NEBRASKA

Fred C. Buhk, Beemer.
Max C. Jensen, Bridgeport.
Edgar R. Johnson, Butte.
Henry G. Andersen, Cozad.
Martha E. McDonald, Craig.
Loyd H. Metzer, Culbertson.
George W. Nicholas, Jr., De Witt.
Arthur Scism, Edgar.
Lyle P. Dierks, Ewing.
Oscar C. Thomas, Franklin.
Isaac R. L. Taylor, Gibbon.
Clifford R. Frasier, Gothenburg.
Clyde Yardley, Hemingford.
Charles Hynek, Humboldt.
Helen M. Fowler, Leigh.
Andres P. Peterson, Lindsay.
Russell B. Somerville, McCook.
Mabel E. Sughrue, McCool Junction.
Eva G. Quick, Morrill.
Harold A. Langford, North Platte.
Adolf E. Kaspar, Prague.
Bessie L. Baughan, Stamford.
Gail Lidgard, Stockville.
Arthur B. Yates, Sutherland.
Hester E. Lowe, Wolbach.
David D. O'Kane, Wood River.

NEW HAMPSHIRE

Joseph A. Gorman, Durham.
David F. Jackson, Pittsfield.
Fred M. Pettengill, Suncook.
Marion H. Weeks, Warren.
Margaret A. Laughery, Whitefield.

NEW JERSEY

Jane Jolliffe, Bernardsville.
Louis J. Bowlby, Bound Brook.
Jeremiah E. Chambers, Cape May.
Fred P. Crater, Gladstone.
Robert W. Kidd, Penns Grove.
Mervil E. Haas, Riverton.

NEW YORK

William S. Brown, Antwerp.
Douglas Rockett, Mohegan Lake.
Charles I. Lavery, Poughkeepsie.
William J. Griffin, Jr., Starlake.
Philip J. Smith, Webster.

NORTH DAKOTA

Wesley P. Josewski, Maxbass.
Andrew D. Cochrane, York.
Margaret T. Rogers, Zap.

PENNSYLVANIA

Herbert S. Young, Easton.

TENNESSEE

Binnie H. Kinser, Alcoa.
William G. McDonough, McMinnville.

VIRGINIA

Lewis C. Jamison, Boone Mill.
Thomas W. Cooke, Gloucester.
Walter McC. Greer, Rockymount.

WASHINGTON

Edward F. Gregory, Bothell.
Ed. J. Claiborne, Ridgefield.

WEST VIRGINIA

Charles A. Skaggs, Cedar Grove.
Everett G. Herold, Marlinton.
Earl S. Miller, Mount Hope.
Harry Clarke, Owens.
Harry E. Riddleberger, St. Albans.

WISCONSIN

Richard P. Kielty, Altoona.
Frank A. Buettner, Bowler.
Berthea Overgood, Brantwood.
Herman W. Paff, Elk Mound.
John T. Tovey, Fremont.
Roy E. Lawler, Gordon.
Max R. Alling, Green Lake.
Frank Heppe, Kewaskum.
John J. Steiner, Mauston.
Albert E. Hanson, Mendota.
Nicholas Abler, Mount Calvary.
Maurice E. Kennedy, New Lisbon.
John V. Nickodem, Princeton.
Irwin J. Rieck, Weyauwega.
Edwin F. Smith, Wisconsin Veterans' Home.

REJECTION

Executive nomination rejected by the Senate April 28 (legislative day Apr. 26), 1934

POSTMASTER

MISSOURI

William R. Taylor, Fulton.

SENATE

MONDAY, APRIL 30, 1934

(Legislative day of Thursday, Apr. 26, 1934)

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

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar day of Saturday, April 28, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Costigan	Johnson	Russell
Ashurst	Couzens	Kean	Schall
Austin	Cutting	Keyes	Sheppard
Bachman	Davis	King	Shipstead
Bankhead	Dickinson	La Follette	Smith
Barbour	Dieterich	Logan	Steiwer
Barkley	Dill	Lonergan	Stephens
Black	Duffy	Long	Thomas, Okla.
Bone	Erickson	McCarran	Thomas, Utah
Borah	Fletcher	McGill	Thompson
Brown	Frazier	McKellar	Townsend
Bulkley	George	McNary	Tydings
Bulow	Gibson	Murphy	Vandenberg
Byrd	Glass	Neely	Van Nuys
Byrnes	Goldsborough	Norris	Wagner
Capper	Gore	O'Mahoney	Walcott
Caraway	Hale	Overton	Walsh
Carey	Harrison	Patterson	Wheeler
Clark	Hastings	Pittman	White
Connally	Hatch	Pope	
Coolidge	Hatfield	Robinson, Ark.	
Copeland	Hayden	Robinson, Ind.	

Mr. ROBINSON of Arkansas. I desire to announce that the Senator from California [Mr. McADOO] and the Senator from North Carolina [Mr. REYNOLDS] are absent because of illness, and that the Senator from Illinois [Mr. LEWIS], the Senator from North Carolina [Mr. BAILEY], and the Senator from Florida [Mr. TRAMMELL] are necessarily detained from the Senate. I ask that this announcement may stand for the day.

Mr. McNARY. I desire to announce that the Senator from Ohio [Mr. FESS], the Senator from Rhode Island [Mr. HEBERT], the Senator from Pennsylvania [Mr. REED], and the Senator from North Dakota [Mr. NYE] are necessarily absent from the Senate.

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

SUPPLEMENTAL ESTIMATE—EMERGENCY RELIEF OF RESIDENTS OF THE DISTRICT (S.DOC. NO. 176)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States transmitting a supplemental estimate of appropriation for the District of

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Columbia, fiscal year 1935, in the amount of $1,700,000, for the purpose of affording relief to residents of the District of Columbia who are unemployed, or otherwise in distress, because of the existing emergency, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

JANUARY REPORT OF RECONSTRUCTION FINANCE CORPORATION

The VICE PRESIDENT laid before the Senate a letter from the Chairman of the Reconstruction Finance Corporation, reporting, pursuant to law, relative to the activities and expenditures of the Corporation for January 1934, together with a statement of loans authorized during that month, showing the name, amount, and rate of interest in each case, which, with the accompanying papers, was referred to the Committee on Banking and Currency.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution adopted by the executive committee of the Regular Democratic Bronx County Organization, of New York, favoring the prompt passage of the so-called "McLeod bill", providing payment to depositors in closed banks, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted by the South Carolina Federation of Textile Workers, favoring the passage of the so-called "Wagner bill", being the bill (S. 2926) to equalize the bargaining power of employers and employees, to encourage the amicable settlement of disputes between employers and employees, to create a National Labor Board, and for other purposes, which was referred to the Committee on Education and Labor.

He also laid before the Senate a resolution adopted by the South Carolina Federation of Textile Workers, favoring the removal by the authorities of the N.R.A. of Mr. H. H. Willis, of Clemson, S.C., from the South Carolina Cotton Textile Industrial Relations Board, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the South Carolina Federation of Textile Workers, protesting against the use of the so-called "stretch-out system" and the speeding up of machinery in textile mills in South Carolina, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the Society for Constitutional Security, Mrs. William B. Shelton, president, Leonia, N.J., opposing membership on the part of the United States in the World Court, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a memorial of the Society for Constitutional Security, Mrs. William B. Shelton, president, Leonia, N.J., remonstrating against the passage of House Joint Resolution 309, to admit Albert Einstein to citizenship, which was referred to the Committee on Immigration.

He also laid before the Senate a resolution adopted by the Board of Supervisors of the County of Maui, Territory of Hawaii, favoring the making of an appropriation for the erection of a Federal building in Wailuku, Territory of Hawaii, which was referred to the Committee on Territories and Insular Affairs.

He also laid before the Senate a letter from Anna Jarvis, founder of Mother's Day, Philadelphia, Pa., relative to Senate Resolution 218, submitted by Mr. COPELAND, favoring an expression on Mother's Day of our love and reverence for motherhood, agreed to on the 26th instant, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the District of Columbia Federation of Federal Employees Unions, favoring the passage of Senate bill 1639, authorizing the creation of a national system of credit unions, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by the municipal council of Aroroy, Province of Masbate, P.I., protesting against the imposition of an excise tax of 5 cents per pound on coconut oil imported into the United States, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted by employees of the Government Printing Office, members of the Allied Printing Trades, expressing "their sincere appreciation of the rare wisdom and devotion to duty displayed by Senator ELMER THOMAS, who introduced the 40-hour-week amendment, and also by the many Members of Congress who so effectively gave of their best efforts to secure its passage", which was ordered to lie on the table.

Mr. CAPPER presented a resolution adopted by the Veterans' Club of Orange, Tex., favoring the passage of the so-called "Disney-Capper bill", providing for the payment of old-age pensions, which was referred to the Committee on Education and Labor.

Mr. WALCOTT presented a resolution adopted by Robert O. Fletcher Post, No. 4, American Legion, of Norwich, Conn., favoring the giving of priority to veterans on all F.E.R.A. work, which was referred to the Committee on Finance.

He also presented resolutions adopted by the College Club of New Britain, Conn., favoring the ratification of the World Court protocols, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by Lady Fowler Council, No. 58, of Milford, and Fanny Crosby Council, No. 56, of Bridgeport, both of the Sons and Daughters of Liberty in the State of Connecticut, protesting against the passage of legislation tending to liberalize the immigration laws, which were referred to the Committee on Immigration.

He also presented the memorial of Whatsoever Circle of The King's Daughters, of the Central Baptist Church, of Hartford, Conn., remonstrating against the passage of House bill 7902, to grant to Indians living under Federal tutelage the freedom to organize for the purpose of local self-government and economic enterprise, to provide for the necessary training of Indians in administrative and economic affairs, etc., which was referred to the Committee on Indian Affairs.

He also presented a resolution adopted by the Woman's Home Missionary Society of the Methodist Episcopal Church of Winsted, Conn., favoring the passage of House bill 6097, providing higher moral standards for films entering interstate and foreign commerce, which was referred to the Committee on Interstate Commerce.

He also presented a petition and papers in the nature of petitions from the Waterbury Council of Catholic Women, of Waterbury; St. Joseph's Parish, of Danbury; the Holy Name Society, Sacred Heart Church, of East Port Chester; St. Francis Xavier Society, St. Ladislaus Church, of South Norwalk; the Holy Name Society, St. Mary's Parish, of Union City; the Sheridan Council, Knights of Columbus, of Waterbury; and sundry citizens of Greenwich, all in the State of Connecticut, praying the amendment of proposed radio legislation so as to provide broadcasting facilities for religious, educational, and agricultural subjects, which were referred to the Committee on Interstate Commerce.

He also presented a letter in the nature of a petition from the Mystic League of Women Voters, of Mystic, Conn., praying for the passage of Senate bill 2800, the pure-food and drug bill, with certain suggested amendments, which was ordered to lie on the table.

REPORTS OF COMMITTEES

Mr. WHITE, from the Committee on Claims, to which was referred the bill (S. 740) for the relief of William G. Fulton, reported it with amendments and submitted a report (No. 855) thereon.

Mr. McCARRAN, from the Committee on the District of Columbia, to which was referred the bill (S. 3032) to require financial responsibility of owners and operators of vehicles for hire in the District of Columbia, and for other purposes, reported it with amendments and submitted a report (No. 856) thereon.

Mr. LOGAN, from the Committee on Military Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

H.R. 889. An act for the relief of Frank Ferst (Rept. No. 857); and

H.R. 3553. An act for the relief of Harvey O. Willis (Rept. No. 858).

Mr. SCHALL, from the Committee on Indian Affairs, to which was referred the bill (S. 1735) to amend an act approved May 14, 1926 (44 Stat. 555), entitled "An act

authorizing the Chippewa Indians of Minnesota to submit claims to the Court of Claims", reported it with an amendment and submitted a report (No. 859) thereon.

Mr. FLETCHER, from the Committee on Banking and Currency, to which was referred the bill (S. 1744) enabling certain farmers and fruit growers to receive the benefits of the Federal Farm Loan Act and amendments thereto and the Emergency Farm Mortgage Act of 1933, reported it with an amendment and submitted a report (No. 860) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED

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

By Mr. CLARK:

A bill (S. 3493) to revive and reenact the act entitled "An act authorizing H. C. Brenner Realty and Finance Corporation, its successors and assigns to construct, maintain, and operate a bridge across the Mississippi River at or near a point between Cherokee and Osage Streets, St. Louis, Mo.", approved February 13, 1931; to the Committee on Commerce.

By Mr. DILL:

A bill (S. 3494) to amend section 4311 of the Revised Statutes of the United States; to the Committee on the Judiciary.

(Mr. THOMAS of Oklahoma introduced Senate bill No. 3495, which appears under a separate heading.)

By Mr. ROBINSON of Indiana:

A bill (S. 3496) granting a pension to Jessie Myrtle Bennett (with accompanying papers); and

A bill (S. 3497) granting a pension to Mira W. Miller (with accompanying papers); to the Committee on Pensions.

By Mr. WHEELER:

A bill (S. 3498) for the development of the livestock industry among the Indians of the Blackfeet Indian Reservation in Montana; to the Committee on Indian Affairs.

By Mr. CLARK:

A joint resolution (S.J.Res. 111) providing for the erection on public grounds in the city of Washington of a memorial to Samuel Langhorne Clemens (Mark Twain); to the Committee on the Library.

REGULATION OF COMMERCE IN PETROLEUM

Mr. THOMAS of Oklahoma, by unanimous consent, introduced a bill (S. 3495) to regulate commerce in petroleum, and for other purposes, which was read twice by its title.

Mr. THOMAS of Oklahoma. Mr. President, this bill has to do with the oil industry. I ask that the bill as introduced be printed in the RECORD, and that it be referred to the Committee on Interstate Commerce.

There being no objection, the bill was referred to the Committee on Interstate Commerce and ordered to be printed in the RECORD, as follows:

A bill to regulate commerce in petroleum, and for other purposes

Be it enacted, etc.

SECTION 1. Declaration of policy: The petroleum industry of the United States is an industry affected with a national public interest. Commerce in petroleum and the products thereof is carried on in and between all of the States of the United States and with foreign nations. Such commerce moves in a constant and continuous stream from sources of supply into great interstate systems of transportation to widely separated interstate markets. It is impossible practically to distinguish and separate the petroleum which is not to move across State lines from that which is to move across State lines. The market for petroleum and the products thereof is essentially interstate in character and the vast majority of the transactions involve shipments from producers and refiners in the relatively few oil-producing States to buyers and consumers in all of the other States of the Union and in foreign nations. Transactions which are themselves intrastate in character are reflected in the interstate market and directly affect interstate commerce. The interstate market for petroleum and the products thereof is subject to violent fluctuations in price to the detriment of both the industry and the consumer. The known petroleum resources of the United States are capable at the present time of supplying far in excess of the consumptive demand for petroleum and its products. There exist also vast surpluses of petroleum in storage which have tended unduly to depress the interstate market and to render the industry unprofitable and uncertain. There is a very definite need for rehabilitation of the industry to the end that the facilities for distribution of petroleum and its products may be maintained, that the growth of monopoly resulting from uncontrolled and damaging competition may be prevented, and that adequate supplies of petroleum and its products may be made available to consumers at fair and reasonable prices. A demoralized and uncontrolled interstate market for petroleum and its products causes premature depletion of flush fields and the abandonment of wells of settled production which are the basis of the Nation's petroleum resources. The preservation of an ample and inexpensive supply of petroleum, which is an exhaustible natural resource, is essential to the effective maintenance both of these instrumentalities of interstate commerce and of those agencies of national defense which are dependent upon petroleum and its products for fuel and lubrication.

The petroleum industry is, therefore, essentially national and interstate in character. Commerce in petroleum and its products within each State is so dependent upon, affected by, and concerned with such commerce in other States that a State by itself cannot successfully regulate and protect transactions within its own boundaries. The preservation of commerce in petroleum and its products within the several States requires a unified effective system of regulation.

It is hereby declared to be the policy of Congress to control and to regulate in the public interest commerce in petroleum produced in all or any of the several States in order to restore and maintain the normal flow of interstate commerce, to prevent the premature abandonment of wells of settled production, to prevent the growth of monopoly arising out of a demoralized national market for petroleum and the products thereof, to provide for the national defense, to protect the Nation's resources of petroleum by providing for the scientific development of new sources of supply, to protect the continuing functioning of the Nation's transportation facilities, and to rehabilitate facilities of the industry for the production, manufacture, and distribution of this essential natural resource, which must be conserved.

SEC. 2. Investigations and reports: The Secretary of the Interior is authorized and empowered, when in his judgment necessary to effectuate the purposes of this act, to make investigations into and to collect statistical and other data pertaining to the petroleum industry, both domestic and foreign, to require periodical and special reports relating to the industry, from persons engaged in the petroleum industry, and to examine and inspect their books, records, papers, and properties for the purpose of verifying such reports.

SEC. 3. Cooperation with other bodies: (a) The Secretary of the Interior may cooperate with executives, officials, and agencies of the States in the study and investigation of matters relating to the petroleum industry and may hold joint hearings upon such matters with any duly authorized State agency. The Secretary of the Interior, when participating in any such joint hearing, shall have all the powers enumerated in section 9 of this act.

(b) The Secretary of the Interior may cooperate with, and encourage the establishment and continuations of, unofficial national, regional, State, and local committees of the petroleum industry.

(c) The several departments and bureaus of the United States Government shall, at the request of the Secretary of the Interior, provide the Secretary of the Interior with all records, papers, and information which they may have available pertaining to the petroleum industry.

SEC. 4. The Secretary of the Interior shall limit the importation of petroleum and its products to such amounts as will prevent imports of petroleum and its products from unreasonably interfering with current domestic production by supplying an undue proportion of the domestic consumptive and export demand for petroleum and its products. The Secretary of the Interior shall establish quotas of imports of petroleum and its products for the various importers thereof by equitably allocating the total amount of authorized imports of petroleum and its products among the various importers thereof, and may require importers to secure certificates of authorization before importing into the United States any petroleum or its products. The Secretary of the Interior shall not permit in any month the importation either of crude petroleum or any of the products of crude petroleum in excess of the average monthly imports of such crude petroleum or of any such product of crude petroleum during the last 6 months of 1932.

SEC. 5. Consumptive and market demand and quotas for movement in commerce: (a) The Secretary of the Interior shall periodically, upon a scientific and impartial evaluation of all available pertinent data, determine the demand for consumption in the United States and the demand for export from the United States for petroleum and the products thereof. Using such determination as a basis, the Secretary of the Interior may then determine the reasonable market demand for petroleum and the products thereof from any State, pool, field, lease or property, storage unit, or other similar source of supply. In determining such reasonable market demand, the Secretary of the Interior shall also give due consideration to:

(1) The requirements of trading areas and the customary source of supply for such areas.

(2) Changes and trends in respect to trade areas or sources of supply.

(3) The location, volume of business, operating conditions, and potential capacity of refineries and of other users of petroleum, and changes and trends with respect to such business.

(4) State conservation laws and the orders of State regulatory agencies for the regulation or allocation of petroleum production.

(5) The location, quantity, and distribution of ownership of stored petroleum and its products, as well as the situation and requirement of owners.

(6) Physical and economic conditions of fields, pools, wells, leases, or properties constituting sources of supply of petroleum.

(7) Past, current, and anticipated importation into the United States of petroleum and the products thereof.

(8) Such other factors as he may deem necessary to a fair and equitable determination of the reasonable market demand from any source of supply.

(b) The Secretary of the Interior may prescribe quotas of petroleum for movement in commerce from such States, pools, fields, leases or properties, storage units, or other sources of supply as the Secretary of the Interior may deem necessary to effectuate the purposes of this act. The quota prescribed for any such source of supply shall be equal to the reasonable market demand for petroleum from that source of supply as determined by the Secretary of the Interior under this section: *Provided*, that in setting quotas for movement in commerce from new sources of supply of petroleum, such quotas shall be established under a plan which will provide for the scientific development of and for the orderly entrance into commerce of petroleum from such new sources of supply. It shall be unlawful for any person to place in commerce or receive in commerce by sale, purchase, exchange, consignment, shipment, delivery, or otherwise, (1) any petroleum from any such source of supply in excess of the quotas so prescribed, (2) or any product made from petroleum obtained from such source of supply in excess of the quotas so prescribed.

SEC. 6. Production quotas: If the Secretary of the Interior shall determine that the effective enforcement of quotas prescribed pursuant to section 5 of this act requires the establishment of quotas for the production of petroleum within or from any State, pool, field, lease, property, or well, the Secretary of the Interior may prescribe quotas for the production in or from such State, pool, field, lease, property, or well. The same factors shall be considered in determining such quotas for production as are provided herein for the determination of quotas for movement in commerce. It shall be unlawful for any person to produce petroleum in excess of quotas for production so prescribed or to make or manufacture any product of such petroleum, or to buy or otherwise deal in such petroleum or the products thereof.

SEC. 7. Certificates of clearance: To make effective restrictions or quotas prescribed pursuant to this act, certificates of clearance for petroleum or any of the products thereof may be required by order of the Secretary of the Interior in such areas and at such times as the Secretary of the Interior shall deem necessary. It shall be unlawful for any person to transport or accept for transportation petroleum or the products thereof from any such area without first receiving from the shipper such certificates of clearance as may be required by the said orders of the Secretary of the Interior.

SEC. 8. Rules and regulations: In the administration, enforcement, and interpretation of this act the Secretary of the Interior is authorized and empowered to make such rules and regulations as may be necessary to carry out the purposes of this act and his duties hereunder. Without limiting the generality of the foregoing, the Secretary of the Interior is specifically authorized and empowered to issue rules and regulations:

(a) Requiring the submission by persons engaged in the petroleum industry of periodical or special reports concerning matters relating to the petroleum industry and prescribing the form and contents thereof.

(b) Requiring persons engaged in the petroleum industry to keep available for inspection all books, records, papers, and properties of such persons which may in any way pertain to the interest or activities of such persons in the petroleum industry.

(c) Requiring that persons engaged in the petroleum industry keep full and adequate records of the interest and activities of such persons in the petroleum industry: *Provided, however*, That any rule or regulation promulgated under this subsection shall clearly and specifically state the interests and activities concerning which such records must be kept.

(d) Prescribing the form and contents of any certificates of clearance which may be required pursuant to section 7 of this act.

(e) Determining procedure for hearings, including the manner of giving notice of such hearings: *Provided, however*, That no rules or regulations promulgated under this subsection shall be inconsistent with the provisions of section 9 of this act.

SEC. 9. Hearings: (a) Before prescribing quotas pursuant to sections 4, 5, and 6 of this act, hearings shall be held after reasonable notice (in no case less than 10 days), and at any such hearing any person or governmental body interested in the subject matter of the hearing shall be entitled to be heard: *Provided, however*, That in case an emergency is found to exist by the Secretary of the Interior, temporary quotas for a period not exceeding 31 days may be prescribed by the Secretary of the Interior without notice or hearing; but such temporary quotas shall thereafter be equitably adjusted at the earliest practicable date, and such adjustment shall be made after notice and hearing as heretofore provided: *And provided further*, That any orders of findings of State regulatory agencies relating to production or movement of petroleum may be adopted by the Secretary of the Interior for the purpose of prescribing quotas pursuant to sections 5 and 6 of this act without the necessity of a hearing. Determinations of fact made pursuant to this subsection shall be conclusive and not subject to review.

(b) The Secretary of the Interior may hold such other hearings as may be deemed necessary to effectuate the purposes of this act and to insure its fair administration. Whenever such other hearings are held after reasonable notice (in no case less than 5 days), determinations of fact made at such hearings shall be conclusive and not subject to review.

SEC. 10. Witnesses and testimony: The Secretary of the Interior shall have the power to examine witnesses, receive evidence and administer oaths and affirmations, to take affidavits and depositions, and to require by subpena the attendance and testimony of witnesses and the production of books, records, and papers. Such attendance of witnesses, and the production of such books, records, and papers may be required from any place in the United States at any designated place of hearing. In case of contumacy or refusal to obey a subpena issued to any person, the Secretary of the Interior may invoke the aid of any district court of the United States within the jurisdiction of which a hearing is being or is about to be held, or within the jurisdiction of which the person guilty of contumacy or refusal to obey resides or carries on business or is found, and such court may issue appropriate orders requiring such person to obey such subpena; and any failure to obey any such order of the court may be punished by said court as a contempt thereof.

The Secretary of the Interior may order testimony to be taken by deposition in any proceeding or investigation pending under this act at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the Secretary of the Interior and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce books, records, and papers in the same manner as witnesses may be compelled to appear and testify and produce books, records, and papers before the Secretary of the Interior as hereinbefore provided.

Witnesses shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

No person shall be excused from attending and testifying or from producing books, records, or papers before the Secretary of the Interior or in obedience to the subpena of the Secretary of the Interior on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person, after having claimed his privilege against self-incrimination, shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify, or produce evidence, documentary or otherwise, before the Secretary of the Interior in obedience to a subpena issued by him: *Provided*, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

SEC. 11. Court review: (a) Any person adversely affected by any decision, order, rule, or regulation issued or promulgated after notice and hearing pursuant to section 9 of this act, and who has exhausted his administrative remedies hereunder, shall be entitled, upon petition to the Court of Appeals of the District of Columbia, to have the questions of law in his case reviewed by such court.

(b) Any person adversely affected by any order, rule, or regulation issued or promulgated without notice and hearing pursuant to section 9 of this act, or by any act done or threatened thereunder, and who has exhausted his administrative remedies hereunder, may seek court review by a suit for injunction in an appropriate district court of the United States. Such suit shall be tried in accordance with general equitable principles: *Provided, however*, That no temporary, permanent, or other injunction or writ shall issue in such suit unless the case shall have been fully heard and determined by three judges in the same manner as provided in section 47 of title 28 of the Code of Laws of the United States of America. An appeal may be taken directly to the Supreme Court of the United States from any order granting or denying a temporary, permanent, or other injunction or writ in any such case.

(c) The provisions of this section for court review of decisions, orders, rules, and regulations of the Secretary of the Interior, and action taken or threatened thereunder, shall be exclusive.

SEC. 12. Enforcement of orders of the Secretary of the Interior: If any person fails or neglects to obey any order, rule, or regulation of the Secretary of the Interior while the same is in effect, the Secretary of the Interior, or the United States by its Attorney General, may apply to an appropriate district court of the United States for the enforcement of such order, rule, or regulation. The court shall enforce obedience to such order, rule, or regulation by a writ of injunction or other proper process, mandatory or otherwise, the court may also require any person who has moved in commerce petroleum or the products thereof, or who has produced petroleum in excess of the applicable quota prescribed pursuant to the terms of this act, to reduce his future movements in commerce or his future production of petroleum, as the case may be, to an amount below such quota so as to make up for the amount of his excess movements or production.

SEC. 13. Penalties: Any person who shall violate any provisions of this act or any order, rule, or regulation issued or promulgated pursuant to this act shall be guilty of a misdemeanor, and upon conviction thereof in any court of the United States of competent jurisdiction shall be punished by a fine not to exceed $1,000 or by imprisonment for not longer than 1 year, or by both such fine and imprisonment, and each day such violation continues shall be deemed a separate offense. Any person who shall im-

port into the United States any petroleum or its products in violation of section 4 of this act, or who shall place or receive in commerce, produce, transport, or accept for transportation petroleum or the products thereof in violation of any order issued pursuant to sections 5, 6, and 7 of this act, shall forfeit to the United States the sum of $1 for every barrel (42 United States gallons) of petroleum or the products thereof imported or so placed or received in commerce, produced, transported, or accepted for transportation, which forfeiture shall be payable into the Treasury of the United States and shall be recoverable in a civil suit in the name of the United States brought in the district where the offense was committed or in any district where such person may be found. It shall be the duty of the Secretary of the Interior and of the various district attorneys to prosecute for the recovery of forfeitures. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

Any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce any books, records, or other papers, if in his power to do so, in obedience to the subpena or lawful requirement of the Secretary of the Interior, shall be guilty of an offense, and upon conviction thereof by a court of competent jurisdiction shall be punished by a fine of not less than $1,000 nor more than $5,000, or by imprisonment for not more than 1 year, or by both such fine and imprisonment.

Any person who shall make, or cause to be made, any false entry or statement of fact in any report required to be made under this act, or who shall make, or cause to be made, any false entry in any account, record, or memorandum kept by any person subject to this act, or who shall neglect or fail to make, or cause to be made, full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions pertaining to the interest or activities in the petroleum industry of such person as may be required by the Secretary of the Interior, or who shall remove out of the jurisdiction of the United States, or multilate, alter, or by any other means falsify any books, records, or other papers pertaining to the interests or activities of such person in the petroleum industry; or who shall refuse to submit to the Secretary of the Interior or to any of his authorized agents, for the purpose of inspection and taking copies, any books, records, or other papers pertaining to the interest or activities of such person in his possession or within his control, shall be demed guilty of an offense against the United States, and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of not less than $1,000 nor more than $5,000 or to imprisonment for a term of not more than 3 years, or to both such fine and imprisonment.

Any person aiding and abetting any other person in the violation of any provision of this act or any order, rule, or regulation issued pursuant thereto shall be subject to the same penalties as are prescribed herein for the offense of such other person.

SEC. 14. Petroleum Administrative Board; establishment and duties: There shall be established in the Department of the Interior a board to be known as the Petroleum Administrative Board, which shall be composed of not more than seven members to be appointed by the Secretary of the Interior and who shall be qualified by education and experience to discharge their duties. The board shall appoint, with the approval of the Secretary of the Interior, and without regard to the Civil Service laws or the Classification Act of 1923, as amended, such qualified attorneys, economists, geologists, statisticians, and other employees as may be required to enable the board and the Secretary of the Interior to carry out the purposes of this act. The scientific and professional employees of the board shall be selected solely upon the basis of their scientific or professional qualifications. No person having a direct pecuniary interest in the petroleum industry, or who is in the employ of any person engaged in the petroleum industry, shall be a member or employee of the board.

The Secretary of the Interior may delegate any or all of his powers under this act to the board and its duly authorized agents, either absolutely or subject to such conditions or regulations as he may in his discretion impose.

SEC. 15. National Industrial Recovery Act: This act shall not be construed to repeal the National Industrial Recovery Act or any portion thereof and shall repeal only such portions of the Code of Fair Competition for the Petroleum Industry, adopted pursuant to the National Industrial Recovery Act, as are necessarily inconsistent herewith.

SEC. 16. Saving clause: Any offense committed, or any right accrued, or any penalty or obligation incurred prior to the effective date of this act under any provision of law repealed by this act, may be prosecuted or enforced in the same manner and with the same effect as if this act had not been enacted.

SEC. 17. Separability of provisions: If any provision of this act or any clause, sentence, or part thereof be held unconstitutional or invalid for any reason, or the applicability thereof to any person, circumstance, commodity, or class of transactions with respect to any commodity be held invalid, the validity of the remainder of the act and the applicability of such provisions to other persons, circumstances, commodities, and classes of transactions shall not be affected thereby.

SEC. 18. Definitions: The words defined in this section shall have the following meaning when found in this act, to wit:

(a) "Petroleum industry" means the producing, selling, shipping, processing, refining, transporting, or otherwise dealing in petroleum or the products thereof, including natural gasoline and natural gas produced in conjunction with petroleum.

(b) "Commerce" means commerce within any State, between the several States, and between the States and foreign nations.

(c) "State" means the District of Columbia and any State, Territory, or possession of the United States.

(d) "Person" means any natural person, corporation, association, partnership, executor, administrator, receiver, or trustee.

SEC. 19. The powers of the Secretary of the Interior under this act may be by him suspended at any time when he finds that the current potential producing capacity of the various petroleum-producing properties of the United States is not in excess of the consumptive and export demand for petroleum and its products in the United States.

SEC. 20. Short title: This act may be cited as the "Federal Petroleum Act."

CHANGE OF REFERENCE

On motion of Mr. KEAN, the Committee on Claims was discharged from the further consideration of the bill (S. 574) for the relief of Lillian G. Frost, and it was referred to the Committee on Foreign Relations.

FEDERAL CREDIT UNION SYSTEM—AMENDMENTS

Mr. SHEPPARD submitted amendments intended to be proposed by him to the bill (S. 1639) to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States, which were ordered to lie on the table and to be printed.

MUNICIPAL DEBT READJUSTMENT

Mr. JOHNSON submitted an amendment intended to be proposed by him to the bill (H.R. 5950) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto, which was ordered to lie on the table and to be printed.

LABOR CONDITIONS ON BUILDING PROJECTS IN THE DISTRICT

Mr. DAVIS and Mr. WALSH submitted the following resolution (S.Res. 228), which was referred to the Committee on Education and Labor:

Resolved, That the Committee on Education and Labor, or any duly authorized subcommittee thereof, is authorized and directed to examine into the relationship existing between contractors and their employees engaged in the construction of any public building, public work, or building or work in the District of Columbia financed in whole or in part by loans or grants from the United States, or in the repair thereof, with a view to determining (1) if such employees receive the prevailing rates of wages of building-trades workers; (2) if such employees are forced to give up any part of the compensation to which they are entitled under their contract of employment, a practice known as the "kick-back racket"; and (3) if such employees are discharged and refused further employment on such construction projects for protesting against such "kick-back racket" or other abuses. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-third Congress; to employ such clerical and other assistants; to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents; to administer such oaths; to take such testimony; and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $———, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

THE AIR MAIL SERVICE

Mr. SCHALL. Mr. President, I have here a news article from the Washington Sunday Star quoting Elliot Roosevelt, son of our President, on his plan of how to run the Air Mail Service.

The latest news in the air-mail racket is that it is reported that Elliot Roosevelt, son of our well-known President, is in Washington with a plan to take over the service. Whom he represents has not been made public. It may be E. L. Cord or it may not, but it seems certain he does not appear for the companies whose contracts were canceled without a hearing. The fact that his father is the President of the United States, and the further fact that his father in such official capacity canceled the contracts of the others, will, it is supposed, not mitigate against young Roosevelt in his quest for this highly profitable undertaking.

Recently the Roosevelt family stood aghast when it was alleged that the son of a Republican Senator received cigaret money from an airplane company holding a mail contract.

I have just one suggestion to make, and this is that the Roosevelts not incorporated start a correspondence school for the benefit of the 12,000,000 unemployed and sell them a course on "how to get a job."

I ask leave to print this article in the RECORD and that it be referred to the Committee on Post Offices and Post Roads.

There being no objection, the article was referred to the Committee on Post Offices and Post Roads and ordered to be printed in the RECORD, as follows:

[From the Washington Sunday Star, Apr. 29, 1934]

ELLIOTT ROOSEVELT QUOTED FAVORING AVIATION SUBSIDY—COMMERCIAL FLYING LINKED WITH NATIONAL DEFENSE IN INTERVIEW

CINCINNATI, April 28.—The Cincinnati Enquirer says Elliott Roosevelt, son of the President, believes the aviation industry must be subsidized by the Government if it is to take its proper place in national defense.

Aviation editor of a group of newspapers, the President's son made his comment in an interview during a brief stopover last night on a flight from Fort Worth to Washington.

"Commercial aviation must be considered in connection with national defense and must have Government aid if it is to play the role in national defense to which it is properly entitled."

Not only should airlines be subsidized, he contended, but the entire industry given financial help, even to part payment of pilots by the Government, with Government insurance and retirement rating.

SCARCITY OF CATTLE FEED IN WESTERN MINNESOTA

Mr. SCHALL. Mr. President, I ask leave to insert in the RECORD a telegram I have just received from Emil E. Holmes, who made a trip to Montevideo, Minn., last Saturday and makes a report in his telegram about the lack of feed for cattle in western Minnesota. I am glad to say that the Department of Agriculture informs me that it has made a grant to take care of Minnesota for the month of May, which will be in the hands of the Governor for distribution throughout the State as he sees fit. No doubt the situation can be remedied by applying to him.

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

MONTEVIDEO, MINN., *April 28, 1934.*

Hon. THOMAS D. SCHALL,
United States Senate, Washington, D.C.:

Mass meeting of 1,000 farmers here today. I am petitioned by them to request that you take their cause on floor of Senate at once and also contact President Roosevelt. I am also told that their previous reports of conditions have been very much ignored. We find on check-up in country that many cattle have died and that before many more hours others will die. Needed at once to carry over 146,000 bushels oats and 5,000 barley, with same amount of wheat, 700 flax, grass seed 2,500, and 2,500 tons of hay of an eatable quality. Three carloads of hay in former shipment burned. Ten percent of this amount needed here within the next 60 hours, with balance forwarded without delay. The moan of the dying cattle and the plaintive bleat of the lamb raises a symphony of anguish that humanity cannot ignore further. Contact by wire, C. W. Olson, Montevideo, Minn., and mail me copy; also appeal to Associated Press to assist in carrying message to the people.

EMIL E. HOLMES.

RECIPROCAL TRADE AGREEMENTS—ADDRESS BY HENRY L. STIMSON

Mr. HARRISON. Mr. President, I ask unanimous consent to have inserted in the RECORD a speech broadcast over the National Broadcasting network last evening by Hon. Henry L. Stimson, former Secretary of State, on the reciprocal trade-agreement policy of this administration.

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

AMERICA MUST TRADE ABROAD TO PRESERVE HER NATIONAL WELFARE AND CHARACTER

The Secretary of Agriculture, Mr. Wallace, has recently performed a very distinct service in pointing out one of the major problems which lies before us in this country. In his pamphlet entitled "America Must Choose" he has clarified the agricultural dilemma which we are facing. He has pointed out how, during the war, 50,000,000 acres of European land which formerly helped to supply the people of Europe with food were left untilled owing to the great conflict; how the United States, in order to meet that market, had added 40,000,000 acres to our own cultivated land and speeded up our entire farm production; and how today, as a result of this, after Europe has resumed again its agricultural production, we have at least 40,000,000 acres of farm land which is unnecessary for our own food supply and which therefore cannot be profitably used unless we can somehow trade its crops with the outside world. He has further pointed out how, since the war, instead of bending all our energies to secure that foreign trade by which alone we could keep this acreage in profitable imployment, we have even added to the tariff and other barriers which made such a development of trade difficult; and how these obstacles, coupled with the growth of nationalistic spirit in Europe which has tended to raise trade barriers everywhere, have reduced the great export trade which we formerly enjoyed from over five billions of dollars a year in 1929 to about a billion and a half in 1933. He asserts that as a result of this we are faced with the alternative today of either plowing under some 50,000,000 of acres and finding some other occupation for their owners, or of developing a very large volume of foreign trade which we have not now got.

Mr. Wallace frankly points out the dangers and difficulties which will lie before us if we adopt the former course—the compulsory government control of production and marketing not only in agriculture but in industry in order to reach a balanced nationalistic economy; the suppression of our hereditary initiative and love of freedom and, worst of all, the stifling of individual free thought and speech which is a necessary accompaniment of the process if we carry national planning to its full conclusion. I am very glad that he frankly announces his own distaste and opposition to such a process and that he evidently believes that we should try as far as possible to follow the other course—that of trying to restore our international trade.

For myself I have never been able to conjure up any real apprehension that the American people would be willing to carry through anything like a complete system of a planned national economy. It would be at variance with their deepest instincts and habits. It would result in violating the most fundamental tenets of their social and political beliefs. Conceivably they might drift into a revolution, but that revolution would never produce a planned economy. If it did, there would speedily be another revolution to end it. On such matters a man's faith is the result of the accumulated experiences of a lifetime rather than any deductions from study. My own faith goes back among other things to the experiences I gained when I accompanied 2,000,000 of my younger fellow citizens to Europe in the Great War and watched that telling demonstration of their natures and temperaments. Those men were not the material for the regimentation of any governmental bureaucracy. Even their military discipline was not so much a submission to authority as it was a zealous and eager cooperation toward the accomplishment of a great aim which they understood and believed in.

Their slogan, "Let's go", accurately described their spirit. They trespassed casually over the boundaries of No Man's Land with the same cheerful abandon with which their forefathers had trespassed over the hunting grounds of the Iroquois. After living with them and watching them, one realized fully that the old spirit still survived which had carried their race across the successive frontiers of this continent until they found themselves penned up against the boundaries of the Pacific Ocean. Such a race will not be satisfied with a walled-in territory, however ample. Their spirit of adventure will seek the outside world and, in default of more wilderness to conquer, will vent its commercial instincts in trading with and building up the other peoples of the earth. The chaotic situation of the world today is not a threat or a deterrent to such men but a challenge and an appeal to their initiative. They would refuse a planned economy, not because it was economy but because it was planned by others than themselves. They would reject a doctrine of national self-sufficiency, not because it was national but because it was insufficient for their spirit of adventure.

All artificial barriers to their enterprise would eventually fall as surely as did the walls of Jericho to the trumpets of Joshua. Put such a population in charge of an area like that of the United States with its matchless natural resources for manufacture on the one hand and on the other its unique geographical situation commanding the trade routes of two great oceans, and I believe that a development of commercial relations with the outside world will follow as naturally as sunrise follows night.

But it is asserted that the trend all over the world is toward nationalistic development and the suppression of all foreign trade, and that we alone cannot fight the prevailing current. I have recently had occasion, in some lectures in Princeton, to analyze these assertions in connection with the present economic situation in Europe. I have reached the conclusion that the chaotic situation there, which is at present so discouraging, is very largely the temporary result of the devastation of the Great War, occurring in a modern industrialized civilization, and that the present economic barriers which have recently grown up and almost destroyed international commerce in that continent will eventually be relieved and international trade to a substantial extent be restored. Indeed, I pointed out that very recently the process of restoration has already begun among certain countries of the southeastern portion of that continent. I believe that throughout the world we are all very naturally still confused by the succession of great problems which have been forced upon us during the past century and that we often mistake as permanent, conditions which are the result of temporary maladjustment. The use of steam and electricity, and the industrial revolution which has been based upon that use, has come with such comparative suddenness in the long, slow evolution of mankind that the results which it has wrought are not yet fully understood and appraised. It has completely transformed the civilization of Europe and of North America. It has brought into being populations which in some

nations are much larger than could be supported on the land which they possess by agriculture alone, and which can thus only be supported by means of commerce with the rest of the world.

On top of this situation came the Great War in 1914—the first great war since this industrial transformation had taken place. It completely shattered Central Europe and it produced an economic dislocation throughout the world of an extent never before known, and from the effects of which we are now suffering. It would be surprising indeed if in such a novel and terrific situation men did not lose their bearings and their courage and jump to the conclusion that certain disastrous results were more permanent than was really the case.

I believe that the chaotic commercial situation which we see not only in Europe but all over the world, which has destroyed trade everywhere and is imposing almost daily new restrictions in the form not only of tariffs but of quotas and other arbitrary methods, is not a permanent growth. It certainly is not the necessary result of nationalism. A healthy nationalism is quite consistent with a healthy international commerce. The great post-war depression has unbalanced budgets and necessitated new revenues. Tariffs and restrictions have been applied as emergency remedies and very often the remedy has only increased the disease and the maladjustment.

Nevertheless certain indisputable facts stand out. One such fact is that there is a large surplus population in Europe to be fed and it probably cannot be fed permanently without the help of foreign trade. For example, in less than 50 years before the Great War Germany alone increased her population by nearly 30,000,000 people in reliance upon foreign trade to support them. She imported 20 percent of her food alone. The same thing was true in large degree of other portions of Europe. It has been estimated that the total European surplus population beyond the number which can be permanently supported by agriculture alone very nearly reaches 100,000,000. They simply must trade in order to live. Why should we not obtain a part of that great inevitable commerce? How enormously it would assist us in the present depressed condition of our own agriculture, not to say industry.

Take a situation nearer home. Until 5 years ago Canada was our greatest customer in all the world. She bought from us every year exports amounting to at least $800,000,000. Indeed, I am told that in 1929 these exports went nearly as high as 950 million. During the past 5 years those purchases have shrunk until in 1933 they amounted to only 210,000,000. Part of this shrinkage has been due to causes really arising out of the dislocations of the Great War. Much of it could be restored. A great commerce between two such similar nations as Canada and ourselves, with 3,000 miles of common boundary, friendly, of similar race, is natural and should exist. It will be a reproach to governmental initiative on both sides of the border if it is not restored.

The general principles which should guide the United States in her commercial relations with the rest of the world have throughout her history been consistent and well understood and have been dictated by her world position and the character of her people and their industries. She has endeavored to cultivate good will and confidence among the peoples of the earth and to promote those conditions of world peace upon which economic and political stability everywhere must ultimately rest. While seeking friendship with all, she has avoided discriminatory relations with any, whether economic or political. Her tariffs have been imposed by general laws enacted by her Congress and applying to all nations alike. The great variety of American products and the world-wide markets which they must seek have necessarily prescribed such an attitude.

But the temporary panic conditions which have grown up during the past 2 years and which are spreading throughout a large portion of the world have produced great changes in the trade conditions which we now face. Commerce between the nations today is chiefly governed by permanent tariff laws but by temporary restrictions of an entirely different character. Trade is being parceled out among frightened nations by quotas and other arbitrary systems of distribution which are being made and varied with great rapidity.

