I want to try to tell the Congress for just a minute what they are doing and what the people think about it. I was interested in the speech made by the gentleman from Mississippi [Mr. COLLINS]. I had never heard such a thesis on military activity before as that made by the "major general." I was particularly interested in the conclusion which the gentleman drew from the citizens' military training camps. The gentleman finally drew a picture where officers were costing us many thousands of dollars. Now, the gentleman entirely misses the point of the citizens' military training camps. If we have a war, immediately we will enlist a million men. We have 12,000 officers to take care of them.

The saving grace is that the boys and young men who have been in our citizens' military training camps will immediately become sergeants and corporals and noncommissioned officers, and a sprinkling of those experienced men through the forces is what saves the day.

The history of the world, from the fall of the Roman Empire down to the French Revolution and the Russian Revolution, shows that the Army has been the only organization in the country we can depend on. When a man has graduated from West Point this country owns him body and soul. If we must ever fall back on one organization it is the United States Army, and if there are 2,000 officers sitting around, I say, for the safety and happiness of all of us that there are not enough of them sitting around.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. BALDRIGE. I yield.

Mr. OLIVER of Alabama. I am sure the gentleman would not be inaccurate.

Mr. BALDRIGE. Certainly not.

Mr. OLIVER of Alabama. But the gentleman by his remarks might lead us to conclude there are only 12,000 officers. There are, in addition to the Regular officers, about 13,000 in the National Guard and about 80,000 in the National Reserves.

Mr. BALDRIGE. Yes. I meant 12,000 Regular Army officers.

Mrs. ROGERS. Will the gentleman yield?

Mr. BALDRIGE. Certainly. I gladly yield.

Mrs. ROGERS. Is it not true that there are no poor privates but there are poor officers, and we must have well-trained officers in order to get good privates? Of course, the privates must follow the orders of the officers.

Mr. BALDRIGE. Certainly.

Mr. ALLGOOD. Will the gentleman yield?

Mr. BALDRIGE. I yield.

Mr. ALLGOOD. In the letter which the gentleman read it was stated that they believed if the men had had proper training there would not be any gold-star mothers. Can the gentleman explain how it is possible to have war without killing anybody?

Mr. BALDRIGE. No; but I can explain that a man has a better chance as a soldier if he has an experienced officer to lead him, because an experienced officer knows how to protect his men. I think that more lives were lost in the World War because our boys went into battle with inexperienced officers than for any other reason, and that is why the gold-star mothers favor all the training possible.

Mr. ALLGOOD. I feel that more lives were lost on our side because, possibly, our boys were brave and wanted to go through and fight in order to stop the war.

Mr. BROWNING. Mr. Chairman, I move to strike out the last two words. I think I am as far as any Member of this House from wanting to hurt the national defense. I am not one of those who have any grievance against the Regular Army; in fact, I have great admiration for it, but I do not view the matter as the gentleman from California does, when he says that the placing of 2,000 officers on the retired list would hurt the national defense.

Anyone with the least observation knows that war is a young man's game. Anyone with observation knows that an officer or a man has no business in the line after he gets to be 60 years of age.

Mr. PARKER of Georgia. Will the gentleman yield?

Mr. BROWNING. For a brief question.

Mr. PARKER of Georgia. Does the gentleman know that most of the officers to be eliminated under this bill are first lieutenants?

Mr. BROWNING. No; I do not know that. However, if there are some lieutenants who are over 60 years of age, I do not see why they should remain on active field duty with the Army. I think they should be retired and younger men given a chance. If they are placed on the retired list, they are available for any emergency, and they are subject to orders at any time. The fact that a man is on inactive duty after he gets to be 60 years of age is not going to make any particular difference in his status as far as availability is concerned.

Something was mentioned about people who have to work in the departments. I think we have many colonels and majors performing duties at desks in Washington that could be better performed by $1,800 clerks. [Applause.] I am not disturbed about taking a few men away from desks down here and placing them on the inactive list. The statement has been made that an officer is only one-seventh of his time with troops. What good is it going to do our national defense by having Regular Army officers sitting around signing papers at a desk that could be done by any $1,800 clerk? What good is that going to do him in training for war?

This is not going to hurt the military activities of the Army. It is not going to work a hardship on a single man that is to be placed on the retired list, because he gets three-fourths of his pay, and he is available for service at any time.

Mr. CHIPERFIELD. Will the gentleman yield?

Mr. BROWNING. Yes.

Mr. CHIPERFIELD. Does not the gentleman know his statement is not correct, because while a man on the retired list gets three-fourths of his base pay yet he loses his allowances, which makes the reduction approximately 50 per cent of his last pay.

Mr. BROWNING. But the fact is he gets three-fourths of his basic pay.

Mr. CHIPERFIELD. Yes; but when everything is taken into consideration the reduction is really 50 per cent.

Mr. BROWNING. Does the gentleman think that the people, who are now very much overburdened, should be called on to pay this additional allowance to officers of the Army, retired?

He gets three-fourths of his basic pay, and I insist that is true. What the gentleman from Illinois says about the commutation of quarters may be true, but I can not agree that the American people should be called on to furnish that to an officer, because when an officer who is as high as a captain is retired his pay would be reasonable enough to permit him to live in comfort, I am sure.

My insistence is that so far as the military activities of the Government are concerned they will not be hurt by this provision. I further insist that young men should be placed in the positions that many of these men are now occupying.

To be frank with you, I am a good friend of the reserve officers, but I think an age limit should be set for them, because when a man reaches a certain stage of his physical and mental capabilities he is not fit to be a line officer. [Applause.]

[Here the gavel fell.]

Mr. HARLAN. Mr. Chairman, I rise in opposition to the pro forma amendment. Mr. Chairman, there has been a great deal of discussion here, some of it, it seems to me, rather illogical and away from the point, as to whether the officer or the private does the fighting. A great deal of it has been with respect to what officers should be retired, and so forth.

There is one branch of our service where there is no question as to who does the fighting, and I refer to the officers in our aviation service. There is also no question but what

the retirement plan that is provided here provides that practically all of the officers that will be retired from the aviation service will be first lieutenants, men in the very peak of condition to serve their country, the men who in the event of the opening of hostilities will be the bulwark on which we will have to lean until our land forces get into shape, because as long as we maintain control of the air for defensive purposes we are safe and will have an opportunity to get our Army and Navy in condition for attack.

These officers have been specially trained. It was stated on the floor some time ago, in discussing the Navy appropriation bill, that it costs from $35,000 to $50,000 to train and equip one of these officers; and yet we are placing these men in the same class and category as officers of the other branches of the service. I do not believe, from a military point of view, these officers should be sacrificed in the same proportion as the rest of the Army, for the reason that we now have a quota of 1,200 officers in the Air Corps and we are 300 under that number now. In other words, we have approximately 900 officers in this corps; and if this bill goes through, we will reduce them over 300 more and will have the corps reduced to less than 50 per cent of its fighting strength. Men that we have trained at tremendous expense we are to put in the discard, and they are men who are in fighting trim—lieutenants and flyers who are working on experimental work. I say it is very poor economy to waste this great reserve that we have and to put them on the same proportionate basis as the officers in the other services.

For this reason, when the matter comes up for amendment, it is my intention to offer an amendment to line 23, on page 11, by inserting between the words "addition" and "such" the words "shall exempt," so that the clause would read that of the officers to be released by the general board the consent of the Chief of the Air Corps shall be necessary to release the officers in that particular branch of the service.

This will not add anything to the amount of appropriations necessary, but will preserve to our Air Corps the most valuable asset we have.

Mr. OLIVER of Alabama. Will the gentleman's amendment be so written as to limit it to qualified pilots?

Mr. HARLAN. Yes; my language was just a rough draft of the proposed suggestion.

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

Mr. CHIPERFIELD. Mr. Chairman, I move to strike out the last four words.

Mr. Chairman, I do not wish to take any unpleasant issue with the gentleman who made the statement that an $1,800 clerk in one of the departments could just as well perform the work of a skilled and trained Army officer as the Army officer himself, but such statements are absurd.

Mr. BROWNING. Will the gentleman yield?

Mr. CHIPERFIELD. I will.

Mr. BROWNING. If the gentleman is going to take me to task for what I said, I wish he would quote me correctly.

Mr. CHIPERFIELD. I have quoted the gentleman as I understood him.

Mr. BROWNING. Will the gentleman allow me to make a correction?

Mr. CHIPERFIELD. If I may have a reasonable extension of time for the time the gentleman consumes.

Mr. BROWNING. Mr. Chairman, I ask unanimous consent that the gentleman's time may be extended three minutes so that I may make a statement.

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

There was no objection.

Mr. BROWNING. The gentleman will remember that I said that many colonels and majors in Washington were performing a duty that could well be performed by an $1,800 clerk. I did not say that the duties of a colonel or a major who is skilled in his line of work could be performed by an $1,800 clerk.

Mr. CHIPERFIELD. The gentleman said, "as well performed," as I understood him. Now, I do not want to misrepresent the gentleman.

Mr. BROWNING. I am sure the gentleman does not.

Mr. CHIPERFIELD. And, most certainly, I would not attempt to belittle or speak lightly of the gentleman's military service. I have no question that the gentleman was a good soldier, and I do not have any doubt now that he wants to make a fair statement here, but I do say when a gentleman on this floor makes the statement that a colonel of the Army who in that grade is from an assignment in the War Department, and I know the nature of the assignments there well enough to know that he will not be assigned to a task that can be done "as well" by an $1,800 clerk unskilled in military duties. It is unfair to the Army officer who is being classified with an $1,800 clerk, and it is also unfair to the service, and it is equally unfair to the War Department.

As a matter of fact, it is just as absurd as this proposal to strike 2,000 of the splendid officers of the Army from the active list in the ruthless manner proposed and to place them upon the retired list.

When the gentleman makes the statement that this can be done without any harm to the service, I take the most vigorous issue with him in that respect.

Let me tell you why I say it is absurd to strike this number of active officers from the list. In the first place, some 18,000 of these officers are required for duties of one kind or another by our national defense act.

We have about 12,000 officers now, and this proposed measure would reduce the active officers of the Army by about 2,000. We have a plan under the national defense act for the defense of this Nation in time of war, and you can not remove 2,000 trained officers from the Military Establishment of the United States without doing a great harm to the service that could not be corrected in many years.

The Chief of Staff, General MacArthur, has pointed out that we have two sources in this country for the creation of an army. One is for an army composed of citizens rallying to the defense of a nation, and the other is for a conscript army.

There is no halfway house between the two.

It is not fair to say that because there are 117,000 private soldiers in the United States to-day that it is overofficered by 12,000 commissioned personnel. These commissioned officers are the framework upon which an army would be built in time of war.

Now, so far as the proposed reduction of officers is concerned, nothing could be more unscientific.

You are retiring men under this plan purely by age.

No one who has any idea of military history would say that an officer over 60 should be retired on account of age.

Look at Von Moltke and Von Hindenburg, Von Bismarck, and others, who led their men to glorious action when they were approaching 80 years of age. It is an unwarranted slander on the officers of the Army of the United States to say, in view of their health, their condition, and their energies, that they are becoming surplus and worthless at the age of 60 years.

Mr. BROWNING. Does the gentleman know that Hindenburg was taken from the retired list?

Mr. CHIPERFIELD. I have no doubt Hindenburg was on the retired list; but when you take an officer and put him on the retired list for years without the advantage of schools and training, he can not keep abreast of the times and you have markedly decreased his efficiency and worth. To suddenly restore him to active duty would be to the detriment of the service.

Do you know that you are retiring the Chief of Ordnance, General Hof, because his actual rank is only that of colonel.

Under this plan you are retiring the Judge Advocate General of the Army, Gen. Blanton Winship, a fine officer. You are retiring every other judge advocate in the Judge Advocate General's Department until you leave, out of 80

or more, only 27, and of these there is only one who has had any sort of experience in a civil court. You are retiring Col. Tenny Ross and many others who acted as chiefs of staff and led the advance in the World War, and who, in view of their experiences, would be more valuable than any other men who might be left in the various grades, merely because they were younger.

Mr. BROWNING. General Pershing is on the retired list.

Mr. CHIPERFIELD. General Pershing is as much in the active service as he ever was. He is a general of the Army and would be subject to any active duty.

If you are going to retire men, retire them on some sensible plan, and not merely because of age. Retire them on some plan where you seek efficiency in the service, and not because they are the older men.

Let me read you some of these statistics:

There is a rating known as "superior," another as "excellent," and still another as "satisfactory"; and these ratings are made with much care and fairness every year. Of the officers you propose to retire, 79 are of the superior grade, the brightest, best minds of the Army, men who are looked up to by their associates, men who are an ornament to the profession of arms. Then there are 709 whose standing is excellent, the next degree.

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

Mr. CONNERY. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended two minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CHIPERFIELD. There are 710 of these officers proposed to be retired whose standing is satisfactory.

Mr. MARTIN of Oregon. Mr. Chairman, will the gentleman yield?

Mr. CHIPERFIELD. Yes.

Mr. MARTIN of Oregon. And will not this thing rid the Army of practically all of the noncommissioned officers, the men who came in from the National Guard and from civil life?

Mr. CHIPERFIELD. That is so. I was about to come to that.

Mr. MARTIN of Oregon. It is not a direct favor to these obnoxious West Pointers—this plan?

Mr. CHIPERFIELD. Not at all. I put into the RECORD yesterday—because I thought the House would like the information—a list of the commissioned officers who are to be retired under this law, with the place where they come from, not that that makes any difference; whether they came from the Military Academy or were emergency officers or coming in from civil life.

As I compute it, about 40 per cent of these officers you are now trying to retire are men that so many sneer at, the graduates of the Military Academy; and about 60 per cent of the officers came from civil life. This latter class came from the emergency officers, from the men like my friend [Mr. BROWNING], who heroically performed their duty in the World War in the service of the United States. I am sure that what the Army needs at this time is not only these efficient officers from West Point, these regular officers of the service, with whom I served for nearly three years with so much delight; but it also needs the influence of men who come from civil life, men who entered the Army for the emergency. You can not well dispense with these men. The loss of either of these classes would be great and irreparable.

To get now to the subject of the unfairness of this plan to them, they started out in the profession of arms and they had a right to anticipate promotion with increase of pay, they had a right to anticipate under the law that they might stay in the service until a retiring age, they had a right to anticipate, because they can not save otherwise, that they might have all the emoluments and benefits of their position. I say again that the man who retires to-day in any grade in the United States Army will receive substantially 50 per cent of the pay that he is receiving at the time he retires. And so, gentlemen, ordinary fairness to the officers that this bill seeks to retire requires that such provision should be stricken out and should not have the approval of this House. To do less would be to work a great injustice. [Applause.]

Mr. WOOD of Indiana. Mr. Chairman, I can not agree with the gentleman from Illinois [Mr. CHIPERFIELD] that the retirement of these 2,000 officers will wreck the Army of the United States. He speaks about the possibility of promotion that will be denied these 2,000 men. I would have you consider that if that promotion is to be had it is going to be very slow, indeed; and if this amendment carries then, men who are lieutenants will be lieutenants until they are retired for age. You had better give the young men an opportunity to be advanced. These men who are now occupying these offices, who will be placed on the retired list or on the inactive list, have had their training and have had their fling. Why not give the young officers upon whom we must depend a chance, if we ever get into another war. Rather than diminishing the efficiency it will add to the efficiency of the Army of the United States if these old officers are put on the inactive list.

I want to say a word in answer to the argument of the gentleman from Maine [Mr. BEEDY]. He had a beautiful chart here showing the relative size of the armies of the different countries in Europe as compared with ours, taking into consideration their respective national wealth. He showed a great big black mark representing the army that Switzerland has, as compared with her national wealth, and that of France and Italy and Germany and England. Why, there is no comparison between our position and theirs. True, we are the wealthiest nation on the face of the earth; but we have this wealth because we have kept out of war, while these other countries have been constantly plunging into war. Switzerland of necessity has to have a large standing army, for the whole country is not as big as a county in Nebraska or Indiana, and her army is a nonpaid civilian army; everybody belongs to it.

Mr. HILL of Alabama. And the Swiss Army is entirely civilian, without any regular officers at all.

Mr. WOOD of Indiana. That is true. Speaking about the number of officers, we have 12,000 officers to-day in an army no larger than that of England, and she only has 5,000 officers. Our country is isolated and we are not threatened upon any side by a border territory, and we do not have to watch every moment in the day and night lest advantage be taken by some one across the border. You can not travel over Europe but you are awakened half a dozen times during the night by customs officers because of the fact that you have crossed from one country into another. It is unfair to make such a comparison. I would have you understand that the Army of the United States to-day is costing the American taxpayers three times as much as it cost before we got into the World War. Is there anybody here who is apprehensive that we are going to get into war in the near future? We better be a little bit more apprehensive about the Treasury of the United States. Do not be carried away by false alarm.

I know that the Army has a lobby here constantly, and we are beset on every hand by these groups, not only of the Army but of others that I might mention who have some selfish purpose, but there is nobody to represent those back home except we do it ourselves—the burden bearers of this country, the men and women who are paying the expenses of the Army and the Navy, which is more than three times what these respective services cost us before the war.

We should heed the voice of the people. We should pay some attention to the man on the farm who can not to-day pay his taxes, by reason of the economic conditions of this country. It would not hurt the Army; it will help the Treasury of the United States; it will please the taxpayers of the Union if this amendment is not adopted. [Applause.]

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

The gentleman from Indiana [Mr. WOOD] asked a very pertinent question:

Is anyone apprehensive that we are going to get into a war to-morrow?

Let me answer the gentleman by saying that prior to 1917, the great majority of our people did not think that we would get into war. We were unprepared. In 1898 the war with Spain was unexpected and we were not prepared. Neither were we prepared for the Civil War. We were not prepared for the War of 1812. We have never been prepared in this country for war.

Mr. WOOD of Indiana. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. WOOD of Indiana. Does the gentleman expect we will ever be prepared to the extent where we will be immediately able to defend ourselves against any or all the nations of the earth? It is absolutely impossible for this country to be prepared in the sense the gentleman would have them believe they should be prepared.

Mr. McCORMACK. Mr. Chairman, that is the best argument in favor of the amendment which the gentleman from California [Mr. BARBOUR] is going to propose that I can think of. [Applause.]

Now, the fact remains we have never been prepared, and the 1920 act was passed for the purpose of trying to assure reasonable preparation in the event of future armed conflicts—preparation for defense and not for offense.

None of us want war; but in 1914, before Germany and England and France entered into war, a short time before the declaration of war, at a banquet held in London the ambassadors of those countries spoke about their love for each other, and the fact that the days of war were over. Yet within two months of that banquet the worst war in the history of all time was being waged.

We must think of the welfare and safety of 122,000,000 people.

Mr. BANKHEAD. Will the gentleman yield?

Mr. McCORMACK. I always yield to the gentleman from Alabama.

Mr. BANKHEAD. Will the gentleman explain to this House why it is that it is necessary for the Army of the United States to have an infinitely greater proportion of commissioned officers than it is for the great militaristic armies of Europe?

Mr. McCORMACK. For the very reason that we do not maintain in the United States the military theories of European nations but we are maintaining the groundwork of a civilian army through civilian training, under the leadership of Regular Army officers, cooperating with the other reserves, the National Guard, the citizens' military training camps, the Reserve Officers' Training Corps, the Regular Army being the leaders in the training, in order that in the event of war or in the event of danger we will have trained officers and enlisted personnel in this country that we may call upon. Such a policy requires for its success a larger officer personnel. [Applause.]

We have never stood for the European espionage system. We have never stood for the European military system. That is one of the reasons why our forefathers fought during the Revolutionary War—to try to get away from European conditions and policies and principles which existed at that time. We have always tried to keep away from those policies and those principles. We do not want a large standing army but we want a good respectable standing army, which will be well officered and trained, and behind that will be the National Guard; behind that will be our civilians, young men; behind that will be others who are interested, so that in the event of war we will at least be prepared to some extent and not be wholly unprepared as we have been for every war of the past.

Mr. MAY. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. MAY. What does the gentleman think about the idea of proposing a reorganization of the United States Army in an appropriation bill?

Mr. McCORMACK. Well, of course, I think that the Appropriations Committee should be very careful before they undertake to legislate in an appropriation bill. They are usurping the functions and the jurisdiction of a legislative committee and it should only be done with the greatest caution. [Applause.] In this particular case it is unnecessary and unwise.

Now, there is another great question involved, whether or not we are going to have the pacifists determine our policies or whether or not we are going to have respect for the dignity and protection of our country. [Applause.]

I respect my friend, the gentleman from Mississippi. He is just as good an American as anybody in this country. He is a fine gentleman. He belongs to a school in this country which believes there should be no army and no navy. There are some in this country who believe that way; that we should show the world our altruism by being defenseless.

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

Mr. COLLINS. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. COLLINS. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. COLLINS. The gentleman's statement is wholly untrue.

Mr. McCORMACK. The gentleman is expressing his opinion, and I am glad to hear the gentleman say that; but I have expressed my opinion.

Mr. COLLINS. I am saying that to the gentleman so that the gentleman will not make the statement any more. The gentleman's statement about me is wholly untrue.

Mr. McCORMACK. Does the gentleman believe in pacifism?

Mr. COLLINS. I do not; and I maintain that it can be demonstrated to any fair-minded person that there is not a proposition in this bill that should not have the support of every advocate of an efficient and effective military establishment.

Mr. McCORMACK. Very well. The gentleman indicates in this bill that pacifism is predominant. [Laughter and applause.] Permit me to read one paragraph on page 60 of this bill:

> *Provided further*, That none of the funds appropriated in this act shall be expended for or on account of any educational institution not essentially a military school which does not leave the election of military training to all students enrolled therein, and this appropriation shall be available, in accordance with law, to such institutions as maintain elective military training courses.

Just think in time of war what this would mean. They would place the question of military training before the students for consideration and ask: "Do you want military training or not? You can vote one way or the other." Can you imagine the schools leaving it to the personnel of the school, the students, taking the power away from the faculty? This is what the pacifists have been trying to put into the law of this country and in the appropriation bills for the past several years. They say such schools are breeders of war. That is the argument of the pacifists, and that is the best answer to the gentleman's statement. The bill is permeated with pacifism.

Mr. COLLINS. Mr. Chairman, will the gentleman yield? The gentleman is jumping at conclusions.

Mr. McCORMACK. It is the only conclusion that can be reasonably arrived at.

Anything which is destructive of our national defense under the guise of economy is false economy. That is not the kind of economy the people of this country want. They want real economy. They want a reorganization of departments and bureaus and the elimination of bureaucracy. They do not want economy at the expense of our national defense.

The people of America are watching this bill. The people of America are also proud of our Army and our Navy and of the type and character of men who serve therein. The great rank and file of the people of America stand for adequate defense, stand for an adequate Army and Navy that will assure protection of our people, our wealth, and, as the gentleman from Maine [Mr. BEEDY] so well said, of our

shores, and of our institutions of government. We have enemies in this world, just the same as every Member of this House has enemies in his district. Other nations are jealous of our success.

War is not a thing of the past. Armies are maintained in Europe to-day, for what purpose? They are maintained in anticipation of war. They do not want war, but in the event of war they want to be prepared. I do not want war, but who can say that we are never going to have a war in the future? And if we do have a war, let us at least know that in our day, and on this occasion so far as this bill is concerned, we voted to have our country as well prepared as we could under the circumstances.

We have never been prepared for any war that we have entered. At least, let us have some semblance of preparation.

The reduction of 2,000 officers is destructive of our national defense so far as our Army is concerned. The elimination of the Citizens' Military Training Corps is another step in that direction, another attack against adequate defense, and a step in the direction of pacifism.

The elimination of 7,200 boys from the Reserve Officers' Training Corps camp is another step in the direction of pacifism.

The elimination of our Organized Reserves by the payment of only a dollar a day, and then saying that it is for meals is absurd. That is no proposition to put up to any respectable body of men, who have a regard for proper preparations for defense in the event of attack. That is another step in the direction of pacifism. The provision that I have just read appearing on page 60 of the bill caps the climax and shows that the whole purpose is to try to economize at the expense of national defense. A few million dollars saved at the expense of our national defense is not the kind of economy that our people are looking for. [Applause.]

Mr. COLLINS and Mr. GOSS rose.

Mr. COLLINS. Mr. Chairman, it is not my intention to read further than line 15, on page 8, to-day. When we reach line 16, on page 8, it is my idea to move that the committee rise. With that assurance I would like to have the Clerk read a while, so that we can approach that point.

Mr. BARBOUR. Mr. Chairman, when we reach line 15, page 8, we will come to the paragraph where we will meet the proposition of whether we will reduce the commissioned personnel.

Mr. COLLINS. That is right. With that assurance to the House, I would like to read a while.

Mr. STAFFORD. Is it the purpose of the gentleman to ask that the House consider this bill to-morrow and dispense with Calendar Wednesday business?

Mr. COLLINS. It is my understanding that we will take up the consideration of this bill again on Thursday.

Mr. GOSS. Mr. Chairman, one of the great past commanders in chief of the American Army once said that there was no right to strike against the public safety by anybody, anywhere, at any time. I am, therefore, taking this opportunity to speak for a few moments of the Organized Reserve and the Reserve Officers' Corps as components of that great organization.

We have about 80,000 officers in the Reserve Corps on the active list. We have some 27,000 others on the inactive list. May I call your attention to this fact, that in this bill, for the first time in the history of the world, has any nation ever asked its officers to serve without pay; yes, worse, to even buy their own uniforms in order that they may serve the Government which they love.

In the few minutes allotted to me I want to call attention to this fact, that during the last year these same officers put in, without any compensation at all, 1,325,000 hours, working in the winter months, in the monthly and bimonthly meetings, studying their problems, only to find that if this bill is passed without the proposed amendments that they go to camp this summer with no pay and with the allowance of $1 a day for subsistence.

During the last year there were 260,610 officers who attended 15,800 conferences without any pay. I want to call the attention of the committee to the fact that most of these officers are officers of the late World War. They are getting on in years, and it will not be very long that they can exert their influence on the young men who attend our citizens' military training camps, our reserve officers' training camps, or on the enlisted strength of the Army.

Mr. MAY. Will the gentleman yield?

Mr. GOSS. I yield.

Mr. MAY. Does the gentleman mean 260,000 officers or 26,000?

Mr. GOSS. I mean 260,000 officers, and that means not all the same officers.

Now, in this citizenry army of ours we draw from the citizens' military training camps, our Reserve Officers' Training Corps camps, the Organized Reserves, composed of the enlisted reserves and the reserve officers, and for the first time in the history of the world—and I say this without fear of contradiction—has a nation ever asked its officers to prepare themselves to fight without being paid and having to buy their own uniforms, because on the basis of our training, each one of these active officers only gets training for 14 days once in five years. The pittance they drew when they used to draw under old appropriation bills did not even pay for their clothes.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. GOSS. I yield.

Mr. OLIVER of Alabama. In what appropriation bill did we ever carry money with which to pay for the uniforms of reserve officers?

Mr. GOSS. We have not; but we have carried money in the way of pay, most of which went to buy their uniforms because they were only trained once in five years, and the uniforms would not last that long.

We have heard about the citizens' military training camps and the Reserve Officers' Training Corps camps; we have heard from the able gentleman from Massachusetts with respect to the military schools, which are being thrown out under this bill, and I earnestly ask every man to put back every dollar that was in the Bureau of the Budget estimate for these citizens' training camps. [Applause.]

[Here the gavel fell.]

Mr. GOSS. As an extension of my remarks I submit the following:

THE ORGANIZED RESERVES

REASON FOR THE RESERVE

The Officers' Reserve Corps was created for the purpose of making immediately available in war the comparatively large number of officers who have military or civil experience directly useful in war but who are not enrolled in the Regular Army or the National Guard. Its members are willing to keep fit and available for emergency service but either can not or do not desire to devote to the profession of arms the lifetime of the Regular Army or the extended peacetime duty sometimes incident to National Guard service. The reserve is the comparatively inexpensive component of the national defense.

PROCUREMENT OBJECTIVE

It is desired to enroll and train in peace sufficient officers to provide, together with those now in the Regular Army and the National Guard, enough to initiate mobilization in the event of emergency. We need to carry on mobilization up to the time graduates of the first training camps become available, 115,000 officers. It is this 115,000 that we are endeavoring to procure.

Of the 115,000, we have 80,399 on the active list. There is a further inactive list of 27,811, but these 27,811 have not taken training within five years and we are not sufficiently informed as to their present personal and military status to make any plans for mobilization dependent upon them. Doubtless there is much good material in this 27,811, but it will not be immediately available for the initial days of mobilization. We now have sufficient active officers for the 33 reserve divisions contemplated by the 6-army plan, but we are very considerably short on officers needed to reinforce the Regular Army and for the corps and army troops that must be organized earlier to back up the 34 Regular

and National Guard divisions of the first line. We are short both in the staff and in the line. For instance, we have only 8,000 of the 20,000 medical men that would be needed initially for mobilization. The present active Reserve Corps is about two-thirds line and one-third staff.

EFFECT OF SUSPENSION OF ACTIVE-DUTY TRAINING

The purpose of the Reserve Corps is to provide trained officers for war. It is fundamental that an untrained or incompetent officer is worse than none. He not only stands in the way of the competent officer who might be procured in emergency but he is, in addition, an actual menace wherever employed. When training ceases the third component in the national defense ceases with it. Without the reserve the Regular Army and the National Guard can not live one week in campaign.

First of all, thousands of reserve officers will be required to bring the Regular Army up to its war strength. The Regular Army and National Guard divisions at the front must be fed, armed, clothed, transported, and served in a thousand ways, largely by reserve officers. Hospital trains and hospitals must be provided, again largely by reserve officers. The peace organization of the War Department must be increased to war size, and the officer increase for that comes almost entirely from the Officers' Reserve Corps.

The reserve is a volunteer and popular movement. In America it is comparatively easy to start any patriotic movement, but those who have been associated with such movements know that the real difficulty is in holding that membership. Such movements survive storm and stress much better than they survive neglect. The stauncher spirits of the reserve will survive even neglect, but it is only human that many should be offended, discouraged, and lost on account of the lack of recognition that the occasional call to active duty implies. If we had the number that War Department plans show to be necessary for mobilization, we could afford some neglect, but we are already one-third short of our actual needs.

STATISTICS

The War Department mobilization plan calls for 67 divisions, with the necessary corps and Army troops to back them up.

Of the 67 divisions—first line:

Regular Army	12
National Guard	22
Reserve	33
Total	67

To initiate the mobilization and to maintain the Regular Army and National Guard divisions in the front line until training camp officers become available, 115,000 reserve officers will be needed. In detail:

To bring the Regular Army up to war strength	16,000
For the corps and Army troops needed to back up the Regular Army and the National Guard	38,000
For the command and business end of the war	31,000
For the 33 reserve divisions	30,000
Total	115,000
The "active" list (a)	80,399
The "inactive" list (b)	27,811

(a) Officers whose recent training and standing warrants their assignment to regiments, etc.

(b) Officers who have had no training within five years. They are usually dropped entirely at the end of one 5-year "inactive" appointment. They involve no expense.

(c) There are also 12,340 National Guard officers who have reserve commissions in addition to their National Guard commissions. They should not be included in any reserve totals.

SUPPLY SOURCE FOR THE OFFICERS' RESERVE CORPS, FISCAL YEAR 1931

Reserve Officers' Training Corps	6,000
World War	1,000
Citizens' military training camps	230
Civil life (staff duty)	1,750
From the rank (Regular Army, National Guard, and enlisted reserve)	1,000
Total	10,000

TRAINING—1931

14-day training	20,998
For more than 14 days (329 Air Corps)	762
Total	[1] 21,760

The Air Corps Reserve officer needs training every year, or he loses his ability to fly.

A medical or other staff officer should be ordered to active duty at least once in five years to be observed and refreshed as to his part in the war plan.

A combat officer, intrusted with the lives of men, should train at least every other year.

Growth in extension courses [1]

School year	Enrollment Mar. 31 [2]	Students completing subcourses	Subcourses completed	Hours for subcourses completed	Average hours per student completing subcourses
1925-26	23,316	11,976	15,972	320,255	26.7
1926-27	30,953	14,483	25,336	512,037	35.3
1927-28	34,998	19,066	32,403	659,273	34.6
1928-29	38,860	18,851	30,481	683,240	36.3
1929-30	38,431	22,282	35,282	791,395	35.5
1930-31	45,886	26,221	47,394	1,019,164	39.0
1931-32	[3] 59,591	[4] 34,500	[4] 69,750	[4] 1,325,000	[4] 38.6

[1] Data furnished by T. A. G.
[2] Enrollment is of Mar. 31, near end of school year.
[3] Exclusive of the Philippine Department enrollment, which is estimated as 450. Total estimated enrollment, 60,041.
[4] Estimated on partial returns.

CONFERENCES

Period: January 1–December 31, 1930; number of conferences held, 15,800; attendance at conferences, 260,610.

Mr. CHINDBLOM. Mr. Chairman, in 1916, by a happy and fortunate inspiration, the Congress of the United States, then under Democratic leadership, adopted the national defense act, and in 1920, following the war, by an equally happy and fortunate inspiration, the Congress, then under Republican leadership, adopted the Army reorganization act. By those two acts the Congress of the United States for the first time in the history of our land established a system of adequate national defense in case of emergency. That legislation was accomplished through great labor, after much discussion and persuasion, by which the people of the country were led to understand and know the necessity for adequate national preparedness.

We are now asked in the name of economy to change the laws enacted in these two instances, both the national defense act and the Army reorganization act, by amendments upon an appropriation bill.

I yield to no Member of the House in my devotion to economy. I voted for every proposal in the economy program except what I believed was another onslaught upon the adequacy of our national defense in the consolidation of the Army and Navy Departments. I have voiced my opposition to the soldiers' bonus proposal and have voted against it heretofore. I have voted against increases of pay for civilian employees. I have voted for reduction in the salaries of officials as well as of employees in the departments of the Government. I am not afraid to vote for reduction in salaries or in the compensation of men in the military service or in the civilian service of the United States Government. That is not the issue here, however. I shall vote for any real retrenchment proposal that is brought before us, but if we are going to revise, if we are going to change our system of national defense, if we are going to amend the national defense act and the Army reorganization act, let us do that by direct action and not by this subversive attack upon the defense system of the United States. [Applause.]

We are attacking the very services which come closest to the civilian population of the United States. I have had a son in the citizens' military training camps. I know what that service means to the young men of the land who have an opportunity to go to these camps in the summer.

[1] 21,760 is 27 per cent of the 80,399 active officers.

I have seen that service as well as the Reserve Officers' Training Corps in action at Fort Sheridan, in my district. Every year I try to make a visit to these organizations for the purpose of ascertaining just what they are doing. It is not only the military training which these young men are receiving, it is not only the improvement in the use of arms and in military tactics which these officers obtain in their brief service during the summer, but it is the civic morale, the idea of citizenship; it is the patriotism that is aroused in them when they have the opportunity to go to these camps and be employed in these services that are of even greater value to our Nation.

Mr. WOOD of Indiana rose.

Mr. CHINDBLOM. I am just as deeply in favor of economy as my good friend from Indiana ever hoped to be, and I will vote to reduce bureaus and eliminate establishments. There are many things that can be done and I have repeatedly called attention to them; but let us not strike a blow at this great national necessity of maintaining what we have in the way of a permanent establishment for our national defense.

Some of us seem to think we are living in a millennium and that we have perhaps come to a time when there is no longer any danger of war. Some one asked whether we are going to have a war to-morrow. Oh, I remember what was said back in 1916, "No war and no possibility of war." I am not going to refer to those unhappy days, but only a few months later, in 1917, we declared war.

We do not know what lies before us. We do not know just what we may have to do. We may do something here that may be very dangerous to the welfare of this Nation. God forbid that we should take an untoward step at this moment, when the whole world suffers from social and economic, if not political, unrest.

Mr. KLEBERG. Mr. Chairman, I would like to ask at this juncture unanimous consent, in order to save time, to present a statement which I have prepared concerning a program of national defense, together with one or two actuaries from some of our leading insurance companies, for the benefit of the membership of the House in studying the question of national defense.

I am particularly interested at this time in the manner in which this approach to attempted economies is being made. I do not believe that when the problem of national defense, viewed as I view it, from the standpoint of its being not only national defense, but Government insurance, in which every citizen of this country is interested, is approached, that it should be approached in any such hurried fashion as is being done at this particular moment, and with your permission I would like to insert this brief statement prepared from the angle strictly of an insurance policy in which every citizen of the United States, of every age, is directly interested. [Applause.]

The CHAIRMAN. The gentleman from Texas asks unanimous consent to extend his remarks in the RECORD by including the data indicated. Is there objection?

There was no objection.

Mr. KLEBERG. Mr. Chairman, let me direct your attention particularly to the personnel of both the Army and Navy, including all branches thereof, from the standpoint of viewing them in the light of their being our national defense, as well as taking into consideration the fact that at present our armament, personnel, and equipment are even below the recommendations of both departments (Army and Navy) for our peace-time strength. I call your attention to an intelligent consideration of the importance of our national defense through the eyes of each and every citizen of the United States of America from babyhood to old age. Our national-defense program, in my opinion, should properly be viewed from the angle of its universal importance as the only cover-all insurance held by every citizen and in which every citizen has an individual interest.

Taking the estimates secured from the United States Chamber of Commerce, the National Industrial Conference Board, and other authentic sources, we find the estimated national wealth as of 1930 amounting to $329,700,000,000. Dividing this into private wealth and public wealth, we find the private wealth amounting to $309,195,000,000 and the public wealth to $20,505,000,000. From the standpoint of wealth insurance we find our Army and Navy military-purposes budget for 1933 totaling $639,297,000; and considering this sum as the insurance premium paid, we find the premium to be at the annual rate of $1.94 per $1,000 of our national wealth per annum. This, distributed evenly among the 125,000,000 citizens of the United States, gives us our per capita national-wealth insurance at the rate of 1 cent 5½ mills ($0.0155) for each 1,000 of our population per annum, leaving the fraction per citizen so infinitesimally small that it is not even necessary to figure it out. By comparison we find that for the purpose of protecting our private wealth against all casualties, such as life, fire, demolition, etc., the aggregate premiums paid to insurance companies by private citizens of the United States as organizations and individuals amounted in the case of life-insurance premiums to $3,000,000,000; fire insurance, $1,000,000,000; casualty, etc., all claims, to $901,651,215—making the total of all premiums paid the sum of $5,001,651,215.