In such a world our Government today is at an almost hopeless disadvantage in its efforts to restore that measure of foreign trade which we must have if our prosperity is to return. A general revision of our tariff laws by Congress, which has been the ordinary method of our making, would be entirely ineffective to meet the situation which exists today. Anyone who has witnessed the course which such a congressional revision follows can appreciate that. It would be far too slow. It could not reach the many different specific problems arising and constantly changing in a great many different nations. In each of these other nations the power to handle their commercial relations is very differently organized from the way in which it is organized at present in our Government. They have vested far greater powers of initiative in their executives, and their executives can act with much greater promptness in an emergency than can be done by our Congress or even our Tariff Commission under our present laws.

In every parliamentary government, for example, the executive, in the shape of the prime minister and his cabinet, frames the tariff with a view to the national requirements, and its ratification by the parliament usually follows much as a matter of course. This is true even in ordinary tariff legislation by such governments. But during the present emergency their executives have been given much greater power in many cases, particularly in respect to quotas and other new forms of restricting imports.

To deal with a world so organized, our Government at present is at a hopeless disadvantage. A great scramble is going on for foreign trade among the nations. Each one is trying to hold what it can of its own commerce and at the same time to get all that it can of the commerce of others. Many of the steps which they take and the things which they do are arrangements dictated by emergencies of the present moment. But on the other hand, many of such arrangements may result in permanently fixing the channels of future trade, and at present owing to the faultiness of our machinery the United States is being shouldered out of those arrangements and left with the likelihood of permanently losing most of the foreign trade which otherwise it might and should get. That is not a pleasant situation for any American to look upon, least of all at such a time as this when it may have the effect of shaping our whole future domestic national policy as well as losing our foreign trade. I should not like to see my country driven into an attempt to live within its own borders without any foreign trade whatever, involving a system of bureaucratic planning at which our whole instincts and traditions revolt; involving a shifting of great masses of our people from their present occupations into other homes and other businesses; involving the discontinuance or operation on a lower scale of many of our great industries; and all just because we cannot organize our Government in an effective way to meet the great emergency. I think that would be an unjust reflection upon us. I think the emergency can and should be met.

There is a bill pending before the Congress which will give to the President for a certain limited time the power under careful restrictions to meet the emergency and to enter into agreements with foreign governments as to foreign trade; and, for the purpose of expanding our foreign markets, to make limited changes in our existing tariff duties or other import restrictions. I think that some such legislation should be promptly passed to meet the emergency which confronts us. I am not impressed with the objection that it would give undue or dictatorial powers to our Executive. It does not seem to me that such objections are well founded. The legislation is for the purpose of meeting temporarily an emergent situation. I see no reason to believe it will be abused. I do not think it impossible to enact such legislation in a form which will conform to the limitations of our Constitution, and under which agreements can be negotiated without violating our present most-favored-nation treaties.

I remember that a similar objection that it would unduly increase the power of the Executive was made when we first proposed to adopt in the American Governments, both State and national, the form of the Executive budget, and to allow the President and the governors of States to propose to Congress and the various legislatures the annual programs of their future expenditures. For nearly 130 years we had stumbled along with the waste and extravagance of the old lack of system but finally the change was made, and today we see the executive budget working in the Federal Government and in the governments of nearly all of the States without any impairment of constitutional liberty whatever. While the situations are not exactly parallel, I believe that the same rules of common sense which controlled in the former case should control us now.

It was Alexander Hamilton who, in his report on manufactures on December 5, 1791, marked out the great principles upon which the regulation of foreign commerce should be carried out by this Government in the interest of its national development. His principles have stood as a guidance ever since for anyone who desires a clear, frank, and intelligent exposition of national policy in such matters. I believe that the same principles of national interest which he set forth in that report would support us now in taking the steps which I have discussed to meet the present national emergency. Unless some such steps are taken to revive our foreign trade, there is serious danger that we may drift into a domestic situation where attempts may be made radically to modify the individual rights of freedom and of initiative under which we have so long lived.

ADMINISTRATION OF POST OFFICE DEPARTMENT—ADDRESS BY POSTMASTER GENERAL FARLEY

Mr. BLACK. Mr. President, I ask unanimous consent to have printed in the RECORD a speech by the Honorable James A. Farley, Postmaster General, in dedicating the new Federal Building in St. Louis, on Saturday, April 28, 1934.

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

Mr. Chairman, ladies, and gentlemen, it is a privilege to join with you today in the laying of the cornerstone of your new Federal building. Long may it remain here to be viewed by your children and your children's children as a symbol of their Government and as a memorial of the part their fathers and mothers took in making Missouri one of the strongest links in the chain of States that binds together our mighty Republic.

It is of added interest to me that in this magnificent new building, which is adequate to house all Federal activities of St. Louis under one roof, there will be the second largest post-office facility in St. Louis, which facility, located in the heart of the business section of your great city, will give it the best possible postal service.

It is a pleasure for me to appear on this program with your able mayor, Hon. Bernard F. Dickmann; your efficient postmaster, Mr. W. Rufus Jackson; and with the construction engineer for

the Treasury Department, Mr. Jesse I. Marshall. I congratulate Mauran, Russell & Crowell, the local architects who planned this magnificent building, and N. P. Severin Co., the Chicago contractors who created it.

I also desire to pay a tribute of respect to the workmen and laborers who, by their untiring efforts, made possible the construction of this beautiful edifice.

This building is another development in the great civic memorial plaza plan. When this plan is completed St. Louis will have one of the finest and most imposing groups of public buildings in the country.

When St. Louis was first settled there were no post offices on the west side of the Mississippi River. Correspondence between officials was by courier, and there was not much of that. An irregular line of messengers carried communications between the fur merchants and the Indian traders in the West.

Every Missourian has a right to be proud of the history and heritage of his great State. Here came the dauntless explorers of France, England, and Spain and made their homes; here came the courageous and high-spirited Germans and Irish seeking political freedom; and here came the valiant Virginians and Kentuckians, the intelligent and thrifty New Englanders, and the chivalrous and gentle sons and daughters of the South, to found a great and truly American city.

Of all these people, none made a stronger and more lasting imprint on the life, manners, and customs of St. Louis than did the industrious, loyal, and cultured Germans. Their industry, their fidelity, their art, and their literature have contributed largely to the city's growth and greatness. In the new land devoted German mothers made happy homes and were the inspiration of their husbands and children. The German influence was lasting and America has reaped the benefit.

Missouri was long the outpost and frontier of civilization. From the time of its inclusion in the United States in 1803, under the direction and wise planning of that great apostle of the rights of the people, Thomas Jefferson, her citizens have ever been foremost on the field and in the forum as the defenders of the liberties of the people.

Her strategic location as a frontier State in the early days, her border-line position in the days before and during the War between the States, and the solid American character of her people have always caused the citizens of Missouri to be keenly alive to every question that affected the welfare of the country. The city of St. Louis, as the metropolis of the great Southwest, has been the gathering point of men and women with a virility of mind and body unsurpassed anywhere in the country.

Mark Twain made us all children of Missouri. During my boyhood days I often, in imagination, joined Tom Sawyer and Huckleberry Finn in their play and escapades. Life on the Mississippi became real when you saw it through Mark Twain's eyes.

The names and exploits of your explorers and first settlers—De Soto, Marquette, La Salle, La Clede, Choteau, Daniel Boone, Lewis, Clarke, O'Fallon, Fitzpatrick, and many others—have made your history a living memorial to pioneer courage and an inspiration for future generations.

One of the brightest pages in diplomatic history is the story of the acquisition of this magnificant valley from France by that great Democrat, Thomas Jefferson. His policies in foreign affairs are still a safe guide, and it is well to think of how he expressed them in his first inaugural address. Let us hear them once more:

"Equal and exact justice to all men, of whatever state or persuasion, religious or political; peace, commerce, and honest friendship with all nations, entangling alliances with none."

These are the policies laid down by Jefferson, and they are the policies which now make this Government loved at home and respected abroad under the wise administration and able leadership of Jefferson's great successor, Franklin D. Roosevelt.

The story of Missouri is replete with the history of its men who to this day have been true to the principles of Jefferson. A noble and militant aggressiveness has always been a characteristic of your statesmen and journalists. Your first Senator, Thomas H. Benton, whose historical work "Thirty Years View", is still the best account of Congressional activities from 1821 to 1856, was such a man. His friendship for President Jackson, his work in opening up the West, and his career as a soldier and journalist make him worthy of the honor you accord him.

Coming down to a later date we find that great lawyer, college president, legislator, and true Jeffersonian, Champ Clark, dominating the national scene. And now we see Bennett Champ Clark, the worthy son of a worthy sire, keeping alive, as parliamentarian, lawyer, soldier, author, and United States Senator, the fame of his father and of his State.

Your State has given to the country numerous outstanding statesmen, such as the eloquent Vest, Cockrell, Stone, Bland, Hawes, and Reed, and many others whom time will not permit me to mention by name. I also wish to refer to that renowned publisher, Joseph Pulitzer, who came to my home city from St. Louis; those great leaders, Carl Schurz and Blair; Eugene Field and Mark Twain, of literary fame; and Eads and Allen, outstanding in the engineering world and in the field of philanthropy. I know that every true Missourian is thrilled by the immortal records of Gen. John J. Pershing, who so masterfully led the American forces in the World War, and of Admiral Robert E. Coontz, ranking naval officer and chief of operations during that great conflict.

Permit me to revert again to the Post Office Department, which I have the honor to head. Our records in Washington show that the first post office was established in St. Louis on October 3, 1804, during the administration of Thomas Jefferson. This was when your city was a part of the Louisiana Territory.

Rufus Easton was your first postmaster, and later he had the honor of being the second Delegate to represent Missouri Territory in the Congress, taking his seat on November 16, 1814. Including Mr. Easton, you have had 30 postmasters.

While I am on this subject, there are two men from your State to whom I wish to pay a personal tribute; one because he was an able official of the Post Office Department, the other because he is one of the most courageous friends of the administration.

In the Post Office Department the name of Alexander M. Dockery, Third Assistant Postmaster General from 1913 to 1921, under President Woodrow Wilson, is respected and revered. He spent nearly half a century in public life. As a Democratic leader, a Member of Congress, Governor of Missouri, Masonic grand master for the State of Missouri, an orator, and gentleman, he achieved a merited fame. In 1893 he was chairman of the congressional committee composed of Senators Cullom, Jones, and Cockrell, and Representatives Dingley and Richardson, which revised the financial accounting system of the Government.

Government accounting is still conducted to a large degree under the so-called "Dockery Act." He was a member of the Committee on the Post Office and Post Roads and secured the establishment of the first fast express mail between New York, St. Louis, and Kansas City. He also had charge of the legislation and secured the passage of the act establishing the special-delivery service, which was approved by President Cleveland August 4, 1886. The revenue from this class of mail during the last fiscal year amounted to $7,018,094. In his old age he retained a vigor of mind, a continued devotion to public service, and a charm of manner that is well remembered by all who knew him.

The other person to whom I wish to pay tribute is from your own city. As a Congressman no one works more intelligently or more devotedly than he for the interests of his city and State. His interests, however, are not bounded by city and State lines. He has always placed his country's good above his personal friendships and his personal advantage. Foremost in every fight for the people's rights, he is loved by all who are alined with him in this battle and respected and feared by those who are not. I refer to the Honorable JOHN J. COCHRAN, your Representative in Congress, of whom you may well be proud. I wish that time permitted me to go on to say all the good things I might say of the other men and women of Missouri, both in public and private life, who so well deserve your approbation. However, I do want to express my deepest appreciation to Congressman CLAIBORNE and each Member of Congress from your State for whatever they have done to aid the administration of President Roosevelt.

My friends, it is good to get away from Washington and meet face to face the men and women who support the Government and whose thoughts seem to be not what they can get out of it but what they can do to aid it.

It is to you to whom the appeal must be made against the insidious tactics of organized minorities and special interests who endeavor to mislead the judgment of legislators and direct public opinion. It is surprising to see how a few adroit and resourceful men can often create artificial sentiment and circumvent the interests of the people for their own personal profit.

When one notes the powerful influences brought to bear for selfish purposes and then looks about to find someone speaking in the public interest, demanding retrenchment, economy, and elimination of waste, he finds there is no lobby for this purpose and that, so far as the people generally are concerned, they often have difficulty in making themselves heard.

When, for instance, I suggest a desire to wipe out the deficit in the Postal Service, as I hope to do, it is most surprising to find the amount of advice I receive from special interests telling me that the way to become a popular Postmaster General is to spend, and not save, the people's money.

During the fiscal year 1932—the year before the present administration took charge—the deficit in the Postal Service reached the stupendous sum of $152,246,188. This was over and above the revenues derived by the Post Office Department, and had to be paid out of the General Treasury, which means that the taxpayers of the country had to provide the money to cover the deficit.

While it has been necessary during the past year to effect many economies in order to keep the Department's expenditures within its Budget requirements, improvement in general business conditions has brought an increase in postal revenues and it has been possible to eliminate some of the more drastic economies. Payless furloughs will end on May 1 and various curtailed services will be restored.

The policy of this administration is to give a better postal service at a less cost. We have taken stock, have put the house in order, and every effort will be made to continue to improve and increase the postal facilities commensurate with public needs.

It has been most pleasing to me to note the consideration of the public, and the cooperation of the rank and file of postal employees while curtailed service was effective and economies were being made in costs of operations. The increasing interest of the people in the costs and quality of the Postal Service is most reassuring.

While my first duty is to the taxpaying public, I am not unmindful of the interests of the approximately 235,000 employees in the Postal Service. It is my desire to have the salaries of these trained men and women so adequate and their working conditions so congenial that service under the Post Office Department will attract and bring to it men and women of the very highest type.

Recently much has been said about the annulment of the air-mail contracts. These contracts were annulled because they were illegal and fraudulent and were costing the Government millions of dollars in excess of a proper payment for the service rendered.

There is evidence that these contracts were the result of collusion and fraud and that they were awarded without actual competitive bidding and as the result of an unlawful conspiracy. The law is perfectly plain. Air-mail contracts, like other governmental contracts, should be awarded as a result of competitive bidding.

Air-mail contracts had been so manipulated that three large aviation corporations—the United Aircraft & Transport Co., the Aviation Corporation of Delaware, and the North American Aviation Co.—controlled about 92 percent of the entire air-mail business through associates, subsidiaries, and affiliates.

Evidence conclusively shows that the 1930 conferences were held and that at these conferences the air-mail business of the country was divided up among the contractors with the participation and approval of former Postmaster General Walter F. Brown. These conferences were held in an office adjoining that of the Postmaster General and written minutes were kept of the proceedings. Copies of these minutes in the possession of the Post Office Department reveal that one of the principal objectives was to avoid competitive bidding, which was clearly in violation of the law.

The minutes quote several of those in attendance as saying that they desired to avoid competitive bidding. Referring to a suggestion made to the conference by former Postmaster General Brown, William Mayo, representing Southwest Air Fast Express, and Erle Halliburton are quoted in the minutes as having said: "I think the suggestion is a good one rather than to have competitive bidding."

Ted Clark, representing Southwest Air Fast Express, and Erle Halliburton said: "I would prefer the plan suggested rather than competitive bidding."

Lou Holland, representing United States Airways, remarked: "I think it should be worked out by agreement, as I am afraid that competitive bidding will result in wild promotions."

Harris Hanshue, representing Western Air Express, Inc., said: "We are willing to do anything within reason to work out the plan rather than to go into competitive bidding."

These expressions from those participating make it perfectly evident that the one particular thing desired was to get around the law requiring competitive bidding, and they did act in defiance of the law.

At these conferences the routes were actually laid out and it was decided who should get such routes.

All of the above facts are not only in writing, but the representatives of a number of the air-mail companies have admitted the facts under oath before the Senate investigating committee.

As an illustration of collusion and stifled competition I cite the evidence before the Senate investigating committee sworn to by representatives of the air-mail companies, which shows that a contract was made between Erle P. Halliburton and American Airways, and between American Airways and Transcontinental Air Transport and Western Air Express, whereby a pot was made up to $1,400,000 which was to be paid to Halliburton's company for its assets. Sworn evidence shows these assets to be worth between four hundred thousand and seven hundred thousand dollars. Postmaster General Brown knew of this arrangement, insisted upon it, and, in fact, there has been evidence produced that the other big company, United Aircraft & Transport Co., was asked to donate $500,000 toward the funds to buy Halliburton out. At any rate, the contract was awarded to Halliburton's company and another at 88 cents per mile. The American Airways bought Halliburton's company and, by reason of its ownership of the two bidding companies, held this contract when the contracts were annulled. Halliburton got his $1,400,000, and it was paid under the terms of a written agreement by the American Airways and the Transcontinental & Western Air interests. The only thing these companies got from Halliburton was the contract and some equipment worth far less than $1,400,000.

Let me cite another instance which is revealed by the official records: There were two bids on the route from New York to Los Angeles via St. Louis and Kansas City. One of these was a joint bid by the Transcontinental Air Transport and the Western Air Express; the other by a combination of three companies, which called their merger the United Avigation Co. The latter bid 64 percent of the maximum limit set by the Post Office Department. The other combination bid 97½ percent. The higher bid was accepted, and it cost the Government more than two and one half million dollars, that being the difference between the high and the low bid.

It is the duty of a Government official to promptly repudiate and annul a fraudulent contract, and this has been done by Government officials in hundreds of cases.

What would an individual do when he found he had signed a fraudulent contract and was being systematically defrauded? Would he continue to operate under the contract or would he promptly repudiate it and say: "I refuse to be defrauded any further. I repudiate this contract. It is illegal and fraudulent and I will pay you no more money." Under such circumstances is the Government of the United States in any different position than that of an individual? Is it not the duty of an official of the Government to protect the public interest and to prevent a perpetration of a fraud upon the taxpayers?

Sworn testimony before the Senate investigating committee shows that astounding profits were made on stock promotions of aviation companies based on air-mail contracts. William E. Boeing has testified that the Boeing Air Transport Co. was organized with a common capital stock of $750 and that its net income for the year 1930 was approximately $1,500,000, made exclusively from an air-mail contract with the Post Office Department. This company paid dividends of $5,500,000 on this capital of $750 from 1928 to 1932, inclusive, all from air-mail contracts. Boeing further claims to have invested $259.14 in the Boeing Air Transport Co. and said that he had about $400,000 in stock invested in different aviation companies which went into the United Aircraft & Transport Co. The original company was merged with United, and Boeing testified that in May 1929 stock which had been given him had a value of approximately $51,500,000 on the market.

The Pratt-Whitney Aircraft Co. was organized with a capital stock of $1,000 for the purpose of manufacturing aircraft and went into the United Aircraft & Transport System. It made a profit of 81.07 percent on all engines sold to the Government in 1930, and during the past 5 years this concern paid dividends of more than $12,000,000 on the original capital of $1,000.

The promoters of these aviation companies organized pools for selling their stock to the public and paid themselves enormous salaries and stock dividends when they had little or no capital invested and knew nothing whatsoever about aviation. For instance, Fred B. Rentscheler of the Pratt-Whitney Co. testified that he invested $253 and that his stock of the United Aircraft & Transport Co. was worth $35,575,848 in 1929. He actually received in cash more than $9,500,000 and has 60,000 shares of stock left, these millions all being made from an investment of $253. From 1927 to 1933 Mr. Rentscheler was paid more than $1,500,000 additional as salary and bonus. His associates all fared as well, George W. Mead having invested $207 and secured stock of the value of $29,000,000 in 1929 and actually cashed out approximately $7,500,000. He had left 35,000 shares of stock besides his enormous salary and dividends.

An investment of $40 netted Charles W. Deeds of the Pratt-Whitney Co. stock valued at $5,624,640, and he has actually received more than $1,000,000 in cash besides his fat salary and dividends.

As a result of the annulment of the air-mail contracts there will result a better and a much more economical air-mail service. All new contracts will be let in compliance with the law, which now requires competitive bidding.

On April 20 bids were opened for 17 routes and these bids averaged a fraction over 28 cents per airplane-mile as compared with an average of 37 cents per airplane-mile paid under the annulled contracts. Bids on four additional routes were opened on Friday, and within a few days advertisements will be issued for bids on several other routes.

When all of the contracts are let, which will probably be within the next 30 days, there will be approximately 26,500 route-miles in the air-mail system as compared with 25,248 before the contracts were annulled.

If bids on the remainder of the routes do not run higher than the average on those opened on April 20, air-mail service over the approximately 26,500 route-miles in the new system will cost several million dollars less than did the service over the 25,248 miles of the old system and much new territory will be served. In the year 1932, before the present administration took office, the air mail cost the people of the United States approximately $20,000,000. We confidently expect to give more, better, and safer service for less than half this amount.

In conclusion, my friends, I want you to know that I have sincerely enjoyed your kindness and your hospitality. It is good to be with you. But more than that, I enjoy knowing that I can come to St. Louis and find we are one in heart, in mind, and in spirit with our courageous and heroic President as he valiantly leads us in the battle for human rights. One by one he has surmounted the obstacles, until now men and women in all walks of life have become imbued with his own brave and daring spirit, a spirit which never falters no matter how the clouds darken and the thunders shake the very foundations of the Government and society. Let us continue steadfastly with him until every man and woman and child in the country has every opportunity to live a contented and prosperous life so far as a just government is able to aid them in securing these blessings.

RADIO STATIONS IN MEXICO

Mr. DILL. Mr. President, I ask unanimous consent to have printed in the RECORD an article appearing in the Washington Star of April 29, 1934, describing the manner in which the Mexican Government has permitted the establishment of radio stations using the same frequencies as those in the United States.

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

MEXICO THREATENS JUMBLE ON RADIO—MANY STATIONS REASSIGNED TO CHANNELS HELD BY AMERICAN NETS

By Sol Taishoff

Threatening a new intercontinental radio jumble, Mexico has ordered a sweeping reallocation of the wave-length assignments of its 60 broadcasting stations, placing the bulk of the stations on channels heretofore assigned exclusively to the United States.

Word of the shift, obtained officially last week from the Mexican communications authorities, was received at the Federal Radio

Commission with some concern. Although promulgated to become effective April 7, no technical reports have yet been received as to the extent of interference being caused, although engineers maintain that clashing of signals is inevitable in many cases, since the Mexican stations are "squatting" on the precise channels allocated to more than 100 United States stations.

The radio bombardment from across the southern border has presented a grave problem in North America for several years. Mexico has no broadcasting channels regularly assigned to it, because it has been unable to reach an agreement with the United States and Canada as to how the available bands should be divided among the nations of the continent. The last effort for the redistribution was made at a conference in Mexico City last summer, but it proved a fiasco when Mexico demanded considerably more channels than its northern neighbors were willing to relinquish.

DODGE CANADIAN CHANNELS

The Mexican communications ministry said in connection with the new allocations that they were designed to eliminate interference between Mexican stations and also to curtail the amount of disturbance with stations in other countries.

One disturbing factor gleaned from the new allocations log—the disclosure that Mexico is using only one of the exclusive waves assigned to Canada, whereas it formerly used a half dozen. All told, it has assigned stations on 38 of the 96 channels available in the broadcast band, but the bulk of the 60 stations are in the low-power category and probably will not cause any substantial degree of interference.

On 19 of the same 35 clear channels at the disposal of the United States for the exclusive use of high-power stations Mexico has assigned stations. Since the whole theory of a clear channel is that of exclusive use by a high-power station during evening hours, it means that the operation of the Mexican stations on these waves, irrespective of power, will curb their service in some degree. The only station of more than 1,000 watts assigned to a United States clear channel under the new allocations is XEMO, at Tia Juana, assigned to the 860-kilocycle channel with 2,500 watts. That is the wave used by WABC, New York key of the Columbia Broadcasting System.

UNITED STATES COUNTERPARTS

Other clear-channel stations which have comparatively low-powered Mexican stations assigned on their waves include: KFI, Los Angeles; WEAF, N.B.C. key, New York; WOR, Newark; WGN, Chicago; WSB, Atlanta; WJR, Detroit; WCCO, Minneapolis; WHAS, Louisville; KWKH, Shreveport; and WWL, New Orleans divide time on same channel); KJR, Seattle; KDKA, Pittsburgh; KYW, Chicago; KTHS, Hot Springs; and KRLD, Dallas (share time); WBT, Charlotte; WPG, Atlantic City; and WLWL, New York (share time); KSL, Salt Lake City; WWVA, Wheeling; and WOWO, Fort Wayne (share time); and KOB, Albuquerque, N.Mex., and KEX, Portland, Oreg. (share time).

The Mexican shift discloses that there are 10 stations among the 60 having power of 2,500 watts or more. While it is possible that some of the lower-powered stations will cause interference with stations in this country, by far the worst situations are expected to result from the high-power outlets. The biggest of the group is XENT, at Nuevo Laredo, just across the border from Laredo, Tex., which is licensed for 150,000 watts, or three times the highest power regularly used by any American station. Assigned to the 1,340-kilocycle channel, it will operate simultaneously with these American stations on the wave: WSPD, Toledo; WFEA, Manchester, N.H.; WCOA, Pensacola; KGNO, Dodge City, Kans.; KGDY, Huron, S.Dak.; and KFPY, Spokane.

With 50,000 watts power are two stations—XEPN, Piadras Negras, close to the Texas border, and XEW, in Mexico City. The former has been assigned to 590 kilocycles, a United States regional chanel on which operate WEEI, Boston; WOW, Omaha; WKZO, Kalamazoo; and KHQ, Spokane. XEW is assigned to the 890 kilocycle channel, a regional channel used by both United States and Canadian stations. Among the American stations on the wave are WMMN, Fairmont, W.Va.; KARK, Little Rock; WGST, Atlanta; WILL, Urbana, Ill.; KFNF, Shenandoah, Iowa; KUSD, Vermillion, S.Dak.; and KSEI, Pocatello, Idaho.

THREE 10,000 STATIONS

There are three 10,000-watt stations—XEYZ, Mexico City; XEAW, at Reynosa, just across the Rio Grande from Texas; and XEB, at Mexico City. The first is assigned to 780 kilocycles, a Canadian-shared wave, on which are the following American stations: WEAN, Providence; WTAR, Norfolk, Va.; WMC, Memphis, KELW, Burbank, Calif.; and KTM, Los Angeles.

XEAW is assigned to the 950-kilocycle channel, used by WRC, Washington; KMBC, Kansas City, KFWB, Hollywood; and KGHL, Billings, Mont. XEB is assigned to the Canadian-shared channel of 1,010 kilocycles, on which these American stations are assigned: WHN, New York; WNAD, Norman, Okla.; WIS, Columbia, S.C.; KGGF, Coffeyville, Kans.; and KQW, San Jose, Calif.

At Agua Caliente, just across the California line, the Mexican Government has assigned the 5,000-watt XEBC on the 1,280 kilocycle channel. This is a regional wave used by WORC, Worcester, Mass.; WCAP, Asbury Park, N.J.; WCAM, Camden, N.J.; WTNJ, Trenton, N.J.; WDOD, Chattanooga, Tenn.; WRR, Dallas; WIBA, Madison, Wis.; and KFBB, Great Falls, Mont.

940 CHANNEL

XEFO, Mexico City, licensed for 5,000 watts, has been assigned to the 940-kilocycle channel, used in this country by WAAT, Jersey City; WAVE, Louisville; WDAY, Fargo, N.Dak.; WHA, Madison, Wis.; and KOIN, Portland, Oreg. The remaining big station—XEOK, Tia Juana—is of 2,500 watts and is assigned to the 920-kilocycle channel, used in this country by WWJ, Detroit; KPRC, Houston; WAAF, Chicago; KFEL and KFXF, Denver; and KOMO, Seattle.

The new allocations do not account for station XER, the 500,000 watter which had operated from Villa Acuna, across the border from Del Rio, Tex., for 2 years. Licensed to Dr. John R. Brinkley, deposed Kansas medico-broadcaster, the station was forcibly closed by the Mexican authorities 2 months ago because of the objectionable medical broadcasts by Brinkley. This station, due to its high power, was the cause of most of the complaints from American stations about interference.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the amendment of the Senate to the bill (H.R. 8389) to provide for the custody and maintenance of the United States Supreme Court Building and the equipment and grounds thereof.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 326) referring the claims of the Turtle Mountain Band or Bands of Chippewa Indians of North Dakota to the Court of Claims for adjudication and settlement.

ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

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

H.R. 472. An act for the relief of Phyllis Pratt and Harold Louis Pratt, a minor;

H.R. 518. An act for the relief of T. Perry Higgins;

H.R. 719. An act for the relief of Willard B. Hall;

H.R. 1127. An act for the relief of O. H. Chrisp;

H.R. 1724. An act providing for settlement of claims of officers and enlisted men for extra pay provided by act of January 12, 1899;

H.R. 1870. An act for the relief of Corinne Blackburn Gale;

H.R. 2026. An act for the relief of George Jeffcoat;

H.R. 2321. An act for the relief of Capt. J. O. Faria;

H.R. 2339. An act for the relief of Karim Joseph Mery;

H.R. 2340. An act for the relief of Russell & Tucker and certain other citizens of the States of Texas, Oklahoma, and Kansas;

H.R. 2541. An act for the relief of Robert B. James;

H.R. 2561. An act for the relief of G. Elias & Bro., Inc.;

H.R. 2666. An act for the relief of D. F. Phillips;

H.R. 2682. An act for the relief of Bonnie S. Baker;

H.R. 2689. An act for the relief of Edward Shabel, son of Joseph Shabel;

H.R. 2828. An act to authorize the city of Fernandina, Fla., under certain conditions, to dispose of a portion of the Amelia Island Lighthouse Reservation;

H.R. 2858. An act to add certain lands to the Pike National Forest, Colo.;

H.R. 2862. An act to add certain lands to the Cochetopa National Forest in the State of Colorado;

H.R. 3345. An act to authorize the Department of Agriculture to issue a duplicate check in favor of the Mississippi State treasurer, the original check having been lost;

H.R. 3463. An act for the relief of Walter E. Switzer;

H.R. 3551. An act for the relief of T. J. Morrison;

H.R. 3579. An act for the relief of O. S. Cordon;

H.R. 3580. An act for the relief of Paul Bulfinch;

H.R. 3611. An act for the relief of Frances E. Eller;

H.R. 3843. An act to repeal an act of Congress entitled "An act to modify and amend the mining laws in their application to the Territory of Alaska, and for other purposes", approved August 1, 1912;

H.R. 3851. An act for the relief of Henry A. Richmond;

H.R. 3952. An act for the relief of Grace P. Stark;

H.R. 4013. An act to provide an additional appropriation as the result of a reinvestigation, pursuant to the act of February 2, 1929 (45 Stat., p. 2047, pt. 2), for the payment of claims of persons who suffered property damage, death, or personal injury due to the explosion at the naval ammunition depot, Lake Denmark, N.J., July 10, 1926;

H.R. 4269. An act for the relief of Edward J. Devine;

H.R. 4519. An act for the relief of C. W. Mooney;

H.R. 4611. An act for the relief of Barney Rieke;

H.R. 4779. An act for the relief of the estate of Oscar F. Lackey;

H.R. 4808. An act granting citizenship to the Metlakahtla Indians of Alaska;

H.R. 4846. An act for the relief of Joseph Dumas;

H.R. 4847. An act for the relief of Galen E. Lichty;

H.R. 5038. An act authorizing pursers or licensed deck officers of vessels to perform the duties of the masters of such vessels in relation to entrance and clearance of same;

H.R. 6013. An act to authorize the sale of land and houses at Anchorage, Alaska;

H.R. 6386. An act for the relief of Lucien M. Grant;

H.R. 6862. An act for the relief of Martha Edwards;

H.R. 7279. An act for the relief of Porter Bros. & Biffle and certain other citizens;

H.R. 7551. An act authorizing the Secretary of Commerce to dispose of the Pass A'Loutre Lighthouse Reservation, La.;

H.R. 7744. An act to authorize the Secretary of Commerce to transfer to the city of Bridgeport, Conn., a certain unused light-station reservation;

H.R. 7793. An act authorizing a preliminary examination of the Ogeechee River in the State of Georgia, with a view to controlling of floods;

H.R. 7803. An act authorizing the city of East St. Louis, Ill., to construct, maintain, and operate a toll bridge across the Mississippi River at or near a point between Morgan and Wash Streets in the city of St. Louis, Mo., and a point opposite thereto in the city of East St. Louis, Ill.;

H.R. 8516. An act granting the consent of Congress to the Mississippi Highway Commission to construct, maintain, and operate a free highway bridge across the Pearl River in the State of Mississippi;

H.R. 8854. An act to amend the District of Columbia Alcoholic Beverage Control Act by amending sections 11, 22, 23, and 24;

H.J.Res. 10. Joint resolution requesting the President to proclaim October 12 as Columbus Day for the observance of the anniversary of the discovery of America; and

H.J.Res. 61. Joint resolution granting compensation to George Charles Walther.

CLAIMS OF TURTLE MOUNTAIN BAND—CONFERENCE REPORT

Mr. FRAZIER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 326) referring the claims of the Turtle Mountain Band or Bands of Chippewa Indians of North Dakota to the Court of Claims for adjudication and settlement, have met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

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

HENRY F. ASHURST,
ELMER THOMAS,
LYNN J. FRAZIER,
Managers on the part of the Senate.

WILBURN CARTWRIGHT,
DENNIS CHAVEZ,
HUBERT H. PEAVEY,
Managers on the part of the House.

The report was agreed to.

MUNICIPAL DEBT READJUSTMENT

The Senate resumed the consideration of the bill (H.R. 5950) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

Mr. NEELY. Mr. President, House bill 5950 which is now before the Senate is exceedingly important to hundreds of American municipalities and other taxing districts, and those to whom they are indebted. The purpose of the bill is to add a new chapter to our existing bankruptcy law. The necessity for this addition is indicated by the following declaration of policy which appears as an introduction to the bill:

> There is hereby found, determined, and declared to exist a national emergency caused by increasing financial difficulties of many local governmental units, which renders imperative the further exercise of the bankruptcy powers of the Congress of the United States.

Let us briefly consider some of the important factors of which the emergency mentioned in the bill consists:

The American people owe approximately $285,000,000,000. Our local governmental debts amount to almost $20,000,000,000. The greater part of this indebtedness was contracted upon the assumption and in the belief that it would be paid from assets and incomes similar to those which generally prevailed prior to the beginning of the Nationwide panic which occurred in 1929. But the assumptions of 5 years ago regarding ability to pay debts have been annihilated, and all beliefs concerning the matter have been disappointed beyond power of expression.

Our national income in 1929 was $85,000,000,000; in 1930 it was $71,000,000,000; in 1931 it was $55,000,000,000; in 1932 it was $37,500,000,000; and in 1933 it is estimated to have been $30,000,000,000.

To require debtors in 1934 to discharge their obligations on a basis of payment determined in 1929 is similar in effect to requiring a wage earner to pay as large a monthly installment from a salary of $30 a month as he was previously required to pay from a monthly salary of $85.

It is estimated that since 1929 approximately $124,000,000,000 of this country's taxable wealth has been destroyed.

This country's worst depression has during the last 5 years made it impossible not only for individuals but for hundreds of cities, towns, and other taxing districts to meet their obligations which were contracted before the depression began.

On the 24th day of November 1933 1,650 cities, towns, or other taxing districts in the United States were in default in the payment of their obligations. These defaulting taxing districts are distributed throughout the Nation as follows:

Florida	323
North Carolina	264
Ohio	110
Texas	99
California	99
New Jersey	94
Tennessee	57
Michigan	57
Arkansas	57
Illinois	51
Kentucky	42
Missouri	42
Oregon	34
Idaho	28
Louisiana	26
Colorado	25
Oklahoma	24
Mississippi	23
Indiana	21
Washington	21
South Carolina	17
South Dakota	17
Iowa	13
Arizona	13
Alabama	12
Pennsylvania	11
Utah	9
Nebraska	9
North Dakota	8
Montana	8
New Mexico	7
Wisconsin	6
Georgia	6
Kansas	5
Minnesota	5
Wyoming	5
New York	4
Virginia	2
Connecticut	2
Nevada	2
Maine	1
Massachusetts	1

From the 24th day of November 1933 to the 30th day of January 1934 the defaulting municipalities and other taxing districts increased from 1,650 to 2,019. In other words, dur-

ing the period just mentioned additional defaults occurred at the rate of more than 150 a month.

It has been impossible to obtain accurate information as to the number of defaults that have occurred since the 30th day of January.

The assessed valuation of the taxable property in a certain city in the United States in 1929 was $100,000,000. In 1933 the assessed valuation of the same city's property was $19,000,000. In this case it would be necessary for the city to increase its tax rate more than 400 percent in order to make payments on its outstanding indebtedness equal to the payments which it made in the year 1929.

There are now outstanding municipal bonds of the par value of more than $2,000,000,000, which were in default as to the payment of their principal, or the interest thereon, or both, on the 30th day of last January.

In the year 1929, 48,000,000 people in the United States were lucratively employed. Subsequent to 1929 approximately 15,000,000 of these, without fault on their part, became idle. Many millions of the latter became destitute, and consequently lost their ability to pay taxes. At one particular time during the last 4 years 17,000,000 people were supported by welfare organizations, which were financed largely by local taxation.

Thus taxing districts have been ground by the upper millstone of increasing demands for revenue and the nether millstone of decreasing ability to collect taxes. As the result of the accumulated misfortunes which we have indicated, the financial affairs of thousands of taxing districts, which are encumbered with outstanding bonds, are now in a chaotic condition.

In many cases the holders of these bonds have instituted, and are still instituting, mandamus proceedings against the defaulting taxing districts to compel them to levy more and more taxes in order to discharge their obligations which were contracted in circumstances which are wholly dissimilar to the distressing conditions which now prevail. The effects of this litigation are to increase the burdens and add to the embarrassment of the defaulting taxing districts which cannot possibly pay their debts according to the letter of the contracts which attest them.

In a case mentioned in the record a certain person purchased bonds of a defaulting taxing district of the par value of $5,000 for the sum of $450. The purchaser then instituted a mandamus proceeding against the defaulting district to compel it to levy a sufficient tax to pay the full par value of his bonds. Unfortunately, there is no existing law under which proceedings of this nature can be prevented, or by virtue of which defaulting districts can escape from their prosecutors.

In many instances defaulting districts and creditors holding more than 90 percent of their outstanding obligations have agreed upon plans of readjustment by virtue of which all the principal of the outstanding debt could be eventually satisfied, and a reasonable rate of interest could be paid on such obligations.

But in almost every such case the owners of a small fraction of the defaulting district's obligations have insisted upon the full payment of their claims in strict accordance with the harsh and now impossible terms upon which payment was originally promised.

For the purpose of enabling distressed, defaulting cities and other taxing districts and the owners of the greater part of the obligations of such defaulting concerns to enforce reasonable plans of adjustment upon which they may agree, in order that such defaulting taxing districts may ultimately satisfy all just demands against them, the House has passed the bill which is now before us and which it is hoped will soon be enacted into law.

The bill, when amended by the McCarran substitute, as it apparently will be, provides neither moratorium nor repudiation. What it does provide is as follows:

Any distressed taxing district may file a petition in a court of bankruptcy stating that it is insolvent or unable to meet its debts as they mature and that it desires to effect a plan of readjustment of its obligations. The petition shall state that a plan of readjustment is filed with it, and that the creditors of the taxing district owning not less than 51 percent in amount of the bonds, notes, or other evidence of the indebtedness of the taxing district affected by the plan, excluding certain obligations owned or controlled by the district in its own right, have accepted the plan in writing.

The petition shall be accompanied with the written acceptance and with a list of all known creditors of the taxing district, together with their addresses, so far as known, and descriptions of their respective claims. The petition shall also show the names and addresses of those who have accepted the plan of readjustment. The judge of the court in which the petition is filed shall enter an order either approving or disapproving it, in accordance with the merits or demerits of the case. If creditors holding 5 percent in amount of the obligations of the petitioning district shall, within 90 days after the first publication of the notice provided for in the bill, appear and controvert the facts alleged in the petition, the judge shall decide the issue thereby presented; and unless the material allegations of the petition are sustained, the petition shall be dismissed.

Upon approving the petition, or at any time thereafter, the judge shall require the taxing district to give such notice as he may deem proper to all creditors of the taxing concern, and cause publication of the notice to be made at least once a week for 3 successive weeks of a hearing to be held within 90 days after the approval of the petition for the purpose of considering the plan of readjustment filed with the petition, and any modification thereof which may be proposed.

The plan of readjustment shall not be confirmed in any case until it has been accepted, in writing, by or in behalf of creditors of the petitioner whose claims have been allowed, holding two thirds in amount of the claims of every class, which will be affected by the plan, and by creditors holding 75 percent in amount of the total claims against the taxing district affected by the plan. But it shall not be requisite to the confirmation of the plan that it be accepted by any creditor whose claim is not affected thereby, or by any creditor whose claim, under the plan, shall be paid in cash, in full.

After hearing any objections that may be made to the plan, the judge shall confirm it, if satisfied, first: That it is equitable and for the best interest of the creditors and does not unfairly discriminate in favor of any class thereof; second, that the plan complies with the provisions of subdivision B of the bill; third, that the plan has been accepted according to the provisions of the bill; fourth, that all amounts to be paid by the taxing district for services or expenses incident to the readjustment have been fully disclosed and that they are reasonable; fifth, that the offer of the plan and its acceptance are in good faith; and, sixth, that the taxing district is authorized by law, upon confirmation of the plan, to take all necessary action to carry it into effect.

Upon confirmation of the plan by the court, it shall be binding not only upon the taxing district but also upon all of its creditors, whether secured or unsecured.

If the judge disapproves the proposed plan, he shall file an opinion stating his reasons for such disapproval. If he approves it, the final decree shall be entered discharging the taxing district from all debts and liabilities dealt with in the plan, except as provided therein, and upon the entry of such decree the court's jurisdiction in the matter shall cease.

The bill specifically provides that nothing in it contained shall be construed to limit or impair the power of any State to control, by legislation or otherwise, any political subdivision thereof in the exercise of its political or governmental powers, including expenditures therefor, and including the power to require the approval by any governmental agency of the State of the filing of any petition and of any plan of adjustment authorized by the bill.

It is confidently believed by a majority of the members of the Committee on the Judiciary, including the distinguished chairman of the committee, Mr. ASHURST, that the enactment of this bill into law will prove highly beneficial not only to all the defaulting taxing districts of the country and their creditors but also to the public at large, by

healing a financial malady that has proved to be as deadly as cancer, as contagious as scarlet fever, and as rapid in its progress as pneumonia.

Mr. McCARRAN. I wonder whether it would meet with the wishes of Senators generally, and of the Senator from West Virginia [Mr. NEELY], if I took up my proposed amendment, which is now on the table, and offered it by way of a substitute for the bill.

The VICE PRESIDENT. Does the Senator desire to have it read at this time?

Mr. McCARRAN. I think perchance it will be more comprehensible if read at this time, and I ask to have it read.

Mr. ROBINSON of Arkansas. Mr. President, before proceeding with the reading, may I say that it is my understanding that the amendment presented by the Senator from Nevada proposes to make a large number of verbal changes in the bill, the major number of them perhaps being designed to conform the bill to the three principal amendments which I described a few moments ago; and, for the convenience of the Senate, the amendment as drawn is presented in the nature of a substitute rather than as separate amendments?

Mr. McCARRAN. Yes. There were so many clarifying expressions which were in conformity with the three major changes that I thought it best to offer the amendment as a substitute.

Mr. ROBINSON of Arkansas. In addition to that, it condenses the original bill very substantially, but does not change the principle of it in any particular except in the particulars already referred to?

Mr. McCARRAN. That is correct.

Mr. ROBINSON of Arkansas. If the Senate should adopt the amendment of the Senator from Nevada, it would throw the whole matter into conference.

The VICE PRESIDENT. The Chair understands the Senator from Nevada wishes to have the amendment read at this time.

Mr. McCARRAN. Yes.

The VICE PRESIDENT. The clerk will read the proposed amendment.

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

Mr. McCARRAN. I yield.

Mr. NEELY. Before the clerk reads, let me state that, to the best of my information, all who are in favor of this proposed legislation, including the members of the Committee on the Judiciary, who joined in the majority report, favor the McCarran amendment, which is in the nature of a substitute for the House bill.

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

Mr. McCARRAN. I yield.

Mr. VANDENBERG. I do not want to interfere with the Senator's plan of procedure, but the text of his substitute is more or less technical, and I am very sure that the Senate would have a far better conception of it if he were to explain it, rather than to have it textually read at the desk.

Mr. McCARRAN. I am entirely content to follow either course, to insure the greatest clarification.

Mr. VANDENBERG. I am sure the Senator could make it very much plainer than could the reading clerk from the text.

The VICE PRESIDENT. Without objection, the reading will be dispensed with.

The amendment, in the nature of a substitute, offered by the Senator from Nevada [Mr. McCARRAN], proposes to strike out all after the enacting clause and in lieu thereof to insert the following:

That the act of July 1, 1898, entitled "An act to establish a uniform system of bankruptcy throughout the United States", as approved July 1, 1898, and acts amendatory thereof and supplementary thereto be, and they are hereby, amended by adding thereto a new chapter to read as follows:

"CHAPTER IX

"PROVISIONS FOR THE EMERGENCY TEMPORARY AID OF INSOLVENT PUBLIC DEBTORS AND TO PRESERVE THE ASSETS THEREOF, AND FOR OTHER RELATED PURPOSES

"SEC. 78. Declaration of policy.—There is hereby found, determined, and declared to exist a national emergency caused by increasing financial difficulties of many local governmental units, which renders imperative the further exercise of the bankruptcy powers of the Congress of the United States.