We find, therefore, that the total annual combined insurance premiums of $5,100,651,215 paid on our estimated private wealth of $309,195,000,000 is at the rate of $16.1763 per $1,000 of above estimated private wealth. Distributing this aggregate premium evenly between our total population, the per capita cost of our private insurance would be at the rate of $0.1294 for each 1,000 of our population. The average life-insurance-premium rate per $1,000 of life insurance alone is $25.50. By comparison, the average combined national insurance rate, as set out above for 1933, per $1,000 is $1.94.

Breaking down the 1933 Budget, covering all departments of the United States Government, we find this interesting result: Total Budget of the United States for the fiscal year ending June 30, 1933, $3,942,754,614; War Department (military purposes), $296,297,000; Navy Department, $343,000,000. I direct your attention to the fact that the sum total allocated to national defense is but 16.2 per cent of the total Government Budget—7.5 per cent charged to the War Department and 8.7 per cent to the Navy Department.

Applying the insurance basis to the War Department budget and providing full coverage for national wealth, human life, property, business, etc., we find the ridiculously low rate of $0.925, or 92 cents and 5 mills a year per $1,000 of national wealth.

On the basis of distribution among citizens of our Nation we find the rate to be $0.0074 per year per million of our population per annum.

I am hoping that this statement will be of some value to the membership in arriving at a sane, reasonable, and constructive attitude toward the solution of our economic problem, and am allowing myself to indulge in the belief that we will not deprive any citizen of both protection and insurance by crippling or rendering less efficient or less valuable to us as citizens the national defense of this country.

Mr. MARTIN of Oregon. Mr. Chairman, I move to strike out the last 10 words.

Mr. Chairman, I do not know but that you will have to have a survey on me, because I am one of those old, senile officers, according to Mr. COLLINS, who are now being retired. I reached my senility five years ago, but, Lord, how I love a fight. I have not got over that yet.

Of course you see the genesis of this whole bill in the preliminary remarks of the gentleman from Mississippi [Mr. COLLINS], who gave you his theory of war and his policies for waging it. For God's sake, I hope you will not follow his leadership. He presented to you his theory and policies as to how armies should be organized. He quoted from a distinguished captain—captain, mind you—generals and admirals do not amount to anything with him, only captains and majors. He told you how this English captain would organize armies, and he told you how that English captain would provide a national defense, and then, carrying the matter to the end, he tells you how he would run our Army. My God, think of the Appropriations Committee permitting the distinguished gentleman from Mississippi [Mr. COLLINS]

to write his theories of armies and his theory of the organization of armies into a bill. It makes your blood boil to think such things could be done in this distinguished body. I can not understand an organization that will permit such things to be done. [Applause.]

I know something about the national defense act. As I told you here yesterday, I was a close friend of another Mississippian, who came to Oregon, thank God, in the early days, the late Hon. George E. Chamberlain. Just before the World War broke out there came a realization to our people that we were unprepared, that we had gone into every war preceding the World War unprepared and had enacted our laws for carrying on the war after war had been declared.

Senator Chamberlain sat here much of the time getting his southern friends up to his committee hearings. He told me all about it. He plugged away at it and he got a great fund of information. It comprises all the history of the world on national defense. At last he prepared that great national defense act—not in 1920, but in 1916. That great act, prepared by a Democrat formerly from Mississippi, Senator Chamberlain, and a Democrat from Virginia, Mr. Hay. Do not go back on them, by southern friends. It was to save the Nation in case of war. We went into the World War and had this great national defense act. Never in this world did a nation carry on with greater efficiency. We had the greatest war President that we ever had working under this national defense act.

That national defense act was not written to carry out any pet theory on an appropriation bill. It was written after weeks and months of intensive study and with the best information that could be gotten on all military organization. It was the greatest piece of military legislation ever enacted for any country.

The act is like what my distinguished colleague from Maine [Mr. BEEDY] pointed out. The cogs all fit in. I am not going to plead for the 2,000 officers to be retired; I am going to put it on a higher plane than that.

[Here the gavel fell.]

Mr. MARTIN of Oregon. Mr. Chairman, I ask for five minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. MARTIN of Oregon. I am not going to plead for the 2,000 officers; I am pleading for the whole machine—all of it.

Now, this talk of 12,000 officers for 118,000 men shows the gross want of either intelligence or downright deception.

Take the General Staff for instance. This talk about these men being $1,800 men. These fine, learned, outstanding men, who have spent their lives for their country, being called $1,800 men. We have the great National Army, we have the reserves, we have the National Guard, and it is all a complete picture, and you must take it all in. It is not 12,000 officers for 118,000 men. Members should know better, or else they are grossly ignorant.

Now, gentlemen, do not disturb this Army in this way. Do not let the gentleman from Mississippi do that. If you want to amend the national defense act, bring in some legislative act under the advice of military experts.

You have your Committee on Military Affairs, with its learned chairman [Mr. MCSWAIN], who has been on the committee for years. If you want to change that act, the members of the Committee on Military Affairs are the ones to do it. They are familiar with the Army. Do not try to slip in changes through a side door, and, I fear, with ulterior motives destroy the defense of your country.

The following editorial appeared in a leading morning New York newspaper, which I commend to my distinguished colleague from Mississippi:

DESTROYING THE ARMY IS FALSE ECONOMY

As reported to the House the War Department appropriation bill for the fiscal year 1933 is what might have been expected from Congressman COLLINS, of Mississippi, with his record of fanatical pacifism.

It is in the name of economy now that Chairman COLLINS proposes the following sapping expedition against what is left of the Army of the United States:

Abolition of the citizens' military training camps.

Abolition of all annual training for the Organized Reserves.

Abolition of the Reserve Officers' Training Corps camp.

Abolition of military training as given in the land-grant colleges designated for that purpose by Abraham Lincoln.

Drastic reduction in the flying pay of the Army Air Corps.

Robbing what is left of the Cavalry of 500 horses without equipping that or any other branch with adequate motorized equipment.

In the name of common sense and American patriotism, the House should return this measure to committee for revision, or discharge the committee from its consideration and rewrite the bill in Committee of the Whole.

This is no emergency measure to save the Nation money. It is the same kind of pork-barrel pacifist legislation that Congressman COLLINS advocated last year.

A year ago this mis-Representative of Mississippi attacked not only the citizens' military training camps but also the Reserve Officers' Training Corps, and the Infantry, Cavalry, and Field Artillery arms as dangerous and useless agencies of defense.

Then Mr. COLLINS attempted to justify his pacifist program upon the ground that "our obligations under the Kellogg pact" committed us to such a course.

Now, with the Japanese Army in complete possession of Manchuria, with Russia mobilizing troops along her Asiatic frontier, and Europe refusing to disarm, Mr. COLLINS attempts to justify his sapping expedition against our little Army by changing his catchword to "economy."

The Collins type of legislator and the Collins type of legislation discredits the Congress and menaces the Nation.

Mr. BLANTON. Mr. Chairman, I want to read just a little excerpt from the United States Daily, published this morning, concerning my speech yesterday favoring consolidation. It says:

Representative BLANTON, a Democrat of Abilene, Tex., characterized as humbuggery the recent proposal to consolidate the Army and the Navy.

Gentlemen, that comes from a reputable newspaper. It is a reputable newspaper. It is one of the newspapers that you would expect to print the truth. I do not think they intended to print a falsehood, and they must have made an honest mistake. I spoke yesterday for an hour in favor of this consolidation—that is, consolidating the War and Navy Departments into one department of national defense—which would save $100,000,000 annually.

Mr. KELLER. Perhaps they did not understand you. [Laughter.]

Mr. BLANTON. It just shows you how important the CONGRESSIONAL RECORD is to the Members of Congress. My speech is in that RECORD, beginning on page 9849. Read it and see if you think there is anything I said there about consolidation being "humbuggery." It shows that if it were not for the CONGRESSIONAL RECORD all of us here would be at the mercy of the boys in the press gallery.

Mr. SNELL. We are, anyway. [Laughter.]

Mr. BLANTON. No; we are not. Fred Emery is a fine fellow and he is my friend. Fred Emery wrote that. He did not intend to do me an injustice, and he did not intend to say just the opposite of my position, but he made an honest mistake. However, if your friends will do that for you, what would your enemies do? [Laughter.]

Mr. GOSS and Mr. MAY rose.

Mr. BLANTON. Oh, just a moment, gentlemen. After listening to my friend from Oregon, the great retired major general [Mr. MARTIN], who speaks so eloquently for 5,000 surplus officers in the Army——

Mr. MARTIN of Oregon. I did not speak for them at all.

Mr. BLANTON. We need him here, I guess, and I am not averse to having our other good friend, General CHIPERFIELD. The Army and Navy Club needs them as spokesmen and mouthpieces, and also I think they need General Goss here to help them.

Mr. GOSS. Now, will the gentleman yield?

Mr. BLANTON. Yes.

Mr. GOSS. I just wanted to remind the gentleman that possibly the mixup in the newspaper came because of the extension of his remarks in the RECORD.

Mr. BLANTON. Oh, no. Either General CHIPERFIELD or General Goss, I forget which, put the names of officers who

will be retired in the RECORD, and they showed 90 from my own State that will lose their jobs if we pass this appropriation bill as written. The President says that we are going to have to cut the Budget $367,000,000. Do you know that if you do that, you are going to have to put somebody out of jobs? I remind you of this. Every time you put somebody out of a job you are going to find somebody up here on the floor trying to get him back. The governmental expenses must be retrenched, you have got to cut down this $4,000,000,000 Budget if our Government is to escape bankruptcy. But every time you find an effort made on this floor to properly retrench expenditures and to abolish some bureau or commission, you are going to find somebody here on the floor interested in the ones who are going to lose their jobs, speaking eloquently for them.

General MARTIN almost brought tears to our eyes when he spoke for these 2,000 surplus officers the War Department assures us it does not need.

Mr. MARTIN of Oregon. Oh, now, be honest. Will you not be honest? I told this House expressly that I was not interested in the 2,000 officers.

Mr. BLANTON. No; but the gentleman's eloquence against our getting rid of them almost caused us to shed tears. We now have 5,000 surplus officers whom the War Department says that we can dispense with. Are you not going to follow its recommendation and our Chairman COLLINS and take 2,000 of them out of the Army?

Mr. CHIPERFIELD. No.

Mr. BLANTON. We do not expect you generals to vote for it. I am going to follow COLLINS and vote to reduce expenditures.

Mr. SCHAFER. Mr. Chairman, I move to strike out the last word. The country is indeed fortunate to have in this legislative body a distinguished Jeffersonian Democrat such as the gentleman from Oregon, General MARTIN. I have served with him on the Expenditures Committee and I personally know that he is serving here, although he has passed the Army retirement age, as a Member has indicated, as ably, as efficiently, and as faithfully as if he were 40 years younger. [Applause.]

In order to make this Democratic War Department appropriation bill a complete monstrosity, following out the policies laid down in it by the Democratic majority of the Committee on Appropriations, all the gentleman from Mississippi [Mr. COLLINS] had to do was to provide that only one dollar should be appropriated from the Treasury of the United States for the purpose of maintaining the Army, with a provision that the Mexican or Chinese Army be hired to protect our Nation and the lives of our people, should America be forced into another major war in these critical times of depression and unrest among the nations of the world. There would be just about as much sense to a provision of that kind as there is to some of the provisions that he and his Democratic colleagues have incorporated in the pending bill. The gentleman from Texas [Mr. BLANTON] has again taken the floor to-day and orated in favor of reducing the Army officer personnel by 2,000 in the name of economy. He again struts forth to-day and indicates that he is practically the only Member who is interested in balancing the Federal Treasury, in favor of economy, and in favor of the elimination of Government bureaus. May I suggest to the gentleman from Texas how he would best serve the welfare of the United States and the welfare of our people, if he must take 2,000 employees off the pay roll and place them on the retired list in the name of economy, he would be serving his country better if he advocated a retirement of 2,000 employees from the Prohibition Unit and let these 2,000 officers remain in the active military service. [Applause.]

Conditions throughout the nations of the world to-day, as unsettled as just before the World War, are such as should prohibit the weakening of our national defense as this bill intends. Is it economy to risk the loss of our Nation and the destruction of the lives of our people in order to save a few millions of dollars, with the situation in the Far East as it is and has been for some time, and with some of our foreign debtor nations trying to repudiate their honest debts, although in some cases they have already been shaved four and one-half billion dollars, as in the case of the French debt? The French Government, which has failed to pay even the small amount of principal and interest due on her greatly reduced debt to us, has appropriated sufficient money to maintain a standing army of over 650,000 men in time of peace, and greatly increased her air and naval forces.

While the foreign nations of the world are increasing the effectiveness of their war machines I, for one, will vote to provide sufficient appropriations to maintain an adequate national defense for our common country and our fellow men. [Applause.]

I believe that if I were to follow the gentleman from Mississippi and wreck the effectiveness of our Army in the name of economy, I would be betraying my country and lending aid and comfort to her potential enemies.

Talk about the Treasury! If in the near future we are forced into another war we might not be so fortunate as we were in the World War to have some allied countries hold off the enemy for six months or a year, and by the time sufficient officers are trained, the Nation might be overcome and the very lives and homes of many of our people be destroyed. We might also find ourselves paying tax tributes levied by some foreign oppressor nation. The taxes thus levied would be hundreds of times the amounts which are needed to provide and maintain an adequate national defense.

To hear some of these economy experts talk, we would be led to believe that the reserve officers merely join the Reserve Corps in order to wear a uniform on parade and become lounge lizards and tea hounds. We must not fail to realize that reserve officers spend over 1,019,164 hours each year in studying the correspondence courses, for which time given to the country they do not receive one cent in compensation. They do not serve for a selfish but for a patriotic purpose, in order to equip themselves to help maintain our institutions in time of the Nation's peril. It must be disheartening to these red-blooded American citizens in the reserve to find that the Appropriations Committee of the House of Representatives recommends in the name of economy that the national defense be wrecked.

If our national defense policy is to be drastically changed, it should be done only after careful study by the proper legislative committees of Congress. I do not believe it is economy to place 2,000 Regular Army officers—many of whom are West Point graduates—in the prime of life on the retired list with pay and force the taxpayers to maintain them as long as they live without performing any service.

I sincerely hope that the Democratic Members of this House will think enough of their party and their country to rise up and vote to strike out some of the indefensible provisions of this bill. [Applause.]

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

The pro forma amendment was withdrawn.

The Clerk read as follows:

For printing and binding for the War Department, its bureaus and offices, and for all printing and binding for the field activities under the War Department, except such as may be authorized in accordance with existing law to be done elsewhere than at the Government Printing Office, $500,000: *Provided*, That the sum of $3,000, or so much thereof as may be necessary, may be used for the publication, from time to time, of bulletins prepared under the direction of the Surgeon General of the Army, for the instruction of medical officers, when approved by the Secretary of War, and not exceeding $95,854 shall be available for printing and binding under the direction of the Chief of Engineers.

Mr. GOSS. Mr. Chairman, I move to strike out the last word for the purpose of clarifying the record. Last year there was carried $157,500, which included traveling expenses. Wherever the words "traveling expenses" have been left out this year we have a lump-sum appropriation, and that has been reduced by 25 per cent. Am I correct?

Mr. COLLINS. The gentleman is partially correct.

Mr. GOSS. I would like to have that explained.

Mr. COLLINS. The travel items for the several branches of the departments, except the civilian components, have been reduced by 25 per cent. The travel item for rivers and harbors and flood control has not been reduced at all.

Mr. GOSS. And wherever they appeared last year they have all been lumped under one lump sum? After they have all been grouped under one lump sum.

The pro forma amendment was withdrawn.

The Clerk read as follows:

For contingent expenses of the Military Intelligence Division, General Staff Corps, and of the military attachés at the United States embassies and legations abroad, including the purchase of law books, professional books of reference, and subscriptions to newspapers and periodicals; for cost of maintenance of students and attachés; for the hire of interpreters, special agents, and guides, and for such other purposes as the Secretary of War may deem proper, including $5,000 for the actual and necessary expenses of officers of the Army on duty abroad for the purpose of observing operations of armies of foreign states at war, to be paid upon certificates of the Secretary of War that the expenditures were necessary for obtaining military information, $47,000, to be expended under the direction of the Secretary of War: *Provided*, that section 3648, Revised Statutes (U. S. C., title 31, sec. 529), shall not apply to payments made from appropriations contained in this act in compliance with the laws of foreign countries or their ministerial regulations under which the military attachés are required to operate.

Mr. LANKFORD of Virginia. Mr. Chairman, I move to strike out the last word for the purpose of asking the chairman of the committee to tell me what this proviso on page 7, line 7, means, and what is the purpose of it. Is that similar to the proviso that was in the Navy Department bill, to provide for publicity for all information received from the intelligence department? Is that the purpose of it?

Mr. COLLINS. There are certain advance payments that sometimes must be made, for instance, for tuition; and this proviso is for the purpose of permitting that to be done.

Mr. LANKFORD of Virginia. It has nothing to do with making public certain funds?

Mr. COLLINS. No, sir.

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

In the appropriation for ordnance service and supplies of the Army (p. 43, lines 10 and 11 of the bill) it is provided—

That $200,000 of this appropriation shall be available exclusively for the purchase of five convertible armored tanks.

There is nothing in the bill which would prevent the Ordnance Department from purchasing tanks of another type than the Christie tank and manufactured under other patents. Is this appropriation for the purchase of Christie tanks?

Mr. COLLINS. Yes, sir.

Mr. STEWART. The whole gist of the matter is that the Christie tank is probably the finest machine in the field, is eagerly sought for several countries, and has advantages which render it extremely useful both as to speed and multiplicity of uses. This machine would unquestionably take the place of large numbers of troops. It would appear to be a great addition to the armed forces, and is directly in line with the most recent military thought, which is tending toward a highly mechanized force rather than the employment of a large number of men.

Maj. Gen. Douglas MacArthur, Chief of Staff of the United States Army, in his testimony before the subcommittee (p. 12, hearings) stated:

The Christie tank finally passed all tests and we have ordered seven. My opinion is that it is the best tank that has ever been developed.

Maj. Gen. Stephen Fuqua, Chief of Infantry, in his testimony before the subcommittee (p. 666 of the hearings) testified:

My estimate is that it is the best tank produced up to date; it is the best in the world to-day.

General Fuqua also stated that the speed of this tank on an ordinary metal road had been shown to be between 60 and 70 miles per hour, and that the speed of the tank on its own tracks was somewhere between 35 and 40 miles per hour. General Fuqua observed and participated in the tests of the Christie tanks.

Mr. Christie assures me that his latest development in combat machines will make a speed over ordinary roads of 120 miles per hour, together with a speed of 70 miles per hour on its own tracks over rough terrain. It is possible to transport this machine by airplane to the scene of action, drop it at high speed so that it may immediately go into action. The machine carries a gun, shooting standard .75 mm. shells.

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

Mr. COLLINS. Yes.