"SEC. 79. Additional jurisdiction.—Until the expiration of 2 years from the date this chapter takes effect, in addition to the jurisdiction exercised in voluntary and involuntary proceedings to adjudge persons bankrupt, courts of bankruptcy shall exercise original jurisdiction in proceedings for the relief of debtors, as provided in this chapter of this act.

"SEC. 80. Municipal-debt readjustments.—(a) Any municipality or other political subdivision of any State, including (but not hereby limiting the generality of the foregoing) any county, city, borough, village, parish, town, or township, unincorporated tax or special assessment district, and any school, drainage, irrigation, levee, sewer, or paving, sanitary, port, improvement or other district (hereinafter referred to as a 'taxing district'), may file a petition stating that the taxing district is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan of readjustment of its debts. The petition shall be filed with the court in whose territorial jurisdiction the taxing district or the major part thereof is located. The petition shall be accompanied by payment to the clerk of a filing fee of $100, which shall be in addition to the fees required to be collected by the clerk under other chapters of this act. The petition shall state that a plan of readjustment has been prepared, is filed, and submitted with the petition, and that creditors of the taxing district owning not less than 51 percent in amount of the bonds, notes, or certificates of indebtedness of the taxing district affected by the plan, excluding bonds, notes, or certificates of indebtedness owned, held, or controlled by the taxing district in a fund or otherwise, have accepted it in writing. The petition shall be accompanied with such written acceptance and with a list of all known creditors of the taxing district, together with their addresses so far as known to the taxing district, and description of their respective claims showing separately those who have accepted the plan of readjustment, together with their separate addresses, if one is submitted with the petition, the contents of which list shall not constitute admissions by the taxing districts in a proceeding under this chapter or otherwise. Upon the filing of such a petition the judge shall enter an order either approving it as properly filed under this chapter, if satisfied that such petition complies with this chapter and has been filed in good faith, or dismissing it, if not so satisfied. If creditors holding 5 percent in amount of the bonds, notes, or certificates of indebtedness shall, within 90 days after the first publication of the notice provided for in subdivision (c), clause (1), of this chapter, appear, and controvert the facts alleged in the petition, the judge shall decide the issues presented, and unless the material allegations of the petition are sustained, shall dismiss the petition.

"(b) A plan of readjustment within the meaning of this chapter (1) shall include provisions modifying or altering the rights of creditors generally, or of any class of them, secured or unsecured, either through the issuance of new securities of any character or otherwise; and (2) may contain such other provisions and agreements, not inconsistent with this chapter, as the parties may desire.

"No creditor shall be deemed to be affected by any plan of readjustment unless the same shall affect his interests materially and adversely, and in case any controversy shall arise as to whether any creditor or class thereof shall or shall not be affected, the issue shall be determined by the judge after hearing upon notice to the parties interested.

"The term 'securities' shall include bonds, notes, and other evidences of indebtedness, either secured or unsecured, and certificates of beneficial interests in property. The term 'creditors' shall include for all purposes of this chapter all holders of claims, debts, securities, liens, or other interests of whatever character against the taxing district or its property or revenues, including claims under executory contracts and for future rent, whether or not such claims would otherwise constitute provable claims under this act, but excepting claims for salaries and wages of officers and employees of the taxing district.

"For all purposes of this chapter any creditor may act in person or by a duly authorized agent or committee. Where any committee, organization, group, or individual shall assume to act for or on behalf of creditors, such committee, organization, group, or individual shall first file with the court in which the proceeding is pending a list of the creditors represented by such committee, organization, group, or individual, together with a statement of the amount, class, and character of the indebtedness held by each such creditor, and shall accompany the same with a copy of the contract or agreement entered into between such committee, organization, group, or individual and the creditors represented by it or them, which contracts shall disclose all compensation to be received directly or indirectly by such agent or committee.

"(c) Upon approving the petition or at any time thereafter the judge (1) shall require the taxing district to give such notice as the order may direct to creditors, and to cause publication, to be made at least once a week for 3 successive weeks, of a hearing, to be held within 90 days after the approval of the petition for the purpose of considering the plan of readjustment filed with the petition and of any changes therein or modifications thereof which may be proposed; (2) if a plan of readjustment is not accepted and approved within such reasonable period as the judge may fix, or, if accepted and approved, is not confirmed, the judge may, after hearing, either extend such period not exceeding 1 year from the date of the filing of the petition, or dismiss the proceedings as the interests of the creditors may equitably require:

Provided, however, That if a plan shall not be accepted and approved within 1 year from the date of the filing of the petition, the judge, after hearing, may continue the proceeding for not exceeding 2 years from the date of the filing of the petition, with the written consent of creditors of the taxing district holding more than one half in amount of all claims affected by the plan; (3) shall require the taxing district at such time or times as the judge may direct, and in lieu of the schedules required by section 7 of this act, to file such schedules and submit such other information as may be necessary to disclose the conduct of the affairs of the taxing district and the fairness of any proposed plan; (4) shall determine a reasonable time and manner in which the claims and interests of creditors may be filed or evidenced, and, for the purposes of the plan and its acceptance, the division of creditors into classes according to the nature of their respective claims and interests; and may, for the purposes of such classification, classify as an unsecured claim the amount of any secured claim in excess of the value of the security thereof, such value to be determined in accordance with the provisions of chapter 57, clause (h), of this act; (5) may, with the authorized written approval of the taxing district, direct the rejection of contracts of the taxing district executory in whole or in part; (6) shall cause reasonable notice of such determination and of all hearings for the consideration of the proposed plan, or the dismissal of the proceedings, or the allowances of fees or expenses, to be given creditors by publication or otherwise; (7) may require the taxing district to open its books, records, and files to the inspection of any creditor of the taxing district during reasonable business hours; (8) may allow a reasonable compensation for the services rendered and reimbursement for the actual and necessary expenses incurred in connection with the proceeding and the payment of special masters, readjustment managers, and committees or other representatives of creditors of the taxing district, and the attorneys or agents of any of the foregoing; and appeals may be taken, from the orders making such allowances, to the circuit court of appeals for the circuit in which the proceeding under this chapter is pending, independently of other appeals which may be taken in the proceedings, and such appeals shall be heard summarily: *Provided, however,* That no fees, compensation, reimbursement, or other allowances for attorneys, agents, committees, or other representatives of creditors shall be assessed against the taxing district or paid from any revenues, property, or funds except in the manner and in such sums, if any, as may be provided for in the plan of readjustment; (9) in addition to the provisions of chapter II of this act for the staying of pending suits, the court may upon notice enjoin or stay until after final decree, the commencement or continuation of suits against the taxing district, or any officer or inhabitant of the taxing district, on account of the indebtedness of such taxing district, or to enforce any lien or to enforce levy of taxes for the payment of any such indebtedness: *Provided, however,* That the judge may enter an interlocutory decree providing that the plan shall be temporarily operative with respect to all indebtedness affected thereby and that the payment of the principal or interest, or both, of such indebtedness shall be temporarily postponed or extended or otherwise readjusted in the same manner and upon the same terms as if such plan had been finally confirmed and put into effect, and upon the entry of such decree the principal or interest, or both, of such indebtedness which has otherwise become due, or which would otherwise become due, shall not be or become due or payable, and the payment of all such indebtedness shall be postponed during the period in which such decree shall remain in force; and (10) may refer any matters to a special master, for consideration and report upon specified issues; but (11) shall not, by any order or decree, in the proceeding or otherwise, interfere with (a) any of the political or governmental powers of the taxing district, or (b) any of the property or revenues of the taxing district necessary in the opinion of the judge for essential governmental purposes, or (c) any income-producing property, unless the plan of readjustment so provides. The taxing district shall be heard on all questions. Any creditor shall be heard on the question of the proposed confirmation of the plan, and, upon filing a petition for leave to intervene, on such other questions arising in the proceeding as the judge shall determine.

"(d) The plan of readjustment shall not be confirmed until it has been accepted in writing, filed in the proceeding, by or on behalf of creditors whose claims have been allowed holding two thirds in amount of the claims of each class whose claims have been allowed and would be affected by the plan, and by creditors holding 75 percent in amount of the claims of all classes of the taxing district affected by the plan, but excluding claims owned, held, or controlled by a taxing district, and such plan has been accepted and approved by the taxing district in a writing filed in the proceeding, signed in its name by an authorized authority: *Provided, however,* That it shall not be requisite to the confirmation of the plan that there be such acceptance by any creditor or class of creditors (a) whose claims are not affected by the plan, or (b) if the plan makes provision for the payment of their claims in cash in full, or (c) if provision is made in the plan for the protection of the interests, claims, or liens of such creditors or class of creditors.

"(e) After hearing such objections as may be made to the plan, the judge shall confirm the plan if satisfied that (1) it is fair, equitable, and for the best interests of the creditors, and does not discriminate unfairly in favor of any class of creditors; (2) complies with the provisions of subdivision (b) of this chapter; (3) has been accepted and approved as required by the provisions of subdivision (d) of this chapter; (4) all amounts to be paid by the taxing district for services or expenses incident to the readjustment have been fully disclosed and are reasonable; (5) the offer of the plan and its acceptance are in good faith; and (6) the taxing district is authorized by law, upon confirmation of the plan, to take all action necessary to carry out the plan. Before a plan is confirmed, changes and modifications may be made therein, with the approval of the judge after hearing upon notice to creditors, subject to the right of any creditor who shall previously have accepted the plan to withdraw his acceptance, within a period to be fixed by the judge and after such notice as the judge may direct, if, in the opinion of the judge, the change or modification will be materially adverse to the interest of such creditor, and if any creditor having such right of withdrawal shall not withdraw within such period, he shall be deemed to have accepted the plan as changed or modified: *Provided, however,* That the plan as changed or modified shall comply with all the provisions of this subdivision.

"(f) Upon such confirmation the provisions of the plan and of the order of confirmation shall be binding upon (1) the taxing district, and (2) all creditors, secured or unsecured, whether or not affected by the plan, and whether or not their claims shall have been filed or evidenced, and if filed or evidenced, whether or not allowed, including creditors who have not, as well as those who have accepted it.

"(g) In the event the judge shall disapprove the plan he shall file an opinion stating his reasons for such disapproval. If he approve the plan, the final decree shall discharge the taxing district from those debts and liabilities dealt with in the plan except as provided in the plan; and upon the entry of such decree the jurisdiction of the court in such proceeding shall cease.

"(h) A certified copy of the final decree or of an order confirming a plan of readjustment, or of any other decree or order entered in a proceeding under this chapter, shall be evidence of the jurisdiction of the court, the regularity of the proceedings, and the fact that the decree or order was made. A certified copy of an order directing the transfer of any property dealt with by the plan shall be evidence of the transfer of title accordingly, and if recorded as conveyances are recorded shall impart the same notice that a deed, if recorded, would impart.

"(i) In proceedings under this chapter and consistent with the provisions thereof, the jurisdiction and powers of the court, the duties of the taxing district and the rights and liabilities of creditors, and of all persons with respect to the taxing district and its property, shall be the same as if a voluntary petition for adjudication had been filed and a decree of adjudication had been entered on the day when the petition of the taxing district was approved.

"(j) This chapter shall take effect and be in force from and after the date of the approval of this amendatory act and shall apply as fully to taxing districts and their creditors, whose interests or debts have been acquired or incurred prior to such date, as to taxing districts and their creditors, whose interests or debts are acquired or incurred after such date.

"(k) Nothing contained in this chapter shall be construed to limit or impair the power of any State to control, by legislation or otherwise, any political subdivision thereof in the exercise of its political or governmental powers, including expenditures therefor, and including the power to require the approval by any governmental agency of the State of the filing of any petition hereunder and of any plan of readjustment, and whenever there shall exist or shall hereafter be created under the law of any State any agency of such State authorized to exercise supervision or control over the fiscal affairs of all or any political subdivision thereof, and whenever such agency has assumed such supervision or control over any political subdivision, then no petition of such political subdivision may be received hereunder unless accompanied by the written approval of such agency, and no plan of readjustment shall be put into temporary effect or finally confirmed without the written approval of such agency of such plans.

"(l) If any provision of this chapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the chapter, or the application of such provision to other persons or circumstances, shall not be affected thereby."

Mr. FLETCHER. Mr. President, in line with the suggestion of the Senator from Michigan, I feel that the Senate would get a better understanding of the bill if the Senator should explain it. However, I want to ask the Senator particularly as to whether the substitute retains the purposes and objects of the original bill?

Mr. McCARRAN. It retains substantially the objects of the original bill. It changes in three particulars the main points of the original bill. I will go hurriedly over it where it is the same.

The first paragraph, under chapter 9, on page 2 of the printed bill, is the same in the proposed substitute as in the original bill. The second paragraph is the same.

When we reach line 10, page 3, of the proposed substitute we find a change. The substitute reads:

The petition shall state that a plan of readjustment has been prepared, is filed and submitted with the petition, and that creditors of the taxing district owning not less than 51 percent in amount of the bonds, notes, or certificates of indebtedness of the

taxing district affected by the plan, excluding bonds, notes, or certificates of indebtedness owned, held, or controlled by the taxing district in a fund or otherwise, have accepted it in writing.

In other words, if the district held taxing bonds, it should not count the bonds into the 51 percent, and they cannot be counted in. That raises the percentage from 30 percent, as fixed in the original bill, to 51 percent. In other words, the petition to bring the matter into motion in the first instance must have the backing of 51 percent of the outstanding obligees.

The substitute, as to section 80, on page 3, is the same as the original.

Mr. FLETCHER. Mr. President, may I interrupt the Senator?

Mr. McCARRAN. Certainly. I yield.

Mr. FLETCHER. As I understand, the original bill provides that the municipality may file a petition, and institute proceedings in that way. The Senator's proposed substitute would require that a plan be agreed upon by some 51 percent of the outstanding obligees?

Mr. McCARRAN. Yes.

Mr. FLETCHER. Before the petition could be presented?

Mr. McCARRAN. That is correct.

Mr. FLETCHER. And the plan must be submitted along with the petition?

Mr. McCARRAN. The plan must be a part of the petition, referred to in the petition, and filed with the petition.

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

Mr. McCARRAN. I yield.

Mr. LOGAN. The only difference on that point, as I understand, is that the original bill required the consent of only 30 percent of the creditors?

Mr. McCARRAN. That is correct.

Mr. LOGAN. And in the Senator's proposed substitute the consent of 51 percent is required?

Mr. McCARRAN. That is correct.

Mr. ROBINSON of Arkansas. There is a still further difference, which is that under the amendment of the Senator from Nevada a plan must be presented, with a certificate that the holders of 51 percent of the obligations concur in it, while under the original bill no plan need have been agreed upon at the time of the filing of the petition.

Mr. LOGAN. I think there must have been a plan agreed upon under the original bill.

Mr. ROBINSON of Arkansas. No.

Mr. LOGAN. I think the original bill required 30 percent to have agreed upon a plan, and, if that be true, the only change is that the Senator from Nevada would require 51 percent.

Mr. McCARRAN. I have that part of the bill marked. I will read first the provision of the original bill. It provides as follows:

The petition shall be filed with the court in whose territorial jurisdiction the taxing district or the major part thereof is located. The petition shall be accompanied by payment to the clerk of a filing fee of $100, which shall be in addition to the fees required to be collected by the clerk under other chapters of this act. The petition shall state either (a) that creditors of the taxing district holding not less than 30 percent in amount of its bonds, notes, or certificates of indebtedness, excluding bonds, notes, or certificates of indebtedness owned, held, or controlled by the taxing district in a fund or otherwise, have consented in writing to the filing of the petition, signifying their willingness to have a plan of readjustment prepared and submitted to the court for confirmation.

Now, let me distinguish.

The petition shall state——

Mr. ROBINSON of Arkansas. The Senator is now reading the proposed amendment.

Mr. McCARRAN. I am reading now the proposed amendment.

Mr. LOGAN. I understand.

Mr. McCARRAN. The proposed amendment provides:

The petition shall state that a plan of readjustment has been prepared, is filed and submitted with the petition, and that creditors of the taxing district owning not less than 51 percent in amount of the bonds, notes, or certificates of indebtedness of the taxing district affected by the plan, excluding bonds, notes, or certificates of indebtedness owned, held, or controlled by the taxing district in a fund or otherwise, have accepted it in writing.

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

Mr. McCARRAN. I yield.

Mr. TYDINGS. I should like to ask the Senator whether the 51-percent provision applies only to the amount of the outstanding bonds, rather than to the number of people holding them?

Mr. McCARRAN. That is correct.

Mr. TYDINGS. I should like to ask the Senator further whether it is or is not a fact that there might be a case where three or four banks would own 51 percent of a particular issue?

Mr. McCARRAN. That is correct.

Mr. TYDINGS. In that case those three or four institutions would be able, without consultation with the other 49 percent of the holders of the bonds, to put into effect any plan they thought wise. Is that correct?

Mr. McCARRAN. Fifty-one percent in amount.

Mr. TYDINGS. I say, 51 percent of the amount, if that amount were held by three or four institutions, and that plan would be a plan binding upon the other 49 percent.

Mr. NEELY. Mr. President, will the Senator from Nevada yield?

Mr. McCARRAN. I yield.

Mr. NEELY. Mr. President, the situation indicated by the Senator from Maryland could not possibly arise under the terms of this bill, because, as previously explained, the plan cannot be made effective unless the holders of at least 66⅔ percent of every class of security approve it; and before the court can confirm the plan it must have the approval of the holders of not less than 75 percent of the aggregate of the claims against the petitioning municipality or district.

Mr. TYDINGS. That is true under either plan?

Mr. NEELY. No; only under the McCarran amendment.

Mr. ROBINSON of Arkansas. No; that was not true under the original plan when the bill first came to the Senate. The original plan was that 30 percent of the holders of the aggregate number of claims could join with the municipality in taking the matter into court to have a plan prepared. Sixty-six and two thirds percent of the aggregate of the claims could have it confirmed. In addition to the check requiring 51 percent to join with the municipality in taking it into court there is also the requirement, as I thought had been made plain heretofore, that 66⅔ percent of each class of claims and 75 percent of the aggregate of the claims must agree before a plan may be put into effect.

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

Mr. McCARRAN. I yield.

Mr. BORAH. As I understand, the Senator's amendment makes it necessary to have the plan approved by a certain percentage of holders before the court can take jurisdiction.

Mr. McCARRAN. That is a prerequisite to the court taking cognizance of the matter.

Mr. BORAH. What percentage is necessary to approve the plan?

Mr. McCARRAN. Fifty-one percent must come in with the proposed plan. Then after the matter goes through, 66⅔ percent of the various classes must adopt the plan, and finally before it becomes effective 75 percent of all the outstanding obligations must approve of the plan.

So we have, first of all, 51 percent to set the matter in motion in the court. The court, after the plan is brought in, may reject that plan, or he may set up a plan and send it back. Then if he does approve that plan, it is submitted to the holders, and if 66⅔ percent of each one of the outstanding classes of indebtedness approve it, and if 75 percent of all of the outstanding indebtedness approve it, it may become the effective plan.

Mr. BORAH. Will the Senator yield to permit me to ask another question?

Mr. McCARRAN. I am glad to do so.

Mr. BORAH. After the plan has gone to the court, approved by 51 percent, suppose the court approves the

plan as submitted, then it is still necessary to have the approval of 66⅔ percent and ultimately of 75 percent before the plan can be accomplished?

Mr. McCARRAN. And more than that, there is another protecting clause in this substitute—I think it is in the original bill, but it is in the substitute, I know—that 5 percent may come in and petition to set aside the order even though the court approve the petition which 51 percent had approved. Five percent may come in and petition to set aside the order. Do I make myself clear?

Mr. BORAH. The Senator does.

Mr. TYDINGS. Will the Senator yield for one other question?

Mr. McCARRAN. I yield.

Mr. TYDINGS. Has the Senator any figures which will show what percentage of the number of persons of the average bond issue would be necessary in order to assemble the 51 percent of the actual amount of the bond issue as represented through holders of bonds?

Mr. McCARRAN. I have no figures bearing on that question.

Mr. ROBINSON of Arkansas. I do not think it would be possible, if the Senator from Nevada will permit me to make the statement, to obtain such figures without making a survey of practically all the obligations which are outstanding, because necessarily and unavoidably they vary in every case. No data are available. It would require a survey of the obligations of more than 2,000 municipalities alone, and perhaps an equal number of other taxing units which are affected by the bill.

Mr. TYDINGS. My question is predicated upon the fact that quite often when bonds are sold one banking house will bid for the entire issue, and it will, in turn, resell it to its affiliates, which, in turn, will sell the bonds to their individual depositors. It occurred to me that probably from such figures it would be possible to hit some sort of a general rule concerning the number of the holders of approximately 51 percent of the amount of a bond issue. My original question was directed to the fact that a holding of 51 percent might be in the hands of only three or four people, who could take action to the exclusion of the others. However, the qualifying amendment seems to cover that contingency.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator from Nevada further yield?

Mr. McCARRAN. I yield.

Mr. ROBINSON of Arkansas. Of course, the Senator from Maryland [Mr. TYDINGS] understands that the proceeding under the terms of this bill, if it shall be enacted into law, will have relationship to almost every class of obligation, and the object of the principal provisions carried in the amendment offered by the Senator from Nevada is to safeguard, in a measure, against the possibility which the Senator from Maryland has suggested. It is thought that if 51 percent of all the obligations be required to join in a plan before it is taken up by the court, and then that 66⅔ percent of the holders of each class of obligations, and also 75 percent of the obligations as a whole are required in approval, that this reasonably safeguards every interest that can be expected to be taken care of.

Mr. TYDINGS. Mr. President, will the Senator further yield for just one more question?

Mr. McCARRAN. I yield.

Mr. TYDINGS. Then, as I understand, the primary difference between the Neely bill and the McCarran bill, so-called——

Mr. NEELY. Mr. President, there is no Neely bill.

Mr. TYDINGS. It is the committee bill. The primary difference between the committee bill and the McCarran amendment, as I understand, is that the McCarran amendment requires more interests to be considered in the adoption of any plan than does the committee bill.

Mr. McCARRAN. That is my judgment about it.

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

Mr. McCARRAN. I yield to the Senator from Kentucky.

Mr. LOGAN. When any plan is agreed upon then there is no discrimination at all in the operation of that plan so far as the creditors are concerned in each class, is there?

Mr. McCARRAN. That is correct.

Mr. LOGAN. Then, if 66⅔ percent, or two thirds of the creditors, shall agree upon a particular plan the minority creditors will receive exactly the same treatment as will the majority creditors?

Mr. McCARRAN. Yes.

Mr. TYDINGS. Mr. President, will the Senator from Nevada further yield?

Mr. McCARRAN. I yield.

Mr. TYDINGS. Where there are, for example, a half dozen bond issues put out by a certain municipality, did the Senator, in answer to the question of the Senator from Kentucky, mean to say that each one of those bondholders would share equally as his interest might appear, regardless of the priority of the issue?

Mr. McCARRAN. They would share within their priority.

Mr. TYDINGS. Within their priority?

Mr. McCARRAN. Yes.

Mr. NEELY. Will the Senator again yield?

Mr. McCARRAN. I yield.

Mr. NEELY. I invite the attention of the distinguished majority leader [Mr. ROBINSON] and the able Senator from Michigan [Mr. VANDENBERG]—both of whom have shown a great interest in this bill—to the following: Page 3 of the amendment says—

> The petition shall state that a plan of readjustment has been prepared, is filed, and submitted.

Beginning in line 23, on the same page, there is a clause which, apparently, does not make sense.

Mr. McCARRAN. Does the Senator mean the clause, "If one is submitted with the petition"?

Mr. NEELY. Yes.

Mr. McCARRAN. I think that ought to come out.

Mr. NEELY. I move to strike out the following language on page 3, lines 23 and 24: "if one [a plan] is submitted with the petition."

Mr. McCARRAN. I accept that amendment.

Mr. NEELY. Mr. President, I also move to strike out of lines 13 and 15, on the same page, the word "or", and insert in lieu thereof the word "and."

Mr. McCARRAN. That puts it in the conjunctive rather than the disjunctive.

Mr. NEELY. Precisely. I believe that it was the intention of the committee, and, as I understand the measure as it came to the Senate from the House, it was the intention that that should be conjunctive instead of disjunctive language.

Mr. McCARRAN. That is, it should include all.

Mr. ROBINSON of Arkansas. I think it would be well to let that go over for the present so that we may think about it.

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

Mr. McCARRAN. I yield.

Mr. BORAH. I want to ask one further question. Assume that 51 percent have agreed upon a plan; then the court has jurisdiction to act, and we will assume that the court approves the plan, and that ultimately it receives the approval of the full 75 percent which is ultimately required, may the court still reject the plan, and has it the power to do so if it sees fit?

Mr. McCARRAN. It would be my construction that the court could not after 75 percent have accepted the plan and after it has passed through each one of the stages. Fifty-one percent bringing it into the court, then 66⅔ percent of each class having approved it, then 75 percent of all having approved it, it then becomes an effective plan, but not until then.

Mr. BORAH. The question which I desire to present is whether there still rests with the court the discretion of rejecting the plan after 75 percent have approved it? If that is not true, if the court has no jurisdiction and discretionary power to reject it, if it sees fit, then, it seems to me that

there is a very grave constitutional question involved. If the court still has jurisdiction to pass upon it, and determine it, and reject it, if it sees fit, then I should think that would eliminate the constitutional question.

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

Mr. McCARRAN. I yield to the Senator from Kentucky.

Mr. LOGAN. As I understand the bill, the court approves the plan in advance of its finally becoming effective, which is when 51 percent have approved the plan. Then the court enters a judgment, which is contingent and depends upon their getting 66⅔ percent of each class and 75 percent of all; and when that has been done the court does not have to enter another judgment. The only thing it will then be necessary for the court to do will be to determine whether the provisions of the previous judgment of approval have been complied with. That is my understanding.

Mr. McCARRAN. And that all the terms and conditions of the plan and orders of the court have been complied with.

Mr. LOGAN. That is correct.

Mr. BORAH. If that be true, then, 75 percent ultimately determine whether or not the plan is to go into effect?

Mr. LOGAN. I think the court first determines it, but that determination is not effective unless 75 percent approve it. If 75 percent fail to approve the plan, then the court cannot put it into effect, but if 75 percent do approve it, then the court has already put it into effect, depending upon the contingency whether the 75 percent will or will not approve it.

Mr. BORAH. But the determination as to whether or not the plan shall be executed depends at last upon whether 75 percent approve.

Mr. LOGAN. That is correct.

Mr. BORAH. So that everything, in the last analysis, depends upon the approval of 75 percent?

Mr. LOGAN. That is correct.

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

The PRESIDING OFFICER. Does the Senator from Nevada yield to the Senator from Florida?

Mr. McCARRAN. I yield.

Mr. FLETCHER. I call the attention of the Senator from Idaho to the fact that that means that after all creditors have been given due notice, and after the 5 percent have had their opportunity, and, in fact, all creditors have had their opportunity to resist or object to the finding before the final decree goes into effect. They have all had notice.

Mr. BORAH. What I am interested in is to ascertain whether the power of the court, the discretion of the court, remains to be exercised in the judgment of the court notwithstanding the action of the 75 percent.

Mr. McCARRAN. It would be my construction that the jurisdiction of the court to change the plan ceases after it has passed through all the stages, including the 75-percent stage, as I term it. There is where the jurisdiction of the court ceases and the plan becomes effective. Intermediate to that, remember that 5 percent at any time can come in and upset the whole affair. That may be the 5 percent of the outstanding 25 percent who do not sign up.

Mr. BORAH. But that 5 percent may not object after 51 percent have decided upon the plan. Of course, the court would have power, I presume, in the first instance, to reject the plan after 51 percent had approved; but after that, the 5 percent would not have any opportunity to be heard.

Mr. McCARRAN. I beg the Senator's pardon, but I did not understand him.

Mr. BORAH. After the court had approved the plan which 51 percent had endorsed then the 5 percent would have no power after that to interpose any objection.

Mr. McCARRAN. They would have at any time within a stated period, which is 90 days, as I recall.

Mr. WALCOTT. Mr. President——

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

Mr. McCARRAN. I yield.

Mr. WALCOTT. Of course, a bill of this kind admits the existence of a great emergency, and, of course, it gives a serious black eye to a series of bonds that have been our chief source of investment, and which have been supposed to be one of our soundest investments, namely, municipal bonds. On the other hand, I am not at all sure that it may not be essential to enact some such bill as an emergency measure.

Therefore I should like to ask this question: Can the Senator not present an exhibit that will show marginal cases, those that will just come under the amendment and those that will just fail to come under it, so that we may better understand with what we are dealing? Because there are some large cities today that are in very serious financial straits, which probably must have relief and which cannot get relief, perhaps, unless some plan of this sort shall be provided by the law to enable them to reorganize.

The railroads, in my opinion, which have large amounts of surplus funds invested in municipals, are in favor of some measure of this kind; and, so far as I know, the large insurance companies, which are large investors in municipals, are not objecting to it; but I think it would be illuminating if we could get some marginal cases, so that we might know exactly what we are affecting and how much we are affecting and what cities would come under the scope of the proposed law.

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

Mr. McCARRAN. I yield to the Senator from Michigan.

Mr. VANDENBERG. The Senator from Connecticut bases his question, first, upon the proposition that this measure will affect municipal bonds adversely. I think it can be easily demonstrated that it may well become a life-saving measure in respect to municipal bonds as a whole and as a class.

In respect to his request for specific exhibits, while the Senator from Nevada is amply able to respond to the question himself, I simply inject the observation that when I can obtain the floor I will amply cover with specific exhibits the precise problem submitted by the Senator from Connecticut and prove, I think beyond the shadow of a doubt that there is no recourse except through legislation of this character.

Mr. WALCOTT. Mr. President, may I correct the Senator from Michigan in one respect?

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

Mr. McCARRAN. I yield.

Mr. WALCOTT. I should like to correct a slight misunderstanding on the part of the Senator from Michigan. I did not say that I thought municipal bonds would be injured by this measure. I said that the measure of itself was an indication that municipal bonds are in a very bad way and need some emergency legislation.

Mr. McCARRAN. I want to say that in presenting this amendment by way of a substitute——

Mr. NORRIS. Mr. President, before the Senator leaves the subject, I merely wish to say that I have not been able to hear all the discussion that has taken place on the other side, and I am in some doubt now as to just the changes which the substitute proposes. I think I understand what the substitute provides for; but will the Senator tell us in a brief way just the difference between the proposed substitute and the original bill?

Mr. McCARRAN. I was trying to do that, but had only gotten to the third page. I want to dwell on the three primary differences first of all.

The original bill provides that the machinery might be set in motion upon the petition of 30 percent of the outstanding obligations, and that they might come into court and there suggest a plan or one might be suggested. The proposed substitute provides that not less than 51 percent of the outstanding bonds, notes, and certificates of indebtedness must sign the petition and they must submit and file with the petition a plan of readjustment. A plan must be submitted, and it becomes, as I might with propriety, perhaps, state, a jurisdictional feature in connection with the court's taking hold of the matter at all. That is the first primary change.

The second is that 66⅔ percent of each class of outstanding obligations shall accept the plan which the court sets in motion by its order and judgment.

Mr. NORRIS. That is in both the original bill and the amendment, is it not?

Mr. McCARRAN. That is correct. Now we come down to the distinct change.

Mr. ROBINSON of Arkansas. Mr. President, that is not quite correct. In the original bill the requirement was 66⅔ percent of all claims; there was no segregation. In the amendment there is a double check: First, 66⅔ percent of each class of claims, and, second, 75 percent of the aggregate of the claims. Does the Senator from Nebraska see the difference?

Mr. McCARRAN. In other words, if the holders of one class of outstanding obligations refuse to come in with the 66⅔ percent, the plan would not go into effect, distinguishing it from the original bill which provided a 66⅔ percent of all, taking the entire class or classes of outstanding obligations.

Mr. NORRIS. Is the provision in relation to the 75 percent that must ultimately control, applicable to both the bill and the amendment?

Mr. McCARRAN. No, sir.

Mr. NORRIS. What is that difference?

Mr. McCARRAN. I will read that.

Mr. ROBINSON of Arkansas. Mr. President, the provision as to 75 percent was not in the original bill; in that bill it was 66⅔ percent of the aggregate claims; there was no requirement as to each class of claims. Under the original bill, for that matter, if the outstanding claims were in two classes, one class of claims might force the other to abide by the agreement, but that would not be true under the proposed amendment. Does the Senator see the distinction?

Mr. FLETCHER. Mr. President, may I interrupt the Senator to inquire if that is not a very dangerous provision? Would it not make it possible for a class of holders of bonds and certificates of indebtedness or of any other sort of a claim against a taxing district or a municipality to hold up or prevent a settlement? It is necessary to get two thirds of those ordinary claims——

Mr. McCARRAN. Of each class.

Mr. FLETCHER. Might it not confer a dangerous power on people holding claims not of very much consequence, but still claims? If it be necessary to get two thirds of those, they might hold up the entire bond issue.

Mr. McCARRAN. I want to say, as I started to say a few moments ago, that in presenting this proposed substitute, the record will show first of all that I was one of the minority of the Judiciary Committee signing against the approval of the original bill. It is to try to enact some legislation on this subject which will be safeguarded in every respect, and yet accomplish the ends and objects at which the original bill was aimed, that I present the proposed substitute. Had it not been for the safeguards which I think I have written into the proposed substitute, I would be here opposing the original bill.

Mr. NORRIS. Mr. President, may I interrupt the Senator?

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

Mr. McCARRAN. I yield.

Mr. NORRIS. The question propounded by the Senator from Florida is one that is extremely important. If it be surrounded with too many precautions, why could not a few people having claims of no great importance hold up the whole machinery?

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

Mr. McCARRAN. I want to answer the question of the Senator from Nebraska by the language of the bill, but while I am looking for that I yield to the Senator from Utah.

Mr. KING. I was about to observe that it seems to me, in the consideration of a bill of this character, when so many able lawyers challenge its constitutionality, that in any provisions which can be inserted, which perhaps will remove some of the vices from it, there ought not to be any objection to taking into consideration the claims of creditors as well as the interests of debtors. While it may be desirable to begin repudiation, and this is in part the repudiation of obligations issued by municipalities and States and counties and by political subdivisions, it seems to me when we are considering that question we ought also to consider the sanctity of contracts and the interests of creditors.

Mr. VANDENBERG. Mr. President, will the Senator yield at that point?

Mr. McCARRAN. Very well.

Mr. VANDENBERG. I think the interruption made by the Senator from Utah again puts a most unfortunate and inappropriate misinterpretation upon the entire trend and purpose of the proposed legislation. It is utterly unrelated to repudiation or cancelation. On the contrary, it is offering some means at last by which a brave but stricken community can avoid repudiation and cancelation by having a means of composition on a basis which is honorable and fair. It is the exact antithesis of repudiation and cancelation, and the real purpose behind it is not to destroy municipal bonds, but to preserve and protect them.

Mr. McCARRAN. I concur in the general expression of the learned Senator from Michigan. Were it not for the fact that I do concur in it, I should not be behind the bill at all, either by substitute or amendment or the original bill. I think the country today is in a condition where some relief must and should be afforded to municipalities as well as to individuals and corporations—not a relief for the purpose of repudiation but a relief that will afford them, as the common expression goes, a breathing spell in which and from which they may honor their outstanding obligations.

Were it not for that I should not stand behind the bill at all. I think it simply affords an avenue by which municipalities may find a way to meet their obligations; but I do not propose to be behind a measure which cuts off too high a percentage of the outstanding obligations and refuses them a chance to protect themselves. On the other hand, I do not believe that the tail should wag the dog, or that 10 percent or 15 percent or 20 percent of outstanding obligations should be able to deny a municipality the right to relieve itself. That is the theory on which I have offered an amendment in the nature of a substitute, and it is the theory upon which I persist.

Unless Senators want further explanation, I shall proceed to read the proposed substitute; or if there is any question to be asked, I shall be glad to answer it.

I want to say, in complete explanation and answer to the learned Senator from Nebraska [Mr. NORRIS], that it is my objective and my interpretation of the substitute that there must be, first of all, the initial step of 51 percent of outstanding obligations to set the matter in motion. They must have a plan; otherwise they cannot go into court and have recognition. That plan is then submitted to the outstanding obligations for their approval and also for the approval, as well, of the municipality of taxing district. Then 66⅔ percent of each one of the classes of those obligaions must come in and approve it. Suppose there be a bonded indebtedness of one class and a bonded indebtedness of another class; 66⅔ percent of each of those two classes may come in and approve. Then, if the plan is to go finally into operation, 75 percent of the total must come in and approve, and then it becomes a final working organization to relieve the situation.

Mr. President, if the Senate cares to go on with the proposed substitute, I will invite attention to a comparison between it and the bill. The change is in the first paragraph on page 4, which we have already discussed. There is no change in the second paragraph or the third paragraph on page 4. There is no change in the second paragraph on page 5. The other paragraph on that page I have already discussed. In other words, outside of these changes which I have already discussed and to which I have invited the attention of Senators, the proposed substitute is practically the same as the bill, with some correcting amendments which will be necessary to conform to the changes I have inserted in my amendment.

Mr. FLETCHER. Mr. President, I understand the Senator has a right to modify his proposed substitute and that he has done so.

Mr. McCARRAN. I intend to do so and shall, if I have not already done so.

Mr. FLETCHER. I suggest that the Senator has the right to modify his substitute in the manner heretofore indicated. I want to offer an amendment to the proposed substitute, believing it ought to be perfected before we go further. I think there will be no objection to my suggestion. On page 5, line 9, after the word "act", I desire to insert the words "and all holders of judgments rendered against such taxing district." I think perhaps holders of judgments are included in the other language anyway, but the amendment would make it plain that all judgments against taxing districts should be included among the claims.

Mr. McCARRAN. The object of the Senator's amendment is that judgments shall not be a preferred claim in any way, but shall simply take their place as one class of claims.

Mr. FLETCHER. Exactly.

Mr. McCARRAN. I have no objection to that.

Mr. FLETCHER. Then I offer the amendment to the amendment of the Senator from Nevada.

Mr. McCARRAN. I am willing to accept the amendment in modification of my substitute. I now move the adoption of the amendment in the nature of a substitute, which I have sent to the desk. Then, my motion being in order, other amendments would have to wait until my amendment has been adopted or rejected.

Mr. FLETCHER. The idea is first to perfect the substitute.

Mr. McCARRAN. I have accepted the Senator's suggested amendment to the substitute, and I think that settles it.

Mr. FLETCHER. Yes; that settles it. The Senator has modified his substitute by adopting my suggestion?

Mr. McCARRAN. Yes.

Mr. NEELY. Mr. President, has the proposed substitute of the Senator from Nevada been adopted?

The PRESIDING OFFICER. No; the amendment in the nature of a substitute has not as yet been adopted. Its adoption is the pending question.

Mr. VANDENBERG. Mr. President, I do not undertake to discuss the legal phases of the measure at all, because I am not a lawyer, but I am very anxious to submit to the Senate the impressively important practical phases of the problem which is addressed by the legislation. It is exceedingly unfortunate that this bill had to come into the Senate related in any degree whatsoever to the bankruptcy law. If it had not come as an amendment to the bankruptcy act, it would have saved itself much of the superficial prejudice which it otherwise unfortunately and unjustly combats. As a matter of fact there is not a single thing in the proposal which smacks even remotely of bankruptcy, or of any intention or purpose on the part of any municipality to take advantage of bankruptcy action as that term ordinarily is understood.

Mr. HASTINGS. Mr. President, that is exactly the objection to it.

Mr. VANDENBERG. What is the objection?

Mr. HASTINGS. The objection is that we are declaring something is bankrupt which is not actually bankrupt.

Mr. VANDENBERG. On the contrary, we are doing absolutely nothing of the sort, either textually or in letter or in spirit.

Mr. HASTINGS. I call the Senator's attention to the fact that the only way in which this subject could be brought into court is under the provision of the Constitution which permits the courts to deal with bankruptcies.

Mr. VANDENBERG. Would the Senator be in favor of this program if it met his constitutional view, may I inquire?

Mr. HASTINGS. I do not know whether I would or not. I am not prepared to say. My objection to it is that we are compelled to deal with municipalities, apparently—I do not know any other way—as we do with business concerns that cannot pay their debts.

Mr. VANDENBERG. Mr. President, it seems to me that the Senator is not emphasizing an objection to the bill. On the contrary, he is emphasizing the precise thing I originally stated, namely, the fact that the legislation has to come before us in connection with the bankruptcy law invites inevitably a conclusion which does not reflect the purpose of the legislation in fact. That, however, is no reason why we should decline to contemplate the realities and face the facts with open minds and open eyes and open ears, because this seems to be the only fair way in which our hard-pressed municipal taxing units can approach this problem.

So we are here in connection with the bankruptcy act, but we are here in connection with a program which has not one thought or word or suspicion of repudiation of debt in it; which has not one thought or word or purpose of cancelation in it; but which, on the contrary, is undertaking by legal formula to find a way by which hard-pressed cities can avoid repudiation, and avoid cancelation, and reclaim an honorable credit, and sustain it in practical fact and pay as they go.

If this bill could be labeled in reflection of its true purpose, and labeled in reflection of the net result which it is calculated to accomplish, instead of being labeled "Bankruptcy of municipalities" as is the phrase which appears upon the front page of the hearings, it would be labeled "An act to restore municipal credit and protect municipal creditors." I can see it in no other light. It is not a step toward the destruction of these important values. It is a long, vigorous, practical step toward the restoration of these values. It proposes, in respect to municipal debts, that orderly refunding is preferable to chaotic defaults.

There is our choice, Mr. President; and that is not only the choice confronted by the municipalities and these other subordinate taxing units of the country but also the choice confronted by the municipal bond owners of the country. It is a choice between orderly refunding upon the one hand and chaotic default upon the other; and I might add that chaotic default inevitably leads in the direction of repudiation and cancelation. I repeat that a truthful title for this bill would be "An act to restore municipal credit and protect municipal creditors." Let it be viewed in that light.

This is an effort to choose orderly refunding under the law, and under every possible protection with which the law can surround the operation. It is an effort to permit orderly refunding instead of to permit the situation to drift along toward continuing defaults which lead in a direction which sooner or later leads to repudiation.

If chaotic defaults, involving the suspension of all current income to the bondholder and flinging him to the cold mercy of some relatively impotent and usually expensive protective committee, are preferable to orderly refunding under acceptable plans for the conservation of acknowledged obligations, then this bill should be defeated, but not otherwise. If orderly refunding involving fiscal convalescence for stricken cities and their willing but helpless taxpayers is preferable to chaotic defaults which paralyze alike the municipality and its helpless creditors, then this bill should pass.

I repeat, Mr. President, we take our choice between preferring a legal formula for orderly refunding, or we leave the open rule of today, which is a rule of chaotic default, trending in the direction of repudiation and cancelation. If anybody can show me where the owner of a municipal security has any stake or advantage in the latter alternative—namely, default, cancelation, repudiation—then, and then only, shall I be able to understand why the owners of municipal securities should have anything except the utmost hospitality for this legislation. Many of the most experienced municipal security holders take this latter view, I am happy to report, and shall be glad to prove.

Mr. President, as the Senator from West Virginia [Mr. NEELY] has indicated, there were 2,019 taxing districts in default in the United States in January 1934. It has been said that this is primarily a Michigan problem, and that the necessity for this legislation primarily grows out of a difficult situation in Detroit. Beyond any shadow of a doubt, Michigan municipalities have a tremendous stake in the success of this legislation, and so has the great city of Detroit, which is bravely fighting its way out of the very bottom

of the slough of despond. It is, however, a total misconception to pretend that this is any localized legislation, either in its inception or in its benefits.

The truth is that Michigan is eighth on the list of States in actual number of defaults. It is preceded by Florida, North Carolina, Ohio, Texas, California, New Jersey, and Tennessee. In other words, this problem is even more important in those States than it is in the State of Michigan.

Mr. WALSH. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Massachusetts.

Mr. WALSH. The Senator's figures relate to the number of defaults, as I understand.

Mr. VANDENBERG. That is correct.

Mr. WALSH. What are the relative amounts involved?

Mr. VANDENBERG. I have not the total in dollars, but I apprehend——

Mr. ROBINSON of Arkansas. The total is something in excess of 10 percent of the outstanding obligations of the municipalities.

Mr. WALSH. Of all subdivisions issuing securities?

Mr. ROBINSON of Arkansas. Yes.

Mr. VANDENBERG. Oh, yes; that is the total situation. I did not understand the Senator's question.

Mr. WALSH. Which of the States named has the largest sum in default?

Mr. VANDENBERG. I do not know, but I should not be surprised if the State of Michigan has the largest sum in default, unless it be the State of Florida. The fact remains that the problem of carrying the burden of a defaulted bond issue is relatively just as great in a small taxing unit as it is in a large taxing unit. So the mere bulk total of the figures is far less important than the actual number of taxing units in default, because in each one of these taxing units the problem is a very deadly and practical one; namely, "How can we get out of our tax resources, in the face of our tax delinquencies, enough tax revenue to pay our police service and our fire service and our health service and our educational service and our welfare service, and at the same time pay our debt service?"

Mr. President, in many of these situations—in fact, in all of them—in order to preserve the communal unit from disintegration it has been absolutely necessary to subordinate the debt service to these other welfare services; and the debt service ought to be subordinated to these public welfare services—the health service, the educational service, the fire and police services—if anything has to be subordinated, because, even from the standpoint of the tangible value behind the holding of the municipal-bond holder himself, nothing could affect his tangible value any more than to have a complete disintegration of the social and communal life in the community.

Mr. WALSH. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Massachusetts.

Mr. WALSH. On the contrary, in order that municipalities could go into the market and borrow money with which to meet their so-called social obligations, it has been necessary to meet this financial obligation. Is not that true?

Mr. VANDENBERG. That is correct.

Mr. WALSH. So that in some instances the social prerogatives and rights of the people have had to suffer because of the necessity, above everything else, of meeting the debt obligation in order to go into the market and borrow.

Mr. VANDENBERG. Yet slowly but surely these units finally reach a point where, except as they can legally set their debt service in order, they confront an absolutely blank wall in respect to all other credits. Therefore a practical, honorable composition of the debt problem finally becomes prerequisite to the maintenance of municipal credit and municipal life at all in these 2,000 and more situations.

Therefore, Mr. President, this is far more than a problem in bonds. In its final and fundamental analysis it is a problem in the maintenance of community life in some 2,000 of these taxing units up and down the country.

This bill only asks that these groups and units of our fellow citizens shall have an orderly opportunity to survive the concluding phases of this depression, to husband their tax resources against the better day when they may pay their debts in full, to preserve their honor, their credit, and their self-respect, and to protect the rights of those to whom they are indebted, and to whom they intend to pay their debts on the basis of maximum capacity to pay. To deny such an opportunity is fiscal insanity upon the one hand, and the refinement of man's inhumanity to man upon the other hand.

It is beyond my comprehension how such a program can threaten any honest interest or any rational investor or creditor. Indeed, it is not always advisable or safe, nor is it often wise, or actually resultful, for the creditor to demand the letter of his bond, and take his pound of flesh. Shylock tried that method. That is not always the wisest course. It seems to me that, in respect to the situation in which these municipal-bond holders find themselves, it most certainly is not the wisest course to undertake to pursue the letter of the bond to its final pound of flesh.

Why not? The situation is disclosed over all this country. Here is a municipality which finds its budget, upon the one hand, no matter how curtailed it may have been, unequal to the burden of meeting its essential administrative costs, and also its entire debt service, which has to be suspended. The suspension of the debt service puts the credit of the municipality under a cloud. Under the cloud, the municipality has difficulty even in financing its own other essential needs. Swiftly the whole thing moves to a climax in which the probable result to the bondholder will be that he possesses a security upon which he not only procures no current interest payments, but upon which he finally sacrifices his principal. From the viewpoint of the bondholder himself this is not enlightened selfishness.

What is the proposal brought here to the bar of the Senate? I refer alike to the McCarran amendment and to the committee's recommendation. Here is a proposition under which a municipality, bravely willing to pay out every penny that it can by way of tax resource in meeting all of its obligations, has an opportunity to sit down with its creditors, has an opportunity to lay out a plan satisfactory to 75 percent of them, has an opportunity to make that plan effective, with the consent of the court, has the opportunity to create a plan which, like practically every plan that I know anything about which has been voluntarily proposed in the last few months, protects every dollar of the principal of these obligations; has an opportunity, under this system, to rewrite the contract, not in repudiation, not in cancelation, but on a basis of capacity to pay, so that the bondholder is restored to a current interest revenue, even though it be reduced, and is safeguarded in the final total collection of its principal. In each such instance, furthermore, the municipality usually is committed by the composition to rigid administrative economy. It is a warrant for wiser and better and more economical municipal control.

The pending composition in Detroit, for example, is a positive program in behalf of good government. Detroit has faced a serious problem. Its bonded debt rose from $7,600,000 in 1910 to $350,000,000 in 1933. Its fixed charges rose in a few brief years from $14,000,000 in 1928 to $34,000,000 in 1934. Its total expenditures rose from $103,000,000 in 1925 to $160,000,000 in 1931. By heroic economy, entailing much suffering, this was cut to $93,000,000 in 1934. For example, 10,000 city employees were discharged and the city government was reduced to a survival basis and the employees to a welfare-existence wage. Property valuations fell from $3,774,000,000 in 1931 to $2,300,000,000 in 1933. Tax delinquencies increased from $2,000,000 in 1929 to $69,000,000 in 1933. In the face of that situation, it is a splendid tribute to the spirit of Detroit that a bond-refunding program—preserving the full principal—has been developed satisfactory to 92 percent of the creditors. Detroit bonds were selling at 38 when the refunding agreement was negotiated and signed. Within 1 month they rose to 55 on the strength only of the rotative agreement. They will move on up in the presence of a completed program, which includes a covenant that when city operating costs, outside fixed charges, exceed $40,000,000 a year, the city

will levy an additional dollar for debt service to match every dollar of added administrative expense.

I submit that the bondholder is infinitely better off under those auspices than he was under the former chaotic situation. In most of these situations he otherwise finds himself completely at the mercy of some volunteer protective bondholders' committee and the incident of default, which may cost him more even than the original debacle before he is through, despite the good faith with which the committee may proceed.

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

Mr. VANDENBERG. I yield.

Mr. DIETERICH. The bill, or the McCarran amendment, would bind the municipal corporation or subdivision which might avail itself of the provisions of the legislation, counties, cities, boroughs, villages, and so forth, being specified. I want to ask the Senator from Michigan whether, under the constitution of his State, there is a limitation on the amount to which a city, county, or a municipality may become indebted?

Mr. VANDENBERG. I am unable to answer the Senator's question specifically. There is a limitation.

Mr. DIETERICH. In most States it is limited to 5 percent of the assessed valuation of the property, and I think that is general in all the States. I am just wondering how a county or city could come in under the provisions of this legislation, which is based upon the proposition that it is insolvent, and ask for a reduction of its indebtedness, unless the entire assessed valuation of the property within the county, within the city, or the municipality is less than the bonded indebtedness, which, in Illinois, is limited to 5 percent.

Mr. VANDENBERG. The Senator is submitting a legal proposition, and at the outset I indicated my desire to confine myself to the practical phase of the problem, first, because it is the only one with which I am completely familiar, and, second, I am not a lawyer, and would not undertake to cope with that side of the contemplation. I am perfectly sure, however, that none of the obstacles to which the Senator refers exists in fact, because all these various Michigan municipalities, for example, which look to this bill for relief, have canvassed it in the purview of expert legal advice, and I am perfectly confident that they would not be here begging for relief in this precise form if they had not been legally satisfied with regard to the proposal.

Mr. DIETERICH. I do not want the Senate to understand me as being opposed to the measure.

Mr. VANDENBERG. I understand.

Mr. DIETERICH. I am just wondering whether or not it will afford the relief which is desired. Let me continue further, with the Senator's permission. I conceive an improvement district, where the adjoining property has been assessed for an improvement. It might be such an improvement as to the adjoining property would not carry, and the improvement district should have relief, and they would get relief under the bill. But I really fail to see where a county, a city, or any other municipality in a State whose constitution limits the amount to which it may become indebted will receive any relief under the legislation.

Mr. NEELY. Mr. President, will the Senator from Michigan yield to me?

Mr. VANDERBERG. I yield.

Mr. NEELY. There are States in the Union in which there is no constitutional limitation such as the Senator from Illinois suggests.

Mr. DIETERICH. That answers my question. I wondered whether there were States where there was no constitutional limitation.

Mr. VANDENBERG. Mr. President, let me personify this thing with a typical case, which brings the challenge right down to date. I refer to the city of Pontiac, Mich.

The city of Pontiac, Mich., is a busy, thriving, prosperous community in normal times. It was bludgeoned by the depression more than normally because of its substantial dependence upon the automotive business.

As a result of tremendous tax delinquencies, it found it absolutely impossible to maintain its debt service from year to year, along with its essential local services, such as police, fire, health, education, and so forth. It had no alternative, in that situation, except to maintain its police, fire, health, education, and welfare services first, although on greatly reduced bases, and I doubt whether any Senator would ask them to operate those particular services in subordination to debt service, if some choice or selection had to be made.

The net result was that the securities of the city of Pontiac went into default, and they stayed in default for some time, while the local community was bravely struggling with the problem of refunding its debt upon some livable basis which would permit it again to meet all of its services, including its debt service, and to avoid repudiation.

A very able and high-minded committee was formed for the purpose of concluding an arrangement of this nature. A plan was perfected contemplating the preservation of principal intact. Mark this, every dollar of the principal was acknowledged, under the plan of refunding, with a concession of interest for a period of 5 years, and a very small adjustment of interest for the period of time following.

I quote now an observation from the able secretary of the committee which created this plan:

> This plan is thoroughly practical in that it will permit the city to remain on a cash basis for operations, will permit of a rehabilitation of utilities, maintenance of which has been neglected, and give relief to the taxpayers.

Here is the city of Pontiac developing its plan. What happened when they developed the plan? I quote now from the secretary of the committee which created the plan:

> I am in touch with and can locate about 75 percent of all the outstanding bonds and am probably better informed in regard to this feature than any other agency. There is a missing 25 percent that I have been unable to contact in 18 months. My general idea is that there is a widely scattered holding in small amounts, and even the placing of information before them and the obtaining of their support promises to be difficult.

Mr. President, contemplate the situation. Here is this municipality, not seeking a route to repudiation, but seeking a route to the renewal of the integrity of its own municipal securities, seeking a means by which they can be restored to a basis of current interest payment, seeking a means by which the total principal shall be paid at the expiration of the bond.

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

Mr. VANDENBERG. I yield.

Mr. HASTINGS. What is the particular difficulty at present that distresses Pontiac, Mich.?

Mr. VANDENBERG. If the Senator will contain himself for a moment he will be advised.

Mr. HASTINGS. I am sorry. I beg the Senator's pardon.

Mr. VANDENBERG. Mr. President, the committee procures the consent of this 75 percent of interested bondholders to this program, so everyone in this group is satisfied; that is, everyone who could be contacted. There remains the 25 percent which has not been contacted. It now develops that in that 25 percent is a very small group which goes into the Supreme Court of Michigan for a mandamus to compel the taxing authority of Pontiac to add to its 1934 budget the necessary funds to cover the defaulted bonds, and that problem is now pending in the Michigan Supreme Court.

Let it be marked that this not only involves the question of these particular securities; it involves the whole question of the Pontiac municipal budget for the year to come; it involves the entire Pontiac municipal regime. This group of objecting bondholders represents but a very small percentage—I thought I had the figure, but apparently I have not—a very small percentage of the bondholders related to this problem. This comparatively insignificant minority—not resident in Pontiac, not resident in Michigan, not involved in the responsibilities of maintaining municipal life intact—this comparatively small minority is able to say, at least temporarily, not only that 75 percent of the bondholders in

this difficult situation shall not be permitted to have their voluntarily chosen recourse but that the community itself shall be further strangled and denied the opportunity to restore itself as a going concern.

I submit, Mr. President, as a matter of equity in such a situation that the pending bill should be adopted.

May I digress long enough to say that this telegram from Pontiac states that—

> The Sumners bill relief was considered yesterday at a public meeting and is believed to be an utter public necessity.

Let us see as to who would be injured in the event the solution of the Pontiac problem should be able to proceed under the Sumners bill. Since 75 percent of creditors would have approved the plan and since the plan does not involve the cancelation of one penny of the principal, since it only involves a composition in respect to contemporary interest, it is fair to assume that the plan would be approved by the court to which it would be submitted under the Sumners bill. Therefore, Mr. President, let us assume that this plan would have been approved had the Sumners bill been in effect, or will be approved in the near future if the Sumners bill goes into effect. What happens? Because more than three quarters of all the creditors agree, and because the court agrees and because the taxing unit agrees, it is possible for this plan to go into operation, and no casual minority on the outside can prevent it. Who is harmed, I repeat, as the result of that operation? Certainly the municipality of Pontiac is not harmed, because at last it is able again to renew its normal operations and pay as it goes. Certainly the health service and the police and fire and educational and welfare service in Pontiac—and I use it only as a typical municipality—are not injured by the restoration of a fundamental credit upon which the municipality can lean for its continuity.

Certainly the bondholders themselves are infinitely better off, Mr. President. Today they are getting nothing. Today they are in the hands of a bondholders' protective committee which is negotiating in behalf of some sort of composition. Today the bondholder is receiving not one cent of interest. He will not receive a cent of interest tomorrow or the day after unless some such composition as this is created, because blood cannot be gotten out of a turnip, and the American people can never be made to believe that debt service ought to take priority over police and health and educational and fire service if a selection between the two has to be made.

You can argue your legal technicalities as finely as you please, but as a practical proposition the bondholder is infinitely better off when he has this refunded plan behind his securities, and knows with reasonable assurance that from now on that he will get a substantial portion of his interest, and that at the end of the journey he will get his principal in full.

Mr. President, I think that is a thoroughly typical demonstration of the need for legislation of this character.

Oh, but somebody says, "This will reflect upon the values of municipal securities."

Mr. HASTINGS. Mr. President, will the Senator further yield.

Mr. VANDENBERG. I yield.

Mr. HASTINGS. I have contained myself until I thought the Senator was about to leave Pontiac, and if he is, and before he leaves, I should like to inquire whether there are any taxes due in Pontiac, and how much they are, and how they compare with the interest due on its bonds. My purpose being to find out whether this is for the relief of the taxpayer, taking it from the bondholder, or just what the situation is in Pontiac.

Mr. VANDENBERG. Mr. President, I have the information somewhere on my desk, and I shall be very glad to accommodate the Senator with the details at the conclusion of my observations when I can locate the details. I say to the Senator as a general proposition, and I speak from knowledge, that the failure in Michigan cities, like Pontiac, to produce an adequate revenue to maintain the full debt service is in no degree due to any unwillingness on the part of the taxpayer to pay and pay and pay to the limit of his capacity. On the contrary the trouble is due to the enormous tax delinquencies which, fortunately, are now receding. It is due to tax delinquencies which are nonproductive in all aspects. In the face of those delinquencies the cities of Michigan—and I include the city of Detroit, now so ably directed by Mayor Frank Couzens, the son of my senior colleague—have heroically contracted their budgets, they have heroically economized. No sane man could ask them to make greater progress than they have made in this respect. Still they cannot maintain health, safety, and welfare and pay the letter of the bond. If they must comply with the letter of the bond they must default.

Do Senators think, in the face of that situation, that it is better that they should default? Do Senators tell me in that situation that it is better that they should cease to maintain public safety, public health, and public education in order to pay the debt service, or do Senators tell me that it is advisable, as is the case in Detroit this afternoon, to create a refunding plan which 92 percent of the bondholders and the creditors cordially and enthusiastically approve?

Who shall have a better right to censor this plan in respect to this Detroit situation—92 percent of the owners of the securities representing its vast municipal debt, or the Senator from Delaware, or some other Senator upon this floor?

I submit that the physical fact I am presenting demonstrates the importance of permitting this Detroit program and all kindred programs to carry on, and I submit that if some little lonesome minority can enter the Detroit equation and upset the considered, concluded judgment of 92 percent of its creditors, plus the considered judgment of the court to which the matter would be submitted under the Sumners bill, it would be a social and economic calamity. I decline to lend myself to any such tragedy which lacks any compensatory advantages for anybody.

Mr. HASTINGS. Mr. President, will the Senator further yield?

Mr. VANDENBERG. I yield.

Mr. HASTINGS. I should like to inquire whether or not any effort has been made by the municipalities of the State of Michigan to secure from the legislature which created those municipalities a moratorium under circumstances such as these?

Mr. VANDENBERG. I am unable to answer the Senator. I should infinitely prefer Federal legislation of this character to legislation contemplating a moratorium in the various States. I fail to get the point of the Senator's inquiry.

Mr. HASTINGS. Would it not be reasonable to request relief in a regular way from the States which created these municipalities? I assume it might be regular to do so, under the powers which permit them to legislate with respect to bankruptcy, at least in view of the recent decision of the Supreme Court, rather than to come to the Federal authorities for relief.

Mr. VANDENBERG. Mr. President, the Senator submits an interesting question, and I know he submits it in good faith. I think one of the major reasons why this proposed legislation is sound is that it is calculated to prevent State legislation upon this subject, and thus to preclude 48 separate and distinct rules of action up and down this country in regard to the defaulted municipal securities. If the Senator's suggestion were pursued, a great insurance company, which is a typical mass owner of municipal securities to a tremendous degree, instead of having one acceptable Federal formula under which to proceed in a uniform composition of the situation up and down the country, would find itself confronting 48 different separate rules of action, and that, indeed, would be chaos. So I respectfully reply to the Senator that the very criticism which he levels at the Sumners bill in this respect is, in my judgment, one of the profound reasons why it ought to pass.

Now, Mr. President, is this law asked only by cities whose credit is in difficulty? Oh, no; this plea is not based exclusively upon subordinate taxing units of this country that

are in difficulties. On the contrary, one of the most powerful requests for the passage of the Sumners bill comes from the United States conference of mayors. It comes from an executive committee of that association. I quote from a letter dated March 6, 1934, signed by Paul V. Betters, its executive director:

It will be noted that the cities represented on the committee—

That is, on the executive committee—

are not in default and do not need this legislation, but they have taken this action on behalf of defaulted municipalities because of the definite belief that unless the default situation is cleared up the credit of all financially solvent cities will be impaired and injured beyond repair.

That is the judgment of the gentlemen who are speaking for municipalities whose securities are unimpaired as yet. They express the desire for the enactment of the Sumners bill for the purpose of shoring up the situation, which otherwise might ultimately involve a common downfall.

Now, let us see what cities are these, Mr. President, which join in this request. Here is the mayor of Boston; here is the mayor of New Orleans; the mayor of Milwaukee; the mayor of Newark; the city manager of Cincinnati; the mayor of New York City, our recently highly honored colleague ex-Representative LaGuardia; the mayor of San Francisco; the mayor of Houston, Tex.; the mayor of Richmond, Va.; the mayor of Portland, Oreg.; the mayor of Tampa, Fla.; the mayor of Detroit, Mich.; the mayor of Cleveland, Ohio; the mayor of Providence, R.I.; the mayor of Shreveport, La.; the mayor of Grand Rapids, Mich.; the mayor of Chicago, Ill.; the mayor of Worcester, Mass.; the mayor of St. Paul, Minn.; the mayor of Salt Lake City, Utah; the mayor of New Rochelle, N.Y.; the mayor of Memphis, Tenn.

Mr. HASTINGS rose.

Mr. VANDENBERG. I yield to the Senator from Delaware.

Mr. HASTINGS. Mr. President, I should like to know how many of these cities are included in the 2,019 which have already repudiated—the Senator does not like to use the word "repudiated"—have failed to pay the interest due on their bonds?

Mr. VANDENBERG. I think a majority. I give the Senator the specific language from the executive director:

That the cities represented on the committee—

The executive committee of this conference—

are not in default.

Not one upon the committee, the executive committee out of this group which writes this letter.

I cannot separate out these particular names from the list which I have read, which includes the advisory board of the officers who are asking for this proposed legislation. Why are they asking for it? In their own language, they are asking for it because they believe—

That unless the default situation is cleared up, the credit of all financially solvent cities will be impaired and injured beyond repair.

I am inclined to believe that is a correct statement of the prospectus; I am inclined to believe that these gentlemen who hold prime responsibility for the life of these great American municipalities upon the roll which I have called are entitled to be listened to with a great deal of prayerful consideration when they come here with their fiscal problems, because, in the final analysis, so far as the governmental problem of this country today is concerned, in a fiscal sense, the municipality is the weakest link of the chain. Here is the considered voice of the mayoralty of America, if I may use that phrase, asking for this particular bill, which is not a relief bill, in the ordinarily accepted sense of that word, but simply a bill which will permit 75 percent of the creditors of a municipality to agree, with conclusive dependability, with the municipality in respect to a refunding plan which shall save the integrity of municipal credit and which shall restore normal municipal budget functioning within the confines of the municipality itself.

Mr. HASTINGS. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Delaware.

Mr. HASTINGS. May I inquire whether any of the counties of the United States involved in the failure to pay their bonds are included in the 2,019, or does that number refer only to municipalities?

Mr. VANDENBERG. I think that number refers to all subordinate taxing units which are in default, and I am inclined to believe it includes irrigation districts and road bond districts.

Mr. HASTINGS. The Senator has not any detailed statement as to exactly what the number 2,019 applies?

Mr. VANDENBERG. I have not.

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

Mr. VANDENBERG. I yield to the Senator from West Virginia.

Mr. NEELY. The Senator from Michigan doubtless does know that there are hundreds of counties in the United States that have not been able to pay their school teachers during the last 2 years.

Mr. VANDENBERG. That is entirely correct, and I have already referred to it.

Mr. HASTINGS. And which will take advantage of this act if they have an opportunity to do so.

Mr. VANDENBERG. Mr. President, I disagree 1,000 percent with the observation of the Senator from Delaware. There is no purpose to use this proposed act in any situation with which I am familiar to avoid or escape any obligation of any honorable nature. Apply this test in the State of Michigan, whence I come and where I think I know something about what is going on.

Show me any governmental units in this country that have made a braver effort to raise all the municipal taxes they possibly can raise than the taxing units in that Commonwealth during the past year or two; show me a finer loyalty than the loyalty of the police service, the fire service, the educational service, the welfare service, in the face of this challenge and this debacle, working partly on scrip rather than to see the service disintegrate. Do you tell me, Mr. President, that a municipality, the public servants of which are willing to accept scrip in order to maintain the integrity of the units, is a community that is going to sneak under the tent and take some treacherous advantage of legislation of this character? How can they take any advantage of it unless 75 percent of the creditors are willing, unless the court is willing, and unless the taxing unit itself is willing?

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

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

Mr. VANDENBERG. I yield.

Mr. HASTINGS. Does not the Senator believe that, if this bill shall be passed, the 2,019 will rapidly increase or will certainly increase to some extent, notwithstanding his statement that he thought I was a thousand percent wrong?

Mr. VANDENBERG. I would not expect the list to increase at all as a mere result of the passage of this proposed legislation. I not only suspect but know that there are many taxing units just teetering this afternoon on the line as to whether they shall be able to continue to maintain their full debt service or not. If the legislation shall not be passed, those that are in this precarious classification will be found day after tomorrow among the defaulters and the cancelationists and the repudiationists, while, if this bill shall be passed, they will be found in the classification of those honest taxing units which are willing to pay to the last possible cent of capacity in order to maintain a livable contract.

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

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

Mr. VANDENBERG. I yield.

Mr. NEELY. Reminding the Senator that from the 24th day of last November to January 30 of this year the number of defaulting taxing districts increased from 1,650 to 2,019,

does he not think that the enactment of this legislation would greatly improve the situation?

Mr. VANDENBERG. Precisely. I thank the Senator for his observation.

Mr. President, I had a letter the other day from an expert who has been dealing in municipal bonds for the last quarter of a century. I am now discussing the effect of this proposed legislation upon municipal credit, since that seems to be the favorite excuse of those who are trying to conjure a reason to defeat this bill.

This expert points out that the existing situation—I am talking about the situation which the opponents of the bill are so eager to have continuingly maintained—is a perpetual invitation to sharpers and chiselers to deal in defaulted issues on the basis of what he calls "gyp" prices. In other words, the situation as it exists today is that the uncertainty with respect to this great mass of municipal securities, with all the uncertainties in values as a result, is a direct and specific invitation to a class of chiseling which we know is going on, the chiseling of the "gyp" dealer who takes advantage of a lack of a firm market to trade municipal bondholders out of their securities and into something else which same day they will rue the day they obtained. I quote from this expert:

Unless something is done in these times whereby the municipality and the bondholder get together to form some kind of a regulation and refunding program at once—

That describes the terms of the bill—

I fear that any bonds that are offered by any city or town will have a hard time to sell unless they make the interest rate so attractive that it may be prohibitive.

His whole theory and philosophy is that we have immeasurably improved the municipal bond market and municipal bond values when we take this great factor of two thousand and more uncertainties out of the municipal bond situation. It seems to me he is unanswerably right.

Mr. President, the President of the United States indicated in a press conference that he favored the passage of the Sumners bill and would ask his administration followers to put it upon the law books before the session adjourned, and from that day to this, municipal-bond values have been stronger. I think that is a provable statement.

What happened in the case of the city of Detroit? The bonds were selling at between 30 and 40 up to the moment when this refunding plan was broached and showed some signs of success. Immediately the bonds moved up in the market. If the Sumners bill should put the mark of finality upon the refunding bond program of that great municipality, there is no doubt whatever in my mind that the bonds of the city of Detroit would one day rapidly reapproach par.

Where will they be without a refunding program? Where will they be under their refunding program, though it is approved by 92 percent of the creditors, if some lonesome minority trouble maker tries to upset the whole program perhaps for the purpose of commanding a little nuisance-value reward in order to be bought off? Where will the city be? Where will the bondholders be? They will be holding the bag, Mr. President, and the bag will be substantially empty.

Is that just my opinion? Is that opinion totally lacking in responsible credentials? I submit that it is not. In the first place I want to remind the Senate of the Canadian system. My authority is David M. Wood, of Thompson, Wood & Hoffman, New York municipal-bond experts at the bar:

Under the Canadian law when a municipality or taxing district defaults the creditors are not permitted complete liberty of action against the defaulting unit. Under the Canadian system a public commission investigates the situation, determines the capacity of the municipality to pay its debts—

I repeat that phrase because it is the philosophy of the Sumners bill—

determines the capacity of the municipality to pay its debts, and an adjustment on the basis of that determination is offered to its creditors. The creditors have no voice in the proceeding under the Canadian system.

Mr. BORAH. Mr. President——

Mr. VANDENBERG. I yield to the Senator from Idaho.

Mr. BORAH. As I understand the Canadian law, however, that is the permanent law.

Mr. VANDENBERG. That is correct.

Mr. BORAH. When a man buys a bond he buys it knowing that may be done at any time?

Mr. VANDENBERG. The Senator is entirely correct. From this point on in our experience during the 2 years' life of this emergency law when our municipalities must again find buyers for their bonds, the buyers will know in advance of the existence of the Sumners law, and my prophecy would be that they will buy with far greater assurance if they know that in the event of trouble there is a legal formula for orderly refunding rather than if they realize that in the event of trouble there must be chaotic default and a reliance upon some self-starting bondholders' protective committee before they can even start to commence to begin to protect their equity. That way lies repudiation.

I continue with reference to the Canadian system:

The creditors have no voice in the proceedings.

Under the pending measure the creditors have a 75 percent voice in the proceeding. This procedure is far more drastic, so far as the rights of the creditors are concerned, than anything contemplated by the Sumners bill, because under the provisions of that bill no readjustment of the indebtedness of a taxing district can be consummated without approval of the holders of two thirds, and under the McCarran amendment three fourths, in amount of the indebtedness of the taxing district.

If the arguments of the opponents of the bill are sound, Canadian municipal securities should command less advantageous prices than our own in the market today. Do they? They do not. Usually they command a more favorable price, notoriously so. If the credit of a Canadian municipality compares so favorably with the credit of an American municipality, having per capita debts at all comparable, notwithstanding the fact that in the event of Canadian municipalities getting into financial difficulties their debts may be readjusted without the consent of the creditors by a governmental agency, then it seems very difficult to believe that a statute providing for a readjustment of the debts of municipalities in default under terms approved by the creditors would have such a disastrous effect upon the municipal credit in this country as has been indicated by the opponents of the bill.

Mr. President, I want to quote just one great insurance authority upon the bill. There was a time when the original legislation, which preceded the present Sumners bill, was very violently assaulted by the almost universal insurance-company interests of the United States, representing manifestly, as they do, a great bulk of ownership of the municipal securities of the land. That situation has changed.

I want to read from the testimony, before the Senate Committee on the Judiciary, of Mr. C. M. Shanks, representing the Prudential Life Insurance Co., a company which most of us identify as being related in some way to the Rock of Gibraltar. This is the spokesman for the Prudential Insurance Co. advising the Senate Judiciary Committee in respect to the wisdom and advisability of passing the Sumners bill. This is the spokesman for one of the most outstanding and largest insurance companies in the United States, and therefore one of the largest investors in municipal bonds. Let us see what judgment comes from this source. I quote from Mr. Shanks:

You may have also gotten the impression that the bill was favored only by those who represented the debtors and not the creditors. There are many insurance companies, including our company, which are in favor of this bill, and there are also some that are opposed to it. I will confine my remarks to our own situation.

We have about $150,000,000 of municipal and State bonds held in our portfolios. One hundred and seven millions are strictly municipal issues and about forty-two million are State issues. None of those State bonds are in default, but of the municipal bonds about $7,000,000 are in default. They are issued by a large number of taxing districts, something over 300. Thirty-one

of those districts are in default, approximately 10 percent of the entire number of taxing districts. We are faced with the situation of 31 taxing districts in default, and what can we do about it? So far as I know, there is nothing we can do by which we can work ourselves out, except a few from Cook County, which probably can work themselves out.

In our particular portfolio we have bonds in a number of cities which are not in position to pay all their indebtedness. They are held as cash reserve, like all State and Government bonds. We have two million of Detroit bonds. We see no way by which we can be relieved from that situation unless a bill incorporating the principles of this bill is passed. We have a similar situation in Anderson County, N.J., and another in Pontiac, Mich. We don't know of any way by which we can clean them up without something like the bill under consideration.

From the point of view of the investor, we think it is much more demoralizing.

Mr. President, I beg the Senate to listen to these observations from the spokesman of the Prudential Life Insurance Co., speaking for the largest single group of municipal securities in the United States:

From the point of view of the investor, we think it is much more demoralizing to be confronted with this sort of situation—

Namely, the chaotic situation of prospective default, to which he had previously been alluding—

than to have the privilege of working out some sort of equitable arrangement by which these obligations may eventually be taken care of. We think it is a most demoralizing thing to have such a situation develop without the ability to do anything about it.

And he goes on to state, referring to the alternative of defaults and cancelations:

That is what we fear is going to happen, and we are very much in favor of the passage of this bill.

He favors the passage of this bill in order to prevent those precise calamities.

Mr. President, just one further reference:

The fraternal insurance interests of the country have expressed great perturbation about this bill. I have a letter from the secretary and treasurer of the National Fraternal Congress of America, from which I desire to quote. It is a letter earnestly inveighing against the Sumners bill. If argues that the cities, if left to themselves, will gradually lift themselves out of their difficulties; and this gentleman refers particularly in this aspect to the fact that the Detroit refunding plan is operating, and indicates that "Detroit is rising out of its difficultes."

Mr. President, evidently the author of the letter likes the Detroit refunding plan. Evidently the Detroit refunding plan is contemplated as a highly useful thing from the viewpoint of the author; yet the only thing that the pending legislation would do is to prevent some lone, meager minority from upsetting the Detroit refunding plan and making it impossible for the happy situations to exist which the author of this letter so thankfully applauds.

He concludes, however:

I hope that with these considerations you can see your way clear to change your attitude, and will be in favor of protecting the interests of these fraternal societies, representing nearly 10,000,000 men and women of the country, who do not wish to see their insurance contracts impaired or their plans of insurance disturbed as they would be if this legislation were adopted.

Mr. President, in order to accommodate the wishes of my able friend who addresses me in this letter on behalf of the National Fraternal Congress of America, and in order, using his language, to protect the interests of these fraternal societies and the municipal investments, I must decline to follow his advice because, in my profound judgment, and with all the emphasis at my command, I believe that the best welfare of those fraternal societies and all of their municipal investments is bound up not in the defeat but in the passage of this legislation, so that hereafter, instead of disorderly defaults running on into cancelation and repudiation, we may have orderly refunding plans written within the capacity to pay, and written within the capacity to continue the letter of the bond. I believe profoundly that I am protecting the portfolios of these fraternal societies by supporting the pending measure.

I desire to support that observation by just one final bit of testimony.

Mr. President, the National Fraternal Congress was represented by several witnesses at the hearing upon this bill before the House Committee on the Judiciary. The chief spokesman was Mrs. Bina West Miller, the able and progressive president of the great Women's Benefit Association of Port Huron, Mich. Mrs. Miller was complaining at that time of the bill which was then pending in the House in respect to municipal moratoriums. I think it was called the McLeod bill. Mrs. Miller declared that her chief objection—she was speaking for the National Fraternal Congress—to the bill was that it proceeded to a complete moratorium of debt service without the consent of creditors. Quoting Mrs. Miller:

That is my point, "without the consent of * * * creditors."

Quoting her again:

It seems to me the Wilcox bill approaches solution of this question insofar as it is meant to readjust or refinance all these cities in default, or threatened with default, by reason of inability to sell bonds and refund obligations.

Mark you:

We are all in hearty sympathy with some form of readjustment of distressed municipalities, but we believe that it should be by some form of agreement between debtor and creditor.

Mr. President, the bill to which that criticism was addressed was defeated because it did not contain within it means for contact and agreement between debtor and creditor. Here is the successor bill, now pending in the Senate, which provides specifically for contact and agreement between debtor and creditor, and which gives 26 percent of the creditors the right of veto if desired, but which provides a working program by which three fourths of the creditors can join effectively with the forward-looking taxpaying citizenship of each of these municipalities, and readjust and restabilize the integrity of the local credit, and start anew upon a program of municipal forward march.

From any practical viewpoint which is willing to assess the realities, I can see no reason in the world why the Sumners bill should not be approved by the Senate.

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

The PRESIDING OFFICER (Mr. THOMAS of Utah in the chair). The clerk will call the roll.

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

Adams	Costigan	Johnson	Russell
Ashurst	Couzens	Kean	Schall
Austin	Cutting	Keyes	Sheppard
Bachman	Davis	King	Shipstead
Bankhead	Dickinson	La Follette	Smith
Barbour	Dieterich	Logan	Steiwer
Barkley	Dill	Lonergan	Stephens
Black	Duffy	Long	Thomas, Okla.
Bone	Erickson	McCarran	Thomas, Utah
Borah	Fletcher	McGill	Thompson
Brown	Frazier	McKellar	Townsend
Bulkley	George	McNary	Tydings
Bulow	Gibson	Murphy	Vandenberg
Byrd	Glass	Neely	Van Nuys
Byrnes	Goldsborough	Norris	Wagner
Capper	Gore	O'Mahoney	Walcott
Caraway	Hale	Overton	Walsh
Carey	Harrison	Patterson	Wheeler
Clark	Hastings	Pittman	White
Connally	Hatch	Pope	
Coolidge	Hatfield	Robinson, Ark.	
Copeland	Hayden	Robinson, Ind.	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, there is a quorum present.

Mr. VAN NUYS. Mr. President, I desire very briefly to state my grounds of opposition to the pending measure, and it will take me but a very few minutes to do so.

I am opposed to the measure because I think it is ill-advised both in principle and in thought. Public hearings have developed that there are between 250,000 and 400,000 political subdivisions which would be affected by the bill. Even the proponents agree that there are only in the neighborhood of 2,000 governmental subdivisions in default. Under such circumstances, I insist that there is no universal demand for the proposed legislation.

I am opposed to it on account of the type of holders of municipal securities who would be affected by the bill, it

enacted. Such securities in overwhelming percentage are in the hands of executors, administrators, trustees, guardians, and trust estates, and are held for the benefit of a class of people who need to be protected more than any other class in our social fabric. They include insane persons, minors, and similar types of beneficiaries of different trust estates. We have always been told, in our probate courts, that municipal securities are gilt-edged, and such courts have authorized and directed the investment of money in municipal securities as gilt-edged in quality, second only to State and Federal obligations. I am opposed to the pending measure because of the fact that it would adversely affect the type of holders of municipal securities to which I have referred.

I am opposed to it by reason of the fact that there is no universal demand for the enactment of the bill. We have seen here today where the measure largely originated, first, in the State of Florida, and secondly, in the city of Detroit.

There is some excuse for the municipalities and towns and cities of Florida asking for some relief. We are all familiar with, and perhaps in our safes at home have evidences of, the criminally fraudulent real-estate promotions which took place in the State of Florida. I know of savings banks, and banks of all types and characters, which had to place restrictions on withdrawals of deposits in order to keep money from going into that real-estate bubble, which for several years was promoted and acquiesced in by the authorities of the State of Florida.

I never heard of a gesture from the Governor of the State of Florida, or any other public official down there, warning the people of the Middle West against the pyramiding of real-estate values, which was not only fraudulent but criminal. Some of these cities are today in a position as if they had been wiped off the face of the earth, it is true, but it is my contention that it is a matter for State relief, and not for relief by the passage of a Federal statute which would adversely affect so many solvent municipal corporations.

I say I can see some excuse for the cities of Florida. I can see none for the city of Detroit, the interests of which city have been championed so vigorously here today. One of the great industrial and civic centers of the United States, indebted in great sums of money gathered from the savings of the thrifty, from guardians, administrators, trustees, and sources of wealth of that kind and character, the city of Detroit, enjoying great public permanent improvements, bridges, and streets, and boulevards, and sanitary districts, desires this measure for the purpose of enabling it to repudiate its just and honest obligations. If I were a citizen of the city of Detroit, I would have been ashamed of the plea made upon this floor today, or any plea for the repudiation of one thin dime's worth of Detroit's honest and just obligations.

Mr. President, I am opposed to the measure because it is the opening wedge in repudiation of State and Federal obligations. There are certain elementary and academic principles upon which a government is strong or an individual is strong. I do not believe that any man ever succeeded in life unless he took as one of the academic and fundamental principles of his daily life the determination to meet and pay his honest debts. I do not believe that any government can endure in this country which violates that simple, fundamental, academic principle—the will to meet and pay its honest debts.

If a municipality or other political subdivision of a State may repudiate its obligations, the next step is repudiation by the State, and the final step is repudiation by Federal authority, and when that time shall come, all the centuries of effort toward progress and strength and honesty and integrity will crumble in the United States of America.

Mr. President, I attended the public hearings on this bill for 2 days, and I think I know some of the opposition to the measure. Every bonding house and brokerage company in New York was represented here, with all the high-powered lobbyists at their command, to secure the passage of the legislation, because it would mean the issuance of millions upon millions of dollars of refunding bonds, the commissions on the sale of which would mean a rich harvest for the bond brokers of New York City.

Taxpayers, heavy taxpayers, are behind the agitation for the enactment of the measure. I know of some communities where two or three men bear practically the whole burden and pay the bulk of the taxes in the political subdivision. Of course they are behind the enactment of this measure. They are content to retain the public improvements, the beautiful streets, the schoolhouses, the Government buildings of different types and characters, for their own enjoyment and for the enjoyment of their children and their children's children, but they are willing now, in order to save a pittance of their tax assessments, to place the stamp of their approval upon a measure which means repudiation, pure and simple.

Mr. President, I am opposed to this measure because, in my opinion, after listening for 2 days to the testimony in the public hearings, I believe the enactment of the bill into law, and its presence on the statute books for 2 years, will affect unfavorably and adversely the credit and good faith of every obligation of every solvent political subdivision in this country. Even some of the bond brokers and agents who appeared in the public hearings who are in favor of the bill were honest enough to admit on cross-examination that the presence of the bill on the statute books would probably require a higher rate of interest on all municipal obligations issued, and that it would adversely affect the sale of all municipal obligations of the 450,000 or 500,000 political subdivisions which would be potentially affected by the terms of the measure.

Two or three Senators have approached me, since the bill came up for discussion, with questions as to its constitutionality. I am not interested in the constitutionality of the bill. I am not interested in the amendment of my good friend, the Senator from Nevada. To me this bill is so fundamentally unsound in principle and in policy that I do not care whether or not the Supreme Court holds it to be constitutional. If this high legislative body should declare this bill to be founded on an emergency condition I presume that decision would be accepted as a conclusive fact, the existence of which the Supreme Court would not question. But whether it shall be declared constitutional or unconstitutional, I think this bill, the municipal bankruptcy bill now pending, is the most far-reaching and vicious measure introduced during my limited experience of over a year as a Member of this body.

The Senator from Michigan in a play upon words may say that this measure does not mean repudiation. What else can it mean? If 75 percent of the creditors and the taxing districts get together and agree to scale down the principal of their obligations one thin dime, is that not repudiation pure and simple?

There is a difference between buying the obligation of a private corporation and the obligation of a municipality. In the case of the private corporation we have a prospectus showing the assets and liabilities and a history of the business conducted. A municipal obligation is bought upon the full faith and credit of the entire community, which says, in effect, "We intend, Mr. Guardian, Mr. Trustee, Mr. Insane Person, to pay you back 100 cents on the dollar." That is why municipal securities have been considered gilt-edged until the introduction of this vicious measure here on the floor of the Senate.

The constitutionality of this bill was discussed in an opinion rendered to the subcommittee of the Judiciary Committee of the House. The conclusion of that opinion given by the Department of Justice, not by the Attorney General himself, but by some member of his staff, was that this bill would be constitutional "insofar as it applied to a political subdivision and taxing district engaged in a proprietary interest or function, but not where it was engaged wholly in a public or governmental function."

The distinction is pretty hard to draw. Lawyers will recognize that such a distinction is purely of judicial origin. There is no statute defining when a taxing division is acting in a governmental capacity and when it is acting in a proprietorial capacity; but the Attorney General's Office even gave to the subcommittee of the Judiciary Committee of the other House the opinion that insofar as this bill applied

to a taxing district engaged purely in a governmental function it was unconstitutional. Yet under the proposed amendment and in the original bill the measure is supposed to apply to all counties, townships, boroughs, and every other conceivable unincorporated taxing district.

For what my opinion may be worth, I may say that I doubt the constitutionality of this bill, supported by the written opinion of the Department of Justice, that the bill is certainly unconstitutional as applied to a taxing district engaged wholly in a public or governmental function.

I asked the witnesses on cross-examination, some of whom were presumed to be or at least tried to qualify as constitutional experts, what the line of distinction or cleavage was between a taxing district engaged in a governmental function and one in a proprietorial function; and I failed to get a single intelligent answer to that question from any witness who appeared before the committee.

There is no line of distinction. The State of Ohio may hold that a taxing district is exercising purely a governmental function. The State of Indiana may hold that a similar taxing district is engaged wholly in a private function.

I understand that the bill is predestined to become a law, and the only reason I am taking the valuable time of the Senate is to call attention to the future results of this measure, which I shall watch with much interest.

I do not know how bond buyers and trustees and guardians and administrators and insane persons, minors, and aged persons are going to know whether or not the bonds which they purchase come within the purview of this statute; and no one will ever be able to tell us by reason of the fact that there is no line of cleavage or distinction between the two governmental functions.

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

Mr. VAN NUYS. I yield.

Mr. COSTIGAN. Perhaps I missed the able Senator's assignment of reasons for the alleged unconstitutionality of the proposed legislation. Will the Senator from Indiana indicate the basis of the constitutional argument by the Attorney General, or other attorneys, against the validity of the proposed statute?

Mr. VAN NUYS. The subcommittee of the Judiciary Committee of the House asked for an opinion from the Department of Justice, and an opinion was written by Mr. Weston, as I remember the name. I can give the Senator the conclusion of his argument.

> In my opinion, the private or proprietary capacity of a municipality is sufficiently distinct and definite to bring it within the purview of the bankruptcy power of Congress where the State, as the representative of the municipality's governmental functions, has given its consent.

I remember a case in Wisconsin which I looked up in which the municipality by virtue of a certain statute or ordinance—I do not know which—was conducting a public wood yard. There could be little question but what the municipality was acting in a private or proprietorial capacity as distinguished in the opinion of the Department of Justice; but in the case of hundreds upon hundreds of other political subdivisions there is no way of telling, I will say to the Senator from Colorado, except by means of adjudication, whether they are engaged in a governmental function or in the exercise of private pursuit.

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

Mr. VAN NUYS. I yield.

Mr. CLARK. I do not desire to interrupt the Senator in the very able presentation which he is making of his views on this bill, but I desire to ask him a question. Is it not a fact that, whether this bill is constitutional or not, it is an immoral bill, which ought to be entitled "An act to authorize the repudiation of debts by any public municipality", and furthermore, it imposes an intolerable hardship on the credit of municipalities, such as, for example, in my own State, St. Louis, Kansas City, Springfield, and Joplin, which have maintained solvency by virtue of careful management and by dint of great hardship and struggle, and which are still solvent, their bonds selling above par? Is not this measure designed to put an intolerable hardship upon them in obtaining credit in the future?

Mr. VAN NUYS. I thank the Senator from Missouri. I had made the observation, possibly before he entered the Chamber, that, in my opinion, the enactment of this measure into law will adversely affect every solvent municipal political subdivision in this whole country of ours.

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

Mr. VAN NUYS. I yield.

Mr. LOGAN. I have heard quite frequently the word "solvent" and the word "insolvent" mentioned in connection with municipalities. I should like to ask the Senator from Indiana if it is possible for a municipality to be insolvent so long as it has the taxing power and has not exhausted its taxing power?

Mr. VAN NUYS. I thank the Senator from Kentucky very much, indeed, for that observation. This bill provides that the petition shall allege that the municipality is either "insolvent or unable to meet its debts as they mature." Personally I cannot conceive of any circumstance or condition when a political subdivision, such as a municipality, can be insolvent so long as there is a square foot of taxable property left within its confines.

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

Mr. VAN NUYS. I yield.