Mr. GOSS. There is nothing in the bill that would prohibit the War Department from purchasing some other kind of tank if it so desired?

Mr. COLLINS. That is right; but it is the idea of this committee that the Christie tank is the tank that ought to be bought by the War Department.

Mr. GOSS. So that the record will be clear, there is nothing in the law that would force the War Department to buy that type?

Mr. COLLINS. No. As I recall the views of the individual members of the subcommittee, all were of the opinion that the Ordnance Department should buy the type of tank that the using department desires them to buy, and that is the Christie type of tank.

Mr. GOSS. Why was not the Christie type tank included in the bill instead of leaving it wide open?

Mr. STAFFORD. Mr. Chairman, will the gentleman yield? Are we not anticipating page 43, where this item occurs in the bill?

Mr. GOSS. If this is going to be gone into at this time, I wish the record to be correct. The gentleman is asking for information.

Mr. STAFFORD. But we are in advance of the item under consideration.

Mr. COLLINS. Let me state again what I conceive to be the thought of the subcommittee, and that is that if the Ordnance Department abides by the wishes of the subcommittee they will buy the Christie type tank, because that is the type of tank that the using branches of the Government desire the Ordnance Department to buy.

Mr. GOSS. Where in the hearings was that brought out? I refer to page 619. The gentleman from Mississippi [Mr. COLLINS] said:

General Hof, in that list I notice there is an item of $200,000 for tanks. Will that be for the Christie tanks?

General HOF. Yes; it will be for whatever tank the War Department decides is the proper thing to spend it for of that type. We have been thinking of manufacturing them in the arsenal rather than buying them from Christie.

Mr. COLLINS. That will be left up to the War Department?

General HOF. Yes, sir.

I refer the gentleman also to pages 630 and 666.

Mr. COLLINS. In addition to that, if the gentleman will permit, it is my recollection that General MacArthur has stated since then that the Army has decided to make standard the Christie type tanks.

Mr. CHIPERFIELD. Does the gentleman from New Jersey yield?

Mr. STEWART. I yield.

Mr. STAFFORD. Mr. Chairman, I make the point of order there is no quorum present.

Mr. CHIPERFIELD. I want to ask the gentleman the question, whether in his judgment or opinion in any appropriation bill they ought to have in mind the specific kind of tank which is to be bought by the War Department?

The CHAIRMAN. The gentleman from Wisconsin makes the point of order that no quorum is present.

Mr. COLLINS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose, and the Speaker having resumed the chair, Mr. LANHAM, chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 11897), making appropriations for the military and

nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes, and had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted—

To Mr. POLK, for six days on account of important business; and

To Mr. REID of Illinois (at the request of Mr. RAINEY), for an indefinite period on account of illness.

ARMY APPROPRIATION BILL

Mr. HAINES. Mr. Speaker, I ask unanimous consent to revise and extend my remarks.

The SPEAKER. Is there objection?

There was no objection.

Mr. HAINES. Mr. Speaker, the country is watching Congress at this time perhaps as they have never watched any similar body before. They are expecting from us such legislation and action as will insure a balanced Budget, and which I am sure will be accomplished within a very few more days, when another body will have completed the same. When it comes back to us, we should hurry final passage so that the act may bring to the Treasury such additional revenues as are needed to restore confidence in the minds of the great host of our citizenship, and which I feel confident will have much to do to bring about better conditions in every line of endeavor.

This is no time for either of the great political parties to be engaged in debates of a partisan character, but the time is here for patriotic action on the part of the President and every Member of both branches of Congress. We are going to have plenty of time after we finish our work here to go out and make political speeches. Our big job now is to get the unemployed back into the ranks of industry and this calls for patriotism on the part of the employer as well as upon us. We can not restore prosperity by any act of ours, but we can let the country know that we have provided the necessary legislation to produce revenues to get our own house in order. Every Member here knows the critical condition the country is in so far as unemployment is concerned and I wish that throughout the Nation men in industry would immediately arrange to put men back to work, even though they must make idle some improved machinery. That is the great task ahead of us. While the country is looking for relief from Congress, we in these Halls are looking to our industrial leaders for the same leadership that will give jobs to men and women. We can accomplish much, if we are a united people, having this in mind, and I sincerely trust that throughout the Nation this shall be our aim.

The pending appropriation bill shows a reduction of more than $50,000,000 and which I hope will be accepted by the membership. The people back home expect us to economize and it is our duty to do this, as we are the representatives to whom they must look for economy. I think the committee is to be complimented for recommending these savings in the War Department and while there is a reduction in the amount for the national park in my district, I shall not protest this, for I know the work will not be hindered.

Mr. Speaker, I appreciate the time given to me to-day for a brief discussion of the pending appropriation bill, because in this bill is an appropriation for the national park, better known as Gettysburg Battlefield.

Mr. Speaker, I trust you and my colleagues have visited this old battlefield. It is just a short drive from Washington, through a country noted for its scenic beauty, fine agricultural soil, rich in the history of our Nation, and inhabited by a fine, loyal, patriotic people.

Gettysburg is a thrifty small city of about 6,000 souls and is an ideal strictly American community. Here you will find industry taking care of the people who work in the several industrial plants within the town, and surrounding the town you will find the battlefield. Gettysburg has become quite an educational center, for here is located Gettysburg College and Seminary, where each year we send forth young men and women to make their contribution to the cause of education and the building of a finer citizenship. Let me suggest, Mr. Speaker, that if you have not visited Gettysburg National Cemetery, you do so at the very first opportunity. I was there last Sunday attending a Masonic service, and as I mingled with others upon that soil, made sacred by the blood of martyrs, where lie buried the finest of America's manhood, who made that supreme sacrifice in the great war between the States, and where both the "Blue" and the "Gray" are at rest awaiting that day when God shall call each one of us to join them, and then there shall be no more North or South, but all shall be one in that land of eternal rest.

The national cemetery does credit to this Nation and the day should never come when this Nation should not show its gratitude to those who made the supreme sacrifice that this Nation should be one, by any neglect that might result from a lack of sufficient appropriation to take care of this holy place, for to me it is holy, and as I walked among the markers placed to the memory of the "unknown dead" of both the North and the South, I was impressed with the words: "Take off thy shoes from off they feet, for the ground whereon thou standest is holy ground." I am sure, my colleagues and Mr. Speaker, that no citizen of this great Nation can go upon this old battlefield without an emotion that words fail to express. So, Mr. Speaker, I want to invite in this brief time the membership of this House to visit Gettysburg in this beautiful springtime season of the year, when all nature is smiling upon us. Within two hours' drive, beautiful valleys and hills and fine roads all the distance will give you a fine day of recreation. You will find in Gettysburg a hospitality that is typically American. Do not go to Gettysburg and drive over the field without the assistance of a guide, for you will little appreciate the spectacle of monuments, cold marble and granite, without the information these guides can give you.

I am rather proud of the type of men who conduct visitors over the battlefield. Their charge is very reasonable, and about 90 guides are engaged to do this work and have the complete history of the three days' battle, and the lecture they give you is beyond value. Gettysburg has fine hotels to take care of you, and their rates are very reasonable. Driving from here to historic Frederick, then through to Gettysburg, you traverse a country rich in the history of this Nation; but at Gettysburg you have the great turning point of the Civil War, and the result of which had much to do in terminating that unfortunate struggle between the States.

Let me recommend, Mr. Speaker, that in returning from Gettysburg you drive through to Hanover, a town of 12,000 people, where the first blood was shed above the Mason-Dixon line in the Civil War, and where you will find a little city bustling with industry and a city with unsurpassed civic pride. Then drive on through to York, the seat of Continental Congress during the darkest days of the American Revolution. For nine months the Continental Congress was in session in York, and it was here that was frustrated the conspiracy to take the command of the Army away from George Washington. You will find York a city of more than 55,000 souls, with a greater York population of perhaps 75,000. York ranks third in the great State of Pennsylvania in diversified industry, and here you will find several of the largest industrial plants in the world of their kind.

Then drive from York to Baltimore, down the old historic Susquehanna Trail, passing by one of the finest impounding dams of water, a project of the York Water Co., to be found anywhere.

This is my district, gentlemen, and I am proud to be their Representative, for I do represent a people for whom I can be justly proud, for never have they failed to respond to the needs of their great country.

The amount of appropriation asked for in the pending bill, I trust, will be adequate for the needs of maintaining the very high standard upon which this park has been managed.

Will you permit me, Mr. Speaker, to add that the park is being most efficiently managed under the efficient supervision of Colonel Davis, a fine gentleman, beloved by all who know him, and a credit to the service; and I am glad to pay this tribute to the great work he has performed in the past and which I feel confident he will continue to do. There are 29 miles of fine highways on the Gettysburg Battlefield, in addition to perhaps 10 miles in good condition but not permanently improved. I hope some day that Congress will be in a position to improve all of these roads and make this national park even more beautiful than it now is. A million people visit the battlefield each year, and these come from every corner of the known world. Many of our Presidents have delivered addresses at Gettysburg, and it was here that the immortal Lincoln gave that classic unsurpassed in all literature.

Every distinguished gentleman that visits the United States from foreign countries is taken to Gettysburg, and each one of them learns the story of the great conflict that gave to this Nation a rebirth, that gave to our people a realizatiton of its unity and a vision of its united destiny. To-day we have but a few of the valiant men of 1861–1865, and we can not perpetuate the memory of those who died unless we be interested in seeing that the unity then realized, the vision then seen, might be exemplified in us and the things that we do.

America is not ungrateful to these men, nor will we as a people ever mant to fail, through lack of appropriation, to perpetuate their memory.

The Gettysburg National Park was taken over from the Battlefield Memorial Association through an act of Congress signed by President McKinley February 11, 1895.

It comprises more than 16,000 acres, covering an area approximately 40 square miles, of which 2,530 acres are Government owned; the balance is privately owned or leased.

There are 841 monuments of stone, bronze, and marble on the field; 5 steel observation towers, three 65 feet high, two 75 feet high; 464 bronze tablets; 37 bridges and culverts; 5 bronze equestrian statues; 30 bronze statues on pedestals; 417 cannon on carriages; 15 sets of farm buildings; 4 southern monuments—Maryland, Virginia, North Carolina, and Texas; and slightly more than 30 miles of paved roads.

THE MISUSE OF ADVERTISING

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks on the subject of advertising and to include therein some remarks by Maj. Benjamin H. Namm, of Brooklyn, N. Y.

The SPEAKER. Is there objection?

There was no objection.

Mr. CELLER. Mr. Speaker, under leave granted me to extend my own remarks on the subject of advertising, and to include therein some remarks by Maj. Benjamin H. Namm, of Brooklyn, N. Y., I present the following:

Extreme exaggeration, ridiculous bombast, and actual distortion are words that might well characterize much of the advertising that is put forth over the radio, in newspapers, on posters, and on the screen. Next week's "talkie" is usually described as "the most thrilling, greatest sensation, most violently gripping murder mystery ever featured." U-pan-her tooth paste is radioed over station BLAH as one of the seven wonders of the world. The "None-Such" is blazoned in lurid colors as the greatest auto since the beginning of time. Macy's in New York have several times been cracked over the knuckles for their use of superlatives to describe their goods and practices.

By their continued use extreme words and exaggerations finally come to sound empty and hollow. They become as ineffectual as snow falling on an iceberg. There is a twice-told tale of a barber who had a competitor across the street. The latter put up a sign reading "I am the best barber in New York." Soon a third barber a block down the street put up the sign "I am the best barber in the world." The first barber was somewhat stumped; where did he fit in? One of his competitors was the best barber in the State, and the other was the best barber in the world. He thought a bit and then put up his own sign. It read: "I am the best barber in this block." Thus extreme exaggeration carries within itself the seeds of its own destruction.

However a far worse practice—one that is nasty and mean—is that kind of advertising that seeks to destroy by foul means honest competitors. It is the practice that distorts the facts and knocks and disparages other contestants in the same field. The worst offender in this regard is the American Tobacco Co. They sought to destroy the candy business by their slogan, "Reach for a 'Lucky' instead of a sweet." They sought to give the impression that all handmade cigars were made under unsanitary and loathsome conditions by the use of the various slogans advertising their "Cremo" brand. Strange to relate, it developed that in one of their own factories in Kentucky, where their own brands were made by hand, the ends of their cigars in that factory were "spit-tipped." The Better Business Bureau discovered this, to the dismay and chagrin of the American Tobacco Co. Thus it was hoist by its own petard.

One of the finest résumés of this entire matter is to be found in a speech made by my esteemed friend, Maj. Benjamin H. Namm, of Brooklyn, N. Y., before the Retail Trade Board of Providence, R. I., April 15, 1932, which is as follows:

INTRODUCTION

No merchant who has at heart the interest of his craft could feel anything but honored to receive an invitation such as you have extended to me to come to Providence, meet the merchants of your great city, and discuss with you one of the most vexing problems that confronts retailing to-day—the problem of advertising.

VARIOUS PROBLEMS

I fully realize that advertising is but one of the many problems that we retailers are facing. We are threatened with uneconomic legislation, we are faced with excessive overhead, our profits have reached the vanishing point, and we are surrounded on all sides by destructive competition. In my opinion, however, the problem of destructive competition is the most important of all. Supreme Court Justice Brandeis referred to this last month as having caused a greater crisis than that produced by the war. Secretary of Commerce Lamont made special reference to it last week as a great evil.

BELIEF

I am one of those who believe that the most practical solution to destructive competition lies in fostering the integrity of advertising. At the present time advertising is sick. It is suffering from autointoxication. Its blood stream is temporarily toxic from the twin poisons of exaggeration and abuse. Unless checked, these poisons may destroy the very life of advertising itself.

SUPPORT

Before proceeding further, let me state that I have always been a firm believer in the power of advertising. Ample proof of this lies in the fact that during the past 10 years our store in Brooklyn has spent over $5,000,000 for newspaper advertising alone.

DEFINITION

In the field of distribution, we believe that merchandising is that which moves goods toward people and advertising that which moves people toward goods. Properly used, the value of advertising can not be overestimated.

DECLINE

It must be apparent to everyone, however, that advertising has not been properly used by a large number of advertisers. On the contrary, it has been misused to such an extent that it no longer "pulls" as it should. What constitutes proper "pulling power"? I would say that every advertising dollar spent for direct returns should produce at least $10 in direct returns. I have met very few merchants who dispute this radio or yardstick and I have met equally few who tell me that their advertising produces any such full measure.

REASON

The principal reason, in my opinion, why most advertising no longer pulls properly is that it does not deserve to. A great mass of people have lost confidence in the printed word of business. Many have come to regard advertising as a waste. Others regard it as something of a joke. Some consider it a sort of "racket."

BALLYHOO

Witness the phenomenal success of the magazine Ballyhoo. The major aim of this publication was to burlesque advertising. In an incredibly short space of time, it found 2,000,000 readers who were willing to pay money to see the ballyhoo in advertising given a stiff dose of its own medicine.

CAUSES

I have already said that advertising was suffering from auto-intoxication and that the principal poisons were exaggeration and abuse. Of the two evils, exaggeration is the more prevalent. The number of offenders is almost as large as the number of advertisers. In the field of national advertising some of the largest concerns are the worst offenders.

DISILLUSION

How many of you are aware of the fact that consumers are seriously studying merchandise and the claims made for it by searching out the facts through an association of their own called "Consumers' Research (Inc.), of New York City." This is a nation-wide, nonprofit organization, headed by Stuart Chase and F. I. Schlink. It has 30,000 members and its own testing laboratory. It seeks to determine the merits or demerits of manufactured products and to prove or disprove the various claims made for these products by means of laboratory tests. If you will but read some of these reports you will be quite disillusioned by the obvious emptiness of some of the most familiar claims.

FACTS

We have been asked to believe that four out of every five have pyorrhea. Any medical society will tell you the true percentage is more like 1 in 20. We have been told that a certain mouth wash eliminates bad breath or "halitosis." Any doctor will tell you that it merely covers up one odor by substituting another. And so on, far into the night.

RETAILING

As regards our own field of retailing, I had the privilege recently of inspecting an old file that contained some of the earliest advertisements printed in New York City. I was struck by their simplicity and the complete absence of superlatives. One merchant announced that he had received a shipment of woolens from Glasgow via the brigantine *Sea-Rover*. Another merely welcomed his patrons to a new shop on Bowling Green. A saddler listed his wares and the price of each—that was all.

CHANGE

Ask any one of the 51 better business bureaus of the country to rate the value of present-day retail advertising. Most of them will tell you that the average newspaper contains numerous advertising statements and claims of a nature that tend to destroy confidence in all advertising. This includes exaggerated statements that tax credulity and comparative values that challenge belief.

PERSONAL

There is nothing invidious in these remarks. On the contrary, I am quite sure that our own store has offended just about as much as the average. We have no excuse to offer other than the poor one that is always advanced by our advertising manager. "It is standard practice," he says. He is right, it is standard practice but the ugly fact remains that our practices in advertising are far below the standard of our practices in private life.

ABUSE

Now let us look at the second poison in advertising, the use of disparaging and attacking copy. This is sometimes given the glorified title of "controversial copy," but call it what you may, it says just one thing: "Let competitors be damned."

ATTACKS

I will not take the time to detail the numerous controversies, attacks, and counterattacks that have been inflicted upon a long-suffering public through the columns of newspapers and magazines recently. The cigarette controversy, the cigar, tire, coffee, soap, restaurant, oil, and other controversies have all shown evidences of a dog-eat-dog spirit in business which is a disgrace to advertising. Furthermore, these advertisements inevitably create an adverse consumer psychology which does untold harm to the whole fabric of distribution.

CHEATING

Retail advertising has in no way been free of this evil. During the past year, the ugly word "cheat" has been resorted to and "fraud" has been more than broadly hinted at. To make matters worse, the offending stores have not been small ones, but among the largest and most influential in our great craft.

IMITATION

When I attended the annual meeting of the National Association of Retail Secretaries last February, I was told that these attacks apparently inspired similar attacks upon competitors in numerous other cities of the country. In one city a particularly offensive advertisement was copied almost verbatim.

OWN STORE

Confessions are good for the soul, so let me state that only a year or so ago our store adopted what we thought was a very clever slogan. It read "Manhattan can never compete with Namm's." We were using this slogan with considerable success when the better business bureau asked us to discontinue using it on the grounds that it disparaged those of our competitors who did business on the wrong side of the Brooklyn Bridge. We complied with this request but I can not say that we did it and liked it. We were too mindful of the fact that we had recently paid several thousand dollars for the slogan. To say that we enjoyed charging off this amount would be just another case of exaggerated advertising.

COOPERATION

The records of various better business bureaus throughout the country will show that there are many stores which are striving to build up confidence in advertising. Your own city, in fact, has a fine reputation in this respect. The records will also show, on the other hand, that there are stores both large and small which simply refuse to be bound by any advertising code, fair-practice rules, or fair-play standards promulgated for the common good.

RECALCITRANTS

Obviously, these attackers and raiders must be stopped. If they are not stopped, advertising may soon degenerate into an orgy of competitive mud-slinging from which it will take years to recover. No red-blooded store or individual will submit to attack without counterattacking.

CONTROLS

What can be done to curb exaggeration and abuse in advertising and thus preserve the integrity of the greatest ally that business has ever known? Let us review the various "remedies" which have been proposed from time to time. Briefly, they are (1) control by advertisers, (2) control by advertising mediums, (3) control by State and Federal legislation.