Mr. McCARRAN. Is not the expression which the Senator has just quoted the very first safeguard in this whole proceeding? The mere allegation that a municipality is insolvent does not create its insolvency. The fact must be established.

Mr. VAN NUYS. May I ask of the learned Senator, How can the insolvency of a municipality be established?

Mr. McCARRAN. When it fails to pay its current obligations when they are due, and that is a matter for the court to determine in the first instance.

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

Mr. VAN NUYS. I yield.

Mr. GLASS. We have already destroyed the mortgage-bond market for farms and destroyed the mortgage-bond market for homes. Why not let us destroy the bond market for municipalities, too? Why discriminate?

Mr. VAN NUYS. I thank the Senator from Virginia. I think such destruction will be the direct result of the passage of this legislation.

Mr. LONG. Mr. President, does the Senator from Virginia mean we are taking too much time in getting to our end?

Mr. VAN NUYS. I understand that this bill is destined to pass. I have perhaps already taken too much of the valuable time of the Senate, but I want to go on record, and I propose to follow up the workings of this measure, if it shall be enacted into law, until the next session, and then again call the attention of the Members of the Senate to it, for I think it will prove to be in its affect on solvent communities in this country about as disastrous a measure as could be passed by the Congress of the United States.

I care not who is behind this proposed legislation; I care not who has been called to the telephone here and been whipped into line for the passage of this iniquitous bill; personally, I would rather retain my self-respect, my loyalty to my own people, and my adherence to my convictions than to be registered among the favored few who have been whipped into line by any departmental telephone calls while we are in session here trying to do our duty.

Mr. GORE and Mr. McCARRAN addressed the Chair.

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

Mr. VAN NUYS. I yield first to the Senator from Oklahoma.

Mr. GORE. Mr. President, I just entered the Chamber a moment ago. The Senator seems to have been addressing himself to the subject of municipal bankruptcy, and this bill extends, in effect, the bankruptcy laws to municipalities. Does it permit a State to declare its insolvency and take advantage of this proposed act?

Mr. VAN NUYS. I will say to the Senator from Oklahoma that it does not.

Mr. GORE. Is that to be the next step in its evolution or revolution or devolution?

Mr. VAN NUYS. In my opinion, that is to be the next step. The Senator is entirely correct.

Mr. GORE. Before the scheme is to be consummated, is the United States Government to be permitted to enter some justice court and declare its insolvency?

Mr. VAN NUYS. As I understand, that is the third degree, I will say to the Senator from Oklahoma.

Mr. GORE. I have always been against the third degree. [Laughter.]

Mr. McCARRAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Indiana yield to the Senator from Nevada?

Mr. VAN NUYS. I yield.

Mr. McCARRAN. I am very much interested in the last remark made by my good friend, the very able Senator from Indiana, and I am wondering if when he used the words "called to the telephone and whipped into line" he had in his mind some recent event other than that which applies to this particular bill?

Mr. VAN NUYS. I cannot speak, I will say to the Senator from Nevada, from personal knowledge, because I consider it one of the highest compliments I have had since being a Member of this distinguished body never to have been called to the telephone for the purpose of being whipped into line, and I hope that I never shall be.

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

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

Mr. VAN NUYS. I yield to the Senator from Idaho.

Mr. BORAH. We have been speaking of the effect of this measure upon the securities of solvent cities. I think it will be conceded that if we can pass this measure requiring 75 percent of the security holders to approve, we could pass a measure which would require only 50 percent to approve, or we could pass a measure which would require only 25 percent to take such action.

Mr. VAN NUYS. That is correct.

Mr. BORAH. How will the security holders be able to know where and when this kind of legislation is going to end, because it may be necessary the next year or the year following that to cut down the number which may be required to initiate such proceedings, and we will have a measure here under which 25 percent or 50 percent will be able to control the situation.

Mr. VAN NUYS. I agree with the Senator from Idaho. A question was asked here this morning, and I think improperly answered, as to the rights of minorities. I have heard so much about recalcitrant minorities that I am a little fed up on that subject, but the question was asked whether a minority would be bound by the confirmation and final decree of the court, whether they evidenced their claims, whether they ever appeared in court or ever had a day in court. The answer to that question was not properly given this morning, as I know. I think probably the question was asked by the Senator from Idaho.

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

Mr. VAN NUYS. I yield.

Mr. NEELY. The Senator from Idaho has asked a very pertinent question, and I do not think that my distinguished friend the Senator from Indiana has answered it. The Senator from Idaho, if I correctly understood him, inquired when this legislation will end. The operation of the law, so far as instituting proceedings is concerned, is limited to 2 years.

Mr. BORAH. What I am saying is that, while under the bill 75 percent approval is necessary, ultimately we could pass a bill—next year if the situation seemed to demand it—requiring the approval of only 30 percent or 40 percent. Is not that true?

Mr. NEELY. If we can pass this one, we could manifestly pass another providing a lower degree of approval on the part of the creditors.

Mr. BORAH. I was simply presenting it as a legal question.

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

Mr. VAN NUYS. I yield.

Mr. WHITE. On page 3 there seem to be stated alternative conditions upon which a petition may be filed. One is where the taxing district is insolvent. I take that to mean a present inability to meet existing debts; I take that to be insolvency. Then it goes on and provides, as a second alternative, "or unable to meet its debts as they mature." I take it that means something different than the insolvency just previously mentioned. What troubles me is whether that provision has reference of the future, whether a municipality or a taxing unit which anticipated a future inability to meet its obligations as they might mature could petition for this relief. Is that what is meant?

Mr. VAN NUYS. I should rather think, I will say to the Senator from Maine, that this bill provides that the court may require, in place of a schedule, which is usually filed by a voluntary bankrupt, a statement of the business and fiscal and financial affairs of the municipality. I should think it meant the existence of a present situation rather than an anticipated one.

Mr. WHITE. Then it is just stating the same thing in two different ways.

Mr. VAN NUYS. I think so. Personally I cannot see why the author of this bill ever put in the allegation of insolvency, because it is so antagonistic to our conceptions of the responsibility of governmental units. The bankruptcy statute, as we all know, is one of the oldest forms of law we have. We adopted in the Constitution the interpretation of bankruptcy laws as defined in the old common law; but there is no country in the world that has ever included a municipality or any governmental unit within the purview of a court of bankruptcy. It is so antagonistic to all elementary academic theories of good government that a sovereignty should ever repudiate its indebtedness or compose with its creditors for less than 100 cents on the dollar that no government in the world has ever contemplated or written into a bankruptcy statute the idea of a political subdivision of a State or the sovereignty itself being able to take advantage of the provisions of a bankruptcy law. This is the first such instance to my knowledge. I recognize that Canada has certain regulatory bodies, but I am talking about bankruptcy laws.

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

Mr. VAN NUYS. I yield.

Mr. NEELY. This is the first time in the history of the Government that we ever had anything similar to our present National Recovery Administration, because of the fact that this is the first time that we ever needed it. Similarly, this is the first time that 2,019 taxing districts in the United States have been insolvent, and have consequently needed this legislation.

Mr. VAN NUYS. As compared to the 250,000 to 400,000 political subdivisions that will be affected by this measure, the 2,000 political subdivisions in default to me represent a very small percentage of the total. I think, under the theory of the Minnesota moratorium law, it is up to the States to take care of their particular communities. I referred to Florida when a number of Senators who are now in the Chamber were not present. Millions of dollars, some of it my money and some of it yours, went down there. With that money gathered throughout the United States public improvements were built all over the State of Florida without a word or a warning from the officials of that State. The burden is on the State of Florida, by a revolving fund, direct relief, or any other measure that they may see fit to employ, to take care of their suffering municipalities.

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

Mr. VAN NUYS. I yield.

Mr. NEELY. Is it not also true that practically every great corporation which has erected buildings in New York and Chicago and San Francisco, and which is under present law permitted to go into bankruptcy, has sold its stocks and

its bonds in Indiana, West Virginia, and various other States in the Union?

Mr. VAN NUYS. That is true.

Mr. NEELY. Is the situation with reference to a municipal corporation conspicuously different in principle from a similar situation concerning a private corporation?

Mr. VAN NUYS. It is entirely different. When the Senator buys bonds of some great corporation in New York City he has a prospectus of the business, and he buys with his eyes wide open, knowing that there may be some individual mismanagement or fraud or defalcation; but when he loans money to the city of Indianapolis, with its 400,000 patriotic, fine citizens, men and women, he loans it to that city with the understanding that every inch of property within the confines of that capital city of the State of Indiana will be exhausted before the city will ask him to scale down that obligation even by 1 percent. There is a vast distinction, a pronounced line of cleavage between buying the obligations of private industry and buying the obligations of a public corporation.

Mr. NEELY. But is there not the same sort of implied understanding on the part of the purchaser of a bond of a private corporation? Every dollar's worth of the corporation's property may be sold in satisfaction of its bonds.

Mr. VAN NUYS. Behind the private investment there is not the good faith, good will, and the confidence of every American citizen in his Government as there is behind the obligations of a municipality or a State or the Federal Government. There is a striking line of distinction.

Mr. GLASS. Mr. President——

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

Mr. VAN NUYS. I yield.

Mr. GLASS. I am not a lawyer, and my question may seem a very simple one to the distinguished Senator, who is a lawyer. Does not the bankruptcy law require a person who goes into bankruptcy to surrender all his property?

Mr. VAN NUYS. Yes.

Mr. GLASS. Are the municipalities going to surrender all their property?

Mr. VAN NUYS. They will surrender nothing whatsoever, I will say to the distinguished Senator from Virginia.

Mr. GLASS. Then, what is to be the standard of insolvency? A court in my State might hold that a given community should levy a certain percentage of taxes, and a court in the Senator's State might hold that a given community should levy another percentage. What is to be the standard of insolvency?

Mr. VAN NUYS. The agreement, as I understand, would be determined by 75 percent of the creditors. If 75 percent of the creditors of a municipality in the State of Virginia should agree on 50 percent of the principal of the obligation, that would not prevent 75 percent of the creditors of a municipality in Indiana agreeing on 20 percent or 10 percent. There is no uniformity about the bill at all.

Mr. President, as part of my remarks, I ask that the minority views of the subcommittee be inserted in the RECORD.

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

MINORITY VIEWS

A minority of the Senate Judiciary Committee, to which was referred H.R. 5950, to amend the Bankruptcy Act of 1898, as amended and supplemented, feels that such bill ought to be rejected.

The recommendation that such bill be rejected is based upon two propositions: First, that said bill is unconstitutional; second, that the policy of enacting such legislation is ill-advised.

In support of the position taken by said minority of said subcommittee, it is respectfully submitted that the constitutionality of said bill has been the subject of prolonged and highly controversial discussion. It is the opinion of the undersigned that the weight of the authorities is to the effect that the bill is unconstitutional.

It is proposed by this legislation that any municipality or other political subdivision of any State, including any county, city, borough, village, parish, town, or township, unincorporated tax or special assessment district, and any school, drainage, irrigation, levee, sewer or paving, sanitary, port, improvement, or other districts may file petitions in courts of bankruptcy stating that the taxing district is insolvent or unable to meet its debts as they mature and that it is desirous of effecting a plan of readjustment of its debts upon the basis of its capacity to pay. Subject to numerous conditions contained in the bill, the judge of the United States district court may approve or disapprove the petition and the plan for refunding the debts of the petitioning municipality. If the plan be approved, the final decree of said court shall discharge the taxing district from those debts and liabilities dealt with in the plan, and upon such confirmation the provisions of the plan and of the order of confirmation shall be binding upon (1) the taxing district, and (2) all creditors, secured or unsecured, whether or not affected by the plan, and whether or not their claims shall have been filed or evidenced, and if filed or evidenced, whether or not allowed, including creditors who have not, as well as those who have, accepted it. It is submitted that the grant of above powers to a court of bankruptcy is an interference with the powers, rights, and privileges of the sovereign States.

It is academic to suggest that the political units named in the bill are subdivisions of and agencies of the State. Such subdivisions and agencies are created by the State to carry out, in given localities, the business and functions of the State. Their authority is limited to the powers granted them under the constitution of the State, its statutes, or by charter. Such powers must be exercised in strict compliance with such grants of power. Upon no other theory could the delegation of the power to tax, being a legislative function, be delegated to such political units.

By this bill the Federal courts are empowered to revise and recast the debts and obligations of the subordinate governmental agencies of the States. They are empowered to alter and nullify the laws theretofore enacted by the States and the ordinances of the States' subordinate governmental agencies exercising the power of taxation. It proposes to discharge the municipality and its officers from the duty imposed by State law to levy taxes to pay the debts and obligations of the municipality. These tax levies once fixed become liens which should not be interfered with nor nullified by Federal governmental action.

The opinion of the Attorney General's office rendered to the Judiciary Committee of the House attempts to draw a distinction between the proprietary and public capacities of a municipality and concludes as follows:

"In my opinion the private or proprietary capacity of a municipality is sufficiently distinct and definite to bring it within the purview of the bankruptcy power of Congress where the State, as the representative of the municipality's governmental functions, has given its consent."

It developed at the hearings that there is no recognized or uniform line of cleavage determining when a municipal unit is acting in a private or proprietary capacity and when it is functioning in a public or governmental capacity. Such distinction is purely of judicial origin to relieve the harsh rule denying recovery against municipalities for negligence of inferior officers and servants in the performance of duties connected with certain public activities. It has no application to the income, property, contracts, debts, bonds, appropriations, or tax levies for such public activities.

It is impossible to envisage a sovereign State as subject to bankruptcy courts. The power of the States and their subordinate governmental agencies to borrow money, incur obligations, and fix tax levies is essentially a function of the sovereign States, legislative in nature, and cannot be delegated to the judicial branches of the States, much less to the judicial branches of a foreign sovereignty.

In view of the above facts, the undersigned are of the opinion that the Federal Government is without power or authority to exercise jurisdiction over or interfere with the sovereign States or their subdivisions and agencies as provided in H.R. 5950.

THE POLICY OF THE BILL

After thorough public hearings and investigation, the undersigned are of the further opinion that, in the ground of policy as well as legality, the bill ought to be rejected.

As set out in the report of the committee on commercial law and bankruptcy of the American Bar Association, which report was unanimously adopted by the association at its annual meeting in 1933—

"The inevitable results of the operation of municipal bankruptcy must be to depress the market for municipal securities and seriously impair the credit of cities in sound financial position."

To this opinion we subscribe. Even proponents of this legislation have been candid enough to admit that the passage of either of the bills under discussion would affect the credit of solvent cities, would act as a drag on the sale of municipal securities, and might demand a higher rate of interest on such securities. In all probability only a comparatively small percent of municipalities will take advantage of the provisions of the bills if enacted, yet the presence of the law on the statute books would, in the opinion of the undersigned, cost investors and solvent municipalities millions of dollars.

Municipal securities have always been considered gilt-edge investments. They have ranked second only to the obligations of the Federal and State Governments. Probate courts have for generations authorized and directed guardians, trustees, and administrators to invest the trust funds under their control in municipal securities. The American Legion Endowment Fund Corporation now has approximately four and one-half million dollars invested in the bonds of municipalities and other political units. The capital of this corporation was contributed by public-spirited citizens all over the United States for the purpose of creating an income which is expended solely for the rehabilitation and

child welfare in connection with the veterans of the World War. The officers of this fund are strongly opposed to the passage of this legislation. The funds of scores of fraternal-insurance orders are similarly invested and such fraternal orders have gone on record as opposed to the bill.

The testimony taken at the hearings did not develop the fact that this legislation was necessary to avoid universal repudiation of municipal debts. While no witness seemed possessed of very accurate information on the subject, it was stated by the different witnesses that from 250,000 to 400,000 taxing districts would be potentially subject to this legislation. It is further safe to assume that approximately 2,000 of such units are in default in the payment of principal or interest, or both, on their obligations at this time. It is further agreed that there are outstanding approximately $20,000,000,000 of such municipal securities. In the face of such facts it surely cannot be argued that legislation of this character is universally demanded.

The most insistent demand for this legislation comes from cities which were overdeveloped during boom days, when real-estate prices were pyramided and unreasonable and wholly unwarranted public improvements were projected upon such pyramided values. While it is palpable that such cities are at this time seriously involved, it is the duty of the State to come to the relief of such communities rather than to involve the faith and credit of the tens of thousands of solvent municipalities throughout the entire country by the passage of such Federal legislation as is here demanded. It is quite evident from the decision in the case of *Home Building & Loan Association* v. *Blaisdell*, rendered by the Supreme Court of the United States on January 8, 1934, that the State, through proper legislation, may declare such moratoria as may afford temporary relief to certain of its political subdivisions. It may also provide for direct relief to such municipalities and other political subdivisions. If this be true, we question the propriety of the Federal Government entering into the legislation contemplated by the bills under consideration.

Many reliable parties in interest have very frankly and fearlessly expressed themselves as opposed to this legislation. Among such opponents, may we cite the following:

1. American Bar Association.
2. American Bankers Association.
3. Chamber of Commerce of the United States.
4. National Fraternal Congress, representing fraternal societies with 8,000,000 members.
5. National Association of Credit Men, representing 20,000 manufacturing, wholesaling, and banking institutions.
6. Pennsylvania Fraternal Congress.
7. Ohio Chamber of Commerce.
8. Tacoma Chamber of Commerce.
9. Pennsylvania Fraternal Congress, having a constituency of 36 fraternal societies.
10. Polish Association of America, Milwaukee.
11. Junior Order of American Mechanics, Philadelphia.
12. New England Fraternal Congress.
13. Maryland Fraternal Congress.
14. Wisconsin Fraternal Congress.
15. Western Catholic Union, Peoria, Ill.
16. Degree of Honor Protective Association, St. Paul.
17. Ben Hur Life Association, having $8,000,000 in municipal bonds, Crawfordsville, Ind.
18. Association of Indiana Legal Reserve Life Insurance Companies, having $27,000,000 invested in municipal securities.
19. Ancient Order of United Workmen, having $10,500,000 invested in municipal bonds, Newton, Kans.

Mr. HASTINGS obtained the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

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

Adams	Costigan	Johnson	Russell
Ashurst	Couzens	Kean	Schall
Austin	Cutting	Keyes	Sheppard
Bachman	Davis	King	Shipstead
Bankhead	Dickinson	La Follette	Smith
Barbour	Dieterich	Logan	Steiwer
Barkley	Dill	Lonergan	Stephens
Black	Duffy	Long	Thomas, Okla.
Bone	Erickson	McCarran	Thomas, Utah
Borah	Fletcher	McGill	Thompson
Brown	Frazier	McKellar	Townsend
Bulkley	George	McNary	Tydings
Bulow	Gibson	Murphy	Vandenberg
Byrd	Glass	Neely	Van Nuys
Byrnes	Goldsborough	Norris	Wagner
Capper	Gore	O'Mahoney	Walcott
Caraway	Hale	Overton	Walsh
Carey	Harrison	Patterson	Wheeler
Clark	Hastings	Pittman	White
Connally	Hatch	Pope	
Coolidge	Hatfield	Robinson, Ark.	
Copeland	Hayden	Robinson, Ind.	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present.

Mr. HASTINGS. Mr. President, 3 or 4 years ago the then administration recommended to the Congress a general revision of the Bankruptcy Act. I introduced a bill for that purpose in the Senate, and was subsequently made chairman of a subcommittee of the Committee on the Judiciary which considered the various recommendations that were made. On that subcommittee were the former Senator from New Mexico, Mr. Bratton, the distinguished Senator from Rhode Island, Mr. Hebert, and myself. We had long hearings upon the general subject, and heard from various people interested.

It will be remembered that up to that time the bankruptcy law provided that before a person could be declared a bankrupt he must be insolvent; that is, his liabilities must exceed his assets. In the bill which I introduced at that time there were three particular features which were entirely new. One related to the individual debtor, one to railroad corporations, and the other related to other corporate debtors. It was sought to widen the jurisdiction with respect to bankruptcies by declaring that persons insolvent should come under it as under the old law, as well as persons who were unable to meet their debts as they matured. In most jurisdictions—so far as I know, in all jurisdictions—in the matter of the appointment of receivers for corporations it is necessary only to allege with respect to them that they are unable to meet their debts as they mature.

In this new measure it was sought, because of the depression, to relieve the individual debtor of ever having it said against him that he had gone through bankruptcy; so that new proposed legislation, which was subsequently enacted by the Congress, called him a "debtor" if he were trying to make a settlement with his creditors rather than to distribute all of his assets to his creditors.

The same provision was made with respect to railroads and with respect to other corporations. It was late in the session before any of these matters could be considered; and the Judiciary Committee of the Senate recommended that provision with respect to the individual debtor and recommended it with respect to the railroads because they were impressed with the great necessity of some such relief.

Not until the time those bills were being considered did I ever hear it suggested that a municipality might come within the provisions of the Constitution. There was some talk about it during those hearings, particularly, as I recollect, from the Senator from Florida [Mr. FLETCHER], and perhaps from some other sources; but so far as I was concerned I did not take it seriously, because I assumed that nobody would expect the Congress, after seriously considering the matter, to take any such drastic step as that.

Some time later—as I recollect, during the past session of the Congress—we had special meetings with respect to municipalities. We heard the then mayor of Detroit, Mr. Murphy, and we heard many other witnesses, most of them from bond houses that had tried to get some adjustment of some bond issue. But, Mr. President, as I read the provision of the Constitution which gives to the Congress the power to establish uniform laws on the subject of bankruptcies throughout the United States, and as I heard the mayor of Detroit tell what their financial condition was and then remembered his answer when I asked him at what amount the physical property of Detroit was assessed, it seemed to me those two matters themselves showed conclusively that we could not undertake to fit this sort of legislation into the provision of the Constitution without violating at least the spirit of the Constitution and that which was intended when the provision was adopted and became the fundamental law of the land.

I thoroughly agree that, wherever possible in any of the difficulties that have been explained here today, the Congress or the State or anybody else ought to put a city or municipality in the position of compelling a small minority to agree to that which is evidently for the benefit of all. In other words, no person is entirely satisfied to let some minority, for some ulterior purpose, hold up the development of any great plan such as would have to be developed in disposing of some of these municipal difficulties.

I appreciate how serious the situation is for the State of Michigan or the municipalities of the State of Michigan. I know, without his saying so, how very much interested the distinguished Senator from Michigan [Mr. VANDENBERG] is

in those municipalities. When he addresses the Senate upon this subject, he distinctly states that he does not do it from a constitutional point of view, but does it from a practical point of view; and then he asked me, if I could eliminate the question of constitutionality, whether I would agree generally with the bill.

I could not answer that question. I am not certain what I would do under such circumstances; but before taking my seat I do propose to point out some practical difficulties, even though this bill be within the terms of the Constitution itself.

Before doing so, however, I desire to discuss for a moment what a shocking thing it must be to reasonable people everywhere to find subdivisions of a State government, made subdivisions of the State government by the State itself, being put in a position in opposition to what the State may want to have done, in opposition to and doing what the State would not have permitted them to do if it could help it; in fact, the State would not have permitted the subdivision to be created unless it believed, at the time of its creation, that the State had absolute control over what the subdivision might or might not do. Such, for instance, as limitation upon the amount of indebtedness it may incur.

In other words, when my State creates the municipality of the city of Wilmington, it limits its authority, and places upon it certain burdens that go along with the authority that has been given to it. Now the Federal Government comes along—assuming this measure to be constitutional—and says to my State, "It matters not what limitations you placed upon that subdivision, created in your State by your own authority. It does not make any difference that the Federal Congress was not in a position to give that authority to the municipality. That counts for nothing. We admit that you had the absolute authority yourself. It was within your rights as a State to give it or withhold it, depending upon what you wanted to do. It was within your absolute right, when you gave it, to impose upon it such conditions as you believed it necessary to impose upon a subdivision of your State government. We admit that you had that absolute authority; but along in the year 1934, because we find a great depression in the land, we go back to the original Constitution which you approved, and of which you are a part, and we find hidden in it a sentence which we believe we can fit into the new situation caused by this depression. Regardless of what your opinion may be as to what we ought to do, regardless of the effect it may have upon your State if we do this particular thing and give this particular authority to the municipality, we say, in view of the depression, in view of the great emergency, that we must give that child of yours the authority to repudiate its debt if it likes. We must give it the authority to reduce it by 50 percent if it likes. We must give it the authority to do anything that 75 percent of those who have trusted it are willing to permit it to do. We are content to give that authority to the municipality, and we do it despite anything you may say to the contrary."

That, however, is not the only authority given in this bill. Here is created a State, and at the same time that it is created, by its very constitution there are created counties in the State. Those counties have fixed boundaries, fixed by the State constitution. The legislature itself cannot change them. Here is a separate government, a subdivision of the State, with full authority to levy taxes upon the people of the county, and with full authority to collect those taxes despite any mortgage or other obligation that may be on the property. We find that particular county at a time when all things are prosperous and there is apparently no danger of a depression anywhere, living in extravagance, building more roads than it has any right to build, building more schools than it can pay for, bonding the county beyond all reason. Then when the depression comes, when the farmers of the county find they cannot meet their obligations as they become due, we find the delinquent tax list constantly growing, and those in control say, "We dare not disturb our people here. They have all been suffering dreadfully from the depression. We cannot force them to pay taxes now without greatly injuring and probably destroying them, and certainly greatly distressing them. What shall we, the taxing power in this county, do under those circumstances? Shall we insist upon them paying notwithstanding the hardship which would follow, or shall we say that this county can no longer pay the interest on its bonds? Why should we not take the easier course, and say that it will not pay? Here are the people at home who voted for us in this district. They are the people who keep us in this particular office. Why should we not favor them when they are in distress, rather than favor some institution in New York or Boston or some other city which holds the bonds of this particular county?"

It seems to me, Mr. President, that when we compare those two, we are going to see the thing that is inevitable; notwithstanding the optimistic view of the Senator from Michigan, when this thing happens we are going to see the 2,019 mount rapidly to 10 times that, and why?

The Senator says there is no danger because the county to which I have referred is doing the best it can; it is, like the city of Detroit, struggling with all its might to get itself out of its difficulty, and there is no danger. I will show, then, what is the danger. If the officials do not do as has been suggested, when the next election comes around those in office will be thrown out, and somebody else will do that thing. That is the trouble with this situation; there is mixed in it from the very beginning to the end the political psychology.

I am surprised, shocked, and ashamed to know that the city of Wilmington ever entered into this proposition to have the city of Wilmington repudiate its bonds. That demonstrates to me that there is no necessity for a lot of the things that are going on here. The city of Wilmington is suffering? Of course it is suffering; it is suffering as every other city is suffering. But the city of Wilmington will compel its people to pay the taxes necessary to enable it to meet its obligations, and let nobody be deceived about that.

They will do that unless this bill is enacted, and if the bill shall be enacted, the same people who are running it now—and they are good Democrats, at that—unless they do yield to the demand that is made upon them to repudiate the debt, so that it may be settled for 95 percent, or 90, or 80, or 75 cents on the dollar, or what not, unless they yield, in the next election, a year from next June, we will find that the mayor of the city will go his way, and that the city council will go their way, because, I say, there will be enough people, even in my own town, who will be willing to say to those in charge, "Instead of making us pay our taxes, you could reduce them by repudiating the city's debt, and let somebody on the outside suffer."

Mr. President, I think I have exaggerated that. I am not quite willing yet to believe that that would be done, but I am saying this, that just as certainly as that I stand here it would be an issue in the next city campaign in my State. Immediately that issue would be brought to the front, instead of any other issue, and it would be that issue upon which the poor taxpayer, who had had difficulty in paying his taxes, would have his interest centered.

Mr. President, in the consideration of this question, there is a distinction between these city and county authorities and those of the State and Nation. The Government may repudiate its whole debt, and there is nothing anybody can do about it. A State, so far as I know, can repudiate its entire debt, and there is nothing anybody can do about it. That is the only reason, so far as I know, for not including the State and Federal Governments within the terms of the bill now pending before the Senate. It is the only excuse I know.

When first there was talk about including municipalities and counties in this measure, I said to myself, "If we do that, the next will be the State. We shall next be including State authority, and letting the States go into bankruptcy." But I think that is not true, because now there is nothing to compel a State to meet its obligations, except its own pride, and its own desire to negotiate bonds in the future.

With respect to the counties and with respect to the cities, they can do exactly what is being done in Pontiac, Mich.,

now, and in that action in Michigan which is distressing the city of Pontiac they have gone into court to compel the authorities to include in their 1934 budget an amount of money sufficient to pay the interest on these particular bonds.

Suppose the authority is granted, and suppose the court in Michigan makes the order. Then what is going to happen? The case is before the courts of Michigan. The authority, I assume, is there. Why it has not been exercised, I suppose, is because they have not reached it. But what will happen if they do it? Is Pontiac, Mich., going to pay its bonds, or is it not?

I do not know what is going to happen, but so far as I see, if the court makes the order and they cannot collect the money, that will end it. I do not know what the court is going to do about it. If they make the order and can collect the money, then I suppose the bond interest will be paid. I do not know anything else that can happen.

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

Mr. HASTINGS. I yield.

Mr. KING. I presume that if the court should make an order directing the members of the city council to levy a tax sufficient to meet the current obligations, and the city council should refuse, they might be cited for contempt. There have been a number of instances, in Kansas and other States, where bonds were issued to aid in the construction of railroads, by counties, and in some instances, I understand, by municipalities, and when the bonds matured the cities and the counties refused to meet the obligations. One of the cases went to the Supreme Court, and it was held, as I recall it, that there was a valid obligation, and in some instances members of the city council were cited for contempt when they refused to levy the taxes, and in some instances they resigned rather than levy the taxes.

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

Mr. HASTINGS. I yield.

Mr. VANDENBERG. What will happen when the court issues this order to which the Senator refers probably will be that a tax levy will be required, which the city of Pontiac will be unable to pay, inasmuch as its tax delinquency went up to 57 percent in 1933. Thereupon the city of Pontiac will have one of two alternatives, either to default completely and give up any thought or purpose of paying its bondholders anything or to take money out of funds now used to maintain police, fire, health, education, and welfare service and pay it instead on the debt service. When that shall be done, I submit to the Senator—when public safety, public welfare, public education, are impaired for the purpose of paying the bondholders—the municipality will be on the road to utter disintegration, and the bondholders' net equity will be utterly destroyed.

Mr. HASTINGS. Mr. President, I do not know of any place where that has happened. I doubt whether in these 2,019 cases which have been cited any such thing as that has happened. Usually public opinion takes care of that situation; and if a city is doing its very best, the public opinion will sustain them in doing that which is first necessary.

Mr. VANDANBERG. Mr. President, can the Senator conceive a public opinion in any municipality in this country which would permit the abandonment of the economic necessities of public health and safety for the purpose of maintaining debt service?

Mr. HASTINGS. No.

Mr. VANDENBERG. And should it subordinate public safety to debt service?

Mr. HASTINGS. Certainly not.

Mr. VANDENBERG. When it faces that contingency why should there not be a legal formula to work the way out, to the mutual advantage of all concerned?

Mr. HASTINGS. Mr. President, I think I have suggested to the Senator from Michigan a very much better formula than the pending one, and one which would be very much better controlled. I suggested and asked him the question, having in mind the Minnesota case decided by the Supreme Court, whether it was not possible for the legislatures of the various States, where municipalities are in distress, to provide by law that those municipalities might declare a moratorium for a certain period, and make it perfectly legal.

The distinguished Senator replied to that that the opposition to it was that there would be 48 different kinds of remedy. My answer to that was that, so far as I am concerned, I would rather have the legislature of my own State provide the remedy for the municipalities in my own State, because they know what the situation is, they know it better than the Congress can possibly know it, and, knowing the legislature as I know it, and the city of Wilmington, which was referred to by the Senator from Michigan, I know that they never would get the authority.

If the situation is as bad as it seems to be, and I am quite certain it is in Michigan, I cannot understand why it is not possible for these distressed municipalities to apply directly to the State of Michigan and make their own requests of that legislature for the specific authority they need, and it makes no difference to the State of Michigan or to its municipalities whether that relief granted by the legislature of the State of Michigan is different from that of some other State or not, because it meets their local situation, and that ought to be satisfactory to them.

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

Mr. HASTINGS. I yield.

Mr. VANDENBERG. But the Senator overlooks the fact that the fundamental argument made against this bill is that it will affect the ability to market and the market valuations of municipal bonds. I ask the Senator whether the great municipal bond market of the country would not be far more greatly distressed by being confronted with the possibility of 48 different State rules of moratorium in lieu of 1 general rule of the nature here proposed, which is contingent upon the known demand of 75 percent of the creditors?

Mr. HASTINGS. Mr. President, so far as the value of municipal bonds is concerned it is the least thing about this bill that disturbs me. Whether it will increase them or decrease them is not the thing that disturbs me. What does disturb me is that the Congress is going into the States of the Union and undertaking to control the subdivisions of the States of the Union with respect to this public debt. That is the outrageous thing in this bill.

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

Mr. HASTINGS. I yield.

Mr. FLETCHER. The Senator realizes, of course, that there are limitations in the Constitution as to the powers of the States, and no such limitation applies to the power of Congress. The States cannot do anything that may be construed to be in violation of their contracts. That does not apply to Congress. That is one distinction.

The Senator says that the courts have the power to mandamus the municipalities and compel them to levy an assessment. What would the Senator think of the exercise of that power when in one instance the court has required an assessment of 425 mills in order to meet the interest on bonds and so forth? Four hundred and twenty-five mills—42½ percent of the actual value of the property! In other words, the taxpayer would sacrifice his entire property in 2 years if he met the requirements of the mandamus.

Mr. HASTINGS. Is it or is it not true that the particular city which the Senator has in mind received any benefit from the funds when it sold these bonds that he speaks of which require 42½ cents assessment to pay? Did the city ever get anything? If so, what became of it? Did it increase the value of its property, or what happened to the money? That is the serious thing.

There is another side to this question besides that of the municipality. There is the side of the persons who paid their money, and which money the municipalities wasted, and we all know that. Are we going to encourage the municipalities to keep on spending more than they ought to spend, because sometime they will have an opportunity to come in and repudiate their obligation, or are we going to

compel them to spend with great care or they are going to have a court order on them if they undertake to repudiate their debt?

Mr. FLETCHER. I will say to the Senator in answer to his question that these municipalities, like individuals all over the country in days past, were living extravagantly; they were spending more money than they ought to spend, just as the individuals did. Prices were high. They had no difficulty about selling their bonds or other securities.

There has been a change, however, in that situation. In one city I know the valuation of the property was $100,000,000 when its bonds were issued, but the valuation of that property today is $17,000,000. There has been a decline in values everywhere since 1929 and 1930, which has in many cases wiped out the ability of cities to pay. The people are not able to pay the taxes. They got the benefits from the bonds. For the sake of the argument, we will say they used the money to pave their streets, to build sidewalks, to put in electric-light plants and power plants, and all that sort of thing, but they overspent; they spent more than they ought to have spent, and now they are retrenching in the administration of the affairs of the cities as much as possible.

The mayor of one town was up here a few days ago appealing for the passage of this bill. He said:

> We would not have been able to keep the weeds out of our streets if it were not for the C.W.A. Bondholders have mandamused the city and seized every resource the city has. We have not the money to pay our firemen and our policemen.

Mr. HASTINGS. Mr. President, I say frankly that if it were not for the fact that it would result in encouraging cities in the future to disregard their obligations—in other words, if we could limit this obligation to a certain fixed time within a month or two—I should be willing to forego my objection to it in order to aid these distressed cities.

I have another objection. I am opposed to the Federal Government doing that which will permit a person to repudiate his contract merely because the State government which created that particular subdivision cannot, under the Constitution, give that right to that municipality. In other words, there must be some reason for placing in the Constitution the provision which prevents a State from passing any law which will repudiate its contract. That was put there for a specific purpose.

In the Minnesota case we have the Constitution, it seems to me, stretched to the very limit, in which case it has been held that a moratorium might be declared for a certain period in that particular State. It was urged that that was a violation of the provision of the Constitution previously referred to, but the Supreme Court said that in view of the emergency it would hold that it was a perfectly good law.

The proposition that I am opposed to is that the Federal Government shall take a position and impose it upon creditors of the municipalities of the Nation, merely because the State has no such authority to do that. It seems to me that is a distressing argument to make even in a time of depression.

Mr. President, I do not want to delay the Senate with respect to this bill. I just wanted to make these observations with respect to it. I wanted to say that in my judgment, regardless of the opinion of the Attorney General, which is certainly not very strong in favor of this measure, the Constitution, which gives to the Congress the authority to legislate with respect to bankruptcies, did not have any intention of permitting us to include in such legislation the subdivisions of the various States, such as counties and the municipalities.

I do not believe it was intended that we should interfere with that particular right of the State in any way. I think we are violating that right of the State. I think we are violating that provision when we pass this bill assuming it to be constitutional.

Secondly and lastly, I think it is a dangerous thing to throw this kind of a controversy into the political machines of the various municipalities of this country.

I have in mind in particular the city of New York, which is greatly distressed. We read the New York newspapers every day, and we see what is being done or what is trying to be done there to meet the various needs of the city. But, Mr. President, if we let it alone the city of New York will not repudiate a single dollar of its bonds, in my judgment. If we pass this bill immediately everyone whom they are now trying to persuade to pay a tax and everyone who is opposing any new tax in the city of New York will hold up his hands in horror to the administration in New York and say, "Instead of levying these new taxes, why do you not say to the people holding these bonds, 'You will give us an extension or you will reduce the amount of these bonds.'"

That is the situation we are going to have in New York. That is the situation we are going to have in all of these large cities which are hard pressed.

APPOINTMENTS UNDER HOME OWNERS' LOAN CORPORATION—ATTITUDE OF SENATOR NORRIS

Mr. NORRIS. Mr. President, a few days ago, on the 25th day of April, we had up for discussion and action the conference report on the Federal Home Loan Corporation. I was opposed to the adoption of the conference report, because the conferees had left out of the bill as passed by the Senate a provision which provided that all the officials and agents and attorneys, and so forth, of the Corporation should be appointed and promoted without regard to partisan political affiliation. I do not intend now to discuss again the merits of that controversy; I look upon it as passed, and, while I think the action of the Senate and of the House of Representatives was wrong, I realize that the measure was passed by the proper majority, and that whoever was opposed to it, as I was, must submit to the will of that majority, which I do as gracefully as I know how. I am not finding fault with the other House or with the Senate in the action they took in finally rejecting the nonpartisan feature provided by the amendment which the Senate adopted to that bill. What I do object to and what I desire to call to the attention of the Senate is that in the debate the Senator from Kentucky [Mr. BARKLEY] and the Senator from West Virginia [Mr. NEELY] in their arguments left me, as I believe, before the Senate and the country in an entirely false attitude.

I realize that it is quite immaterial from the individual standpoint, but in the attitude that I had assumed on that occasion I was representing what I have stood for practically ever since I have been in public life; at least, ever since I have been in the House or in the Senate; and because anyone reading that debate would get a false impression of my attitude perhaps at some future time when my voice shall be stilled, I want now to place in the RECORD what I could not place in the RECORD on that day, because necessarily it is apparent that I could not anticipate what was going to be said and, therefore, was not prepared at least to offer anything for the RECORD on the subject in that debate.

The Senator from West Virginia and the Senator from Kentucky placed me, as I have said, in what I believe to be an erroneous attitude. I take this opportunity, to begin with, to say that I am not attributing to either one of those Senators any unfair or any undue activity or with any intention of trying to place me in that kind of attitude. Each one of them said that he conceded I was sincere in my argument, but they both undertook to show that during my long experience in Congress of about 30 years that was really the first time I had ever endeavored to have any action by Congress that was of a nonpartisan nature, and that I was offering that amendment and arguing against the conference report as a partisan, and only at a time when my party was not in power, and that I had never taken such action when my party was in power.

I knew, of course, because I do know my own heart, that such assertions were entirely without foundation, and I am now going to show by the RECORD, so that future generations may read it, if they desire so to do, that it was very unjust on the part of those two Senators to attempt to place me in that kind of attitude.

During the course of that debate on the 25th day of April, when the Senator from West Virginia had the floor, he was interrupted by the Senator from Kentucky [Mr. BARKLEY], who said:

Mr. President, will the Senator yield to me to permit me to read the provisions of the Norris joint resolution which was passed in the Seventy-second Congress, and vetoed by President Hoover, with reference to appointments in the Tennessee Valley under the Muscle Shoals Board, as it was then called?

Mr. NEELY. I yield.

Mr. BARKLEY. It is as follows:

"The general manager"—

Then the Senator from Kentucky interpolated:

Prior to that language the bill authorized the appointment of a general manager—

The Senator from Kentucky then continued the reading of the joint resolution, as follows:

The general manager shall appoint, with the advice and consent of the board, two assistant managers who shall be responsible to him, and through him to the board. One of the assistant managers shall be a man possessed of knowledge, training, and experience to render him competent and expert in the production of fixed nitrogen. The other assistant manager shall be a man trained and experienced in the field of production and distribution of hydroelectric power. The general manager may at any time, for cause, remove any assistant manager, and appoint his successor as above provided. He shall immediately thereafter make a report of such action to the board, giving in detail the reason therefor. He shall employ, with the approval of the board, all other agents, clerks, attorneys, employees, and laborers.

Then the Senator from Kentucky said:

That is all there is about it.

If the Senator from Kentucky had continued to read, he would have found on the same page by just reading a few lines further in the joint resolution this language, referring to the board—

(g) May appoint such officers, employees, attorneys, and agents as are necessary for the transaction of its business, fix their compensation, define generally their duties, require bonds of them and fix the penalties thereof, and dismiss at pleasure any such officer, employee, attorney, or agent, and provide a system of organization to fix responsibility and promote efficiency.

It strikes me if the Senator from Kentucky wanted to be absolutely fair in his criticism of my attitude he would have at least read just a little further in that particular joint resolution; but I submit that while what the Senator read and what I have read went toward efficiency and nonpartisanship, it did not go, I concede, as far as the amendment offered by me to the Home Owners' Loan Corporation bill. However, it is not fair, Mr. President, to say that a measure that first passed the committee of the Senate, then the Senate, then the committee of the House of Representatives, then the House of Representatives, and then the conference committee necessarily expressed in its terms the complete ideas of the author of that bill. That is particularly true of the Muscle Shoals legislation. I shall show later that I put into some of the first bills I introduced on that subject language which went further than the language that was embodied in the conference report, but I also had in mind, I always knew that I had, to begin with, an unfriendly Senate, an unfriendly House, and an unfriendly President to the things that I wanted to have incorporated in the Muscle Shoals legislation.

I was, however, anxious to have a bill; I was anxious the President should sign it; and I made many compromises not only in this respect but many others, and left out sometimes provisions which I had learned were offensive to some Senators and to some Members of the other House, and particularly to the President himself, because, I repeat, I wanted to get legislation on the subject.

Sometime before the Senator from Kentucky read that extract from the joint resolution, he interrupted the Senator from West Virginia, as follows:

Mr. BARKLEY. Does the Senator recall, during the 12 years of Republican control of the Government, any such amendment as this being offered from the other side on the part of anybody?

Mr. NEELY. Never; and since the distinguished Senator from Nebraska recently said that he had written to various departments during the 12 Republican years that preceded this administration, recommending that their appointments be nonpartisan, I have searched the record and had it searched for the full period that the Senator has served in this body, in a vain effort to find where the Senator from Nebraska, under a Republican administration, ever attempted as vigorously as he is attempting now to have a great governmental department made nonpartisan.

Mr. President, I would not pay any attention to that language if it were not so contradictory of my whole official life on a point about which I am perhaps unduly sensitive. From the beginning of my public service I have stood for nonpartisanship in matters of government where there was nothing involved but a business question. I have stood for that principle just as fervently and just as sincerely when my party was in power as when its opponents were in power. I want to leave in the RECORD proof of that statement for posterity.

I was very much disappointed and chagrined when those two Senators, the Senator from Kentucky [Mr. BARKLEY] and the Senator from West Virginia [Mr. NEELY], by what they said on the floor put me in what I know to be an absolutely false attitude. I should not have been surprised if someone outside the Senate, whom I know in public life and otherwise, had done such a thing. I am used to that. I recognize that as something which has happened often and will probably happen often again, and that such an attempt will be made, successfully or unsuccessfully, with respect to all positions I have assumed or may assume on all public questions. But when those two Senators undertook to have the RECORD show such an attitude on my part I felt like wrapping my mantle about me and exclaiming, in words that were uttered in Rome centuries ago, "Et tu, Brute!" I would not have believed, if it had to come at all, that it would come from that source.

To correct the implication those words would leave on the mind of anyone who reads the CONGRESSIONAL RECORD I have taken the floor this afternoon. There were some other things in the same discussion of that day bearing upon the same matter and in the same general tone.

First, let me take up the matter of Muscle Shoals legislation. That legislation was pending in Congress for a great many years. It came to the committee of which I was chairman, but not with my consent. It came by action of the Senate at a time when I asked the Senate to send the bill somewhere else. I knew then, I thought, enough about the question to believe there was a great deal of labor involved and a great many controversies which I wanted to avoid and keep out of if I could. But the Senate thought otherwise and when the bill was referred to my committee we took it up and I did then, as I have done many times, what I believed to be my duty. I did the best I could.

In 1922 when we had a Republican administration I introduced a Muscle Shoals bill. It was Senate bill 3420, and was introduced April 10, 1922. In that bill I provided as follows:

In the appointment of officials and the selection of employees for said corporation and in the promotion of such employees or officials no political test or qualifications shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. The board shall give publicity to any request, coming from any source, asking for any favor in behalf of any person or the promotion of any employee. Any member of said board who permits the use of political or partisan influence in the selection of any employee, or in the promotion of any such employee of said corporation, or who gives any consideration to political considerations in the official action of said board or who, knowing that such political influence has been or is attempted, does not give publicity to the same, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not exceeding $1,000 or imprisoned not exceeding 6 months, or both such fine and imprisonment, and the conviction of any member of said board of the offense herein defined shall have the effect of removing such member from office.

That is one thing shown by the record which the Senator in his search did not find. It was not difficult to find. It would have been easy to find it.

Again, on December 9, 1924, I introduced a bill on the same subject. In that bill will be found the following language:

In the appointment of officials and the selection of employees for said corporation and in the promotion of any such employees or officials no political test or qualifications shall be permitted or

given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. The board shall keep a record of all requests, oral and written, made to any member thereof, coming from any source, asking for any favor in behalf of any person or the promotion of any employee, which record shall be open to the public inspection. Any member of said board who permits the use of political or partisan influence in the selection of any employee, or in the promotion of any such employee of said corporation, or who gives any consideration to political consideration in the official action of said board, or who, knowing that such political influence has been or is attempted, does not record the same in said record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not exceeding $1,000 or be imprisoned not to exceed 6 months, or both such fine and imprisonment, and the conviction of any member of said board of the offense herein defined shall have the effect of removing such member from office.

That is another record which the Senator in his great search of my record during the time I have been in public office failed to find.

Again on January 5, 1926, I introduced another bill relating to Muscle Shoals. Section 6 of that bill provided as follows:

SEC. 6. In the appointment of officials and the selection of employees for said corporation and in the promotion of any such employees or officials no political test or qualifications shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. The board shall keep a record of all requests, oral and written, made to any member thereof, coming from any source, asking for any favor in behalf of any person for the promotion of any employee, which record shall be open to public inspection. Any member of said board who permits the use of political or partisan influence in the selection of any employee, or in the promotion of any such employee of said corporation, or who gives any consideration to political consideration in the official action of said board, or who, knowing that such political influence has been or is attempted, does not record the same in said record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not exceeding $1,000 or be imprisoned not to exceed 6 months, or both fine and imprisonment, and the conviction of any member of said board of the offense herein defined shall have the effect of removing such member from office.

That is another record which the search made by the great Senator failed to find.

On May 28, 1929, Mr. President, I introduced another bill on the subject of Muscle Shoals. In that bill, while I did not use the same language, I used the following language, speaking of the board:

(g) May appoint such officers, employees, attorneys, and agents as are necessary for the transaction of its business, fix their compensation, define generally their duties, require bonds of them and fix the penalties thereof, and dismiss at pleasure any such officer, employee, attorney, or agent, and provide a system of organization to fix responsibility and promote efficiency.

That is another record which this diligent search of my public record failed to find.

Mr. President, that is a modified form of the provision. As I said at the beginning, I did compromise on a great many things. That is one of them. That language was contained in the bill which President Hoover vetoed. I wanted to encourage Presidential approval of the bill. I knew, from my experience in connection with the bills which had passed before, some of which were reported to the Senate and debated here at great length, that there was objection to the particular provisions I had put in. I knew the probabilities were that other changes would have to be made in order to get the measure by the Senate.

That particular bill was introduced in the special session of Congress. It was passed and sent to conference in the special session. The conferees worked for weeks. The conferees failed to agree, and the special session adjourned; and the election took place between the special session and the short session of the same Congress, with the bill still in conference. One of the conferees was defeated for reelection to the House of Representatives, mainly on that issue. When we came back in the short session we finally, after a great deal of time, agreed upon a conference report and sent the bill to the President, and he vetoed it.

Mr. President, on December 9, 1931, I again introduced a joint resolution which contained the same provision I have just read. It is found on page 6. It is subsection (g). The language is just the same. I ask unanimous consent, without reading, to include in the RECORD at this point in my address subsection (g), found on page 6 of Senate Joint Resolution 15 of the Seventy-second Congress.

The PRESIDING OFFICER (Mr. BROWN in the chair). Without objection, it is so ordered.

The matter referred to is as follows:

(g) May appoint such officers, employees, attorneys, and agents as are necessary for the transaction of its business, fix their compensation, define generally their duties, require bonds of them and fix the penalties thereof, and dismiss at pleasure any such officer, employee, attorney, or agent, and provide a system of organization to fix responsibility and promote efficiency.

Mr. NORRIS. Again, Mr. President, on April 12, 1933, I introduced another bill on the subject of Muscle Shoals. On page 8 of that bill, section 6, is the following language:

In the appointment of officials and the selection of employees for said Corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said Board who is guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said Board who is guilty of a violation of this section shall be removed from office by said Board.

That is in the law now. That, I think, is the same language that was in the bill approved by President Roosevelt. That is milder than the provision which I put in the bill two or three times when there was a Republican in the White House.

Mr. President, in some of these bills, the early ones, I put in provisions which I kept out of subsequent bills because I feared a Presidential veto or unfavorable action on the part of the Senate or the House—provisions which in substance are now in the law, which were included in the last bill I introduced, which was passed and became a law, because in a conference I had with the President himself I learned that such action would not meet with his disapproval. That language provided for the development of the great Tennessee River as a whole, not by piecemeal. It provided that this Board should so act and so develop the Tennessee Valley, so build dams, that the maximum amount of electricity should be developed at minimum cost, and that the Tennessee River should be considered as one proposition. That was the original idea I had, the original thought put in the bill, omitted from some of the bills because I feared if they ever got to the President that kind of language would be used as an argument for a Presidential veto. I was moved by a desire to have the bills enacted. Nevertheless, when these provisions were in the first bills, upon which we had very extended hearings, some of the bills being reported to the Senate favorably and some unfavorably, during all that time until the election of President Roosevelt we had in the White House a Republican President. A great deal of that time we had a Republican Senate and a Republican House.

I do not know now, in looking at the different bills, whether we had a Republican Senate or a Democratic Senate when the bills were introduced, but I introduced the same kind of a bill regardless of that fact. My heart was set on taking the Tennessee River as a whole and developing it systematically, as one great enterprise, to bring about the maximum control of navigation, of flood control, and of the development of electricity. They all hook into each other. They are all cogs in one machine; and a bill for that purpose was one of the first bills I ever introduced.

It might have been said with equal fairness, if someone wanted to criticize my attitude, that in subsequent bills I had left out the language to which I have referred; but I left that language out of several of the bills. It was omitted from the bill that President Coolidge pocket vetoed and the one that President Hoover vetoed, because I wanted to get the favor and the approval of the President of the United States.

Mr. President, that is not all. If my record is searched from a time soon after I came to the House of Representatives until the present moment, it will be found that both in

Congress and out of Congress I have been an advocate of upholding the Civil Service Commission, an advocate of putting some of the great departments of the Government on a nonpartisan basis. I have always advocated it. I still believe in it. I was defeated in my attempts to do that even before I came to the Senate. I introduced a bill on the subject in the House of Representatives in January 1912. The object of the bill then introduced was to place the Post Office Department from top to bottom, with the exception of the Postmaster General, under civil-service regulations and rules—to take politics entirely out of the administration of the Post Office Department. That bill read, in part, as follows:

That on and after the 1st day of July 1912 the following positions in the Post Office Department shall be included in the competitive classified service, to wit: First Assistant Postmaster General, Second Assistant Postmaster General, Third Assistant Postmaster General, Fourth Assistant Postmaster General, and postmaster in all postoffices of the first, second, and third class; and after the said 1st day of July 1912 vacancies in any of said positions shall be filled by promotion or transfer under such rules and regulations as the Civil Service Commission shall prescribe. Such rules and regulations shall provide—

And so forth.

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

Mr. NORRIS. I yield.

Mr. LONG. I voted against the proposal of the Senator, when the Home Loan measure was before us, with a great deal of reluctance. I regretted very much indeed to feel that I had to vote against it, knowing the earnestness with which the Senator from Nebraska advocated it, and his belief in it.

I want the RECORD to show that had the amendment of the Senator from Nebraska provided specifically what is provided in what he is now reading, I would have voted to reject the conference report.

I want to say, further, that I know, from what I understand the Senator's record to be, that he has tried to keep the departments of the Government out of politics.

I only wish he had succeeded in keeping them all out of politics. I am fearful that what he provided in his amendment would not have had any effect but would have been used, I am afraid, in my own State, as a cloak to hide behind and to protect many of those who were already in office down there.

I favor every one of the principles advocated by the Senator, and I was sorry to see any suggestion made which might seem to intimate that the Senator from Nebraska had not at all times undertaken to free the various departments of the Government from the iniquity of political influences which have crept into them, where they have no business to be.

Mr. NORRIS. Mr. President, I thank the Senator for what he has said. With regard to that, permit me to say that I am not finding fault with any Senator because of his vote. The majority did not vote as I had hoped they would or as I voted, but I state again that under no conditions am I criticizing any Senator for his vote or calling in question in the remotest indefinite degree his motive in so voting. I have never done that. I realize that in this body, whatever one may think in his heart, if we are going to accomplish anything, we dare not permit one Senator openly, at least, or in the RECORD, at least, to question the motive of any other Senator. All are equal here. All, in my judgment, ought to vote according to their conscientious convictions. When they do so, before God and their country they have performed their full duty, even though I may believe they are absolutely wrong in the votes which they cast.

Mr. President, I have referred to another position I took during my public service which the search of the record made by the Senator from West Virginia did not disclose. In January 1912, when I was still in the House of Representatives, I introduced another bill, which went further than the one to which I have just referred. It would have put into the classified service not only all of the employees of the Post Office Department below the Postmaster General, but it would have put him there also. In addition to the language I have just read from the first bill I introduced in the House along this line, the next bill I introduced provided as follows:

SEC. 2. That from and after the 4th day of March 1913 appointments to the position of Postmaster General shall be for a term of 10 years, and during such term the Postmaster General shall not be subject to removal except for cause. In addition to the duties now provided by law, it shall be the duty of the Postmaster General to conduct the affairs of the Post Office Department upon an entirely nonpartisan basis, and in making appointments as provided in this act it shall be his duty, as far as possible, to carry out the rules and regulations promulgated by the Civil Service Commission.

SEC. 3. That it shall be unlawful for any employee of the Post Office Department to be chairman or a member of any political committee, or to have control or management of any political campaign, or for any postmaster of the first or second class, while holding such position, to engage in the active management or control of any business, trade, or profession, that in any way interferes with the full and proper performance of his official duties. Any employee violating the provisions of this section shall be removed from office.

This was another part of my record which the search failed to disclose. Let me say that there were hearings in the House of Representatives on those bills. The bills were first referred to the Committee on the Post Office and Post Roads. Afterward the House changed the reference, and referred them to the Committee on the Civil Service. That is as I remember it. I asked for a hearing, and was given a hearing by the latter committee. That was at a time when we had a Republican President, but as I remember it now, there was a Democratic House of Representatives, and the majority of the members of the committee at the hearing, as I remember it, were Democrats.

I got no satisfaction in the hearing from either Democrats or Republicans. I got nowhere. I did not get to first base. The political plums, the pie counter, were all the committee saw. I went away from the hearings discouraged, and feeling that there was no hope of placing the Post Office Department on a nonpartisan basis, and I have never seen the day from that time to this when I believed that we had the votes of either party to bring about that result.

I regret that, Mr. President. I think the Post Office Department ought to be one of the greatest business institutions in the United States. It is, as a matter of fact. It ought to be conducted on business principles. There is not an appointment of a postmaster anywhere in the United States, who has any official duty to perform, that should in any remote degree be a partisan matter. Postmasters transact business operations, and they ought to be selected on a business basis, and ought to hold office on a business basis. We could save many millions of dollars, in my judgment, if that could be accomplished. But that is beside the question I wanted to discuss today.

I asked one of the clerks in my office to make a search of the CONGRESSIONAL RECORD for anything showing my attitude on the question involved, and she got so many documents before me in the course of 2 or 3 hours time that I said, "Take them away. I cannot put them all in the RECORD without encumbering the RECORD."

I think the rank and file of Senators will realize that I have done my best, but I have failed to a large extent. However, I have still kept the faith. I still believe that I am right, even though I am in the minority, and even though, so far, I have been unable to convince either party of the righteousness of what I am speaking.

Mr. President, I believe that the people of the country are convinced. I believe that the people of the country are tired of the traffic, sometimes a disgraceful traffic, in petty patronage. I believe that Senators and Members of the House of Representatives, as I said the other day, ought to be statesmen, and not grabbers after the spoils of political victory.

A few years ago some one, I have forgotten now who it was, conceived the idea of writing a book, the title of which was to be "If I Were President." The publishers of that book selected 12 men, I think it was, each of whom was to write one chapter on that subject. In the selection of these men care was taken to select those who were not even in-

directly candidates for President. The idea was to select men who had no personal interest in the subject. I was one of the 12 selected, and I wrote one chapter. I do not think the book was ever published, at least I have never seen it. I had forgotten entirely about it until a clerk in my office dug up the manuscript and showed it to me, and I now hold it in my hand.

In the chapter which I wrote I went over a great many things, all that I conceived then to be of public interest in connection with the office of President. The first part of the chapter, the very first thing I wrote, was with relation to nonpartisanship in the office of President. I am going to read just a short extract from that chapter:

If we had less partisanship in government, we would have more business in government.

That corresponds with what the mayor of Detroit said the other night over the radio, that what this country needs most is more business and less politics in government.

I said in the first part of that article:

Why should a faithful prosecuting attorney be removed from office because a new Attorney General has been installed? There is not an official duty to be performed by the President that is in any way partisan. There is no official act done by any public official but would be improved if partisanship were eliminated. If we want more business in government, why do we not apply business principles to government? What business man in the country takes politics into consideration when he employs an attorney? What citizen is injured who has his mail handled by someone of a different political faith? Where is there a single act to be performed by any public official, whether national or State, that requires partisan consideration in any degree for its performance?

It is said in opposition to this theory that we are a government of political parties, and that the distribution of public offices among adherents of a party, to the exclusion of those holding a different political faith, is necessary to keep the party organization together and supply it with the sinews of political warfare. The admission of the truth of this proposition is a virtual condemnation of political parties as they exist today. If a party has no other way of holding itself together, except a division of the loaves and fishes, it would be better for the people at large that it disintegrated. If there is no difference between parties except as to the spoils of office, then the parties have been already condemned. If a party has no principle of government upon which to stand and make battle, it is not worthy of life.

Mr. President, I ask that the first part of that article, consisting of the first three pages and a part of the fourth page, be printed in my remarks at this point without reading.

The PRESIDING OFFICER (Mr. HATCH in the chair). Without objection, it is so ordered.

The matter referred to is as follows:

IF I WERE PRESIDENT

By George W. Norris

If I were President, my first official announcement would be a declaration that my administration would be entirely nonpartisan. Every appointment, from Cabinet member down, would be made without any consideration whatever of the politics of the official. The object in view would be efficiency, and qualification for the position the only consideration.

Of all the evils in Government, the greatest is partisanship. Its baneful influence is felt in every office and in every locality in the land. Where it predominates economy and efficiency disappear. It has no reason for existence in the administration of public office. Partisanship is the food on which political machines grow. It is the stock in trade of the political boss. He traffics and trades in public office as the merchant sells his goods across the counter. Inefficiency and incompetency in government is the result, and the taxpayer foots the bill. If we had less partisanship in government we would have more business in government. If partisanship were eliminated the business of the Government would be transacted on business lines. Our great Departments would become business institutions. Government in business and business in government would be almost synonymous terms. Partisanship means that public officials shall pay their personal political debts through the instrumentality of public office. Party is placed above country. An appointment to public office is a reward for party regularity. The good of all the people is sacrificed for the personal gain of a part of the people. Why should the postmastership in a distant town be changed because there has been a change in the White House? Why should a faithful prosecuting attorney be removed from office because a new Attorney General has been installed? There is not an official duty to be performed by the President that is in any way partisan. There is no official act done by any public official but what would be improved if partisanship were eliminated. If we want more business in government why do we not apply business principles to government? What business man in the country takes politics into consideration when he employs an attorney? What citizen is injured who has his mail handled by someone of a different political faith? Where is there a single act to be performed by any public official, whether national or State, that requires partisan consideration in any degree for its performance?

It is said in opposition to this theory that we are a government of political parties, and that the distribution of public offices among adherents of a party, to the exclusion of those holding a different political faith, is necessary to keep the party organization together and supply it with the sinews of political warfare. The admission of the truth of this proposition is a virtual condemnation of political parties as they exist today. If a party has no other way of holding itself together, except a division of the loaves and fishes, it would be better for the people at large that it disintegrated. If there is no difference between parties except as to the spoils of office, then the parties have been already condemned. If a party has no principle of government upon which to stand and make battle, it is not worthy of life.

If partisanship were abolished and public office given out only upon a test of qualification, it is true that machines would disappear. The expenditure of huge sums of money to get favored candidates into office would cease, and men would divide on a real division and not on an artificial one. The man who supports a candidate solely because he expects to be appointed to office on account of such support, is not entitled to office and should not get it. In a free and civilized country, the great bulk of the people want efficiency in government, the same as they do in business, and unless they get it the taxpayer must suffer and even the rights and the liberties of the people are often put in jeopardy. In a partisan government, where partisanship is rank, the sinews of war are supplied by special interests behind the scenes. They oil the machinery and get their pay in friendly legislation. They contribute to both sides and shrewdly inflame the party spirit and thus create the enthusiasm that causes many honest people to believe that they are really participating in government, when as a matter of fact, they are only choosing between two evils—deciding between two candidates, both of whom have been nominated by the same interests. This means inefficient government. This means expensive government. The people suffer and the taxpayer foots the bill. Partisanship means not only inefficient officials but it means unwise and harmful legislation as well.

George Washigton, as he retired from public office, after an experience of 8 years in the Presidency, in speaking of party spirit, used this remarkable and prophetic language:

"It exists under different shapes in all governments, more or less stifled, controlled, or repressed; but in those of the popular form it is seen in its greatest rankness, and is truly their worst enemy."

It is not necessary in a free and intelligent country like ours, for the candidate for public office in order to be elected, or in order to hold the confidence of the people after he is elected, to reward party adherents with public office at the expense of efficiency and economy. An intelligent people would hail with delight, the advent of the man who would not only proclaim but who would carry out an absolute nonpartisan administration.

Mr. NORRIS. Mr. President, of course, the Senator from Kentucky [Mr. BARKLEY] and the Senator from West Virginia [Mr. NEELY] had no knowledge of that article. I do not charge them indirectly with knowing anything about that article, because it never before, so far as I know, saw the light of day. But I have, Mr. President, in public, from one end of the country to the other, advocated in political speeches and in letters and addresses to all kinds of organizations and all kinds of political parties the principles that are contained in the amendment which was rejected by the conference committee; and it seems to me that my attitude is so well known that there can be no possibility of a misunderstanding.

Mr. President, in 1914 there was organized in the city of Washington the National Popular Government League. At the meeting in this city in which that league was organized there were representatives from all over the United States. I think someone from every State in the Union was present there. I was invited to deliver an address before that organization, and I accepted. The title of my address was "A Nonpartisan Party." In the course of my remarks I quoted from the Farewell Address of George Washington, the Father of our Country; and I desire to read to the Senate at this time a quotation from that farewell address. Said George Washington:

I have already intimated to you the danger of parties in the State, with particular reference to the founding of them on geographical discriminations. Let me now take a more comprehensive view, and warn you in the most solemn manner against the baneful effects of the spirit of party generally.

This spirit, unfortunately, is inseparable from our nature, having its root in the strongest passions of the human mind. It exists under different shapes in all governments, more or less stifled, controlled, or repressed; but, in those of the popular form, it is seen in its greatest rankness and is truly their worst enemy.

The alternate domination of one faction over another, sharpened by the spirit of revenge natural to party dissension, which in different ages and countries has perpetrated the most horrid enormi-

ties, is itself a frightful despotism. But this leads at length to a more formal and permanent despotism. The disorders and miseries which result gradually incline the minds of men to seek security and repose in the absolute power of an individual; and sooner or later the chief of some prevailing faction, more able or more fortunate than his competitors, turns this disposition to the purposes of his own elevation, on the ruins of public liberty.

Without looking forward to an extremity of this kind (which nevertheless ought not to be entirely out of sight), the common and continual mischiefs of the spirit of party are sufficient to make it the interest and duty of a wise people to discourage and restrain it.

It serves always to distract the public councils and enfeeble the public administration. It agitates the community with ill-founded jealousies and false alarms, kindles the animosity of one part against another, foments occasionally riot and insurrection.

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There is an opinion that parties in free countries are useful checks upon the administration of the government, and serve to keep alive the spirit of liberty. This within certain limits is probably true—and in governments of a monarchial cast, patriotism may look with indulgence, if not with favor, upon the spirit of party. But in those of the popular character, in governments purely elective, it is a spirit not to be encouraged. From their natural tendency, it is certain there will always be enough of that spirit for every salutary purpose, and there being constant danger of excess, the effort ought to be, by force of public opinion, to mitigate and assuage it. A fire not to be quenched; it demands a uniform vigilance to prevent its bursting into a flame, lest, instead of warming, it should consume.

Mr. President, I do not know how many men now remember the organization of the National Popular Government League, but I know that address went all over the United States. Afterward it was printed as a Senate document. It has long since gone out of print; but I have reason to feel, and reason to conclude, that the publicity of my attitude upon questions of nonpartisanship was almost universal. Although the Senator from West Virginia and the Senator from Kentucky probably did not know of it, and never heard of it—it happened quite a number of years ago, perhaps even before they were born—yet it is true that it is one of the incidents of my public life in which I stood out without regard to any particular party being in power, and advocated the same principles that I advocated when we were discussing the conference report.

I may not be right; that is not the question. I may be entirely wrong; that may be true. Nevertheless I have stood for certain things and that is one of them. From the beginning of my public life in Congress down to this moment I have to the best of my ability advocated it without regard to politics, without regard to party, and I am still a believer in it and an advocate of it. I do not want anything in the RECORD to indicate anything to the contrary.

Mr. President, I ask unanimous consent to print in full that address at this stage of my remarks.

The PRESIDING OFFICER (Mr. HATCH in the chair). Without objection, it is so ordered.

The address is as follows:

A NONPARTISAN PARTY

The very existence of the National Popular Government League is a protest against partisanship. If it were not for the evils that follow in the wake of a rank partisanship, there would be no excuse for its existence. The fundamental principles for which it stands—the measures of relief which it advocates—are all of them in their last analysis, a protest against rank partisanship. The political machine could not exist, the political boss would immediately lose his power, were it not for the false partisan loyalty that the unthinking citizen gives to the partisan leader and the partisan machine.

Let me at the outset, call your attention to the prophetic words of the Father of our Country, who from his experience and through his wisdom, saw the dangers to human liberty and to popular government through the control of governmental instrumentalities by means of partisanship. When Washington was about to lay down the burdens and the cares of government, he issued to the country and to the world, that memorable farewell address that to all lovers of human freedom, has become a classic. In speaking of political parties, he used this language: "I have already intimated to you the danger of parties in the State, with particular reference to the founding of them on geographical discrimination. Let me now take a more comprehensive view, and warn you in the most solemn manner against the baneful effects of the spirit of party generally. This spirit, unfortunately, is inseparable from our nature, having its root in the strongest passions of the human mind. It exists under different shapes in all governments, more or less stifled, controlled, or repressed; but in those of the popular form it is seen in its greatest rankness, and is truly their worst enemy. The alternate domination of one faction over another, sharpened by the spirit of revenge natural to party dissension, which in different ages and countries has perpetrated the most horrid enormities, is itself a frightful despotism. But this leads at length to a more formal and permanent despotism. The disorders and miseries which result, gradually incline the minds of men to seek security and repose in the absolute power of an individual; and, sooner or later, the chief of some prevailing faction, more able or more fortunate than his competitors, turns this disposition to the purpose of his own elevation on the ruins of public liberty.

"Without looking forward to an extremity of this kind (which, nevertheless, ought not to be entirely out of sight), the common and continual mischiefs of the spirit of party are sufficient to make it the interest and duty of a wise people to discourage and restrain it. It serves always to distract the public councils and enfeeble the public administration. It agitates the community with ill-founded jealousies and false alarms; kindles the animosity of one part against another; foments occasional riot and insurrection. * * * There is an opinion that parties in free countries are useful checks upon the administration of the government and serve to keep alive the spirit of liberty. This within certain limits is probably true; and in governments of a monarchical cast patriotism may look with indulgence, if not with favor, upon the spirit of party. But in those of the popular character, in governments purely elective, it is a spirit not to be encouraged. From their natural tendency it is certain there will always be enough of that spirit for every salutary purpose. And, there being constant danger of excess, the effort ought to be, by force of public opinion, to mitigate and assuage it. A fire not to be quenched, it demands a uniform vigilance to prevent it bursting into a flame, lest instead of warming, it should consume."

I wish these words of Washington could sink deep into the heart of every American citizen, and that he would follow the principle herein announced as his guiding star.

Whenever the party spirit induces any man to support measures or to vote for men contrary to his own conscientious convictions of what is right, it is exceeding the limits of its usefulness and is retarding the progress of righteousness and humanity. Parties are only instrumentalities of government and are useful only to the extent that they improve government. Whenever the party spirit is so high or so powerful that men blindly follow it, then party government becomes detrimental to good government and the very object of its organization is perverted.

Whenever the citizenship of any party is not absolutely free to vote its convictions, then party has been placed above country and popular government retarded. The people rule only when they are uncontrolled by the biased prejudice of partisanship. They are free only when they are uncoerced and men are political slaves when through the spirit of partisanship, they perform governmental functions under restraint and coercion. Even though we are moved only by a desire to keep our party right, we can perform no higher function than to condemn it or to vote against it whenever we believe it is wrong. It is the duty of every patriotic citizen to condemn wrong or evil in his own party just as quickly and with the same severity, as though he discovered it in some other party, and he ought to be just as anxious to uncover the wrong in his own party as he is to expose it in any other party. Public officials should get out from under the erroneous impression and the wrong belief that has sometimes heretofore existed, that in their official capacity they are serving a party. When the official or the citizen is serving his country best, if he is not then serving his party best, it logically follows that there is something wrong with his party. "Vote your ticket straight, regardless of everything else", is the slogan of the political boss and the manager of the partisan machine. But the modern progressive citizen answers it by saying: "Scratch your ticket freely and on all occasions when in your own heart you believe that the popular will will be promoted thereby." Partisanship in the past has been so rank that it has often meant political suicide to advocate the scratching of the ticket. And yet, I believe that every thinking, honest, patriotic citizen will agree with me when I say that the salvation of the country, the perpetuity of our institutions and the advancement and progress of civilization and humanity depend on the independent voter.

It is well for us to consider some of the inconsistencies of our partisan control. We have been making some rapid strides toward independence within the last decade. It has not been many years ago since every appointive office within the gift of the national administration has been decided entirely upon the ground of partisanship. Our forefathers who framed the Constitution never intended that such should be the case and it was a great many years before the machine and the boss had developed the science of partisan politics to such an extent that the people discovered that to hold an office the one supreme qualification of the applicant was his partisanship.

For years the fight has been going on to take political offices out from under the control of the political machine. The Civil Service Law now on our statute books is a result of such agitation. Many thousands of positions have been placed upon a merit basis rather than a partisan basis, and no man has ever yet claimed that in any instance the service has not been improved by such change. Let us take the Post Office Department as an illustration, and I take it only as an illustration. A few years ago every official in it, from the janitor and the clerk in the remotest and most insignificant office up to the Postmaster General himself, were all appointed on a partisan basis. Every man who distributed mail upon the thousands of cars that go with lightning speed across the country obtained his position not from merit but because of

the favor of some partisan leader. Most of these officials have been removed from politics, and who has ever heard of anyone making the claim that the service was not improved thereby? Every step of this progress has been bitterly fought by the partisan. Every political machine and every political boss has steadfastly stood in the way of every step of progress that we have made. The country has done well, but the battle is only commenced. Why, for instance, should the postmaster in a little town on the western plains be changed every time there is a change in the occupant of the White House? Or even worse than that, why should he be changed even when a different faction of some party gains control in such party? What official act has the postmaster to do that is involved in any partisan political question that has ever been fought out before the American people? If the people of any place are getting good service in the post office and are satisfied with the administration of the local office, why should all this be changed simply because a different administration is in power in Washington? The new postmaster, who may be an excellent man, but who has perhaps never seen the inside of a post office, takes control not because of any superior qualifications for the office that he possesses but because he agrees with the party in power on the tariff or on some other question of national import.

We have placed under the civil service thousands of clerks and post-office officials, but they are all in the lower ranks. The captains and the generals are still put in and put out according to the unreasonable and unjust commands of partisanship. The new man who goes in has to learn the duties of his office from the inferior official who remains in and who is beyond the control of partisanship. When he learns his duties, if he ever does, and becomes efficient, there has been, perhaps, another change in the national administration and the poor clerk has another educational campaign on his hands to instruct some new official in his official duties. There is not a single official duty to be performed by any man in the Post Office Department, from the Postmaster General down to the postmaster at the country crossroads, that is in any way, either directly or indirectly, connected with partisanship. The duties which they have to perform are defined by law, and no man can tell from an investigation of their official duties to what political party they give allegiance. This great Department can be likened to an enormous business institution. It comes in contact with all the people. Its official duties are clearly defined. Every business man depends upon its efficiency. Every society or organization—religious, educational, and even political—depends upon it in the transaction of its business. It ought to be a great business institution, absolutely divorced from politics, absolutely independent of partisanship, thus giving its army of employees an opportunity to give the best there is in them toward the development and improvement of the service. It can never reach the zenith of its usefulness and can never fully perform the functions it is intended to perform, and that it is provided by law it should perform, until it is taken out from under the domain of partisanship. We have improved it by putting the privates on a merit basis, but we still leave the captains and the generals to be bargained for and sold to the highest bidder on the partisan political pie counter.

The Government is entitled to the best service that every one of its officials can possibly perform. How can we get this service out of public servants if they are compelled to use their official positions for partisan purposes? How can we expect them to develop and improve the service when they know that their tenure of office does not depend upon their efficiency but upon the party spirit that controls and permeates the entire institution? How long could a great railroad corporation, for instance, remain out of the hands of a receiver if it provided that all its important positions should be filled for partisan reasons and not on account of efficiency? How many of us would want to ride on trains, if we knew that while perhaps the brakeman and the fireman were appointed because they understood their business, but yet the conductor and the engineer, who had charge of the train, were placed in control not on account of their knowledge of railroading but solely because they agreed on the tariff with the millionaire who owned the road?

What I have said about the Post Office Department applies with equal force, with perhaps one possible exception, to every other department of our National Government. It will also apply to nearly all positions, both State and National, in our entire country. Did it ever occur to you that 99 percent of the official action of every official from the President down to road supervisor, is in its very nature, nonpartisan? Who would want to take partisanship into our schools? Who would advocate the selection of teachers for partisan reasons? And yet, do we not elect county superintendents, State superintendents, and appoint officials in the educational bureaus, both State and National, mainly because of partisan reasons? Again we have permitted the privates to be selected because of their merit, but we have placed over them officials to control and outline their work, merely because these higher officials have a certain partisanship.

So I might go on through practically every department of Government and without exception, we would always find that those in higher authority are there on account of partisanship.

If government is to be administered for the benefit of all the people, and if we are anxious to attain the highest science and the highest degree of efficiency in government, then, as advised by the immortal Washington, we ought to restrain this party spirit. Partisanship has blinded and deceived the patriotic citizen, and the cry of party loyalty has misled the honest public servant. Unreasonable partisanship is the stepping stone by which the party boss climbs to his throne of power, from which he rules the destinies of political parties and controls the policies of a nation. The party boss is the political merchant. He deals and trades in offices, in measures, and in men as the merchant deals and traffics in merchandise across the counter. The circulating medium of his business is political patronage. It is the legal tender of payment for official favors and for special legislation. To him party solidarity is necessary for success, and obedience to decrees of self-constituted party leaders is paid for in the coin of his realm. His existence is detrimental to good government; it retards advancement, prevents improvement, and keeps the people out of control of their own Government. His business is expensive, but the deceived and misguided partisan citizen who has given him his power not only loses the benefits of good economical government, but he foots the entire bill of these evil methods when he pays his taxes. Without the spirit of rank partisanship, the power of the boss would fade away, his throne would crumble, and his machine would disappear. I am not denouncing party—I am not proclaiming against organization. Under present conditions parties are perhaps necessary, and organization is not only desirable but is absolutely essential. But when party or organization goes to the extent of coercion, then they have passed their usefulness, and, in the prophetic words of Washington, they have become a fire that instead of warming is consuming.

As contradictory as it may seem, the country needs a nonpartisan party that shall advocate freedom of thought; freedom of action, both in the citizen and in the public official; a public sentiment that shall demand of every citizen and of every official a service of country rather than of party; a sentiment that shall applaud rather than condemn any citizen who shall scratch his ticket and any public official who shall oppose his party whenever in his own heart he believes such action best for good government and the advancement of humanity and civilization.

I am aware that this sentiment will be regarded as party treason by political bosses and party leaders, and even honest, patriotic citizens who have long lived in a party rut and followed faithfully and without thinking, the party banner, will look with disfavor upon much that I have said, but I am firm in the conviction that the man who thinks and the man who is moved in his thought only in a desire for the betterment and the advancement of the people generally, must ultimately and inevitably reach the conclusion that in the highest type of government, in the ultimate happiness of all the people, such sentiments as I have expressed must and will eventually prevail.

If those who believe otherwise are right; if to scratch a ticket or to bolt a party is party treason; if to criticize a party policy or refuse to follow the commands of a party leader is a party crime; if it is the duty of every member of a party to always vote his ticket straight; if to criticize a party policy or refuse to follow a party leader is unpatriotic, then our official ballot should not contain the name of any candidate. It would only be necessary to print the party names. This would bring us to a realization of the short ballot with a suddenness and a vengeance that would be surprising even if not demoralizing.

A nonpartisan administration of government, both in nation and in State, where every official without coercion, without fear of party punishment, would do his duty and perform every official act according to the dictates of his own conscience, would restore the government into the hands of the people and bring to us and our posterity the blessings of a real democracy. When partisanship controls and party loyalty is the supreme test of good standing, then party is placed above country and the rights of the people are surrendered to the control of the boss. We need public officials who do not regard public office so highly and do not love official life so dearly that they are willing to surrender their judgment to the dictates of party regularity, or sacrifice their consciences to the control of party leaders. We need an intelligent patriotic citizenship that shall defend such public servants in the performance of their official duties. I would rather suffer political death and be free, than to live forever in official luxury and be a political slave.

Every idea that I have advocated is in direct accord with the principles upon which the National Popular Government League is established. The measures for which this league stands would have been enacted years ago, had it not been for the rank partisanship that controls all political parties under our present system. The Gateway amendment, providing for an easier method of amending the Federal Constitution, Presidential primaries, the abolition of the electoral college, the initiative, the referendum, the recall, and effective corrupt practices acts, all will be enacted into law and become operative just as soon as we can abolish machines, partisan bosses, and free the citizens from the evil and vicious influence of partisanship. Through these measures the people will eventually get control of the entire machinery of government, and these measures will all be enacted as soon as they can receive consideration at the hands of a patriotic people, uncoerced by the blighting influences of partisanship.

Mr. NORRIS. Mr. President, I hold in my hand a long article containing 39 pages, most of which was published, but it is only a reiteration of what I have said here and what I have said elsewhere. I am not going to do more than call attention to it in passing.

I have here also a magazine article which I wrote a few years ago, since I came to the Senate. It was published and had quite a wide circulation, I thought. I want to

read an extract from that article. I have an idea that I have a right to believe that more or less of the people of the country read it and were acquainted with my attitude. It is the same thing over again. If I printed it, it would be only a repetition of what I have said, though in different language, in the address which I have just had printed in the RECORD. But I want to read this extract:

Where is there an official act of the Department of Justice that is in any way connected with partisanship? The Attorney General, the judges, the prosecuting attorneys, the marshals, and the deputies, all have official duties in no way and in no sense partisan, and yet every one of them is put into office on account of partisanship. It does not follow, of course, that we always get bad men, but it does follow, when such an illogical system is in vogue, that we necessarily get incompetent men who use their offices for the purpose of controlling votes, for the purpose of keeping the machine to which the officeholder belongs, in control, however incompetent and corrupt. Efficiency and economy are secondary considerations.

Further on in that article I said:

Partisanship blinds the reason of honest men. It causes men who are honest and patriotic to violate every principle of business and of justice, and they do this at a time when the welfare of all the people is at stake. They would not honestly in business, in church, or in social matters, but when it comes to politics they disregard all such considerations, and follow blindly and without reason the command and dictates of a party boss.

Mr. President, it was during the Sixty-fourth Congress, while I was still a Member of the House of Representatives, that I was invited to deliver an address in the city of Philadelphia before the Thirty-fourth Annual Meeting of the National Civil Service League. I have in my hand a copy of that address. I said there at that time as a part of that address:

And so we go on from one administration to another, from one faction in a party to another faction in the same party, dealing out these positions as though they were the personal property of whatever political machine happened to be in control. Why should not this great Department be operated upon a business basis? What corporation could do business in a similar way and be kept out of the hands of a receiver?

Further on I said:

Our Post Office Department ought to be the most proficient and scientifically operated corporation in the world. It will become such if we eliminate politics and provide for appointment and promotion of the various officials in the Department on account of proficiency and demonstrated ability.

Mr. President, I ask unanimous consent to print at this point in my remarks the address to which I have just referred.

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

THE APPLICATION OF THE MERIT SYSTEM TO POST OFFICES OF THE PRESIDENTIAL CLASS

By Senator George W. Norris, of Nebraska

The subject assigned me for discussion is "The application of the merit system to post offices of the Presidential class." There is no argument in favor of putting postmasters into the classified service that does not apply with equal force to all other positions in the entire Post Office Department. This is only another way of expressing the idea that the Post Office Department should be taken out of politics. It may be said in passing that no argument can be made in favor of taking the Post Office Department out of politics that does not apply with equal force to practically every department of Government. It applies also to every State, county, and municipal government in the United States. I prefer, therefore, to discuss the question upon the broader phase—the application of the merit system to the entire Post Office Department, or, to put it in a still broader sense, I am in reality discussing the question of eliminating partisanship from governmental affairs, and am using the Post Office Department only as an illustration. Partisanship has always been recognized as one of the great evils of government. The framers of our Constitution never intended that partisanship should gain the enormous power that it has attained in modern times. It has always been recognized as an evil, and its injurious and demoralizing effects are pointed out by Washington in his farewell address. Its baneful and injurious effects are felt wherever it exists. It is an enemy to efficiency, economy, and honesty. Its withering influence contaminates everything with which it comes in contact. Political parties ought to be only instrumentalities of government, rather than government an instrumentality of party. Partisanship is the cohesive force that keeps together every political machine on earth. It is the food on which political bosses feast and grow fat. It is always nourished and kept alive by political patronage or money, but usually by both. The political boss deals in patronage like the merchant handles his wares over the counter. He sells offices and the recipients must give value received, either in political work, official favors, or in cash, through political contributions. He is not interested in efficiency, economy, or honesty in government. He is only interested in party control and in party distribution of patronage. He considers the welfare of the people as secondary to party solidarity, party control, and party favor. Through the instrumentality of patronage he controls legislatures, Congresses, Governors, and even courts and Presidents. Every public official, regardless of what position he occupies, ought to cease to be a partisan the moment he goes into public office. In every official act that he performs and in every official appointment that he makes he ought to be guided only by the good of the service and not be influenced by the control of the party.

There is no place in official life, from the President in the White House down to the school moderator in the country, where any official act or any official appointment ought to be influenced or controlled by partisanship. Our country would hail with delight any proclamation from the White House that the President of the United States had decided that in all of the various departments of our Federal Government partisanship should have nothing to do with appointment to office and that no official action of any Federal officeholder should be controlled or influenced by party considerations, but that every appointment to office and every promotion in office and every official act by any officeholder should have for its sole object honest efficiency. It has been the aim of honest, progressive citizens the country over for many years to take various positions of Government out from under the control of partisanship. This idea was the origin of the civil service law. Much has been accomplished in this line and yet but small headway has been made. Unimportant and insignificant positions—those of small salary—have been placed under civil service, but the important positions, where the responsibility is great and the salary large, are still subject for traffic and sale across the political pie counter. The object of the civil service is to improve government, and it is a remarkable fact that there has never been an instance where a political position has been placed in the classified service that the same has ever been put back under political control by the people themselves. And there has never been an instance where positions have been thus classified but what improvement in government has resulted.

The Post Office Department of our Government does business and comes in contact with more people than any other department of this or any other government in the civilized world. We are daily dependent upon it for the success of our business enterprises, for the education of our children, and for the happiness and comfort of all our people. If its operations should be suspended for 1 day, we would be completely lost in a maze of bewilderment. It does not cease its work and its operation when nightfall empties the counting house, closes the business office, empties our schools, and drives the busy life from off our crowded streets; but while we are slumbering in peace, recruiting and renewing our strength for a new day, its employees and faithful servants are toiling during the weary hours of the night in the performance of their various duties, separating, on busy pounding railways and in countless post offices, the millions of missives, messages, and documents that shall on the coming morning be promptly placed in the waiting hands of millions of our citizens. In all this great Department, from the faithful rural carrier who delivers mail to the ranchman far out on the western plains to the Postmaster General who sits in his luxurious office in our Nation's Capital, there is not a single, solitary duty to be performed by any of its countless employees and officials that is either directly or indirectly of a partisan, political nature. Altogether they constitute a great army working with ceaseless vigor for the success and happiness of all the people, regardless of creed, religion, or politics. There is nothing equal to it in all the civilized world. The work of this great Department could not be performed with any degree of efficiency if a very large number of its 300,000 employees were not already classified under the civil service, and it is because a large majority of these public servants are thus classified that its present efficiency is kept up. And yet the honest citizen must be shocked when he realizes that this classification applies only to the inferior position. The men and women who do the actual work but who draw the smallest salaries—in reality the privates—are all under the civil service.

The important positions—those in which the higher salaries are paid, the major generals, the colonels, the captains, and the lieutenants in this vast Army—have been appointed and hold their positions because of political activities in behalf of some political party or some faction of some political party, or some particular public official. They are subject to removal and are as a rule removed whenever there has been a change in one office, the Presidency. (If we would at one stroke remove from office all of the persons in the Post Office Department who are now under civil service, the Department would collapse; it could not perform its various functions. On the other hand, if all of the political officeholders in the Department were at once removed and no one kept but the civil-service employees, the Department could go on almost indefinitely in the regular routine of its business.) I have in mind a first-class post office in the capital of one of our States, where a new postmaster was appointed and before he had learned even the routine duties of his office he died. The place remained vacant for several months and then another postmaster was appointed, and before the faithful classified servants of the office had taught him his duties, he also died. The office then again remained vacant for quite a long time, when the third postmaster was appointed. In reality, there was a

vacancy in this office for over a year. In fact, it was worse than a vacancy, because it was necessary when these various appointees went into office, for classified officials in the office to spend a good portion of their time in teaching them their new duties. And yet, during all the time of this vacancy, the patrons of the office could not have told from the management of the office itself that there was any vacancy in the postmastership. The records of the Department at Washington will likewise show that all the work of the postmaster had been carefully and properly attended to by appointees in the office under the classified service. Can anyone give a reason why the postmaster at Philadelphia, for instance, should be dismissed and a new man employed to take charge of that great office simply because there has been a change in the Presidency of the United States? What official connection does the postmaster at Philadelphia or any other city have with the Presidency? There are nearly 8,000 Presidential offices in the United States, and almost without exception these men have all been selected not because of any knowledge they possessed of the duties pertaining to the office or their understanding of the various workings of the Post Office Department, but because of their political activity and influence in their respective communities in behalf of some political party or some political candidate. Why are these offices made the personal property of political officials? As long as this method prevails the Post Office Department must of necessity be a great political machine. Ability to perform the duties of the office are desired, but such proficiency is a secondary consideration. The first and controlling reason is one of pure partisanship. The office is given to the man who has done faithful political service and who it is believed will be able to do the best political work for some party or official in the future. But after the postmaster has served several years and has been duly instructed by the faithful classified clerks, and has reached a reasonable proficiency in office, there has perhaps been a change in the political control at Washington, or what will have the same effect, a different faction in his own political party has gained ascendency and he must be removed and another man put in his place, who is equally without any particular qualification for the office, and again, the faithful assistant postmaster will have a new student to take instruction as to his public duties.

And so we go from one administration to another, from one faction in a party to another faction in the same party, dealing out these positions as though they were the personal property of whatever political machine happened to be in control. Why should not this great Department be operated upon a business basis? What corporation could do business in a similar way and be kept out of the hands of a receiver? Let us compare it, for a moment, with the great Pennsylvania Railway system. When the president or other controlling official of that great corporation finds an agent in some little country town who shows some particular ability beyond the scope of that required at his particular station, he promotes him and gives him a better position at an increased salary, and his promotion and his salary increase depend entirely upon the proficiency which he shows in the various positions he holds. Men are presidents of great railroad corporations who formerly worked on the section, and it is a well-known fact that such men make the best managers of such great institutions, because they know every detail of every position from the bottom to the top. Our Post Office Department ought to be the most proficient and scientifically operated corporation in the world. It will become such if we eliminate politics and provide for appointment and promotion of the various officials in the Department on account of proficiency and demonstrated ability.