PREFERENCE

The objection to the first suggestion is obvious. A constructive advertiser can not control the actions of a destructive advertiser. As we have so often been reminded, "Codes of ethics merely bind the ethical." The second suggestion, control by advertising mediums, has merit, I believe, because newspapers, magazines, and radio stations have the power that is essential to police this situation. The third suggestion, control by legislation, should only be considered as a last resort.

CHALLENGE

I submitted these various thoughts to the publisher of a leading newspaper about six months ago and he said, "Why don't you call your shots? Why don't you tell us what constitutes improper copy?"

CODE

No sooner said than done. The following week I was on the train to Cleveland. Various merchants, manufacturers, and publishers, I among them, had been asked by the affiliated better-business bureau to assemble and do the very thing that my friend, the publisher, had suggested, namely, to draw up a code for advertising.

PERSONNEL

After several months of effort, the code was completed. Before reading it to you let me mention the names of some of the men who served on the committee so that you may judge as to its authorship and sponsorship.

Flint Grinnell, chairman of the committee, is manager of the Chicago Better Business Bureau. B. H. Namm is vice chairman. Other members are Gilbert Hodges, president Advertising Federation of America; Bernard Lichtenberg, chairman Association of National Advertisers; John Benson, president American Association of Advertising Agencies; Joseph Appel, vice president John Wanamaker, New York; Lew Hahn, head of the Hahn Department Stores; W. T. Grant, head of the W. T. Grant Stores; Samuel Weissenburger, of Halle Co., Cleveland; W. A. Sheaffer, president Sheaffer Pen Co.; H. Gruen, president Gruen Watch Co.; D. C. Keller, president Dow Drug Co.; and many others.

CODE

The fair-practice code, as drafted by the affiliated better-business bureaus' committee, reads as follows:

"Believing it to be of paramount importance to the economic and social welfare of the American people that practices in business should be more clearly established and firmly maintained on a plane of fairness to the public and fairness to competitors and to business as a whole, this committee proposes that business men themselves shall abandon and condemn any practice in advertising and selling merchandise, services, securities, and property of all kinds which may have:

"(A) The capacity or tendency to undermine public confidence in advertising announcements or other selling representations generally.

"(B) The effect of injuring unfairly the sales or the good will of a competitive product or service.

"To this end the following practices are considered to be unfair and against the public interest:

"1. Misleading advertising: The use of, participation in, publishing or broadcasting of any untrue, deceptive, or misleading statement, representation, or illustration in an effort to sell any merchandise, service, security, or property, or thing of any kind is an unfair and uneconomic practice.

"2. Unfair competitive claims: The use of, participation in, publishing or broadcasting of any statement, representation, or implication which might be reasonably construed to lead to a false or incorrect conclusion in regard to the goods, prices, service, or advertising of any competitor or of another industry is an unfair and uneconomic practice.

"3. Disparagement of competitors: The use of, participation in, publishing or broadcasting of any statement, representation, or insinuation which disparages or attacks the goods, prices, service, or advertising of any competitor or of any other industry is an unfair and uneconomic practice.

"4. Underselling claims: The use of, participation in, publishing or broadcasting of any statement or representation which lays claim to a policy or continuing practice of generally underselling competitors is an unfair and uneconomic practice.

"5. 'Bait' offers: The use of, participation in, publishing or broadcasting of 'bait' offers of merchandise wherein the prospective customer is denied a fair opportunity to purchase is an unfair and uneconomic practice.

"6. Deceptive statements accompanying cut prices: The use of, participation in, publishing or broadcasting of statements referring to cut prices on trade-marked merchandise or other goods in such a manner as to lead the public to believe that all other merchandise sold by the advertiser is similarly low priced when such is not the fact is an unfair and uneconomic practice."

UNDERSELLING

This code was received with almost universal approval. To the best of my knowledge there has been but one question raised and that has been in connection with paragraph 4, which deals with underselling claims.

ESSENTIAL

It so happens that I consider that paragraph to be the most important of them all. Show me any store or business which claims a continuing policy of underselling its competitors and I will brand that claim as both untrue and unfair.

UNTRUE

These claims are invariably untrue, because, under our highly competitive system, no store can possibly undersell all of its competitors all of the time. The reasons usually given to support such claims are specious and insincere. For instance: "We undersell because of cash savings, low rental, large volume, or what have you." Every merchant knows that these various factors are but small factors in the total cost of doing business. Strange as it may seem, the representative store in New York City which enjoys the lowest cost of doing business is a store which sells principally for credit, is located in the highest rental zone, and enjoys but a medium-sized volume. To complete the comparison, this store has never made any underselling claims.

UNFAIR

Continuous underselling claims, made regardless of cost, are invariably unfair. The more the claims are true, the more they are unfair. Let me quote from a recent ruling by the United States Federal Trade Commission:

"The selling of goods below cost with the intent and with the effect of injuring a competitor and where effect may be to substantially lessen competition or tend to create a monopoly or to unreasonably restrict trade is an unfair trade practice."

PREDATORY

The merchant who advertises a continuing policy of underselling his competitors is a predatory advertiser. He does not care whether he destroys commodity values, public confidence, or good will just so long as his underselling "supremacy" is maintained. When a competitor sets up a price, he knocks it down. When his competitor meets that price, he cuts again and again. Eventually the weaker merchant must go down. You may call this "underselling," but I call it nothing more nor less than "cutthroat competition." Such underselling is a menace to business, and any merchant who is a menace to business is also a menace to the consuming public.

PRICE CUTTING

I hold no brief against occasional price cutting, which is the safety valve of business. In fact, I have strenuously opposed price-maintenance legislation for that very reason. But continuous and habitual underselling is something entirely different. It is evil, rapacious, and predatory. Let us applaud the merchant who sells as cheaply as he legitimately can, but let us denounce the merchant who denies his competitors the right to sell except at prices higher than his own.

HOOVER

In his acceptance speech at Palo Alto, Calif., President Hoover said:

"The foundation of American business is the independent man. He and the public must be protected from unjust competition, from domination, and from predatory business."

CONFIRMATION

I submit that the fair-practice code, if honestly adhered to, will accomplish just that. It will protect merchants and the public from unjust competition and from predatory business.

RELEASE

The code was released for publication on February 1 of this year. Since then it has been adopted by better-business bureaus, retail-trade boards, and various associations throughout the land. In some cities it has been subscribed to either in letter or principle by the newspapers, magazines, and radio stations of the country. In most sections, however, misleading and attacking advertising continues to flourish.

SUGGESTION

The suggestion that I have to offer is simply this: Let us put the responsibility for this situation squarely up to our advertising mediums. If these mediums do not see the need of excluding misleading and attacking advertising for their own good and for the good of advertising, then let us demand that they do so for our own protection. No merchant may reasonably be expected to advertise indefinitely in a medium that allows a competitor to disparage his honest statements and to attack his reputation, either directly or by implication.

CENSORSHIP

Newspapers now maintain a strict censorship with regard to financial advertisements and classified advertisements. There is no good reason why they should not do likewise with retail advertising.

RATES

As everyone knows, there is a general feeling on the part of merchants that newspaper advertising rates are too high and that they should come down. Publishers tell us that there are good reasons why these rates can not come down. I do not wish to go into the merits of that controversy at this time, but I submit that there is one method by which advertising rates need not come down. That method consists of improving the quality of advertising by the elimination of that copy which tends to destroy confidence in advertising.

COOPERATION

I do not mean to place the entire responsibility upon the shoulders of the publishers. Advertisers must do their full part not only by cooperating in this respect but also by eliminating from their copy much of the sameness and the cheapness that seems to characterize it at the present time.

VASTNESS

Advertising is a billion-dollar industry. Department stores and specialty stores spend almost a quarter of this amount. In contemplating this expenditure to-day practically every merchant is asking himself the question, "What price advertising?" Very few, I am sorry to say, are finding a satisfactory answer.

CROSSROADS

In my humble opinion the great industry of advertising has come to the crossroads. One road is marked "Constructive methods" and the other "Destructive methods." The better-business bureaus have clearly pointed out the right direction. Now let the newspapers, magazines, and radio stations of the country keep advertising on the right road and lead the way to a new era of honesty and decency in advertising and selling.

TAXES AND TACTICS

Mr. LANKFORD of Georgia. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. LANKFORD of Georgia. Mr. Speaker, just after the settlement of Georgia, when Savannah was a mere village on the edge of a mighty empire, the sturdy settlers could be heard for some distance cracking their long whips, driving their cattle to market and to slaughter. The farmers who came to town cracking their whips were called crackers, and thus the good people of my State came to be called Georgia crackers.

These early settlers gained this badge of honor by herding and driving cattle, not by herding and stampeding their fellow men as is now sometimes attempted in Congress and elsewhere. These farmers of the pioneer days were serving mankind, taking care of their families in the country and feeding and supporting those who lived in the city. This is just what the farmers are doing to-day. In the early days, without the farmer the city people would have suffered. Then the farmer got a fair price for his cattle and other products. He supported the city folks and they supported him. Nobody had much money; no one needed much. They valued money as a medium of service and not as means of slavery. They wanted money only because, with it, they could better furnish food, clothing, and shelter for themselves and their neighbors. They did not want money as a powerful weapon by which and with which they could further impoverish the poor and drag men, women, and children to lower depths of degradation. They worshiped at the shrine of human rights and liberties and did not bow down to the golden calf of greed and base selfishness. They were men and women such as God would have build a great Nation and preserve it forever.

Thank God, these same people, their sons and daughters, still live out in the woods of Georgia, in the South, and throughout the length and breadth of this great Nation, to protect our rights and preserve our Nation if we will only let them have a chance.

Mr. Speaker, so sure as the sun shines and eternity is everlasting, so surely will our every liberty languish and die, our people perish and our national existence pass into

oblivion if we permit the love of money, greed, and selfishness to destroy our great citizenry of country people.

Neither a great navy, powerful army, vast expanse of territory, hoarded billions of gold locked in vaults of steel, nor inventive genius, nor men of letters from universities of law or science could stay the onrushing tide of national ruin that would be caused by the destruction of the men who want the chance to labor for an honest living and the men, women, and children of the farm. Destroy them and you destroy all. Without them our Nation would never have come into existence and without them it can not endure.

You ask for the cause of the present depression. The answer is the failure to give the average independent citizen a square deal, the failure to work out a system giving employment at reasonable wages to the working man, the lack of profitable prices to the producer for his products and the overcentralization of political and financial power with the accompanying graft and corruption. These troubles must be remedied if permanent prosperity is to come back to our people as a whole.

Congress will probably adjourn in a few weeks, as the leaders are saying the program is about complete. I regret to report that, to my mind, the program of this Congress—whoever may be responsible for that program or claim credit for it—is an awful and calamitous failure and does not in the least solve and remove the real causes of the depression. On every hand is to be seen more shadow boxing, straw-men contests, smoke screens, and false alarms than ever before.

Leaders and men in high authority who claim to be doctors, able to cure all the ills our Nation is heir to, are standing by a patient stricken unto death with an awful malady that will cause death unless cured, and that speedily, and yet these doctors say, " We will do nothing to remedy or cure the disease. We will simply varnish his toe nails with a sales tax mixture, use economy powders on his nose, present our depression-relief prescription to the National Conventions for party platforms, and present our doctor bills to the people, asking them to pay us by sending us back to Congress."

Only temporary expensive paliatives have been offered by the administration and those following the orders of the Chief Executive. These temporary expedients are costly, of no value to the great mass of people, and only helpful to the international bankers and their business associates in this country and to the foreign debtors of our Government.

With the exception of two or three provisions or measures of doubtful value, the record of this Congress to date is as follows: Moratorium for the debtor nations of Europe costing us $250,000,000; $2,000,000,000 available for big corporations and $125,000,000 for purchase of Federal Land Bank stock, all as per request of international banks, with the entire bill and more to be paid by less employment at lower wages, cheaper farm products, salary cuts " down to the most humble employee," and a sales tax to be paid out of want instead of wealth, out of losses instead of profits, out of poverty instead of prosperity, and by those least able to pay instead of by those most able to pay.

It seems that of all times and occasions the present depression is the one for Congress and the administration to pass some wholesome laws for the whole people, and yet it is evident that this awful depression is to be seized upon and utilized as a means of rushing through vicious measures that Congress would not dare pass at other times.

Take the sales tax for instance; it is not only unfair and vicious as a Federal tax but it should never be used as a means of raising money for the National Budget. If it is ever resorted to at all it should be by the States, for State, county, or other local purposes and then only as a part and parcel of a tax scheme exempting from all taxes a reasonable amount of land and other property for home purposes for every family.

Some relief must be given to the poor man who is struggling to buy a small home or to keep the one he already has. The big financial interests openly admit that it is their hope to fasten the sales tax on the American people and then leave it there, and from time to time increase it until all taxes for Federal purposes will be raised in this way and thus get big incomes, great fortunes, and tremendous estates and inheritances relieved of their just burden of taxation.

I am unalterably opposed to this scheme to relieve the rich at the expense of the poor and to raise revenue for the Federal Government by drying up this reservoir of revenue of the States, thus destroying the people's every hope of cheaper State and county ad valorem or property tax.

Neither the sales tax bill nor any other vicious tax bill should have come up at this time to put additional tax burdens on the people.

I undertake to argue that all this noise about balancing the Budget is the sound of the whip that is being cracked to stampede the American people on to assuming additional burdens and into an abject slavery even as our good old Georgia fathers in the early days cracked their whips to drive their cattle on to slaughter.

Better a thousand times that the pyramid of a balanced Budget be not built if it is to be constructed by American slaves under the crack of the whip of political taskmasters and is to be a monument to lost human rights and a powerful nation of the past.

It is being said " the Budget must be balanced by a sales tax, if necessary, even though the sales tax has heretofore been condemned as vicious and unfair in every particular." The middlemen and profiteers say " balance the Budget while we regain and rehabilitate our scheme of getting the lion's share of the profit that should go to the farmer." The trusts and monopolies say " do nothing to disturb us. Loan us the people's money in $100,000,000 items and raise these amounts by the sales tax and the slashing of wages. The Budget must be balanced."

The international bankers say, " We are in a specially preferred class. We demand and get enormous loans of the people's money on security so poor and a contract so drawn as to make this amount of the taxpayers' money an outright gift to us. We also demand and get foreign debt cancellations and moratoriums causing the gift of the people's money to the foreign countries to be in an amount large enough to pay off all the present loans and taxes of all the farmers in this country and guarantee the farmers a fair price for their products forever, but what do we care? We are getting our millions and billions of money here and abroad, in full with interest and profits. We believe in economy, and the slash of salaries down to the ' most humble employee.' Put on the sales tax. Take off all our taxes. The Budget must be balanced."

The big newspapers, periodicals, and magazines say " even if the Government actually loses nearly $100,000,000 per year handling our papers through the mail, and even though we get our papers handled through the mail so cheap until if we had paid the same postage during the last 10 years that the poor man, woman, and child pay for that same poundage of first-class-letter mail, we would have paid into the United States Treasury as postage over $16,000,000,000 more than we did pay, or enough to pay off the balance of the soldier's adjusted compensation more than six times, or enough to balance the Budget more than eight times. What do we care? Do not pay the soldiers' bonus. Put on a sales tax. Cut salaries down to the most humble employee. We believe in economy on the other fellow. Some of the presidents of our big newspaper publishing concerns get in salaries and commissions, and so forth, $12,000,000 per year or $1,000,000 per month, while the United States Postal Service hauls and delivers our papers at a tremendous loss, creating an additional deficit in the United States Treasury, and putting the Budget out of balance. The Budget must be balanced. Increase the poor man's postage from 2 cents to 3 cents per letter, but do not touch the graft of the big newspapers.

" Balance the Budget. Cut the pay of the charwoman who crawls on her knees and scrubs the floor to feed, house, and clothe her children and support her sick, invalid husband, but do not bother our great salaries. Cut the pay of the men

in the Postal Service who carry our papers at a loss to the Government, but do not dare pull our hand out of the United States Treasury. We are strong advocates of a full Treasury and a well-balanced Budget."

Ladies and gentlemen of the House, all this noise about balancing the Budget is the cracking of the whip to stampede Congress into doing things which Congress would not dare do under other circumstances. The men of great wealth hope to stampede the American people into a sales tax and then themselves dodge out from under income, inheritance and estate taxes. They want the average citizens of the Nation to balance the Budget. The rich do not want it balanced out of their fortunes.

People are being whipped into believing that the Budget must be balanced or all will be lost. Better for the Budget not to be balanced and some of the graft in newspaper transportation cut out, vicious bureaus eliminated, and useless expenditures curtailed, rather than a sales tax put on the poorest of the poor to sustain the orgy of waste and extravagance which has fastened itself upon the backs of our people. I repeat it is neither right nor proper for a tax bill putting additional burdens on our people to be passed at this time.

It was not at all necessary. Every reasonable economy should be brought about and millions should be saved by the elimination of useless expenditures. With this done enough money would be available for all purposes except emergency items such as moratorium losses and Government loans past and prospective, payment of adjusted compensation, and so forth. These and aid for the unemployment situation could and should have been handled by a bond issue just as emergency funds were raised during the World War. These bonds would have been bought at once by the big financiers as well as by the ordinary man who has any spare money.

Suppose the men of big means had decided not to buy them promptly and President Hoover had quietly but firmly told these financiers that there was a deficit in the Treasury, but that he had decided that it would be best to economize by eliminating useless expenditures, but that he would not stand for the cutting of the lower salaries or a tax bill putting new burdens on all the people and that the men of wealth must either buy promptly or their income, inheritance, and estate taxes would be increased so as to balance the Budget. There is no doubt about their preferring to put up the money in exchange for interest-bearing Government bonds rather than as taxes never to be repaid.

I voted against the sales tax, against the increase of postage on first-class mail, against several other specific taxes, and finally against the bill as a whole.

The wealthy sponsors of the sales tax, after its defeat in the House, hoped to make the tax bill so offensive to the public as to cause the public to say, "The sales tax is preferable to the bill that finally passed the House. Give us the sales tax." Suppose the bill which passed the House is more burdensome to some than the sales tax, even then it is better to bear this bad bill for a year or two rather than approve the vicious sales-tax system as a permanent Federal way of raising taxes to last forever.

Let us not sell the birthright of our people for a mess of pottage. But, it is urged that a sales tax is paid by everybody and is an easy way to raise money. This makes it more dangerous than money that is hard to get. If the crowd who gets the most out of the Government have to put up the money, there will be more real economy and less graft and criminal waste. Let all the burden of Federal taxes go on the backs of the poor and there will be an orgy of waste hitherto never dreamed of.

Some say the sales tax is paid without the purchaser really feeling it. I have heard this argument advanced in favor of every plan to plunder the people, put over since I came to Congress. This does not justify this tax. It is like giving a man a deadly poison that kills him without his knowing about his rapidly approaching demise.

The people are finding out that something wrong has been done to them. The great tax burden of our people is local—that is, State, county, and municipal—rather than Federal, and the adoption of a Federal sales-tax system will complicate and make more difficult the entire tax problem.