The practical question at once presents itself: How can we bring about this much-desired improvement in the Department? What law must be passed in order to take the Post Office Department entirely out of politics and place it in the merit system? Technically speaking, we cannot put the Postmaster General into the civil service. He is the head of a department, and the Constitution provides that the heads of departments are to be appointed by the President, and we can not take this appointing power away except by an amendment to the Constitution; but the Constitution also provides that the President shall appoint the members of the Supreme Court, and yet the Supreme Court is entirely removed from political domination. Why could we not apply the same principle to the Postmaster General and take him, also, out of the realm of politics? It would be a very easy matter to provide by law for the appointment of the Postmaster General for a long term of years, or even during good behavior, and thus place him as far beyond politics and political control as are members of the Supreme Court. Then it could be provided by law that all other appointments in the Department should be made by the Postmaster General, and that he should make such appointments from lists made up by the Civil Service Commission, the same as all other classified appointments are made. It would be very easy to state in the law itself that it was the intention of the lawmakers, and that it should be the duty of the Postmaster General, to place the Department entirely upon a civil-service basis. The law should also provide for the transfer of officials from one branch of the Department to another, and for the promotion under civil-service rules from one post office to another. If these simple changes were made in the law the Post Office Department would at once become a nonpartisan institution, a great governmental corporation, organized upon scientific lines, performing a purely nonpartisan service for all of the people.

I am not finding fault with any of our postmasters. It is the system by which they are appointed and removed that is to blame. Every postmaster knows that he will lose his position just as soon as his party loses control of the Presidency, or what is equally uncertain, just as soon as his faction in his own political party loses its control of that party.

With this uncertain tenure a postmaster cannot be expected to give his best efforts to the Department. He must hold on to his business or profession, because he knows it will probably not be long until he will be put out of office and again be dependent upon his own efforts for a livelihood. The result is that while he performs his official duty his mind is upon his private business; while he is working with his hands for the Government his mind and brain are following private lines of business. That he should neglect his official duties under such circumstances is not only probable but perfectly natural. The Government pays him a salary sufficient to receive all his time and all his ability. If he shows exceptional proficiency, it ought to be possible to promote him in the Service; and yet he knows that this is impossible, and the result is he does not and cannot be expected to devote his mind and his energy to the improvement of the system or even to the increasing of its present proficiency. This is not true of any business concern in the civilized world. From the very nature of things the postmaster is a politician. It is probably because he was a politician that he secured the office, and since his very official existence depends upon politics, he continues to be a politician. It would be wrong, as long as present conditions exist, to expect him to do otherwise. If our Post Office Department were placed in the civil service, and the few changes I have suggested were made in the law, it would be possible for a rural carrier away out on the western plains or a postmaster in a country town or a railway-mail clerk to advance step by step and eventually, on account of his own demonstrated ability, become postmaster of one of our great cities or one of the Assistant Postmaster Generals in the Department at Washington. If this were possible, the Post Office Department would take on new life. Its proficiency and improvement would be continually on the increase. Every employee would be moved by a laudable and honest ambition to improve his own condition and increase his own salary, which he could only do by increasing the proficiency of the Department itself. Men and women, instead of going into the Department for temporary purposes, would enter it as a life profession. Postmasters, instead of devoting their time and attention to their private affairs, would devote all of their ability and all of their energies to their official duties, and the results would certainly appear in the betterment and the increased proficiency of the entire Department. It would become a profession where ability and competency would be displayed for the improvement and the economical administration of the burdens.

The adjustment of the Post Office Department along the line I have outlined would bring about many economies. In the first place, it would be possible to reduce the salaries of some of the larger post offices. Postmasters holding such positions would gladly welcome such a reduction, if the tenure of office were made dependent upon faithful service, and if upon such faithful service they would be entitled to promotion and were relieved from political contributions. From a careful investigation that I have made, I am confident that a million dollars annually could be saved in this item alone. But the greatest improvement would be in efficiency of service and economy of management. Every employee of the Department would at once become an earnest and enthusiastic instrumentality for the improvement and development of the service. He would not only be working with his hands, but he would be working with his brain. The Department would get the benefit of his thought as well as his physical labor. Improved methods and better service would naturally be developed everywhere. One-cent postage would come as a natural result of the many improvements and economies that would be brought about. The Department would, in addition to this, be self-sustaining.

No man can foretell the extent of improvement and development that would be brought about, but that it would be great and far-reaching there can be no possibility of doubt.

But greater and above all would come the lesson that such a system would teach to the country. The merit system applied to the Post Office Department would be a beacon light that would soon educate the public sentiment of the country to a point where it would be demanded that the same system should be applied to all other departments of Government. The beneficial effects of the system would extend into States, counties, and municipalities. The traffic and trading by the political boss in public office would cease; proficiency in public service would become the watchword, and there would be no end to the reform until the thought was thoroughly emblazoned in every patriotic heart, that public service should be, and must become a public trust, and that the retention of official position must depend upon honesty and proficiency.

Mr. NORRIS. Mr. President, the Senator would not find that in the records probably, but it is a part of the public history of the United States. I happen to know—and I would not mention it if it were not partially as a matter of self-defense—that the address attracted the attention of the Post Office Department of the Government of Cuba. I had an official communication from the official there who corresponds to our Postmaster General, who was attempting to

reorganize that department in Cuba, asking for copies of the address. Copies of the address have been sent to all parts of the United States. Those who believe, as I do, that the Post Office Department ought to be on a nonpartisan business basis have by the thousands read that address. I assume that even Members of the Senate might sometimes have read it or read comments upon it.

Mr. President, I have received today an editorial from the St. Louis Post Dispatch commenting upon the debate in the Senate the other day. I ask unanimous consent to print it in the RECORD at this point in my remarks, because it has a tendency to show and does show and say that this is a fight in which I have been engaged from the very beginning of my public service. It says that truthfully. I ask unanimous consent to print the editorial at this point in my remarks.

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

[From the St. Louis Post Dispatch, Apr. 27, 1934]

THESE DEMOCRATIC SPOILSMEN

Senator NORRIS tried to make statesmen out of the pie-counter politicians on the Democratic side of the Chamber. He failed. He was asking them to support his amendment to the bill guaranteeing the home-loan bonds. The amendment's purpose was to purge the Home Owners' Loan Corporation of politics.

That was too much for the Democrats, even though the President had pointedly approved the Norris proposal, going so far even as to suggest that politics ought to be barred from all the Federal relief agencies. All but five of the Democratic Senators went on record as spoilsmen, unafraid, and hungry. The five who subordinated party were Senators LOGAN, of Kentucky; THOMPSON, of Nebraska; POPE, of Idaho; MCCARRAN, of Nevada; and THOMAS, of Utah.

The Nebraskan spoke feelingly. He called the Democrats "job hunters." Their action, he said, "comes mighty near condemning Roosevelt." He warned them of the political consequences, predicting their vote might defeat Mr. Roosevelt for reelection, were the contest close. He might as well have talked to so many sea gulls.

From the Democratic side, NEELY, of West Virginia, attempted a defense. His wit was heavy-footed. His political reasoning was dull. He cited the fact that the present administration is in power by the greatest majority in the history of the Republic. He evidently forgot the fact that the administration immediately preceding this one was also seated by a verdict that cracked the "solid South." Yet it was repudiated. Why? For many reasons, of course, but among them don't forget the passage of the Hawley-Smoot Tariff Act—in violation of the party's platform pledge; in flagrant defiance of public sentiment, expert economic protest, and the remonstrance of the party press.

Senator NEELY and his fellow spoilsmen, too, have forgotten another warning that was issued on the floor of the Senate. Again a Republican was speaking. He was addressing his Republican colleagues, many of whom had made a point of retiring to the cloakrooms as a gesture of disrespect. It did not perturb or embarrass old fighting Bob La Follette, who assured the absentees that most of them would vacate their seats permanently after the next election. They did.

So may these Democratic partisans, who think relief agencies should be manned by Democrats; who are voting to spend the people's money to provide jobs for Democrats; who in these difficult times, which challenge the very best in all of us, and especially those in high places, cannot rise above the dead level of greedy partisan politics.

Fortunately, we have always had some men in public life who were better than their party. NORRIS, of Nebraska, has been better than his party, oftener and more conspicuously and courageously so, we believe, than any other official. Mr. Roosevelt is better than his party in urging the adjournment of partisanship. The Republican Party has been brought to its present destitution by reactionaries who could neither see so clearly nor think so honestly as Senator NORRIS. Perhaps the reactionary Democrats, incapable of following Roosevelt's nonpartisan lead, will do the same thing to the Democratic Party.

Mr. NORRIS. Mr. President, it has been embarrassing for me to take up this matter, because I have been talking entirely about myself and about my own record. I should not have done it under any circumstances if this question were not near and dear to my heart; if I had not believed that the record as it was made the other day by the Senator from Kentucky [Mr. BARKLEY] and the Senator from West Virginia [Mr. NEELY], without their intending to do me any harm, had left me in a false attitude. I should not have cared for that if I had thought I was going to be here as long as the CONGRESSIONAL RECORD will be here. While, for a great many purposes, the CONGRESSIONAL RECORD is a burial ground, I realize that the RECORD is going to live long after I am gone. I do not expect to be here long. I cannot, from the very nature of things, expect such a thing; but as I go out I want my record to be right.

I have sacrificed more than any Senator knows for the record I have made. Wrong it may be. However wrong and bad it may be, I have made sacrifices that perhaps no one else here has; and when I was charged, as I was the other day on the floor of the Senate, with trying to bolster up my party and embarrass the other party when it was in power, I felt that I could not let such an imputation stand without contradicting it. I want the RECORD to show what the truth is. I want my countrymen to know that I have been true to the faith, whether it is right or wrong; that I have never deviated from the straight and narrow path I have advocated for years.

Mr. President, to a great extent I have been an outcast in my own party because of my advocacy of these principles. Many times I have been fought desperately by the leaders of my own party, when my political life was at stake, because I had dared to be what they called irregular. I have been criticized, I think, honestly, by those who believed that a man ought always to obey his party dictates. When I was a Member of the House of Representatives I was one of those who helped to bring about the abolition of the secret caucus of parties over there. I denounced them publicly. I denounced them on the floor of the House. My remarks are in the CONGRESSIONAL RECORD.

I have addressed audiences all over the United States on the subject of the fight there about secret caucuses.

I have tried my best to secure the enactment of some of these reforms, and have almost always signally failed. That does not mean that I am wrong. I still believe that the honest, patriotic citizen who believes as I do about these matters is in the majority; and I believe, as I said in one of these addresses, if Senators will do me the honor to read it, that on of the things we ought to have is a party that will say, "When we are administering office, when we are dealing out positions for those who conduct business transactions, we will have the appointments made on business and nonpartisan principles." I believe such a party can go before the people with that kind of a defense for its action and be successful against any political machine that human ingenuity has ever put together.

In connection with some of these bills during the time my party was in power I fought against all kinds of obstacles. As I said, I have been denounced. I remember that when one of my colleagues here was talking with President Coolidge about me in some way—they were talking about patronage and they drifted to me—President Coolidge said to him, "The trouble with Senator NORRIS is that he will not cooperate."

President Coolidge told the truth. I do not believe in the kind of cooperation that he meant. You all know what he meant and anybody who has had any experience with Congress knows what he meant. We can cover it up and laugh it off as we please, but it is true nevertheless. We ought not to "kid" ourselves about it. We ought not to "kid" ourselves that the country does not understand it.

They know all about it; and I think—although again I may be wrong—that the great majority of the American people are disgusted and tired and sick of the way one political party promises to do better than the other, and when it gets into office it does the same old thing over again, and when its members are criticized for it they say, "Why, our predecessors, the other party, did that, and we are no worse than they were."

I should like to see the time when we would have a President of the United States who would issue an order, for instance, at the beginning of his administration, which would say, "From henceforth the Post Office Department under my administration is going to be nonpartisan. It is going to be a business institution. We are going to conduct it on business principles." I think the people of the country would say "amen" to such an announcement.

Of all the Presidents who have been in the White House since I have been here, I believe the one who comes nearest to believing in that kind of a doctrine is the man who is

there now. He stood out for this amendment against his own party and said it was right. He asked that it be enacted into law, and his own party in the House and in the Senate would not do it. I do not criticize them. If they thought it ought not to be put in the law, it was their duty to keep it out; but I say that I think President Roosevelt comes nearer to trying to conduct the business of the Government on business principles than any other President who has been in the White House since I have been in Congress. I want to help him. I want to help him in that line even if I disagree with him on some others. If we could do that one thing, while it is not enough, while we ought to do other things, I think it would go further than any other one reform to put this Government back into a condition of prosperity, to enable it to conduct its business on a business basis, and give to the people of the country an administration of its laws that would be more satisfactory than any which has come before.

Mr. President, I am not finding fault with the men who criticize me. That is not what I am trying to defend myself against. I am not finding fault because the political machine ran over me. It has run over me so often in the past 30 years that it does not hurt any more to have it run over me. I am used to it. It is almost a daily occurrence, or was until the present President came into office. That is not what I am complaining about. Let no one get the idea, either, that I am "sore", or that I feel harsh toward Members of the Senate who have not voted as I would vote. I am sorry. I believe the time will come when their descendants will realize that I am right. I want my record kept straight. On some things I would not care so much; but here is a fundamental cornerstone of my political philosophy, and I want to defend it here, elsewhere, now, and evermore, until I am convinced that I am wrong. I think more of it than I do of any other one thing in the Government.

I have often been laughed at. I have been abused. I have been practically driven out of one party, with no place to go, as it might be said; but I have still tried to keep that faith. I am going to keep it. Senators can criticize my record; they can say that I am wrong, and I will not feel hard nor hurt. That is their privilege; but they cannot with my consent place in the RECORD anything which will put me in a false light on a fundamental principle which I believe to be one of the most important in the Government. I think they are wrong; but I believe also that the words of the Savior as He was nailed to the cross are applicable to the circumstances here, and I use His words:

Father, forgive them; for they know not what they do.

Mr. NEELY. Mr. President, in order that the record may be kept perfectly straight, and that all who run may correctly read and determine whether I have spoken unfairly or ungraciously of the able Senator from Nebraska in the debate to which he has referred, I invite attention to page 4818 of the RECORD for the 19th day of March, where the following appears as a part of my remarks on the Norris amendment:

Let me very explicitly and emphatically assert that I believe the Senator from Nebraska is actuated by the purest of motives and the most patriotic of desires in urging the adoption of his amendment. But, unhappily the Republican reactionaries who are so enthusiastically, gallantly, and unanimously following the leadership of the great Nebraska progressive on this occasion know that to make the Home Owners' Loan Corporation nonpartisan will be to make it eventually solidly Republican, in spite of the intentions of the Senator from Nebraska to the contrary.

Later in the same address I said:

Let me pay my sincere compliments to the great Senator from Nebraska and measure my words when I say that in my opinion, excepting George Washington, Thomas Jefferson, and Abraham Lincoln, the United States Government owes him more than it owes any other American citizen, living or dead.

That is my estimate of the Honorable GEORGE W. NORRIS, the greatest progressive since the Crucifixion.

In the speech of which the Senator complains I did not say that he had not been nonpartisan, not that he had not advocated nonpartisanship under Republican administrations. What I did say was as follows:

I have searched the RECORD and had it searched for the full period that the Senator has served in this body in a vain effort to find where the Senator from Nebraska under a Republican administration ever attempted as vigorously as he is attempting now to have a great governmental department made nonpartisan.

Mr. President, by that statement I still stand. I still believe it to be justified. If anyone will produce an address delivered by the Senator from Nebraska in which he, under a Republican administration, spoke as vigorously in favor of nonpartisanism in government as he spoke in support of the Norris amendment and in favor of the rejection of the conference report last week I shall publicly apologize to him and to the Senate for what I have said.

No one can go before me in believing that there is not a more sincere or worthy statesman than Senator NORRIS on this planet. I was unhappily compelled to believe that the adoption of his amendment would prove injurious, both to the public and the political party now in power. In the circumstances I spoke and voted against it, according to the dictates of my conscience and my judgment.

The Senator's public service is one of the great treasures of the Republic. His record shines with the brilliancy of the morning star. I rejoice in believing that it will be the inspiration of millions of American patriots a thousand years after all of us shall have passed away.

APPROPRIATIONS FOR URGENT NEEDS IN PUBLIC SERVICES

Mr. McKELLAR. Mr. President, the Senator from Virginia [Mr. GLASS] has moved and secured a reconsideration of the votes whereby House Joint Resolution 332 was read the third time and passed. I ask unanimous consent that the joint resolution may be laid before the Senate at this time for the purpose of offering an amendment to it.

Mr. McNARY. Mr. President, I do not recall the incident to which the Senator refers. Will he not make a statement as to the purpose he has in mind?

Mr. McKELLAR. Yes, Mr. President.

The joint resolution provided that a fund of $35,000 be appropriated for the use of certain investigating committees of the House. It also provided for three other appropriations. The Senate, in the legislative appropriation bill, appropriated $150,000 to be used by the Committee to Audit and Control the Contingent Expenses of the Senate. That bill has not as yet become a law, and probably will not for some time. The Committee on Banking and Currency owes a considerable sum for expenses, and it is very necessary to have the contingent fund replenished.

Mr. McNARY. Is it the intention to replenish the contingent fund of the Senate?

Mr. McKELLAR. That is all that is provided.

Mr. McNARY. Then I have no objection.

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

There being no objection, the Senate proceeded to consider the joint resolution (H.J.Res. 332) to provide appropriations to meet urgent needs in certain public services, and for other purposes.

Mr. McKELLAR. I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 1, after line 6, it is proposed to insert the following:

SENATE

For expenses of inquiries and investigations ordered by the Senate, including compensation to stenographers of committees at such rate as may be fixed by the Committee to Audit and Control the Contingent Expenses of the Senate, but not exceeding 25 cents per hundred words, fiscal year 1934, $150,000: *Provided*, That except in the case of the Joint Committee on Internal Revenue Taxation no part of this appropriation shall be expended for services, personal, professional, or otherwise, in excess of the rate of $3,600 per annum: *Provided further*, That no part of this appropriation shall be expended for per diem and subsistence expenses except in accordance with the provisions of the Subsistence Expense Act of 1926, approved June 3, 1926, as amended.

The amendment was agreed to.

The amendment was ordered to be engrossed, and the joint resolution to be read a third time. The joint resolution was read the third time, and passed.

MUNICIPAL DEBT READJUSTMENT

The Senate resumed the consideration of the bill (H.R. 5950) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

Mr. FLETCHER. Mr. President, I ask whether it is the intention that a final vote be taken on the bill tonight.

Mr. ROBINSON of Arkansas. It is not.

Mr. FLETCHER. I desire to discuss the bill for a few minutes. It will not take me long, I can finish in 5 minutes, and I will proceed if we are to get a vote tonight.

Mr. ROBINSON of Arkansas. Mr. President, a large number of Senators have left the Chamber under the assurance, from some sources, that a vote on the bill would not be taken this evening. Therefore I do not think it practicable to conclude the consideration of the bill today, although I hope it may be finished early tomorrow. I understand that is agreeable to the Senator from West Virginia [Mr. NEELY] and to the Senator from Nevada [Mr. McCARRAN].

Mr. McCARRAN. It is entirely agreeable to me.

RECIPROCAL TARIFF AGREEMENTS—ADDRESS BY SENATOR COSTIGAN

Mr. ROBINSON of Arkansas. Mr. President, on April 28, 1934, the senior Senator from Colorado [Mr. COSTIGAN], a former member of the United States Tariff Commission, during an address over the National Broadcasting System, in the course of a debate with the noted New York editor and author, Mr. Oswald Garrison Villard, assigned reasons for supporting the bill—H.R. 8687—now before the Senate for the promotion of foreign trade, which aims to invest the President with tariff-bargaining powers.

I ask unanimous consent to have the remarks of the Senator from Colorado printed in the CONGRESSIONAL RECORD and to lie upon the table.

The address was ordered to lie upon the table and to be printed in the RECORD, as follows:

ADDRESS OF SENATOR EDWARD P. COSTIGAN, OF COLORADO, IN A DEBATE ON THE "NEW DEAL AND THE TARIFF" WITH MR. OSWALD GARRISON VILLARD OVER THE NATIONAL BROADCASTING SYSTEM, WASHINGTON, D.C., APRIL 28, 1934

It gives me special pleasure to discuss the tariff and the new deal with Mr. Villard. For a generation he has consistently urged the material and human values of our national stake in international commerce. None have seen more clearly than he that fair trade is not one-sided but two-sided. Like the spirit of true religion, it blesses him who gives and him who takes. Mr. Villard affirms all this. He and I, therefore, will not contentiously debate, however, we may differ on methods. We do not accept the frequent fallacy that we do well to keep all our money and all our goods within our borders. That assertion both forgets and claims too much. If true, the rule should be extended to States, cities, and families, and the doom of trade between countries and human beings would be written by self-centered, noncooperative individuals deprived of many near-necessities and most of the luxuries of civilization.

TARIFFS STRANGLING INTERNATIONAL TRADE

We are agreed that excessive tariffs, including those of the United States, are strangling international trade, and that rationally reduced tariffs will do much to promote prosperity in a stricken world. Prohibitive tariffs, barring the commerce of nation after nation for a dozen years, following the short-sighted lead of this country, have been the ripe fruit of excessive nationalism, which is wealth retarding, not wealth creating. Our decline in foreign commerce, since the Tariff Act of 1930 was approved by President Hoover, has been staggering and a major factor in the continuing depression of almost 4 years since that law was enacted. In 1929 our combined imports and exports were $9,219,000,000. By 1931 these totals had shrunk to $4,515,000,000, a decline of 52 percent in imports and of 54 percent in exports below 1929. In 1933 our total of imports and exports had further shrunk to $3,124,000,000, a decline in imports of 67 percent and in exports of 68 percent below the figures of 1929. It is noteworthy that the proportionate decline in our foreign trade in those years was greater by some 11 to 23 percent than our parallel and combined decline in domestic manufacturing, mining, crops, and livestock.

What this drying up of commerce has meant in lost profits, diminished employment, and human misery in this country and abroad, informed persons know and the general public suspects. However, the real question now at issue is—what, if anything, can be done about it? A new deal is imperatively required. Whether liked or not, new remedies must be tried. Old medicines have lost their curative force. The hour has come to throw open the doors of welcome to the courageous leadership of new physicians, not passively but actively looking to public opinion to appraise benefits flowing from progressive trade improvement, until sanity and wisdom, without which the people perish, take command. Not without reason one discovers in Mr. Villard's opening remarks a note of pessimism over the probable slow progress of tariff-bargaining. True, other tariff-reducing plans, one by one, have been tried and cast aside. We must, however, not despair for we cannot afford despair. In such an hour gloom can become the barricade behind which standpat tariff beneficiaries take refuge in our disaster. Yesterday, in prosperity, their slogan was "Don't rock the boat." Today, in adversity, it is equally barren—"Nothing can be done." In contrast, what creative mind will hesitate to test the tariff-reducing, trade-enriching possibilities of moderate experiments with bargaining tariffs?

TARIFF-BARGAINING POSSIBILITIES

In such an era it is important to recognize that all tariff-bargaining gates are not closed. Following the last election, and before inauguration, I conferred with then President-elect Roosevelt with a view to securing, with the help of the United States Tariff Commission, for use in tariff bargaining, little-known facts showing profitable subjects and areas for advantageous trade agreements with leading foreign countries. Later I introduced in the United States Senate resolutions, which the Senate approved, calling for reports from the Tariff Commission. Those reports, long since printed, are in various respects distinctly creditable to the experts of that Federal agency and are now being used by governmental officials. If the proposed bargaining authority is given, the assembled material will helpfully assist President Roosevelt in negotiating advantageous agreements. I mention these facts to emphasize that there are larger possibilities of mutually beneficial commerce flowing from reciprocal trade agreements than critics of bargaining methods are prone to admit. Let me recall, solely for illustration, that the Tariff Commission's statistics on imports include lists of definite articles burdened by tariffs although those articles are not produced in this country; articles of which imports are less than 5 percent of domestic production, although even high tariff advocates profess to favor competition as a restraint on monopolistic prices; articles on which tariff duties exceed—in some cases far exceed—50 percent ad valorem; articles which are more or less not competitive with domestic products; and articles with respect to which foreign countries possess decided advantages in production.

It ought to be evident that among such articles will be found fertile opportunities for profitable trade bargaining to open closed markets to our products of farms and factories. There was a day, not beyond the memory of man, when our foreign commerce was a source of national pride as well as gain, and when ardent tariff spokesmen in this country would have denounced duties calculated to raise the price of domestic articles in excess of 50 percent above their imported value. In that day tariff rates exceeding 50 percent ad valorem would have been treated by most tariff advocates as extravagantly excessive. Today in high tariff circles all moderation has been dropped in pressing tariff demands of those who do not hesitate to use the national taxing power for their private profit. Noncompetitive as well as competitive articles are now indiscriminately chosen to support not competitive but prohibitive tariff barriers. The Tariff Commission's figures indicate that in 1931 and 1932 hundreds of commodities were being imported into the United States in quantities of less than 1 percent in each instance of our domestic production. As examples, among these articles, to choose at random, were denatured alcohol with a tariff duty equivalent in 1932 to 114 percent; linseed oil, 77 to 97 percent; toilet waters containing alcohol, 110 to 118 percent; salt in bulk, 59 to 68 percent; aluminum household utensils, 56 to 60 percent; and clocks and clock movements about 107 percent.

In another tabulation, which represents dutiable articles not produced in the United States in commercial quantities, will be found glass buttons with a duty of about 76 percent; pipes, not specifically provided for, 96 percent; hats and hoods of wool knit outer wear (not embroidered), 116 percent; hand-made lace of cotton and lace window curtains, not specifically provided for, of cotton and other vegetable fiber, 90 percent.

Clearly we have here illustrations of possibilities for trade expansion—in some instances by the reduction of duties to a minimum in exchange for bargaining advantages abroad; in others through the moderation of duties which will permit that competitive rivalry for markets which through most of our history has been regarded as a source of trade wealth and a wholesome check on monopolistic prices. The illustrations given are few, and the list might be greatly expanded, but it suffices to suggest that, in the tariff-bargaining field, many tariffs can be reduced without damage to domestic industries and with affirmative benefits to our commerce, industry, and the consuming public. It is not generally known that although many tariff duties in the tariff law of 1930 were inexcusably high at the time, changes in prices and the devaluation of money since that date have made those and other rates prohibitive, and far beyond the rates intended when the law was written, on literally hundreds of commercial articles. Here, too, is a fruitful field for tariff-bargaining. No inconsistency exists between such a program and the determination not to lower tariff duties to a point where any of our natural industries need be injured.

PROMOTING NATIONAL AND INTERNATIONAL WELFARE

It is probably unnecessary at this time to demonstrate further the need for a new approach to the solution of our tariff problems. With tariffs, as with other legislative subjects, it would

appear indispensable with ceaseless vigilance to attack unsound policies, however long practiced and seemingly deep-rooted. Not the least reason for trying tariff bargaining as a step toward lower duties, as proposed in pending legislation, is the fact that other methods have failed, too often for unworthy reasons, to produce tariff reductions, and that no other comparably promising program fits the present hour. Even in this period of intense nationalism there are many signs that America's intelligent tariff judgment has been subordinated by other issues rather than driven from the field, and that public opinion is disposed if, as, and when competitive conditions permit, under rational leadership, to lower its tariff barriers.

It appears certain that sane leadership in America today stands ready to resist selfish and log-rolling special interests, which alike in Congress and through the Tariff Commission, have at times used and abused the taxing power of our Government for their private profit, regardless of public needs and welfare. In concluding my remarks I, therefore, urge, in part:

That legislative steps be now taken in return for reciprocal reductions in foreign markets to bring about reductions of tariff duties, especially on manufactured articles, which are higher than required by reasonable competitive standards and conditions.

That reductions of excessive tariff rates be particularly pressed on bargaining lines with respect to the products of manufacturing industries, which are monopolistic in character, and in which price-fixing tends to eliminate the wholesome effects of desirable competition.

That future tariff levels be determined by our manifest national interest and tested by proven benefits to workers, farmers, and consumers.

That it is as proper in times like the present of acute farm distress, to use tariff instrumentalities, in one form or another, to stimulate more prosperous farm conditions, as it has been heretofore to subsidize industrial development.

That in broad terms our aim should be to provide suitable administrative machinery and to seek economic disarmament, here and abroad, by bringing about, where advantages outweigh disadvantages, reductions in foreign hostile and retaliatory tariffs simultaneously with reductions in our own excessive tariffs.

Finally, and speaking generally, that our national tariff policies be rescued from their present trend toward Chinese-Wall exclusion, with the definite goal of mutually profitable commerce with foreign nations, strengthening and improving international good will and friendship.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

Mr. McCARRAN, from the Committee on the Judiciary, reported favorably the nomination of Lon Warner, of Kansas, to be United States marshal, district of Kansas, to succeed Donald H. MacIvor, term expired.

Mr. ASHURST, from the Committee on the Judiciary, reported favorably the nomination of Alexander Murchie, of New Hampshire, to be United States attorney, district of New Hampshire, to succeed Raymond U. Smith, resigned.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The PRESIDING OFFICER (Mr. RUSSELL in the chair). The reports will be placed on the calendar.

TREATIES

Mr. ROBINSON of Arkansas. Mr. President, I ask that the treaties on the Executive Calendar and the first nomination, that of Daniel D. Moore to be collector of internal revenue for the district of Louisiana, go over for today.

The PRESIDING OFFICER. Without objection, the treaties and the nomination of Daniel D. Moore will be passed over.

CONFIRMATION OF WILLIAM A. ROBERTS

Mr. McCARRAN. Mr. President, on Saturday last the Senate confirmed the nomination of Mr. William A. Roberts to be people's counsel for the District of Columbia. On the day before I had asked that the nomination go over. I was absent from the Chamber when it was brought up on Saturday, and when I returned to the Chamber I asked that the vote be reconsidered.

I now ask that the vote whereby the nomination was confirmed be reconsidered, and that the nomination be placed on the Executive Calendar. In explanation, I desire to say that I make the request merely for the purpose of enabling me to make an investigation in order to satisfy myself as to certain matters, I being a member of the Committee on the District of Columbia.

Mr. McNARY. Mr. President, as I recall the incident, objection was made by the Senator during an executive session.

Mr. McCARRAN. On Friday.

Mr. McNARY. The nomination is still on the Executive Calendar, is it not?

Mr. McCARRAN. The nomination was confirmed on Saturday while I was out of the Chamber.

Mr. McNARY. I was not familiar with that circumstance.

Mr. ROBINSON of Arkansas. Mr. President, the nomination was acted on through an oversight. My attention was not called to the objection which the Senator from Nevada had made; and the request for reconsideration should be granted, without doubt.

Mr. McNARY. I have no objection.

The PRESIDING OFFICER. The Senator from Nevada asks that the vote by which the nomination was confirmed be reconsidered and that the nomination be returned to the Executive Calendar. Is there objection? The Chair hears none, and it is so ordered.

THE JUDICIARY

The Chief Clerk read the nomination of Anton J. Lukaszewicz to be United States marshal for the eastern district of Wisconsin.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COLLECTOR OF INTERNAL REVENUE

The Chief Clerk read the nomination of Alex McKenzie Vierhus to be collector of internal revenue, district of Washington.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. DILL. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination of Mr. Vierhus to be collector of internal revenue for the district of Washington.

Mr. McNARY. Mr. President, I objected on Saturday because sufficient notice had not been given through the publication of the calendar; but I have no objection today.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be notified.

COLLECTOR OF CUSTOMS

The Chief Clerk read the nomination of Mabel Gittinger to be collector of customs, district no. 44, Des Moines, Iowa.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

POSTMASTERS

The Chief Clerk proceeded to read the nominations of sundry postmasters.

The PRESIDING OFFICER. Is there objection to the confirmation en bloc of the postmasters whose names appear on the Executive Calendar? The Chair hears none, and the nominations of postmasters are confirmed en bloc.

That completes the Calendar.

RECESS

The Senate resumed legislative session.

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 31 minutes p.m.) the Senate took a recess until tomorrow, Tuesday, May 1, 1934, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate April 30 (legislative day of Apr. 26), 1934

THE JUDICIARY

UNITED STATES MARSHAL

Anton J. Lukaszewicz to be United States marshal of the eastern district of Wisconsin.

COLLECTOR OF INTERNAL REVENUE

Alex McKenzie Vierhus to be collector of internal revenue, district of Washington.

COLLECTOR OF CUSTOMS

Mabel Gittinger to be collector of customs, district no. 44, Des Moines, Iowa.

POSTMASTERS

COLORADO

Percy B. Paddock, Boulder.

FLORIDA

Jerome R. Barnes, Hollywood.
William P. Wilkinson, New Smyrna.
Marshall C. Pitts, Okeechobee.
Leslie D. Reagin, Sarasota.
James E. Wall, Sr., Tampa.
Cornelia Higgins, Warrington.

MAINE

John L. Tarr, Anson.
James B. Daily, Pittsfield.
Frank R. Madden, Skowhegan.

MICHIGAN

Florence E. Baldwin, Kingsley.

MONTANA

Ray M. Birck, Corvallis.
Robert Midtlyng, Deer Lodge.
Harry J. Andrus, Dillon.
Harry C. Hendricks, Helena.
Leanore K. C. Roderick, Outlook.
John R. Kruger, Plains.
George T. Farrell, Polson.
William A. Francis, Virginia City.
Lonnie T. Dennis, Whitefish.
Ray E. Willey, Wisdom.

NORTH CAROLINA

Rufas C. Powell, Denton.

TEXAS

Charles D. Grady, Keene.
Alide Schneider, Marion.
John W. White, Uvalde.

WASHINGTON

Fanny I. Jennings, Spangle.

HOUSE OF REPRESENTATIVES

MONDAY, APRIL 30, 1934

The House met at 12 o'clock noon.

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

Blessed be the name of the Lord our God; with true hearts may we bend ourselves at the altar of prayer. To Thy will may we be true and live in fellowship with our fellow men. By our knowledge, or in our station, forbid, Heavenly Father, that we should become indifferent to their necessities. Do Thou encourage in this Chamber the sentiment of brotherhood; let it work freely and gladly in all directions, alleviating any imaginary or real difficulties. We pray, blessed Lord, forgiveness may take the place of retaliation, sacrifice in the place of indulgence, and union the place of rivalry. Help us to magnify Thy mercies in the spirit of gratitude. Hearken, our Heavenly Father, when peace and contentment wrestle with worry and anxiety, strengthen us with the higher joys, which are heavenly and divine. Amen.

The Journal of the proceedings of Friday, April 27, 1934, were read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 8854. An act to amend the District of Columbia Alcoholic Beverage Control Act by amending sections 11, 22, 23, and 24.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 2442. An act for the protection of the municipal water supply of the city of Salt Lake City, State of Utah;

S. 3170. An act to revise air-mail laws; and

S. 3404. An act authorizing loans from the Federal Emergency Administration of Public Works for the construction of certain municipal buildings in the District of Columbia, and for other purposes.

UNITED STATES SUPREME COURT BUILDING

Mr. LANHAM. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 8889) to provide for the custody and maintenance of the United States Supreme Court Building and the equipment and grounds thereof, with a Senate amendment, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 2, line 19, strike out "as the Chief Justice may direct."

Mr. SNELL. Will the gentleman yield for a short question?

Mr. LANHAM. I shall be pleased to yield to the gentleman.

Mr. SNELL. As I understand, this is a unanimous report from the gentleman's committee, and is a minor amendment providing for something that should be done?

Mr. LANHAM. Yes; it was simply felt in the Senate that by section 4 of the bill certain minor matters of supervision were placed under the direction of the Chief Justice of the Supreme Court and that they would be unnecessarily burdensome to him. The Senate thought it unnecessary to impose such additional burden upon the Chief Justice.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendment was agreed to.

PERMISSION TO ADDRESS THE HOUSE

Mr. FULLER. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes after disposition of conference reports and other matters on the Speaker's table.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

THE TAX BILL

Mr. SAMUEL B. HILL submitted a conference report on the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes (Rept. No. 1385).

Mr. SNELL. Mr. Speaker, would the gentleman from Washington inform the House when it is intended to take up the conference report on the tax bill?

Mr. SAMUEL B. HILL. Tomorrow morning.

Mr. TREADWAY. Mr. Speaker, may I ask in this connection whether at this time the gentleman from Washington can give any indication as to whether or not he will allow an extension of time beyond the usual time for consideration of conference reports?

Mr. SAMUEL B. HILL. Mr. Speaker, I would not care to agree upon any extension of time at the present moment. I believe 1 hour is permitted under the rules, and I would not care to agree to any extension of time now.

Mr. SNELL. When the time comes, I am sure the gentleman will be a little more generous than he now indicates.

Mr. TREADWAY. Yes; and I thought he would be pleased to know that we hope to have additional time on this side to discuss the conference report.

Mr. SAMUEL B. HILL. I appreciate that.

CHICAGO WORLD'S FAIR CENTENNIAL CELEBRATION

Mr. SABATH, from the Committee on Rules, submitted the following privileged report (No. 1391), which was read and referred to the House Calendar:

House Resolution 360

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the

consideration of S. 3235. After general debate, which shall be confined to the bill and shall continue not to exceed 1 hour, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on the Library, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and the amendments thereto to final passage, without intervening motion except one motion to recommit.

EVA B. FRENCH

Mr. WARREN. Mr. Speaker, I offer a privileged resolution (H.Res. 341, Rept. No. 1387) from the Committee on Accounts and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 341

Resolved, That there shall be paid out of the contingent fund of the House to Eva B. French, widow of Samuel H. French, late an employee of the House, an amount equal to 6 months' compensation, and an additional amount, not to exceed $250, to defray funeral expenses of the said Samuel H. French.

The resolution was agreed to.

THE PETROLEUM INDUSTRY

Mr. COX, from the Committee on Rules, submitted the following privileged report (Rept. No. 1388), which was read and referred to the House Calendar:

House Resolution 364

Resolved, That there is hereby created a select committee to be composed of 5 Members of the House, to be appointed by the Speaker, 1 of whom he shall designate as chairman. Any vacancy occurring in the membership of the committee shall be filled in the manner in which the original appointment is made.

SEC. 2. The committee is authorized and directed to investigate the administration of the code of fair competition for the petroleum industry and such other person or persons as may have information pertaining thereto on practices obtaining in the petroleum industry as defined in such code, and on prices and production quotas effective since the approval of such code, with a view to ascertaining whether any such practice, price, or quota is unjust and inequitable to any interest involved; and if so, whether further legislation is necessary for the protection of such interest. The administrator of the code of fair competition for the petroleum industry is requested to cooperate with the committee in carrying out the purposes of this resolution.

SEC. 3. The committee shall report to the House during the present session of Congress the results of its (consultations and) investigations, together with such recommendations for legislation as it deems advisable.

SEC. 4. For the purpose of this resolution the committee is authorized to sit and act during the present session of Congress in the District of Columbia as a whole or by subcommittee at such times, whether or not the House is sitting, has recessed, or has adjourned, to hold such hearings, to require the attendance of such witnesses and the production of such books, papers, and documents, by subpena or otherwise, and to take such testimony as it deems necessary.

The chairman of the committee or any subcommittee thereof may administer oaths to witnesses.

ORDER OF BUSINESS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that I may proceed for 2 or 3 minutes to propound some inquiries to the majority leader, the gentleman from Tennessee [Mr. BYRNS]. May I ask what we are going to take up for consideration today?

Mr. BYRNS. I understand the rule making the Rayburn or stock-exchange bill in order will be called up.

Mr. RANKIN. It was my understanding the other day, and the understanding of a good many of us, that we were going to take up the Johnson bill first. This bill has been passed by the Senate. It has also been reported by the Committee on the Judiciary and a rule was reported from the Rules Committee, I understand, before the rule on the stock-exchange bill was reported. There are a great many Members who are interested in this measure and from the flood of propaganda coming to the Congress from the Power Trust and other utilities against the measure, it looks as if the whole country is interested in it. These insidious interests are trying in every way they can to influence Members of Congress against this Johnson bill and in favor of the Lewis amendment. We are very anxious to have this bill considered—and when I say "we", I mean a majority of the Members on this side of the House—and I want to ask the majority leader when we may expect to have the Johnson bill come to the floor of the House for consideration under the rule.

Mr. BYRNS. I may say to the gentleman that there will be such opportunity, of course. If the stock-exchange bill is taken up today, as I understand it will be, it will take several days to conclude its consideration, or, possibly, all the week. I have been informed that those who are in charge of the conference report on the revenue bill expect to call up that measure tomorrow. I do not anticipate it will take all day, but it will require, perhaps, several hours. I think then the decks will be clear so the bill referred to by the gentleman can be taken up. It was intended to take it up last week, but owing to circumstances with which the gentleman is familiar, it was impossible to do that, and, of course, it will have to await the consideration of the stock-exchange bill, which had been scheduled for today.

Mr. RANKIN. It was not necessary for it to be supplanted by this bill.

Mr. O'CONNOR. Will the gentleman yield to me? I reported the rule on the Johnson bill. We figured that it would take 2 days to dispose of that bill. It gives 6 hours general debate. I consulted the leadership of the House at that time, and it was distinctly arranged that it would follow the stock-exchange bill. It being a Senate bill there is not so much need for haste as if it were a House bill.

Mr. RANKIN. May we have the assurance from the gentleman from New York in charge of the rule and also the assurance of the majority leader that it will be taken up immediately after the disposition of the stock-exchange bill?

Mr. O'CONNOR. I am not an assurer; I take orders.

Mr. RANKIN. We have all the influences necessary to give us assurance——

Mr. COX. Will the gentleman yield?

Mr. RANKIN. Yes.

Mr. COX. The gentleman will recall the circumstances under which this bill is to be taken up. This is a major proposition.

Mr. RANKIN. I will say to the gentleman from Georgia [Mr. Cox] that I am not complaining that the stock-exchange bill is to be taken up. I am for that measure. I think it is very necessary. But I want the Johnson bill taken up next, and I express the sentiment and attitude of a large percentage of the House. What I want is an assurance from the leadership. What I want is some assurance that the Johnson bill will be taken up immediately after the disposition of the stock-exchange bill.

Mr. BYRNS. I want to say to the gentleman that there is not the slightest disposition on the part of anyone, so far as I know, to delay the consideration of the Johnson bill. As a matter of fact, I had expected it would be taken up last week, but the gentleman is familiar with the circumstances that interfered with that. The stock-exchange bill was scheduled for today; and inasmuch as we did not take up the Johnson bill last week, it will have to wait the consideration of this particular bill. Personally, I have no objection to the Johnson bill following this, as far as that is concerned. There are a number of crime bills which the Department of Justice is pressing for consideration. I think it will take but a few hours to dispose of those, and the gentleman knows the urgent need for the passage of those bills at this time.

Mr. RANKIN. The need for the passage of those bills is not as urgent, in my opinion, as the immediate passage of the Johnson bill. I want it understood that I am not criticizing the majority leader.

Mr. BYRNS. I can assure the gentleman that the Johnson bill will be taken up—there is no question about that, but there is a question whether the crime bills should be first considered.

Mr. RANKIN. I should like to have the Johnson bill taken up before the consideration of the crime bills.

Mr. O'CONNOR. I do not know whether the crime bills have been completed; we have not granted a rule from the Rules Committee.

Mr. BYRNS. I hope they will be taken up by general consent; I do not think there is any disposition to oppose them.

Mr. RANKIN. I understand; but the rule for the Johnson bill has already been reported. It was reported ahead of this rule that we are going to consider today. What we want is to have the Johnson bill taken up immediately after the disposition of the stock-exchange bill.

Mr. COX. The gentleman from New York [Mr. O'CONNOR], in charge of the Lewis-Johnson bill for the Rules Committee, has given the gentleman from Mississippi assurance that he will take it up at the first opportunity, which I understand to be very soon after the conclusion of the stock-exchange bill.

Mr. BYRNS. I shall not have any objection to that.

Mr. RANKIN. That is satisfactory. That will insure its passage this week.

LET PATRIOTISM CONTROL EXPAND MONEY CIRCULATION

Mr. STRONG of Texas. Mr. Speaker, I ask unanimous consent to extend by remarks in the RECORD by including an address that I delivered at Garfield Memorial Hall.

The SPEAKER. Is there objection?

There was no objection.

Mr. STRONG of Texas. Mr. Speaker, under leave to extend my remarks in the RECORD I include the following address made by me at Garfield Memorial Hall, Washington, D.C., April 26, 1934:

I am greatly honored by the invitation extended me to address this assembly concerning policies of government. I am aware of the responsibilities resting upon those who are chosen to participate in the administration of our Government's affairs and accept your invitation with a deep feeling of duty.

The greatest possession allotted to mankind is life. To protect life and property and aid the people in right living, in order that peace and happiness may prevail, governments are formed. Our patriotic forefathers endowed us with the greatest Government on earth, and if there ever was a time, since the Declaration of Independence was written, which demands patriotic service in behalf of all the people in our Government's affairs, that hour has arrived.