In a wild stampede to balance the Federal Budget there is danger of our wrecking the power of the States to balance their budgets and further wrecking the budget of the individual private citizen and small business man. We must not forget the people who are to pay these taxes. Their budgets are most important. I find that many Members of Congress are getting stacks of letters urging them to support the President's economy program or the House economy program, and yet ofttimes in the same letter are urgent requests for opposition to parts of the program affecting the writer of the letter. The great danger of a legislative stampede in times like these is that many, many worth-while projects and measures will be crushed to powder and forgotten.

For instance, the politician of the North wants to economize by cutting out navy yards at Charleston, S. C., and Key West, Fla., and transferring this work to the navy yard in his district, the net result of which would be additional cost and graft and gross favoritism. Others want the Budget balanced by discharging those whom they do not like and creating new and equally as expensive or even more expensive jobs for their special friends.

Too many want to crack the whip and cause a further stampede of Congress; and while "like dumb driven cattle" Congress is listening only to the cry of balance the Budget, they want to undo laws which grant and protect rights of the people to a much greater value than the cost of the particular statute. These same people are cracking the whip not only to stampede Congress into doing great injustices to the masses of struggling humanity but are increasing their burdens and losses rather than diminishing them.

This whip cracking and Budget-balancing cry is getting the attention of Congress away from the need of the farmer for farm relief, away from the vitally important transportation problem and the question of more employment at reasonable wages.

I refuse to be stampeded into forgetting that my farmers need and should get much better prices for their products, and that bills to reduce their taxes are to be fought for rather than measures increasing their taxes and that the States in their helpless condition can not be aided by the Federal Government entering the sales-tax field in the States and taxing poverty and distress. I will not be stampeded into taxing poverty instead of trying to relieve it; into taxing the poorest of the poor to raise money to give to international bankers and foreign nations; and into an outright delivery of my people, body and soul, and their every right into the hands of big corporations, bureaucrats, and other selfish interests.

Ah, Mr. Speaker, the tragedy of the whole situation is that all this noise about balancing the Budget will not help my farmers get a cent more for their tobacco or cotton this fall, will not stop a single mortgage foreclosure, will not put a single mouthful of food in a hungry mouth, will not clothe a single freezing back, and will not relieve the depression in the least.

All this Congress has done does not in the least solve the farm problem. My people, farmers, merchants, bankers, and all are more interested in a fair farm relief act giving them a fair price for their tobacco and cotton than about paying a deficit created by graft and vicious laws and now sought to be paid by taxing and slashing the salaries of the poor, when that deficit should never have been created and when created should be overcome by a bond issue.

The trouble with our country is that we are enmeshed in an economic system by which and under which the farmers and common people are enslaved and forced to pay tribute to tobacco corporations paying—even during this depression—unconscionable dividends to their stockholders and a million dollars a year as salary to the president of the concern.

Our people pay out of their pockets salaries and profits to the large newspaper organizations so large as to stagger the imagination, while our Government, through the Post

Office Department, is losing $3,000,000 per year hauling the newspapers of only the concern—namely, the Curtis Publishing Co.

Think of it, reliable information is available to the effect that this very paper with all this Government subsidy gets $10,000 per week for one double-page advertisement, $5,000 per week for single-page advertisements, and similarly large pay for all its advertising space.

The farmers and the average private citizen are being destroyed by these subsidies, exorbitant salaries of private business concerns and an economic system which is slavery of the most vicious type. The common people pay for all this expensive advertising and for all these salaries and subsidies.

I am so disappointed when I realize that a stampede has been caused by the great interest which will probably result in additional burdens on my farmers and other people rather than any sort of real relief.

Why does not Congress solve the farm problem? I have told you how it can be done. Why does not Congress pass some real legislation looking to a solution of the problems which caused the depression, instead of applying only temporary expedients? Loans made by the Government at best only give temporary relief. The farmers need better prices; everybody needs more employment and more business and a larger income.

The course of Congress in ignoring important issues and wasting time on minor matters reminds me of a hunter in a great forest being attacked by hundreds of wild ferocious beasts while he is wasting his ammunition shooting sparrows and jorees.

Why can not we stop, look, listen, take our bearings, and act sanely first on the matters that concern our people most vitally and later on those that are of minor importance. Congress should handle emergency matters, of course, but the real causes of our trouble should be remedied and that without delay.

Mr. Speaker, it is manifestly unfair to consider any legislative proposal without so far as possible taking into account every reason for the measure and its every effect, if enacted into law. No one can fathom to the fullest extent all these causes and effects and yet from the faithful study of them arises the ability to act intelligently. There are evils in our Government and they should be remedied. There are overlappings and duplications and they should be eliminated. Some salaries are too large and should be reduced. There are many unnecessary and even harmful activities which should be abolished with great resultant economies.

Bureaucratic government is sapping the very life out of our Nation and should be opposed in every way possible and reduced to the lowest minimum. And yet I urge with all the earnestness of my soul that a wholesale, ill-considered, and indiscriminate reduction of small Federal salaries will not remedy any of these evils, will not be real economy, and will only add to and perpetuate the present orgy of waste and extravagance. Those who are rolling in wealth—even in this depression—as the result of the evils in our Government, say with great vehemence do not touch the class legislation which enables us to keep one hand in the United States Treasury, but by all means reduce salaries of employees and laboring men and women "down to the most humble employee."

Those who are holding office and rendering no real service because of overlappings and duplications in vicious unnecessary bureaus say do not eliminate us, but cut all salaries, "down to the most humble employee." Those who are getting tremendous profits, rake-offs, commissions, and unreasonable salaries are very strong advocates of an economy program passing them by and cutting the salary of "the most humble employee." Big bankers, corporation officials, and other giants in the financial world who have robbed the common people until the country was plunged into this awful depression are saying, "The way to bring back prosperity is to bleed the people still farther by a sales tax and reduction of the salaries of Government and other employees 'down to the most humble' and turn this money over to us."

Ah, Mr. Speaker, these greedy, conscienceless money holders and hoarders of the Nation, not satisfied with their awful plunder of the farmer, the laborer, and the common people, are the strongest advocates of still further plunder and pillage of the "most humble" citizen.

Let us pause for a few minutes and see just what this Congress is doing. Over the protest of many of us, the first thing this Congress did last December was to pass a foreign-debts moratorium, thus for the present year donating approximately $250,000,000 to the nations of Europe. The same group of international bankers who wanted the foreign-debts moratorium so they could make enormous profits out of their foreign loans and investments are now loudest in their cry that reduction of the salary of "the most humble employee" must be made and a sales tax must be levied to balance the Budget.

But this is not all; the Members of Congress who voted loudest for the foreign-debts moratorium are now loudest in their advocacy of a sales tax and a salary reduction to be saddled on the "most humble employee" to replace the money given to European nations last December.

Listen while I tell more of the plot: The same international bankers and multimillionaires who made their millions out of foreign loans and investments and inveigled the United States into moratoriums and cancellations of practically all our foreign debts, so they—these financial sharks—could collect their profits and debts, also for selfish purposes equally as base and vile. They seduced the Congress into passing the Reconstruction Finance Corporation act making available as loans—on paper so insecure as to constitute a gift to these bankers—enough of the people's money to pay off the entire amount of money now admitted to be due as adjusted compensation to all the American veterans of the World War.

And yet the greatest opposition to payment of the soldiers' bonus, the greatest clamor for the sales tax and the greatest demand for reduction of salaries "down to the most humble employee" come from these international bankers and their cohorts. With their banks bulging with fraudulently obtained money, with full knowledge that they are the cause of the larger part, if not all, of the greatest and most severe financial suffering this country ever saw and with their hands dripping with innocent blood of millions of men, women, and children, these men of wealth make every possible maneuver to get more money and more political power.

Mr. Speaker, if this so-called economy bill had all stayed intact and all the reductions of salaries taken place as therein provided, the amount thus taken from all the Federal employees would only equal what the Reconstruction Finance Corporation act sponsors here in Congress provided should, in effect, be donated to only one of these big international banking concerns, it would only equal one-half what these sponsors desired should be handed to one big banking concern. All this so-called economy, if carried to its fullest extent, would only squeeze out of the small Federal employees a little more than one-third of what Congress graciously gave to the foreign nations as a Christmas present last December. I said this was given to the foreign countries, I am in error about this, it was practically all given to the international bankers, for they got it and more in ill-earned profits, bonuses, and commissions out of the foreign countries and from worthless foreign and other valueless securities unloaded by these New York bankers on innocent people and small banks in this country.

Another interesting fact is that practically every Member of Congress who sponsored the foreign-debts moratorium and the Reconstruction Finance Corporation act are now vigorously supporting the sales tax and salary reductions "down to the most humble employee."

It is millions and billions of money for foreign nations, for international bankers, and great corporations, but none to pay a just debt due the veterans of the World War and none for the poorest of the poor and "the humblest em-

ployee" and none for the farmer whose home is being sold by foreclosure.

As has always been the case, the farmer, the laborer, and the poor man must bear all the burden. They must pay a sales tax or other equally vicious tax and suffer salary reduction, if they have a salary; and toil and sell below the cost of production if they have a farm or can rent one. They must do all this, it is contended, to balance the Budget, which was gotten out of balance by the very crowd of financial pirates who are now trying to whip these people of the farm, store, shop, and office into balancing the Budget.

It is getting time for Congress to begin helping the common beople balance their budgets, rather than increase their burdens so they can not balance them.

On several occasions during these debates Members of the House have urged that everyone at this time should be willing to make a sacrifice by paying additional taxes or by selling farm products below the cost of production or by suffering salary reductions even if one is least of "the most humble employees."

Mr. Speaker, I am sure that every patriotic citizen not only of my district but of the whole Nation would gladly sacrifice to the limit in behalf of his or her Nation, but many are not willing to sacrifice themselves and their loved ones on an altar of gold or worship at the feet of the Wall Street interest, as a part and parcel of an endless servitude to the international bankers. I have not hesitated to announce myself as opposed to a reduction of the lower salaries or wages of the Federal employees or other employees. I have already voted for and will continue to vote for a reduction of the larger salaries including those of Members of Congress. I realize that it would be dangerous to reduce salaries of Members of Congress so low until no one but the very rich could afford to come here and pay the expenses of holding the office and running every two years for reelection. The people would become slaves indeed if Congress should become a rich man's club. But during this depression I feel all Members of Congress can afford to take a salary cut, and I will go as far as anyone in Congress or out in this respect. I have already voted and will continue to vote to cut my salary and my mileage, clerk hire, and stationery allowance. But I repeat I am opposed to slashing the lower salaries of Federal and other employees, not only because this is sought to be done to raise money to be wasted as the result of foreign-debt moratoriums, loans to great corporations, unnecessary extravagance, past and future but because of certain other reasons.

The wholesale reduction of salaries means a further fall of the price of farm products. Never in the history of the world has the price of farm products in any country gone up while the price of labor was going down. Reductions of lower or smaller salaries or wages means an additional pressure on the top of the price of farm products and will shove them farther down and hold them down until the pressure is removed. The slashing of the lower salaries will not cause my people to get one cent more for their products, but on the contrary will have a tendency to cause them to get less.

I know that even if the Army was called out and all employees of the Government were forced to work for only bread and water for food and a tent for shelter, the country would be no better off and would lose the helpful influence of the purchasing power of these employees. The argument would be made at once that since wages are now low, salaries meager, and many are out of employment, the prices of farm products must be dragged lower and yet lower.

This country owes billions of dollars of indebtedness made when prices of everything were high. The people can never pay all these high-price debts with low-price farm products and low-price labor. The prices of farm products must be elevated to where they were when the farmer made his debts or the farmer will simply continue to lose out and the depression will remain.

Ah! Mr. Speaker, there is method in the madness of the Wall Street interests and their friends in Congress. Not a word was said about the condition of the Treasury or the balancing of the Budget when the big financial interests sought the foreign-debt moratorium, or to put over the Reconstruction Finance Corporation steal, or to provide for the purchase of Federal land bank stock by the Government for the bankers, but the cry of Treasury deficit and Budget balancing became loud and continuous when it was suggested that something be done for the farmer, to stop the foreclosure orgy or to help the unemployment situation.

It was at once made known that these were to get no help and that a determined effort was to be made under the shout of Treasury deficit and the whip crack of Budget balancing not only to refuse help to the farmer, the laborer, and the private independent citizen but to squaeeze out of them the very money which had so lavishly been provided for foreign nations, international bankers, and other financial pirates of the Nation.

Mr. Speaker, one of the Members of this body has seen proper to say "There is less courage in the American Congress to-day than has been the case since the formation of the Government."

Mr. Speaker, it seems to me that the gentleman is trying to cover a lot of territory. It may be, though, that he will be able to do so, at least to his own satisfaction, since he is probably willing to admit that there is at least one courageous Member of the House and that he is that particular fellow.

Since I came to think fully about the matter, I find that the gentleman is probably mistaken. I find that the gentleman voted with the Democratic and Republican majority of this House in putting over the foreign-debts-moratorium robbery, the Reconstruction Finance Corporation steal, and the Federal land-bank stock grab, and voted with and helped the majority in blocking and killing the only proposal to come on the floor during this Congress to grant a moratorium to the farmers or a group of farmers.

The gentleman has been with the majority of Democrats and Republicans that has not offered a single worth-while proposal to solve either the marketing problem for the farmer, or the vitally important transportation problem, or the unemployment problem of the laboring man, or the depression problem of such great interest to us all. The gentleman has also been with the majority that has prevented the taking up for enactment of any and all measures looking to the proper permanent solution of any of these great questions.

Now, since the gentleman has been with the victorious Democratic and Republican majority in all these contests, it is only fair to assume that he thinks his own crowd is courageous and therefore that the real cowards are very much in the minority.

We find that the gentleman was only in the minority when in an effort to raise money to pay for the previous sins of the majority here, he tried to help fasten a Federal sales tax on the backs of the American people, when he attempted to destroy Federal aid for vocational education, and when he attempted to aid and abet in putting over certain other equally vicious measures.

It is really a pity for a Member to be so unfortunate as to be always with the majority when the majority is wrong and always with the minority when the minority is wrong.

It is time for him to get mad, but he ought not to blame other folks for his own errors. If anyone has any doubt about this particular gentleman being really mad, listen to this. He accuses some Members of "flagrant betrayal of the rights of the people closely approaching downright dishonesty."

Mr. Speaker, the drunkest man in the crowd always thinks that everybody else is drunk, and the most guilty man thinks that everybody else is a criminal.

Well, those of us who have conscienciously differed from the gentleman on these various matters are willing to let the voters determine to whom this accusation of his should apply.

The gentleman also mentions the power of "organized minorities." Well, he probably knows what he is talking about this time.

Some, if not all, of the vicious measures which have been attempted at this Congress were started and kept going by very small organized minorities, consisting of only two or three men, who traveled only the distance from Wall Street, New York, to Washington, D. C.

And now some of us are branded as cowards because we are not willing to join in with those who take directions from Wall Street and help them in this awful, murderous, traitorous program of delivering our fellow man into slavery and our Nation into chaos and destruction. It may take a certain kind of bravery to follow the Wall Street gang of financial pirates. Those who call such as this patriotism are welcome to their own self-praise. I realize that I oft-times commit error. I am human. I have but one conscience; and when I follow it, I am doing my best and performing my duty to the fullest extent of my capacity.

Mr. Speaker, to my mind more money must be put into circulation and not less. More and better wages must be paid and not less. The farmer must get more for his products, not less. There must be less Government bureaus and more efficient service and not more commissions, more bureaus, and more parasitic, useless, high-salaried bureau chiefs. There should be less taxes on the people and not more. By the way, taxes are necessary to pay the expense of government. Better a thousand times reasonable taxes and real government than no taxes and no government or no taxes and bad government.

My farmers would much prefer to pay heavy taxes if the money was used to usher in a period of prosperity and happiness for them and theirs. The question is whether or not the people are getting value received for their taxes. At present they are not able to pay their taxes, and the average citizen is getting worse than nothing in return. The Federal tax is not hurting the average citizen of small means as much as the State, county, and city tax. All tax sales are for these and not for Federal taxes. This, though, furnishes no reason for us here to waste Federal funds. The sales tax, though, would be different. It would reach every citizen everywhere, taking from the poorest of the poor and from all. I am bitterly opposed to a Federal sales tax. If levied at al, it should be by the States for State purposes and in lieu of taxes on property for home purposes, which I feel should carry a reasonable exemption.

This leads me to my idea of a farm-relief program which I have heretofore discussed, but which I will not take up just now. I will, though, discuss it again in the near future.

In this connection may I say I feel and contend that it is not necessary or best at this time to levy additional taxes or make cuts in smaller salaries to balance the Budget. Actual current expenses of the Government should be paid by taxes, tariffs, and so forth, but emergency expenditures such as got the Budget out of balance should be handled by a long-term bond issue to be paid when the country is more prosperous. This would bring more money into circulation, whereas the plan now sought to be put into effect will have the opposite result. In talking along these lines one naturally comes to the question of whether or not the balance of the adjusted compensation due the veterans of the World War should be paid. It therefore may not be amiss for me at this time to say a few words on this subject.

Mr. Speaker, it is admitted by all that the balance of adjusted compensation due the veterans of the World War is a debt. No one can honestly contend that the amount heretofore paid and to be paid is too large, that it was not honestly and honorably earned, or that it is not due for value received. Congress has by solemn act heretofore determined that this debt is just, true, due, and unpaid. The same Congress has determined this debt to be due that determined that these veterans owed their service and their lives, if need be, to their country, and that these veterans must pay in full their obligation to their country. Now that the service has been rendered and performed in full by these veterans, this same Congress is delaying the payment of the debt so adjudicated to be due for the services so demanded and so received.

This adjusted compensation is as much due these veterans as are the salaries that are being paid to the thousands of Government employees throughout the land. This money is more due than the salary of the President or the salaries of Members of Congress or United States Senators. We sought our positions of ease at a good salary while the soldier was forced to fight whether he wanted to or not, with all the hardships and risk of war, at a salary—adjusted compensation included—which is little more than a mere gesture. Why should not this debt be paid at once?

Can the United States pay its obligations? If not, why not? Why refuse payment of this debt to the veterans with one hand and with the other hand pay the debts due all other people? Why refuse the veterans of our Nation with one hand and with the other hand donate many, many times as much money to the nations of Europe to pay their veterans and to prepare for future wars into which we may be drawn or which may be declared and waged against us?

Why should this very Congress make arrangements through the Reconstruction Finance Corporation act to loan enough to the big corporations to pay the balance due the World War veterans, and yet refuse this just debt admitted to be due these veterans? Why should this $2,000,000,000 be loaned on security which no banker wants and on which the Government will probably lose its money, rather than pay it to these veterans in full settlement of money due them, which must be paid some day and, therefore, can not be lost by the Government now paying these just obligations?

I repeat, and repeat again, why loan this money to the very gang of multimillionaires who made their millions during the World War out of the suffering of these veterans, their families and friends, rather than pay it to the men and women who did the suffering incident to the war?

Why endeavor to raise this $2,000,000,000 by taxing the poorest of the poor and making loans—that amount to outright donations—to the Wall street interests, to be further hoarded and put out of circulation, rather than raise this same amount of money by a bond issue and pay these veterans, thus putting every cent of this money into circulation? The United States can either pay its debts or it can not pay them. If our Nation is able to build and equip various magnificient public buildings here in Washington which are now in course of construction, with all the park improvements, streets, bridges, roadways, and lavish expenditures that are taking place on every hand, the Government is able to pay these veterans their hard-earned compensation to keep them and their loved ones alive.

Surely if the Government is able to tear down the Post Office Department building here and thus destroy one of the most useful, valuable, and beautiful buildings in the world, simply and only because some group of Federal appointees doesn't like its looks quite as well as they do some other building to be built in its place at enormous cost to the taxpayers, then the measly sum due each of these veterans can be paid to drive the wolf of hunger and want from their doors.

I repeat, the same amount of money that has been authorized to be loaned to the big corporations, in $100,000,000 items to a single corporation, is sufficient to pay in full the adjusted compensation to the World War veterans.

How can anyone knowing of all the suffering which these veterans and their people have endured, say, "The Government is able to pay all else but not you; the Government is able to give to foreign nations many times the amount of your compensation and even continue to grant foreign-debt moratoriums at the annual cost of $250,000,000 for this year alone, but can not pay the veterans their just claim; and that the Government can actually raise enough money to pay the veterans in full, but must loan it on unsecured and worthless paper to the House of Morgan and other Wall Street interests and are determined not to pay these veterans what is due them and instead let want, starvation, and death overtake and destroy those who fought and suffered and sacrificed that we might live and our Nation might endure?" This course may be pursued by some but

in my heart I can not approve it and I shall in every way possible oppose it.

I would not at all favor raising the money to pay these veterans if it had to be taxed out of the poorest of the poor, during this very year. If this money had to be taxed out of the veterans themselves, and out of their fathers and mothers, brothers and sisters, and out of the taxpayers generally, then it might be urged that very little good would come to the country from this payment, but this is not the case.

Regardless of what may be said about raising this money by the various schemes that have been suggested, all who have closely studied the matter must admit that every cent needed to pay the veterans can be raised at once by a bond issue without impairment to the credit of the Nation. What would be the result? Money that is now in hiding in safety-deposit boxes and elsewhere and not in circulation would go into these bonds, to be used to pay these veterans and by them to be used for themselves and their families, thus going into circulation and again entering upon its mission of service to all mankind.

The United States Government, instead of owing this amount of money to the veterans, would owe the same amount to those whose money is now idle. The bond purchaser would be better off, for he would be getting interest on money now idle. The Government would owe the same amount to the bond purchasers it now owes to the veterans. The veteran would receive the money which he has earned, which is due him, and which he needs. This money would not only give the veteran a new lease on life but it would at once go into circulation, helping everybody everywhere.

Mr. Speaker, truly "the love of money is the root of all evil," and is the real cause of the present financial depression. The love of money has brought about the numerous vicious laws giving the money-mad monopolies a strangle hold on the throats of the laborer, the farmer, and the masses of American citizens. All these years the love of money has kept the farmer from getting a square deal, forced him to carry not only his own burden but the burden of all others, brought about an orgy of extravagance, gambling, and riotous criminal manipulations of human rights, caused the common people to be robbed of their all, and plunged our Nation and the world in the greatest panic of all time.

This depression will never be permanently relieved unless and until its causes are forever removed. This Nation can never again be prosperous without a contented citizenry of home owners in the smaller cities and especially in the country. With this, prosperity would return and remain forever. Community owned and controlled banks would reopen in the small towns and cities, business would revive and this Government would become stronger and more permanent as the years come and go.

To my mind we are at the parting of the ways. There is a right way and a wrong way. We have really been traveling the wrong way, and yet we can retrace our course and take the right way if we will act before it is too late. The decision must be made, and now. We must reestablish the common people in control of their own affairs and bring prosperity out of this wreckage and chaos, or suffer the inevitable downfall of our Government. There can be no abiding prosperity without the proper solution of the farm problem, the labor problem, the transportation problem, and other economic questions affecting the very lives of our people.

Let us quit taking up all our time with flimsy temporary palliatives. Let us find the real causes of the trouble and work day and night to overcome them. This and nothing else, in a legislative way, is our solemn duty.

OUR FOREIGN POLICY

Mr. MORTON D. HULL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. MORTON D. HULL. Mr. Speaker, it is the fashion of the supporters of the present American foreign policy to take a separate and apart, do-nothing attitude, to glorify such an attitude as the "American tradition," and to seek to justify it as a wise and prudent course on the ground that any more positive and vigorous policy, whether pursued in concert with other nations or pursued alone, would be dangerous and lead us into war.

One of the by-products of this attitude always dragged into the discussion is the assumption that in following any other course our boys will be dragged onto some foreign battlefields to settle foreign quarrels. To say that a more vigorous attitude would be contrary to American tradition and policy, and to supplement it with the assumption our boys would be sent to fight in foreign fields, is expected to make the argument unanswerable.

It is assumed that because in the flintlock age a policy of "refraining from permanent alliances with particular nations" had its ample justification in experience, such aloofness must be our position to-day. It was good for our fathers and therefore is good for us. This is the argument of the blind leading the blind. When the spaces of the earth were thinly settled and the means of communication of the ox-cart kind, and when there existed a considerable economic self-sufficiency for each nation, such an attitude might well be justified, as it was for us 100 years ago. But in an age of far-reaching economic interdependence between nations, in an age of indemnities, international debts, lethal gas, of aviation and submarines, the combustible materials of international life are brought too close together to make the "let-alone" and "do-nothing" policy a safe one.

Some sniper of unbalanced mind in the international community, some red with his torch, may set them off. The hoary American tradition becomes then about as sure a test of wisdom as that of the man who found that if he lived through the month of March he lived the rest of the year. Yet this attitude is American statesmanship to-day. It would appear, however, that those who are the spokesmen of the "do-nothing" policy have not been and are not easy in their conscience. They recognize that a negative attitude that can not meet positive international requirements is subject to criticism on that account. It was this recognition on our part, this uneasy sense of something missing if we are to keep pace with national aspiration for sharing in the peace program, that led to the drafting and signing of the pact of Paris, renouncing war and pledging the signatories thereto to the use of pacific means for the settlement of international disputes.

And now since the Sino-Japanese affair it is, in turn, the realization of the inadequacy of the pact of Paris without sanctions that has prompted the State Department to set up as a new departure in international law the new formula that this Government will not recognize the legality of any situation, treaty, or agreement brought about by force. This attitude has been followed by like declaration on the part of the League of Nations. But will it accomplish anything? Our Secretary of State, Mr. Stimson, says it will. He says:

> It will effectively bar the legality hereafter of any title or right shown to be obtained by pressure or treaty violation.

The Acting Secretary of State, Hon. William R. Castle, jr., says of it in a recent address delivered by him for the general conference of the Methodist Episcopal Church, May 6, that it—

> Has put teeth in the pact of Paris and has done it in a way which avoids the use of force. * * * No such nation [predatory nation] in the future will be permitted to enjoy the fruits of its dishonest attack on the peace structure of society.

This is a bold prophecy made by the Acting Secretary of State. It is a much stronger claim of merit than any made by Secretary Stimson. The latter claims only that it will effectively bar the legality of any title shown to be obtained by pressure or treaty violation. Mr. Castle claims that it will bar the enjoyment of the fruits of predatory action. These two claims are very far apart. Will Mr. Castle's prophecy prove true? Has it yet proved true in Manchuria? Is not Japan in full possession of the fruits of its attack on the peace structure of society? Japan signed the pact of

Paris, and Japan has broken faith both with us and the world with respect to Manchuria. Yet Japan is apparently in possession of Manchuria to stay. Perhaps it will be said that it is too early to come to conclusions as to Japan's control in Manchuria, or, using the language of Mr. Castle, as to Japan's enjoyment of "the fruits of its attack on the peace structure of society." That may possibly be true; perhaps it is too early to judge. But I venture the prediction that Japan is in Manchuria to stay. Perhaps there is a moral law of compensations which in the course of ages will ultimately work retribution on Japan, but it is not apparent to-day.

I am inclined to believe that Secretary Stimson has his doubts about the effectiveness of his proposal from the cautious claims he makes for it. Acting Secretary Castle has prophesied that the enjoyment of the fruits of dishonesty will be barred. Secretary Stimson is much more cautious. He confines himself to the legality of title. Acting Secretary Castle speaks of the enjoyment of the fruits of attack. The colored boy who likes watermelons may never get title to the watermelons he purloins from his neighbor's garden, but neither will he be barred from the enjoyment of the fruits of his dishonesty by any caveat made against stealing. Legality of title in such a situation means nothing unless it includes the power of a superior agency to judge the rightfulness of possession and to punish, if necessary. And the creation of such an agency is what we of America scorn to attempt. We say it is against our national tradition and policy.

With every desire to find encouragement in the new policy presented by Secretary Stimson, with every wish that as a moral sanction it may prove effective, I can not see in it anything but a plausible, fine-appearing mantle to cover the poverty of a timid, fearsome policy. It represents drift, and the best than can be said of it is that it represents drift in the right direction.

ECONOMY

Mr. BUTLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including a copy of a letter which I wrote in answer to one on the subject of economy.

The SPEAKER. Is there objection?

There was no objection.

Mr. BUTLER. Mr. Speaker, under leave to extend my remarks in the RECORD I include the following letter written by me upon the subject of economy:

MAY 3, 1932.

Mr. E. B. MACNAUGHTON,
Vice President the First National Bank, Portland, Oreg.

DEAR MR. MACNAUGHTON: I have your letter of April 27, and, while contrary to popular belief, we are extremely busy and crowded for time, yet I feel that you are entitled to a more extended communication than a mere acknowledgment, because I think you are laboring under misinformation which has been industriously disseminated by interests apparently seeking to discredit the Congress and divert the attention of the rank and file of the American people away from some of the real causes of national distress.

My knowledge of your standing and character is such that I know you are seriously concerned and your interest in this matter is a sincere and patriotic one, and I gather from your communication that probably you are a stockholder in one or both of the business institutions mentioned, namely, the Du Pont Co. and the Standard Oil Co. of California, and I presume you received a letter from the former company similar to the one which various Members of Congress in both branches have caused to be placed in the RECORD as a monumental illustration of misleading propaganda.

This propaganda is in line with the course pursued by international bankers who dumped worthless foreign securities on unsuspecting citizens of this country as well as made loans in foreign countries and then joined with resident foreign manufacturers in a campaign against our system of protection to American producers and American laborers for the purpose of opening our markets up to cheap labor produced commodities of foreign countries to enable them to repay these loans at the expense of our own people and also for the additional purpose of diverting the attention of the people from their selfish manipulations, and the attitude of these people has been: "Look at governmental extravagance, look at congressional mismanagement, look at high salaries, look at high taxes, look at the tariff, but for God's sake, don't look at us."

While the Congress of the United States is doing its best to protect the business of the country and maintain the confidence of the people in our business institutions, these people are constantly inveighing against the Congress and against the Government, and if capitalism in this country is abolished and this Nation takes up the bloody road to Moscow, it will not be through organized "reds" and communists, but it will be due in a large measure to those with swollen fortunes who have joined hands with the "reds" in an effort to destroy the confidence of our people in their Government.

On April 30 Hon. PHIL SWING caused a copy of this letter to be placed in the RECORD, and made some remarks on the floor concerning the same, and called attention to the fact that the Budget, to begin with, was cut more than $350,000,000 under last year's expenses and that the House Appropriations Committee cut the appropriations 5 per cent in addition to the Budget cut and that the Senate made an additional cut of 10 per cent, which in some particulars, I fear, will work hardships upon some of the departments of the Government. I am inclosing you the remarks made by Mr. SWING, with the accompanying letter of the Du Pont Co.; also, on yesterday Mr. SWING made some additional remarks on the subject, and included in the RECORD a copy of memorandum from Mr. Roop, the Director of the Budget, concerning the comparison made in the Du Pont letter between the expenditures of the fiscal year 1927 and the fiscal year 1932. I am also inclosing you pages from the RECORD, showing this letter from the Bureau of the Budget, and in addition I am inclosing you an address delivered by David Lawrence, editor of the United States Daily and one of the most intelligent observers of governmental affairs in the country.

I am merely submitting these to you and calling your attention to the same for the reason that I know that a great deal of misinformation is being spread abroad in the land and many institutions would be pleased to have the country look in some other direction. So far as I am concerned, I believe in the strictest economy in governmental expenditures that is possible, and we all realize that there is more or less waste and extravagance in all governmental institutions from the small municipalities on up through the State and to the Federal Government, and I realize that when the national income is being reduced that expenditures must be curtailed and that the tax burden should be made as light as possible; but the Congress is constantly called upon by the people for various appropriations, and this is particularly true in our own State, and the people expect us to obtain appropriations to aid in the development of our State, due to the fact that we are a small State in population and that more than 50 per cent of the land is in governmental ownership, and we are blamed and condemned if we fail to secure the appropriations for our State.

We might strike from the appropriation list the one providing for post-office facilities of the city of Portland, but none would want that. We might strike from the list appropriations for rivers and harbors development and reclamation development, but none of our people want this done. The Congress has been called upon this session to save the banking systems of the country and their many millions of depositors, and conservative business men of outstanding prominence have stated that if the Congress had not come to the rescue and provided for the Refinancing Corporation that probably two-thirds of the banks in the United States would have failed before the year is over, and with this statement I am in agreement. The appropriation of these large sums of money sounds big, and they are enormous, but the Congress is composed of men who are trying to do their duty by the country and protect and save the country's institutions.

Concerning the proposed cuts in the small salaries of the wage earners of the Government, I have to say that I did not vote for the reduction of employees' salaries above $1,200 per year. I did vote for a cut above $2,500, and I did that with considerable hesitation, for the simple reason that about 75 per cent of Federal employees receive an average of $1,440 per year, and I do not believe that they should bear a big part of the burden that has been brought on the country through the misfortunes of war and thus relieve from the burden some of the great profiteers who are spreading the propaganda and who grew rich by coining blood and tears into money. Furthermore, reduction in wages and reduction in purchasing power, as you well know, will not help to restore prosperity.

The President of the United States was not in favor of reducing these small Federal employees' salaries, because he knew that on an average they were low and that if we were not careful we would only add to the long line of unemployment, and all that he recommended was the furlough plan, which I, together with the majority of the Republican Members, supported when the minimum was placed at $2,000.

I assure you that I was glad to have your letter and to know your interest in the situation and trust that I have made the situation a little clearer to you and will be glad to have your views at any time.

Sincerely yours,

ROBERT R. BUTLER.

INTERSTATE COMMERCE COMMISSION

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the subject of the Interstate Commerce Commission.

The SPEAKER. Is there objection?

There was no objection.

Mr. CELLER. Mr. Speaker, severe criticism has developed against the Interstate Commerce Commission. For some time past such criticism was a mere smoldering of discontented but interested persons. This smoldering has become a jet of flaming condemnation against it. Railroads, bondholders, banks, publicists, economists, have raised a hue and cry that must sooner or later reach the Congress.

The commission, I believe, went pretty far in its laying heavy structures upon the application of the Missouri Pacific Railroad to the Reconstruction Finance Corporation to assume partially the road's loan to the banks. For this the commission was properly rebuked by the press generally.

It is difficult to understand the commission's recent decision in the case of the St. Louis-San Francisco Railroad, when it said the road could borrow from the Reconstruction Finance Corporation, but before any advance is made the road would have to submit a plan to effect substantial reduction in its fixed interest charges within 60 days. To do this in 60 days is impossible. Further, it is rather late for the commission to decrease the road's fixed charges when it has all along encouraged and approved substantially the road's fixed charges. The recent action of the commission rather delays than furthers strengthening railway credit through Reconstruction Finance Corporation or bank loans to railroads. The commission can easily undo the good the Reconstruction Finance Corporation is doing by undermining public confidence in the roads by its continued captious criticism.

The commission was mandated by Congress in 1920 to see to it that the railroads earned sufficient income. Five and three-quarters per cent was considered a fair return on investment. By many very unjust and unfair decisions the commission has made such return on investment utterly impossible.

Small wonder, therefore, we read frequently, only too frequently, condemnation of the commission of the type of the following:

[Reprint from the Wall Street Journal, December 16, 1931]

REGULATION PLUS TAXATION

EDITOR THE WALL STREET JOURNAL:

It is a self-evident fact if a nation is prosperous and is to continue so the government must conserve and safeguard the wealth of its citizens; when there is world-wide depression there must be causes which have produced such an abnormal situation in the United States.

Upon searching for fundamental facts we find that politics has given us legislation based on propaganda—cant, hypocrisy, and platitude—and our present conditions, the result.

In this country, after an experience of 50 years of the control of public street railways by State and city authorities, the regulations have been such that practically all have passed through bankruptcy. Owing to the hue and cry of over 40 years ago, the National Government embarked upon a campaign of Federal regulation authorized by Congress by which $25,000,000,000 worth of property is now in the absolute control of 11 men, who rely on their undermen to report what they should do; their dictates as laid down must be obeyed by the railroads; this commission tells them what they must do and what they can not do; in fact, tells them everything except how to earn the money to pay a return on bonds and stocks issued under the authority of the Interstate Commerce Commission. The railroads are supposed to pay taxes to every county, State, city, and town and a percentage of their profits to the United States Government; and the Interstate Commerce Commission is supposed to give them a fair return of 5¾ per cent on their property. This the Interstate Commerce Commission has never done, as under the law the members of this commission are not responsible to anyone for their action. In spite of this absolutely impossible situation, Congress in its wisdom inserted in the transportation act the recapture clause, which was the greatest piece of racketeering ever practiced in the United States. The railroads are expected to carry out the various orders issued by the Interstate Commerce Commission, but it does not supply them with the money needed so to do. What is the legal or moral responsibility of the Interstate Commerce Commission when it compels railroads to issue common stock at a price that they set; is it not a moral guaranty that the investor will receive a minimum rate of 5¾ per cent on his investment? But the investor knows now that the Interstate Commerce Commission has played a game.

The Interstate Commerce Commission has been, is, and continues to be a menace to the prosperity of this country; "the people's welfare" and "the people's interest" have simply been the propaganda of the loud-mouthed against a major industry of the United States, and the harassing of the railroads has now resulted in unemployment; the railroads have been compelled to discharge hundreds of thousands of men, the industries supplying the railroads are practically shut down; this in conjunction with the loss of railroad employment has caused a lack of business in every town where railroads have their shops or where railroad employees live, as well as where the materials used by railroads are manufactured. The Interstate Commerce Commission is aided in crowding the railroads by State commissions. The State of California, the home of antirailroad propaganda, through its supreme court, ordered three railroads to obey the order of the State railroad commission to build a $10,000,000 terminal in Los Angeles but forgot to tell the railroads where to obtain the money. Such power is beyond the sane thought of man. For years the railroads have received from Government nothing of material benefit, but, instead, orders for excessive expenditures, not the least of which has been the payment by the railroads of a major part of the expense to eliminate grade crossings, on the theory that new streets opened gave a railroad more business. How true this theory is is self-evident. The power to assess is the power to oppress; the power to regulate is the power to strangle; regulation plus taxation equals ruination.

WILLIAM I. WALTER.

NEW YORK, *December 12, 1931.*

CALENDAR WEDNESDAY

Mr. RAINEY. Mr. Speaker, I ask unanimous consent that Calendar Wednesday business in order to-morrow be dispensed with.

The SPEAKER. Is there objection?

Mr. STAFFORD. Mr. Speaker, reserving the right to object, if Calendar Wednesday business is dispensed with to-morrow we will go ahead with the War Department appropriation bill?

Mr. RAINEY. Yes.

The SPEAKER. Is there objection?

Mr. KVALE. Mr. Speaker, I understood last night that a tentative agreement was reached with the leadership not to dispense with Calendar Wednesday business to-morrow. Other Members have so understood, and have made their plans accordingly. I have just learned of some exercises on Thursday in which a very large proportion of the membership is interested, and while I regret the necessity, I shall feel constrained to object at this time, and I do object.

The SPEAKER. Will the House permit the Chair to make a statement in the way of a suggestion? It is desirable to pass this bill, if possible, this week. A large number of gentlemen have indicated a desire to attend certain exercises at Alexandria, Va., on Thursday. If we could consider the Army bill to-morrow and could have an understanding or a gentleman's agreement that we would have general debate only on Thursday, and a lot of gentlemen desire time in general debate; and if we could get through with the Army bill by Friday night, the Chair thinks it would be very agreeable to all concerned, because on Saturday the Chair thinks the private calendar is entitled to consideration. We have not had a Private Calendar on Saturday since the new rule was adopted, and the thought occurred to the Chair that if we could pass the Army bill after considering it on Wednesday and Friday, we might have general debate all day Thursday with a gentleman's agreement that no point of no quorum would be made.

Mr. SNELL. Mr. Speaker, on what is there going to be general debate?

The SPEAKER. On the President's message that we just referred to the Committee of the Whole, or on anything the Members may want. As a matter of fact, we could go into the Committee of the Whole to consider the President's message which was delivered in December last, as it is still pending. I do not know whether this suggestion of the Chair is agreeable to the Members or not.

Mr. TILSON. Mr. Speaker, will there be any veto message laid before the House on Thursday that the Chair knows about?

The SPEAKER. I could not possibly tell the gentleman what veto message may come to the House.

Mr. TILSON. I did not know but that there might be a message on the Speaker's desk.

The SPEAKER. If any such message comes on Thursday, undoubtedly it could be considered on Friday, and the Chair would undertake to protect the membership in that situation.

Mr. KVALE. Mr. Speaker, it grieves me very much to insist upon my objection, but in line with an agreement with one of my colleagues, I object.

Mr. STAFFORD. Mr. Speaker, objection would not prevent dispensing with Calendar Wednesday business upon motion made to-morrow or even to-night.

The SPEAKER. No; under the rule Calendar Wednesday business can be dispensed with by a two-thirds vote.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 615. An act for the relief of C. B. Bellows;

H. R. 1554. An act for the relief of G. Carroll Ross;

H. R. 8637. An act to authorize the sale, on competitive bids, of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes;

H. R. 9393. An act to increase passport fees, and for other purposes;

H. R. 9591. An act to extend the period of time during which final proof may be offered by homestead entrymen;

H. R. 9970. An act to add certain land to the Crater Lake National Park in the State of Oregon, and for other purposes;

H. R. 10277. An act to transfer Lincoln County from the Columbia division to the Winchester division of the middle Tennessee judicial district;

H. R. 10284. An act to authorize the acquisition of additional land in the city of Medford, Oreg., for use in connection with the administration of the Crater Lake National Park; and

H. R. 10744. An act to authorize the issuance of patents for certain lands in the State of Colorado to certain persons.

The SPEAKER announced his signature to an enrolled bill and joint resolution of the Senate of the following titles:

S. 2775. An act to amend an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia," approved March 3, 1869, as amended; and

S. J. Res. 50. Joint resolution to authorize the Commissioners of the District of Columbia to close upper Water Street between Twenty-second and Twenty-third Streets.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 5 o'clock and 22 minutes p. m.) the House adjourned until to-morrow, Wednesday, May 11, 1932, at 12 o'clock noon.

COMMITTEE HEARINGS

Tentative list of committee hearings scheduled for Wednesday, May 11, 1932, as reported to the floor leader by clerks of the several committees.

PATENTS

(10 a. m., caucus room, House Office Building)

Hearing on general revision of the design copyright law.

LABOR

(10 a. m.)

S. 3847. To amend the act approved March 31, 1931, relating to the rate of wages for laborers and mechanics employed by contractors and subcontractors on public buildings.

RULES

(10.30 a. m.)

Hearing, Steagall banking bill.

MILITARY AFFAIRS

(10 a. m.)

Hearing, Blanton resolution relative to retired officers.

RIVERS AND HARBORS

(10.30 a. m.)

Hearing, Alaska project and Columbia River.

AGRICULTURE

(10 a. m.)

Hearing, Representative SUMNERS of Texas—Debenture.

EXECUTIVE COMMUNICATIONS, ETC.

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

555. A letter from the Assistant Secretary of Labor, transmitting a list of miscellaneous material in the Bureau of Labor Statistics and the Children's Bureau which will be of no further use in the transaction of official business; to the Committee on Disposition of Useless Executive Papers.

556. A letter from the chairman of United States Tariff Commission, transmitting information sent to-day, with illustrations, to the Senate as supplemental to the basic material submitted to the Senate under date of May 2, 1932; to the Committee on Ways and Means.

557. A communication from the President of the United States, transmitting deficiency estimates of appropriations for the Department of Justice for the fiscal year 1930 and prior fiscal years, amounting to $9,707.32, for the payment of claims settlements reported by the Comptroller General as chargeable to appropriations which are exhausted (H. Doc. No. 318); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. DOXEY: Committee on Agriculture. H. R. 11944. A bill to facilitate execution of and economy in field season contracts of the Forest Service; without amendment (Rept. No. 1266). Referred to the Committee of the Whole House on the state of the Union.

Mr. SPENCE: Committee on World War Veterans' Legislation. H. R. 10825. A bill to authorize the transfer of certain lands in Fayette County, Ky., to the Commonwealth of Kentucky; with an amendment (Rept. No. 1267). Referred to the Committee of the Whole House on the state of the Union.

Mr. FULMER: Committee on Agriculture. H. R. 9590. A bill to amend the act entitled "An act to provide for the collection and publication of statistics of tobacco by the Department of Agriculture," approved January 14, 1929; without amendment (Rept. No. 1268). Referred to the Committee of the Whole House on the state of the Union.

Mr. LEAVITT: Committee on the Public Lands. H. R. 9369. A bill to set aside certain lands around the abandoned Bowdoin well, Montana, for recreational purposes under a permit to Phillips County Post, No. 57, of the American Legion, Department of Montana; without amendment (Rept. No. 1269). Referred to the Committee of the Whole House on the state of the Union.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 4738. A bill to incorporate the Disabled American Veterans of the World War; without amendment (Rept No. 1271). Referred to the House Calendar

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. BUTLER: Committee on Claims. H. R. 6933. A bill for the relief of Zoe A. Tilghman; without amendment (Rept. No. 1270). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. McLEOD: A bill (H. R. 11987) to provide for national reconstruction and permament relief to all unemployed World War veterans by providing for immediate payment of the face value of their adjusted-service certificates upon condition of engaging in farming for a period of not less than three years; to the Committee on Ways and Means.

By Mr. PESQUERA: A bill (H. R. 11988) to extend the benefits of the Reconstruction Finance Corporation act, approved January 22, 1932, to the banks and agricultural

credit corporations of Porto Rico; to the Committee on Banking and Currency.

By Mr. KELLER: A bill (H. R. 11989) to provide for emergency construction of certain authorized public works to aid in increasing employment; to authorize additional public works in certain cities and towns to further aid in increasing employment, and for other purposes; to the Committee on Ways and Means.

By Mr. WOODRUFF: A bill (H. R. 11990) to amend the national motor vehicle theft act to include boats and aircraft; to the Committee on the Judiciary.

By Mr. MONTET: A bill (H. R. 11991) to authorize the Attorney General and the Secretary of the Treasury to turn over to State agencies, for use in the enforcement of laws for the protection of migratory birds, forfeited vessels acquired by the Department of Justice and Treasury Department and no longer needed for official use; to the Committee on the Judiciary.

By Mr. PATMAN: A bill (H. R. 11992) to provide for controlled expansion of the currency and the immediate payment to veterans of the face value of their adjusted-service certificates; to the Committee on Ways and Means.

By Mr. DISNEY: A bill (H. R. 11993) relating to the tribal and individual affairs of the Osage Indians of Oklahoma; to the Committee on Indian Affairs.

By Mr. PATMAN: Resolution (H. Res. 220) to make H. R. 7726, a bill to provide for the immediate payment to veterans of the face value of adjusted-service certificates, a special order of business; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BACHMAN: A bill (H. R. 11994) for the relief of James Evans Monroe; to the Committee on Claims.

By Mr. CAMPBELL of Iowa: A bill (H. R. 11995) granting an increase of pension to Agnes Lynn Stephenson; to the Committee on Invalid Pensions.

By Mr. CHRISTOPHERSON: A bill (H. R. 11996) for the relief of C. B. Dickinson; to the Committee on Indian Affairs.

By Mr. CRAIL: A bill (H. R. 11997) granting a pension to William R. Fouts; to the Committee on Pensions.

By Mr. FINLEY: A bill (H. R. 11998) granting an increase of pension to John D. Jones; to the Committee on Pensions.

Also, a bill (H. R. 11999) granting an increase of pension to Martha A. Bowman; to the Committee on Invalid Pensions.

By Mr. GIBSON: A bill (H. R. 12000) for the relief of Elizabeth Reynolds; to the Committee on Military Affairs.

Also, a bill (H. R. 12001) granting a pension to Lemira A. Graves; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12002) granting a pension to Fannie G. Pore; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12003) granting a pension to Arthur F. Sweet; to the Committee on Invalid Pensions.

By Mr. GILLEN: A bill (H. R. 12004) granting a pension to Gabriel M. Wilson; to the Committee on Pensions.

By Mr. GUYER: A bill (H. R. 12005) for the relief of Samuel W. Carnes; to the Committee on Military Affairs.

Also, a bill (H. R. 12006) for the relief of Charles P. Williamson; to the Committee on Military Affairs.

By Mr. WILLIAM E. HULL: A bill (H. R. 12007) granting an increase of pension to Harriet H. Morgan; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12008) granting an increase of pension to Elizabeth Elkins; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12009) granting a pension to Emily Cassady; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12010) granting a pension to Robert A. Rose; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12011) granting an increase of pension to Alice Ash; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12012) granting a pension to Maude Thompson; to the Committee on Pensions.

By Mr. LAMNECK: A bill (H. R. 12013) granting an increase of pension to Anna W. McDonald; to the Committee on Invalid Pensions.

By Mr. LEWIS: A bill (H. R. 12014) granting an increase of pension to Anna R. Mongan; to the Committee on Invalid Pensions.

By Mr. MANLOVE: A bill (H. R. 12015) for the relief of Clara B. Drummond; to the Committee on Claims.

By Mrs. OWEN: A bill (H. R. 12016) granting a pension to Agnes Holbrook; to the Committee on Invalid Pensions.

By Mr. PARTRIDGE: A bill (H. R. 12017) granting a pension to Essie M. Cotton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12018) granting a pension to John Dudley; to the Committee on Invalid Pensions.

By Mr. SMITH of Virginia: A bill (H. R. 12019) for the relief of Marshall P. Grymes; to the Committee on War Claims.

By Mr. STEWART: A bill (H. R. 12020) granting an increase of pension to Frances Tuers; to the Committee on Invalid Pensions.

By Mr. SWICK: A bill (H. R. 12021) granting an increase of pension to Leonora L. Pomeroy; to the Committee on Invalid Pensions.

By Mr. TILSON: A bill (H. R. 12022) providing for an examination and survey of New Haven Harbor, Conn.; to the Committee on Rivers and Harbors.

By Mr. VINSON of Kentucky: A bill (H. R. 12023) granting a pension to Fannie Shields; to the Committee on Pensions.

Also, a bill (H. R. 12024) granting a pension to Sallie A. Mann; to the Committee on Invalid Pensions.

By Mr. WOOD of Indiana: A bill (H. R. 12025) granting a pension to William E. Boen; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

7666. By Mr. BOEHNE: Petition of Kiwanis Club of the city of Oakland City; to the Committee on Interstate and Foreign Commerce.

7667. By Mr. BOHN: Petition of American Legion Auxiliary of Sault Ste. Marie, Mich., favoring appropriation for citizens' military training camps and reserve officers' training camps; to the Committee on Appropriations.

7668. Also, petition of Chamber of Commerce of Sault Ste. Marie, Mich., opposing proposed bill to dispense with citizens' military training and reduction of Army officers; to the Committee on Appropriations.

7669. Also, petition of Tiny Ryan Auxiliary, No. 28, United Spanish War Veterans, in favor of appropriation for reserve officers and citizens' military training camps; to the Committee on Appropriations.

7670. Also, petition of American Legion Post No. 3, unanimously favoring continuance of reserve officers' training camps and citizens' military training camps, which current Army appropriation bill contemplates eliminating; to the Committee on Appropriations.

7671. Also, petition of Upper Peninsula Association of American Legion Posts, urging defeat of contemplated elimination of 2,000 Army officers, reserve officers' training camps, and citizens' military training camps by Army appropriation bill now before the House; to the Committee on Appropriations.

7672. Also, petition of Unit of Auxiliary Oscar Falk Post, No. 146, Menominee, Mich., urging defeat of bill suspending citizens' military training camps and officers' reserve training; to the Committee on Appropriations.

7673. Also, petition of American Legion Auxiliary of Manistique, Mich., favoring continuing the appropriation for citizens' military training camps and reserve officers' training camps; to the Committee on Appropriations.

7674. Also, petition of American Legion Auxiliary, Ira D. McLacklin Post, Sault Ste. Marie, Mich.; urging defeat of bill

suspending citizens' military training camps and reserve officers' training; to the Committee on Appropriations.

7675. Also, petition of Mr. Andrew Short, mayor of Sault Ste. Marie, Mich., protesting against the elimination of 2,000 Army officers, Reserve Officers' Training Corps, and citizens' military training camps, from Army appropriation bill now before the House; to the Committee on Appropriations.

7676. Also, petition of American Legion Auxiliary, Escanaba, Mich., protesting against suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7677. Also, petition of American Legion Auxiliary, Newberry, Mich., protesting against suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7678. Also, petition of 11 units of the American Legion Auxiliary in lower eleventh Michigan district, protesting against the suspension of reserve officers' and citizens' military training camps; to the Committee on Military Affairs.

7679. By Mr. BUTLER: Petition of citizens of Baker County, Oreg., protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

7680. By Mr. CRAIL: Petition of Veterans of Foreign Wars, Department of California and Nevada, protesting against any reduction or disallowance in appropriations to Reserve Officers' Training Corps, citizens' military training camps, national rifle matches, reduction of National Guard strength, and reduction of Regular Army officers' strength; to the Committee on Appropriations.

7681. By Mr. HAINES: Resolution adopted by Gen. Joseph B. Hutchinson Camp, No. 92, United Spanish War Veterans, Department of Pennsylvania, protesting against legislation contained in economy bill affecting Spanish War veterans; to the Committee on Economy.

7682. Also, resolution adopted by Gen. Joseph B. Hutchinson Camp, No. 92, Auxiliary No. 51, of the United Spanish War Veterans, Department of Pennsylvania, protesting against legislation contained in economy bill affecting Spanish War veterans; to the Committee on Economy.

7683. By Mr. LINDSAY: Petition of employees of the Martindale Mercantile Agency, New York City, supporting the proposal submitted by Capt. Archibald B. Roosevelt, of the National Economy Committee; to the Committee on World War Veterans' Legislation.

7684. By Mr. RUDD: Petition of Delta Duck Club, New Orleans, La., protesting against the passage of Senate bill 768; to the Committee on Agriculture.

7685. Also, petition of Roger W. Allen, treasurer of Nugents the Garment Weekly, opposing postal rate increase on the advertising portions of magazines and newspapers; to the Committee on Ways and Means.

7686. Also, petition of employees of the Martindale Mercantile Agency (Inc.), New York City, favoring the proposal submitted by Capt. Archibald B. Roosevelt, of the National Economy Committee; to the Committee on World War Veterans' Legislation.

7687. By Mr. SANDERS of New York: Petition of the Rochester Amateur Radio Association, opposing provision requiring payment of fees by radio amateurs, contained in House bill 7716; to the Committee on Merchant Marine, Radio, and Fisheries.

7688. By Mr. SNOW: Petition of A. J. McNaughton, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7689. Also, petition of Oscar H. Johnson, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7690. Also, petition of Frank J. Albert, of Bangor, Me., and many other citizens, favoring passage of House bill 9891; to the Committee on Interstate and Foreign Commerce.

7691. By Mr. TREADWAY: Petition of H. A. Denman and others, favoring House bill 9891, providing for pensions for railroad employees; to the Committee on Interstate and Foreign Commerce.

7692. By Mr. WHITTINGTON: Petition of Beppo Arnold Post, American Legion, Greenville, Miss., opposing the payment of the soldiers' bonus and favoring suspending of the payment of interest on loans; to the Committee on Ways and Means.

7693. By Mr. WOOD of Indiana: Petition of residents of Indiana, protesting against compulsory Sunday laws; to the Committee on the District of Columbia.

SENATE

WEDNESDAY, MAY 11, 1932

(Legislative day of Monday, May 9, 1932)

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

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE—ENROLLED BILLS AND JOINT RESOLUTION SIGNED

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

S. 2775. An act to amend an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia," approved March 3, 1869, as amended;

H. R. 615. An act for the relief of C. B. Bellows;

H. R. 1554. An act for the relief of G. Carroll Ross;

H. R. 3637. An act to authorize the sale, on competitive bids, of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes;

H. R. 9393. An act to increase passport fees, and for other purposes;

H. R. 9591. An act to extend the period of time during which final proof may be offered by homestead entrymen;

H. R. 9970. An act to add certain land to the Crater Lake National Park in the State of Oregon, and for other purposes;

H. R. 10277. An act to transfer Lincoln County from the Columbia division to the Winchester division of the middle Tennessee judicial district;

H. R. 10284. An act to authorize the acquisition of additional land in the city of Medford, Oreg., for use in connection with the administration of the Crater Lake National Park;

H. R. 10744. An act to authorize the issuance of patents for certain lands in the State of Colorado to certain persons; and

S. J. Res. 50. Joint resolution to authorize the Commissioners of the District of Columbia to close upper Water Street between Twenty-second and Twenty-third Streets.

REVENUE AND TAXATION

Mr. SMOOT. Mr. President, from the Committee on Finance I submit the majority report on the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, known as the revenue bill (Rept. No. 665). I will say to the Senate that in a very few moments there will be copies of the report on the desks of Senators so they will have it to look over during the day or this evening. Tomorrow, as soon as I can obtain the floor, I shall address the Senate on the bill, explaining in detail just what it accomplishes.

Mr. WALSH of Massachusetts. Mr. President, the senior Senator from Utah [Mr. SMOOT] has just filed a report from the Finance Committee on the revenue bill. Several members of that committee constituting a minority are desirous of filing, and now ask permission to file, the views of the minority, and ask also for authority to have the views of the minority printed.

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