The citizen who answers his country's call in time of war is a hero and a patriot. When our country entered the World War, practically the entire citizenship of the Nation rallied to the flag, while our boys were at the front in France and did its full duty. A great victory was the result. We are now desperately battling to overcome a great business depression, which has caused more suffering of the people throughout the United States than all the wars in the history of our Nation. Winning this war against this awful depression will bring prosperity and happiness to the people. This requires heroism and patriotism such as was exhibited by all during the World War. Not dying for our country, but living for it; not hard fighting, but hard thinking in order that our problems of government may be solved, not in the interest of a certain class, but in behalf of all the people.

Patriotism and heroism, which means loyalty and unselfishness, must be as outstanding in public officials who administer our Federal, State, and local governments, as that exhibited by the true soldier on the field of battle when his country is involved in war. The people are thoroughly equipped to win this battle against depression and can win such a complete victory that the enemy "depression" can never enter this country of ours again. The founders of our Government placed the ballot in the hands of the people and this is the weapon with which to win this battle.

In 1928 there were 72,000,000 voters in the United States and only about thirty-six millions of these participated in the Presidential election of that year. In other words, only one half the number of voters of the Nation wielded the weapon (the ballot) placed in our hands to win all battles over wrong in our Government's affairs. We cannot win victories for right in that way. The enemies of good Government all vote at each election, and when only one half of the voters of the country are alined in battle it is easy for the enemy to win. Therefore, if we are to have a Government administered for the benefit of all the people, each voter must do his full duty in creating such conditions. This can certainly be accomplished by the sincere, intelligent use of the ballot.

If I fail to do my full duty in seeing that a government is maintained which will extend exact justice to all I should not complain if I suffer great injustice, for I am simply reaping that which I have sown. It is therefore a plain, open truth that we must do our full duty as citizens in order that peace, prosperity, and happiness may prevail, and life and property be protected. Let us remove all the splints and bandages and have a full-strength government rendering service to all the people.

As time advances there will be problems of government demanding our attention which must be honestly considered and properly solved, not in the interest of a few but for the benefit of all citizens. Let us bring our politics up to patriotism, our citizenship up to Christianity, and our ballot up to the Bible. If we will do this, all governmental problems will be settled right.

One of the great questions before the people for their adjustment today is the financial system of our Government. I am sure all citizens who have given the matter serious and unbiased study are satisfied the awful business depression, which has brought untold suffering to millions of our people, was brought about because of insufficient money in circulation. This can be easily adjusted, if we earnestly and intelligently determine to undertake the task.

In discussing finances, I am reminded of a statement made by a good friend who has given the question of finances special study for many years, and has much knowledge of all its phases. He says, many citizens believe the money problem is so intricate that only a few experts possess knowledge of same. He claims the circulation of money is as simple as the circulation of water through a water system and illustrates by saying: "A man is on the water main near a cut-off with a wrench in his hand. This man can easily regulate the quantity of water flowing through the entire system. He can give the exact amount required, or refuse to allow the necessary amount to circulate, or cut off the water supply entirely." This is a splendid illustration, and will rightfully appeal to anyone who will unselfishly consider this question. The Constitution of the United States plainly states that Congress shall issue money and regulate its value. Congress has not obeyed this plain mandate of the Constitution, but has permitted this important function of our Government to be controlled by a few malicious manipulators who have conducted the financial system in a manner that has brought ruin to the business interests of our country, and caused the depression which has prevailed the past few years, which has brought awful suffering to millions of our people.

Had someone announced a few years ago there would soon come a time when our country would be overflowing with food products and clothing material but there would be millions of people suffering in that period, because they could not procure necessary food and clothing, that person would have been pronounced insane. That condition has prevailed for several years, and is so contrary to the truth we could not have believed such could have possibly occurred had we not witnessed same with all its intense suffering. Congress is vested with power to bring relief by establishing a financial system which would forever prevent the return of business depressions.

When relief of the people is mentioned by expansion of the circulation of money, these malicious manipulators of our money system begin to yell, "Fiat money", "Printing-press money", and spread their malicious propaganda all over the country, through the newspapers and otherwise. They know that money issued as the Constitution provides would be the best money on earth. But these manipulators want money to be scarce in order that the rate of interest will remain high, and leave them in absolute control. They are the same class of people our Lord scourged from the temple. They scorn the Ten Commandments and the Sermon on the Mount.

There should be no speculation in money; it should be plentiful at all times, and the rate of interest low. This would cause the prices of real estate, farm products, livestock, and all other commodities or property to advance in value. Wages and salaries would also be raised and prosperity in general would prevail. Someone has said if they could control the circulation of money in any country they could absolutely control the entire government of that country. We know this is true, and the great battle now on is to liberate our Government from the malicious dictatorship of the manipulators of our money system.

I believe all will agree that Mr. Edison was a very wise, practical man and a patriot who rendered great service to his country and gave much thought concerning the welfare of the people. Speaking about money he says: "I think we are getting a sound idea on the money question. The people have an instinct which tells them something is wrong, and the wrong somehow centers in money. Under the old way any time we wish to add to the national wealth we are compelled to add to the national debt." He refers to issuing bonds which draw interest and borrowing money on these bonds with which to make public improvements. He says: "If our Nation can issue a dollar bond it can issue a dollar bill. The same element which makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets the money brokers collect twice the amount of the bond, whereas the currency draws no interest.

"If the Government issues bonds it simply induces the money brokers to draw money out of the legitimate channels of trade to buy the bonds; if the Government issues currency it provides itself with enough money to increase the national wealth without disturbing the business of the country, and in doing this it increases its income without adding a penny to its debt.

"It is absurd to say our country can issue bonds and cannot issue currency, but one fattens the usurer and the other helps the people. If the currency issued by the Government were no good, then the bonds issued would be no good either. It is a terrible situation when the Government, to increase its national wealth, must go into debt and submit to ruinous interest charges at the hands of men who control the fictitious value of gold.

"Let us look at it another way. If the Government issues bonds the brokers will sell them. The bonds will be negotiable; they will be considered as gilt-edged paper. Why? Because the Government is behind them. But who is behind the Government? The people. Therefore, it is the people who constitute the basis of Government credit. Why, then, cannot the people have the benefit of their own gilt-edged credit by receiving noninterest-bearing currency instead of the brokers receiving the benefit of the people's credit in interest-bearing bonds?

"The people must pay anyway; why should they be compelled to pay twice, as the bond system compels them to pay? The people of the United States always accept their Government's cur-

rency. If the United States will adopt this policy of increasing its national wealth without contributing to the interest collector—for the whole national debt is made up on interest charges—then you will see an era of progress and prosperity in this country such as could never have come otherwise."

Mr. Edison says much more on the money question, but I have given the basic facts mainly of his statement, which show our Government has issued interest-bearing bonds instead of money, and the national debt today is about $26,000,000,000 and the people are paying interest on this vast sum at the rate of more than $1,000,000 per day.

After the War between the States, President Lincoln asked that the Constitution be obeyed in regard to issuing money. His request was granted, and Congress issued currency with which to pay the war debts of the Government. Three hundred and forty-six million dollars of that money has remained in circulation, and it is in circulation today. No better money exists on earth.

Because currency was issued with which to pay the war debt, instead of interest-bearing bonds, the people of the United States have been saved about $12,000,000,000. This causes us to consider what is commonly called the "soldier's bonus." When the World War ended a great number of our World War veterans were issued, by the Government, adjusted-compensation certificates for services rendered our country during this awful war. These certificates are payable in 1945 and amount to more than $2,000,000,000. To pay these certificates now would save the Government considerably more than $1,000,000,000, and under House bill No. 1 by Hon. WRIGHT PATMAN, it would not cost the people one penny. This bill calls for issuing $2,215,000,000 in currency which can be based on the gold in the United States Treasury. I mention basing the currency on gold in order that there can possibly be no objection to the value of the money. This would pay the World War veterans a debt which is actually due them, for which they hold the obligations of our Government, and save the people more than $1,000,000,000 by paying it now, besides relieving thousands of our World War veterans from want and suffering. That is not all the benefits to be derived. It would place $2,215,000,000 in circulation, bring much-needed aid to the farmer, merchant, banker, manufacturer, and all other business enterprises.

There has passed the lower House of Congress at this time a bill authorizing payment of the service certificates which the Government owes the World War veterans. If this meaure becomes law, it will place about $100,000,000 in Texas, and more than $5,000,000 in Dallas County, and will not cost the citizens of Texas or of Dallas County one cent, but will relieve the want and suffering of several thousand World War veterans besides being a great help financially to all the people. I am stating facts no one can deny, and it is really puzzling when any person opposes the World War veterans being paid what the Government owes them under the terms of House bill No. 1. Let us summarize the whole matter: It will bring relief to many thousands of World War veterans and their families. It will greatly relieve the awful business depression now prevailing. It will not cost the taxpayer one cent.

Not only do these malicious manipulators control the circulation of the money of our country but they control the credit also, and can contract both the circulation of money and the extension of credit. We have witnessed all this and have seen thousands of our farmers, bankers, merchants, manufacturers, and all other classes of business absolutely ruined.

There are measures now pending in Congress either of which will correctly adjust our financial system, thereby bringing relief and prosperity to the people. Chief among such measures is one requiring the Government to issue money instead of issuing interest-bearing bonds. Another measure is to reestablish the coinage of silver which was used as money from the time our Government was founded up to 1873, at which time its coinage was abandoned without the consent of the American people. Eighty-four percent of the silver of the world is produced on this side of the Atlantic Ocean, and up to 1873 the silver dollar was at par with gold and would be so today only for the crime of its fraudulent demonetization. Those who have discussed the question of finances with our President say he favors the expansion of money circulation. Therefore, we should secure such legislation and relieve the country of this awful business depression without further delay.

The solution of the financial question in a legal, sensible way will bring prosperity to all classes of business, thereby relieving the suffering of millions of people. There are other issues needing the attention of Congress which I desire to fully discuss at a later date.

When President Roosevelt was inaugurated March 4, 1933, all business of every character was ruined, starvation was abroad in the land. Relief must come and come quickly; therefore, the President at once launched temporary measures to relieve the suffering in order that his administration may proceed to bring permanent relief to the entire Nation. No President has assumed a greater task than Franklin D. Roosevelt. He is actively and sincerely using all efforts possible to administer the affairs of Government in the interest of all the people, and needs the earnest support of all loyal citizens; for no man on this earth has more weighty problems, duties, and responsibilities making demands upon him than has our President.

I have not agreed at all times with our President, and I doubt if there is a Member of either branch of Congress who has fully agreed with him in all he has said and done; for that reason, I have supported him as loyally as any Member. He would have no respect for a man who did not try, at least, to think for himself; neither would the people respect such a man; and I could not properly respect myself did I not undertake to solve questions which demand my sincere and thoughtful attention. I believe our President is very sincere; and if he receives no more opposition than that coming from me, his policies will largely prevail.

FARM RELIEF

Mr. McCLINTIC. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. McCLINTIC. Mr. Speaker, I appreciate the courtesy of the House in granting me permission to present a statement which relates to the splendid assistance which has been given by this administration to those who till the soil.

When it is taken into consideration that the source of practically all wealth comes from the ground, it must be conceded that unless our farmers can be maintained in a satisfactory manner other occupations will likewise suffer. Therefore, I am proud that I have had the opportunity to vote for all the recovery bills which have been sponsored by the Roosevelt administration, and the following statements made in a letter to a friend are self-explanatory:

DEAR FRIEND: I am sure that you will be interested in having me give you some information relative to matters of vital importance to every citizen in the Nation.

When the present administration took over the affairs of this Government, farms were being foreclosed, the price of farm commodities was the lowest for many years, our foreign trade was at a low ebb, and banking conditions were anything but good. If President Roosevelt had not been possessed with the kind of courage and bulldog tenacity to blaze new paths in the way of providing humanitarian legislation, anything might have happened. To say the least, our country was in the throes of an economic war, which might have resulted in more fatalities than the World War.

The President's program has caused our farmers to receive some $200,000,000, and it is estimated that before the end of 1934 the total amount furnished by the Government will exceed $1,000,000,000. Such payments will be as follows: To producers of corn and hogs, a little over $367,000,000; wheat growers, $148,000,000; tobacco growers, $35,000,000; cotton growers, $173,000,000; dairy farmers, $150,000,000; corn loans, $111,000,000; cotton loans, $110,000,000. In addition, $150,000,000 will be paid to the producers of dairy and beef cattle.

I have always taken the position that the war profiteers, big business, and those who have been able to enrich themselves because of monopolies, should be forced to pay the cost of restoring this country to normalcy and, as a member of the Ways and Means Committee, it was my privilege to help stop up the leaks that enabled Morgan, Mellon, Mills, Meyer, and the so-called "silk-stocking crowd" to escape taxation in the past and, through the provisions of the income-tax law, which includes inheritance taxes, they will be compelled to pay in the future. I am proud that President Roosevelt had sufficient courage to stand behind the kind of program which, I believe, will restore this country to normalcy.

We all realize that the bad situation that was brought to our people resulted from years of mismanagement and that it will take some time to right the wrongs of the past. Therefore, I hope I may have your continued cooperation in every matter that relates to the welfare of our Nation, as it is my earnest desire to render to you, and every person in the district, the best service possible.

OLD-AGE PENSION

Mr. GLOVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. GLOVER. Mr. Speaker, ladies, and gentlemen of the House, I desire to discuss with you for a short time the necessity of enacting before the close of this session an old-age pension law, to take care of the old people who have been so long neglected.

Twenty-eight States have up to this time passed a law to provide for old-age pensions, and other States would soon fall in line if this Congress would now pass a law to cooperate with the States in caring for them.

I introduced a bill in Congress of this kind. Many other bills of similar nature have been introduced, and from the various bills one of them should be passed. The committee has drafted a bill which would care for them, and I hope the committee will push the bill to its final passage at this session. I shall gladly support it.

Persons that are now over 65 years of age cannot get employment at public works or at anything where they can make a living. They are the real soldiers of our country that have fought long and hard to make a Government fit to live under. They have set up for us a high standard of morals and have aided in establishing the best Government in the world; and they should not be forgotten, but should be taken care of to the very best of our ability. The matter of caring for them has been delayed too long, so let us do it now before the close of this Congress.

Every other nation with the ability of ours has for many years had legislation of this kind, and we should not delay it longer.

Day by day they are being called to the eternal home, and I am sure that in their declining days it would be a real joy to them to know that the great Government they helped to build had shown its appreciation for their services in this way.

I ask each of you Members of Congress who are interested in an old-age pension law to join me in an earnest appeal for the consideration of this legislation at once.

OWNERSHIP OF TAX-EXEMPT SECURITIES

Mr. DICKINSON. Mr. Speaker, by direction of the Committee on Ways and Means, I present a privileged report on House Resolution 291, which I send to the desk and ask to have read.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House Resolution 291

Resolved, That the Secretary of the Treasury be, and he is hereby, directed to transmit to the House of Representatives the following information: The names and addresses of all persons and corporations who own tax-exempt securities in the amount of $100,000 or over, the amount of such holdings held by each individual or corporation, kind of securities held in each case, and the interest paid on such securities per annum.

Mr. DICKINSON. Mr. Speaker, I ask that the Clerk read the report.

The Clerk read as follows:

REPORT NO. 1389

(Adverse report to accompany House Resolution 291)

The Committee on Ways and Means, to whom was referred the resolution (H.Res. 291) to direct the Secretary of the Treasury to transmit to the House of Representatives certain information with respect to the ownership of tax-exempt securities, having had the same under consideration, report it back to the House and recommend that the resolution do not pass.

Mr. DICKINSON. Mr. Speaker, in that connection I ask that the Clerk read a communication from the Secretary of the Treasury.

The Clerk read as follows:

THE SECRETARY OF THE TREASURY,
April 10, 1934.

MY DEAR MR. CHAIRMAN: I have your latter, dated March 22, 1934, enclosing two copies of House Resolution 291 and a statement in support thereof by Representative FISH, who introduced the resolution. The resolution provides that the Secretary of the Treasury be directed to transmit to the House of Representatives the names and addresses of all persons and corporations who own tax-exempt securties in the amount of $100,000 or over, the amount held by each individual or corporation, the kind of securities in each case, and the interest per annum paid thereon. A subcommittee, of which you are chairman, has the resolution under consideration and you desire a statement from the Treasury Department before making your report.

Section 22 (b) (4) of the Revenue Act of 1932, which excludes from gross income interest derived from securities described in the resolution, requires every person owning any such securities to submit with his income-tax return a statement showing the number and amount of such securities owned by him and the income received therefrom. A statement showing the total amount of tax-exempt securities held and the amount of income derived from such securities by all taxpayers having net incomes of $5,000 or more could very easily be furnished, since such information is compiled each year for statistical purposes, but the only manner in which such information could be obtained with reference to individual taxpayers would be by examination of each and every income-tax return filed for the period to be covered by the report.

For the taxable year 1931 the individual returns filed totaled 3,116,317, while the number of corporation returns was 493,293, and for 1932 the returns filed to August 31, 1933, were 3,760,402 individual returns and 481,368 corporation returns. The resolution does not show whether the information is desired for a particular taxable year or a period including several taxable years, but it is apparent from the figures given that the preparation of a statement containing the desired information would require a very considerable period of time and large additional expense. Many of the returns are located in the offices of the collector of internal revenue throughout the country, while others are in the hands of revenue agents, who are making audits of the books and records of the taxpayers. Others are in process of review in the offices of the Bureau of Internal Revenue here in Washington. Compilation of the information called for in the resolution would necessitate the employment of an additional clerical force and would greatly handicap the Bureau in its present efforts in collecting delinquent taxes.

Very truly yours,

H. MORGENTHAU, Jr.,
Secretary of the Treasury.

Hon. C. C. DICKINSON,
Chairman Subcommittee on Ways and Means,
House of Representatives.

Mr. DICKINSON. Mr. Speaker, I move that the resolution be laid on the table.

Mr. BLANTON. Mr. Speaker, before the gentleman does that will he yield to a question? This is a serious matter.

Mr. DICKINSON. I yield purely for a question.

Mr. BLANTON. Why is it that the Congress of the United States is not entitled to this information? I do not care what it costs, the time has come in the history of this country when the Membership of the House, at least, ought to know these facts.

Mr. DICKINSON. Mr. Speaker, I do not yield any further. I yielded simply for a question.

Mr. BLANTON. I am in favor of this resolution and against tabling it, and this Department ought to get this data for Congress, and I am in favor of getting the information. I cannot understand why this committee would take this action.

The SPEAKER. The question is on the motion of the gentleman from Missouri to lay the resolution on the table.

The question was taken; and on a division (demanded by Mr. BLANTON) there were—ayes 87, noes 39.

Mr. SWEENEY. Mr. Speaker, on that I demand the yeas and nays.

The SPEAKER. The gentleman from Ohio demands the yeas and nays. As many as are in favor of taking this vote by the yeas and nays will rise and stand until counted. [After counting.] Fourteen members have arisen, not a sufficient number, and the yeas and nays are refused.

On motion of Mr. DICKINSON, a motion to reconsider the vote by which the resolution was laid on the table was laid on the table.

EMERGENCY CONSTRUCTION OF PUBLIC HIGHWAYS

Mr. DRIVER, from the Committee on Rules, reported the following privileged resolution for printing under the rules, which was referred to the House Calendar and ordered printed:

House Resolution 365 (Report No. 1390)

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 8781, a bill to increase employment by authorizing an appropriation to provide emergency construction of public highways and related projects, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment the committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

REFERRING CLAIMS OF TURTLE MOUNTAIN BANDS OF CHIPPEWA INDIANS TO THE COURT OF CLAIMS

Mr. CARTWRIGHT. Mr. Speaker, I call up the conference report upon the bill S. 326, referring the claims of the Turtle Mountain Band or Bands of Chippewa Indians of North Dakota to the Court of Claims for adjudication and settlement.

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

The Clerk read the conference report.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 326) referring the claims of the Turtle Mountain Band or Bands of Chippewa Indians of North Dakota to the Court of Claims for adjudication and settlement, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

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

WILBURN CARTWRIGHT,
DENNIS CHAVEZ,
HUBERT H. PEAVEY,
Managers on the part of the House.
HENRY F. ASHURST,
ELMER THOMAS,
LYNN J. FRAZIER,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (S. 326) referring the claims of the Turtle Mountain Band or Bands of Chippewa Indians of North Dakota to the Court of Claims for adjudication and settlement, submit the following written statement explaining the effect of the action agreed on by the conference committee and submitted in the accompanying conference report:

The amendment adopted by the House and agreed to by the conferees eliminates a provision authorizing the payment, upon approval by the Commissioner of Indian Affairs, of actual court costs from the funds of the Turtle Mountain Chippewa Indians on deposit in the Treasury of the United States. No such funds are so on deposit, and the provision eliminated would therefore be ineffective. Its elimination leaves open to the Indians the way to meet the court costs in whatever manner may be most feasible for them.

WILBURN CARTWRIGHT,
DENNIS CHAVEZ,
HUBERT H. PEAVEY,
Managers on the part of the House.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. CARTWRIGHT. I yield.

Mr. COCHRAN of Missouri. I want to call the attention of the House to what it is doing in connection with bills of this character. It is too late to take any action on this report, but I rise to give some information as well as issue a warning we must be careful in the future.

In the past few years the Congress has passed 31 jurisdictional bills, involving $800,000,000. They confer jurisdiction upon the Court of Claims to determine all legal and equitable claims of certain Indian tribes against the United States. On April 4 the House passed this bill and it now comes from the conferees. Another bill has just been reported by the House committee.

The original claimants, if they had a claim, are long since dead, and if claims are allowed descendants, generations removed from the original claimants will receive the benefits.

Of course, claims attorneys revive these claims, and they, too, will reap financial benefit if a favorable decision is rendered. Personally, I think this practice should stop. You stopped Civil War claims from going to the Court of Claims, and you can do so in claims of this kind.

It costs the Government hundreds of thousands of dollars for the Comptroller General to get up a defense for the Department of Justice to present in opposition in the Court of Claims.

I simply want to call the attention of the House to bills of this character, and I think we should pay more attention to them in the future than we have in the past.

Mr. SNELL. Will the gentleman yield?

Mr. COCHRAN of Missouri. I yield to the gentleman from New York.

Mr. SNELL. I am familiar with what the gentleman has just said, and I know it is true, but that situation will never be changed as long as all of the members on those various committees come from that part of the country that is vitally interested. If the membership on the committees was spread over the whole country, they would give some attention to the matter. That should be stopped, but it never will be stopped until we change the make-up of the committees.

Mr. COCHRAN of Missouri. I do not think we should admit that the House as a whole is going to be controlled by the action of committees on matters of this character. I agree with the gentleman, committees should be made up not solely of members who are interested in legislation that the committee considers.

Mr. SNELL. But it is controlled.

Mr. COCHRAN of Missouri. It might be. My vote is not controlled by the action of the committee nor is the vote of the gentleman from New York. I thank the gentleman for his statement coming as it does from the Republican leader but my real purpose in rising was to call the attention of the House to what we have been doing so that in the future more serious consideration will be given to such legislation. When such a sum as nearly a billion dollars is involved it is a very serious matter. No one can deny that.

The SPEAKER. The question is on the adoption of the conference report.

The conference report was agreed to.

A motion to reconsider the vote by which the conference report was agreed to was laid on the table.

PERMISSION TO ADDRESS THE HOUSE

Mr. FULLER. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes.

Mr. SNELL. Well, reserving the right to object, and I do not intend to object, because the gentleman has spoken to me, and I know something about what the gentleman intends to say. I do not know that I am favorable to it, but on the other hand I want it understood that I know it is a purely political speech, and if someone on this side should want to make one a little later, I hope there will be no objection from the gentleman's side of the House.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas.

There was no objection.

Mr. FULLER. Mr. Speaker, Members of the House, under date of April 21, an Associated Press article appeared in the local newspapers and was carried in practically all the newspapers of the Nation under the glaring headlines "House Democratic Shake-up Expected—Replacing of RAINEY and BYRNS Foreseen After November Election." The article states:

> Some administration men foresee a possible shake-up in the House Democratic leadership after the fall congressional elections.

The thought occurs to us, Who are the administration men who seek or see a shake-up in the Democratic leadership? It would be interesting to know what inspired such an unwarranted article.

The article continues:

> The proposition has been laid before President Roosevelt several times during the present session by friends who have become disturbed over the sometimes rebellious attitude of the top-heavy Democratic majority in the House.

The assumption that the House is rebellious against the new deal or the policies and desires of the President or the administration does not bear the searchlight of investi-

gation and the truth. During the administration there have been 22 test votes on policies and measures advocated by the administration; each and every one of these measures have been passed by overwhelming majorities. At no time has there ever been any rebellion, and the only exception to carrying out the wishes and desires of the Chief Executive is on the recent veterans' legislation. In that instance the Democratic House adopted what is known as a "gag rule" to the independent offices bill. When the measure reached the Senate it was amended to include the veterans' legislation. If the House was rebellious in this instance, the Senate was even in a worse attitude. No leadership nor any influence, even President Roosevelt himself, could have changed that vote. After all, there was very little difference between the views of the Congress and the President. The President is committed to the policy that no veteran should draw a pension by presumption, although the presumption of service connection has been recognized not only by this administration but for time immemorial.

THE BONUS BILL

Nothing could have stopped the passage of the bonus legislation, most of the Membership of the House being committed to this measure. It passed the Seventy-second Congress, when the present leadership was not in charge. In that same Congress, with a Democratic House and a Democratic leadership, at a time when the Ways and Means Committee and the leadership of the House were demanding the sales tax, after days and weeks of insistent demands, it was overwhelmingly defeated, receiving approximately only 40 Democratic votes.

During this time the Democratic House had as its leader a man honored and loved by each Member, one of the greatest men, most forceful leaders and statesmen ever to preside over this body, the Honorable John N. Garner, now Vice President of the United States. [Applause.]

When the controversial administration tariff bill was submitted to this session, out of a Democratic Membership of 313, only 11 Democrats voted against it, whereas in the Seventy-first Congress, with a Democratic Membership of 165, a larger number of Democrats voted for the Smoot-Hawley Tariff law.

Never in the history of congressional legislation has there been such a solidity of its membership to carry out the wishes and desires of its President. It is natural that where there is such an overwhelming majority, coming from every section of the country, constituting inexperienced Members who have more or less made personal commitments, that there would be a difference of opinion and the failure to unite on all administrative measures. Never in the history of any Congress has so much progressive, experimental, and remedial legislation been submitted to an American legislative body. Every Democratic Member on the floor of this House should resent the insinuation that a great portion of its Membership is in a rebellious attitude toward the administration or its leadership. It is not fair to the Membership, and it does not reflect the truth. This House needs no dictatorship in the form of leadership and will accept none, and any one, or any set of men, who would attempt to dictate, domineer, or bulldoze the Membership of this House and not permit them to vote their own honest convictions, would meet with ignominious defeat and failure.

The Membership of the House is fresh from the 435 districts and knows the sentiment of the Nation. Their constituency expects them to exercise good judgment and not be led. Often Members are accused of being rubber stamps and often we do sidetrack our own convictions for the organization and leadership purposes, but we resent being led by a halter, like a mule to water.

This Democratic House has stood and does now stand as a united solid phalanx in its defense of President Roosevelt, his policies, and this administration.

The article further states:

> The Chief Executive has been told that the next Congress largely will determine the future of the Democratic Party. The growth of insurgency in the House Democratic ranks recently—the rejection or sidetracking of administration propositions—caused concern among the President's friends at both wings of the Capitol.

We wonder who is so concerned about the particular leadership of the House. No administration measures that I can recall, certainly none of any consequence, have been rejected or sidetracked.

The article has not only for its object and purpose holding up to ridicule and contempt the Membership of this House but its real motive is a challenge to the leadership of the Speaker and majority floor leader. It was prompted and published with a view of injuring these distinguished leaders who are always fair and courteous, who never miss an opportunity to extend a helping hand or to solve a problem, or to aid a Member in obtaining relief and carrying out the wishes of his constituency. Hon. HENRY T. RAINEY, our distinguished Speaker, ripe in experience, a seasoned statesman, is the "Noblest Roman of them all." He is "A man in whom the elements are so mixed that Nature might stand up and say to all the world, 'This is a man'." [Applause.]

Hon. JOE BYRNS, of Tennessee, our congenial and able majority leader, is a true southern gentleman. [Applause.] By his unassuming and unostentatious manners he has endeared himself to all with whom he comes in contact. With the stature, rugged honesty, statesmanship, and courage of an Andrew Jackson, reared and buried in his congressional district, he is a natural-born leader. [Applause.]

The article concludes:

> President Roosevelt has indicated his regard for both Speaker RAINEY and Floor Leader BYRNS, and some administration adherents believe that one or both of them may be offered substantial appointive posts after the election.

We have no intention of swapping this team of wheelhorses; they work together and can always be depended upon to deliver the load in a given time at its destination. We would feel guilty of ingratitude to even entertain a swap, as well as fearing we might get a wind-broken, foundered, stringhalted, or balky team. These gentlemen will not apply for, be tendered, or accept any positions at the hands of this administration other than those which they now so well honor and fill. For over 30 years, on the floor of this House and from one end of this Nation to the other, HENRY T. RAINEY has been fighting the battles of democracy and for the greatest good to the greatest number for the people of this Nation. He has won the honor of the Speakership of this House, which he so richly deserves, and will continue to hold it. [Applause.]

For 26 years our beloved JOE BYRNS, most of the time on the Appropriations Committee, has stood as a watchdog of the Treasury and in serving as chairman of the Democratic Congressional Committee, and has contributed more than almost anyone else to the election of this Democratic House. [Applause.]

These great statesmen are men who are influenced by no impure motive, no personal aggrandizement, but who have a sole and single eye, a warm and devoted heart, devoted and dedicated to the best interests of our beloved country. I challenge anyone to obtain a statement from the President that he is not satisfied with their leadership or that he would desire to shelve them by giving them some other position. I believe I am in a position to say that there is not a syllable of truth in such a statement.

The Democratic membership of this House resents this assault. It has the effect of injuring these leaders in their races for reelection and to humiliate them in the eyes of their constituents. If there was ever any dissension or any doubt as to their popularity and reelection as leaders of the Democratic hosts of this House, that has been removed by the publication of this article.

The resentment has been such that, unsolicited, pledges have been made by such an overwhelming majority that their reelection of leadership is assured in the Seventy-fourth Congress. [Applause.]

Mr. BRITTEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BRITTEN. Mr. Speaker, on last Thursday during the debate on the Britten-McAndrews election contest reso-

lution, the gentleman from Illinois [Mr. SABATH] addressed the House. Following his address he asked unanimous consent to revise and extend his remarks in the RECORD. That privilege was denied by the House. However, the gentleman immediately thereafter inserted several thousand words, including political vote charts and other matter, to which I have no objection; but he did invidiously and directly say a lot of unkind things about the Democratic members of that Committee on Elections No. 1, which I am sure those distinguished gentlemen would not acknowledge nor answer, but which I cannot let go by. I want to address the House a little later, and I have prepared a privileged resolution which I send to the Clerk's desk to be read.

Mr. SABATH. Mr. Speaker, I can assure the gentleman——

Mr. BRITTEN. Mr. Speaker, I have the floor.

Mr. SABATH. The gentleman only had 1 minute, and that has expired.

Mr. BRITTEN. The gentleman is not Speaker of the House. He thinks he is, but he is not.

Mr. Speaker, in the interest of those men on that side of the aisle who are too dignified and too honest——

The SPEAKER. The time of the gentleman from Illinois [Mr. BRITTEN] has expired.

Mr. BRITTEN. I ask that the resolution be read.

The SPEAKER. The Clerk will read the resolution.

Mr. SABATH. I can perhaps relieve the gentleman from his feelings——

Mr. BRITTEN. I decline to yield the floor.

Mr. SABATH. But this is in the interest of orderly procedure.

Mr. BRITTEN. Regular order, Mr. Speaker.

The SPEAKER. The Clerk will read the resolution.

Mr. SABATH. Mr. Speaker, a point of order. The gentleman charges that I did not obtain privilege to extend my remarks.

Mr. SNELL. O Mr. Speaker, the gentleman from Illinois had the privilege——

Mr. SABATH. No, I had permission, and the RECORD shows it.

Mr. SNELL. The gentleman has no right to make a point of order at the present time.

Mr. SABATH. The RECORD shows that I have obtained the privilege.

Mr. BRITTEN. Mr. Speaker, regular order.

The SPEAKER. The Clerk will read the resolution.

The Clerk read as follows:

Resolution offered by Mr. BRITTEN:

"*Resolved*, That—

"Whereas it appears from the publication of the CONGRESSIONAL RECORD of Thursday, April 26, 1934, that Hon. ADOLPH J. SABATH, of Illinois, addressed the House during the consideration of House Resolution 362, reported by the Chairman of the Committee on Elections No. 1 of the House; and

"Whereas it appears on page 7459 of the CONGRESSIONAL RECORD of that day the gentleman from Illinois [Mr. SABATH] requested leave to revise and extend his remarks in the RECORD, and this request was refused by the House; and

"Whereas the gentleman from Illinois [Mr. SABATH] did immediately thereafter, in violation of the rules of the House, insert in the RECORD a long extension of his remarks, including tables purporting to be the vote results in various precincts of the Ninth Congressional District of Illinois, without proof of their authenticity or accuracy; and

"Whereas the gentleman from Illinois [Mr. SABATH], in this irregular and unauthorized extension of his remarks, inserted the copy of a resolution which he had intended to offer to the House, the reading of which by the Clerk had been refused by the House; and

"Whereas he did, in violation of the rules of the House, include in his irregular extension of remarks a statement that was intended to cast invidious reflection upon the Chairman of the Elections Committee No. 1, as well as upon its members:

"*Resolved*, That all revision and extension of remarks herein referred to and appearing on pages 7456 to 7459 of the CONGRESSIONAL RECORD of April 26, 1934, without sanction of the House and in contravention of the rules of the House, be expunged from the RECORD, and the Public Printer be directed to omit them from the public records and be prohibited from issuing any copy or copies thereof in pamphlet or other form from the columns of the daily RECORD."

Mr. BANKHEAD. Mr. Speaker, I reserve the point of order that the resolution does not present a matter of privilege.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the resolution states a fact which is not within the knowledge of the Chair or of the House until a check of the RECORD is made as to whether or not the gentleman did obtain unanimous consent.

Mr. BRITTEN. Mr. Speaker, I have the RECORD before me and have checked it. The gentleman from Illinois [Mr. SABATH] was refused unanimous consent to revise and extend his remarks in the RECORD.

Mr. BYRNS. Mr. Speaker, the gentleman is in error.

Mr. O'CONNOR. Mr. Speaker, the gentleman is incorrect. On page 7498, in the first column, near the bottom of the page, is the following:

Mr. JOHNSON of Oklahoma, Mr. SABATH—

And so forth—

asked and were given permission to revise and extend their remarks in the RECORD.

That is the same day; and that permitted the gentleman to revise and extend those remarks.

Mr. BRITTEN. Mr. Speaker, I rise to a question of personal privilege.

Mr. BYRNS. I think the gentleman should withdraw his resolution.

The SPEAKER. The gentleman has a question of privilege before the House now.

Mr. BANKHEAD. We cannot have two privileged questions pending at the same time.

Mr. BYRNS. The gentleman presented a resolution.

The SPEAKER. Let us dispose of the pending matter.

Mr. O'CONNOR. I think the gentleman should withdraw his resolution, in view of the showing in the RECORD.

Mr. BRITTEN. Mr. Speaker, I withdraw my resolution and rise to a question of personal privilege.

The SPEAKER. The gentleman from Illinois withdraws the resolution.

Mr. BYRNS. Mr. Speaker, I think the gentleman ought to go further and apologize to the gentleman from Illinois [Mr. SABATH].

Mr. BRITTEN. I will apologize to the gentleman a little later in the day if it appears that I should.

Mr. BYRNS. The gentleman, admittedly, has made a statement, undoubtedly unintentionally, which is not warranted by the RECORD. I think the gentleman should go further and apologize to the gentleman from Illinois [Mr. SABATH] for the injustice done him.

Mr. BRITTEN. Then, Mr. Speaker, I will apologize to the gentleman from Illinois [Mr. SABATH] for having made a mistake in not being able to find in the RECORD that little thing that he slipped in there to extend his remarks in the RECORD.

Mr. BYRNS. That is hardly fair.

Mr. BRITTEN. Mr. Speaker, I rise to a question of personal privilege.

The SPEAKER. The gentleman will state it.

Mr. BRITTEN. Mr. Speaker, on last Thursday, during the consideration of the resolution reported by the Committee on Elections No. 1 of the House, the gentleman from Illinois [Mr. SABATH] took the floor in general debate; and after addressing the House he inserted several thousand words in the CONGRESSIONAL RECORD. From them I shall read excerpts which apply directly to me.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman has not stated a question of personal privilege.

Mr. BRITTEN. Mr. Speaker, I have not completed my statement of the question of personal privilege.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman has gone far enough, that it is apparent the matter complained of involves no question of personal privilege.

Mr. BRITTEN. I hope the gentleman from New York will allow me to finish stating my question for personal privilege.

Mr. O'CONNOR. I think the gentleman has gone for enough to have made his point.

Mr. BRITTEN. The gentleman from New York does not know how far I am going.

The SPEAKER. The gentleman from Illinois will state his question of personal privilege.

Mr. BRITTEN. Mr. Speaker, the gentleman from Illinois [Mr. SABATH] inserted in the RECORD a number of deliberate misstatements about me. This constitutes a matter of personal privilege.

Mr. SABATH. What are they? Read them.

Mr. BRITTEN. I shall read them if given a little time.

The SPEAKER. The gentleman from Illinois will read the matter of which he complains.

Mr. BRITTEN. On page 73 of the transcript and on page 7458 of the RECORD the gentleman from Illinois said:

The recklessness and unworthiness displayed by my colleague, Mr. BRITTEN, and his lawyers, in attacking the character of the contestant is deplorable.

Then he goes on further and reminds readers of the CONGRESSIONAL RECORD that Mr. McAndrews who was my opponent in the last election and who will be my opponent in the next election—

Resided for many years in that district, and in fact he has spent more time therein than has my colleague, the contestee.

That is one point.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that that statement is not a reflection on a Member of Congress and does not give rise to a question of personal privilege.

Mr. BRITTEN. If the gentleman will desist for one moment and let me conclude I will make a point of personal privilege.

Mr. O'CONNOR. The gentleman is just trying to put this in the RECORD under the claim of personal privilege.

The SPEAKER. The gentleman will state the question of personal privilege.

Mr. BRITTEN. That is one of them.

On page 73 of the transcript, page 7458 of the CONGRESSIONAL RECORD, the gentleman stated that—

Long before my colleague, Mr. BRITTEN, or I reached the city of Chicago, Mr. McAndrews was favorably known to a majority of the people of that district.

Both of these statements are deliberate misstatements. I was born in Chicago 62 years ago.

Mr. O'CONNOR. Mr. Speaker, I make the point of order against the gentleman making a speech.

Mr. SNELL. Mr. Speaker, the gentleman from Illinois has a right to make his statement on the question of personal privilege without a point of order being raised; then when his statement is concluded the gentleman from New York may make his point of order.

Mr. O'CONNOR. No, Mr. Speaker; I make the point of order that the gentleman has stated enough.

Mr. BRITTEN. Mr. Speaker, I cannot be taken off my feet by the gentleman from New York while I am presenting my case.

The SPEAKER. The gentleman will state his question of personal privilege.

Mr. O'CONNOR. The gentleman has just made a speech, which he cannot do under the rules.

Mr. BRITTEN. If the gentleman from New York will sit down a minute I shall appreciate it very much. Some day I will do as much for him.

On page 73 of the transcript, page 7458 of the CONGRESSIONAL RECORD, the gentleman from Illinois [Mr. SABATH] inserted this language:

The charge made by the contestee—

That is myself—

against the county judge and the election board, before the elections committee, was willful and malicious.

Mr. Speaker, every member of the Elections Committee will verify the fact that I have repeatedly eulogized this distinguished Democratic judge of Chicago.

Mr. BYRNS. Mr. Speaker, I make the point of order the gentleman is proceeding as if he had been granted the right to be heard on a question of personal privilege. I make the point of order that the gentleman should state the language about which he complains, and not make a speech.

The SPEAKER. The point of order is sustained.

Mr. BRITTEN. I cannot understand how the distinguished leader on the other side can assume this attitude, after all the nice things that have just been said about him.

On page 74–C of the transcript, page 7458 of the CONGRESSIONAL RECORD, the gentleman from Illinois [Mr. SABATH] states that he was treated in a most unfriendly manner by the Chairman of the Committee on Elections in connection with my case.

Mr. O'CONNOR. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. BRITTEN. Mr. Speaker, I have not concluded my case on the question of personal privilege. I will in a moment.

Mr. O'CONNOR. Mr. Speaker, the gentleman has just read something which the gentleman from Illinois [Mr. SABATH] is alleged to have said about the Chairman of the Elections Committee. He cannot rise to a question of personal privilege on what was stated about the chairman of that committee.

The SPEAKER. The point of order is sustained.

Mr. BRITTEN. Mr. Speaker, may I proceed further?

On page 7458 of the RECORD there was inserted language which is defamatory in its character and which reflects upon every Member of this House.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman cannot rise to a question of personal privilege of every Member of the House. We will take care of ourselves. Let the gentleman from Illinois take care of himself.

Mr. BRITTEN. I do not think the gentleman is able to take care of himself, and I am going to do it for him.

The gentleman from Illinois [Mr. SABATH] made this statement:

In conclusion, I cannot refrain from stating that this arbitrary action, as well as the action of the gentlemen of the Elections Committee who first moved that the ballots be recounted and who some weeks later moved to rescind the action of the committee, is hard for me to comprehend. There is a great deal more that I could say which I shall refrain from saying at this time; but when the opportunity presents itself I will name the Members and some non-Members of this House who may be responsible for the reconsideration of the first action of the committee and for its refusal of the recount.

Mr. Speaker, that is a direct reflection and a direct imputation. He is pointing his finger at these gentlemen and me.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman cannot make a speech.

Mr. BRITTEN. Mr. Speaker, I am rising to the question of personal privilege, and I am trying to show why I should be entitled to the floor. If the gentleman will allow me to proceed, I will conclude my statement and not take up much time of the House.

The SPEAKER. The gentleman will proceed.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman from Illinois [Mr. BRITTEN] cannot say anything except quote from the RECORD the language to which he takes exception.

The SPEAKER. The gentleman will proceed to state his question of personal privilege.

Mr. BRITTEN. Mr. Speaker, the parts which I have read are an insult to me.

The SPEAKER. The gentleman will not argue the matter.

Mr. BRITTEN. Mr. Speaker, that is the point of my question of personal privilege. No Member of the House may insult another Member by an insertion of matter in the CONGRESSIONAL RECORD.

The SPEAKER. The gentleman will not argue. All the Chair desires to know is the language to which the gentleman takes exception.

Mr. BRITTEN. I have read the language, Mr. Speaker.

The SPEAKER. The Chair is ready to rule.

The gentleman from Illinois [Mr. BRITTEN] has read the following language from a speech of the gentleman from

Illinois [Mr. SABATH] inserted in the RECORD under a leave to revise and extend his remarks:

In view of that fact and the manly position assumed by contestant, Mr. McAndrews, the recklessness and unworthiness displayed by my colleague, Mr. BRITTEN, and his lawyers in attacking the character of the contestant is deplorable.

And again:

The charge made by the contestee against the county judge and the election board before the Elections Committee was willful and malicious.

The Chair thinks that the language which has just been read comes within the rule and that it affects the dignity and reputation of the gentleman from Illinois [Mr. BRITTEN]. The gentleman is recognized on his question of personal privilege.

As to the other matter the gentleman from Illinois [Mr. BRITTEN] read, the Chair holds that it does not constitute a question of personal privilege.

Mr. BRITTEN. Mr. Speaker, I realize the House desires to proceed with the stock exchange bill, and I am not going to take up any more time than is absolutely necessary. However, because of the insinuations and the innuendoes and threats that have been made by the gentleman from Illinois [Mr. SABATH], not necessarily against me but against a distinguished group of lawyers on that side of the aisle who are members of this Elections Committee and who have refused to be a party to the theft of a seat in the House, and who said so when they took the floor of the House here—I think in justice to them it is wrong to allow language such as has been inserted in the RECORD by the gentleman from Illinois to remain there.

This is my sole purpose in rising. The language was inserted in the RECORD because my opponent in the coming election this year is the same man who was my opponent a year and a half ago, and this language—oh, I could call it a number of names if I were on the stump—was inserted in the RECORD by the gentleman from Illinois [Mr. SABATH] without a chance given to anyone to reply to it in the RECORD, and was inserted for the sole purpose of doing what was done 2 years ago in sending into my district under the gentleman's frank a lot of stuff attacking me. This was done 2 years ago. The gentleman has not the slightest conception of congressional courtesy.

Mr. BANKHEAD, Mr. O'CONNOR, and Mr. BYRNS rose.

Mr. BRITTEN. Mr. Speaker, I shall withdraw that remark. I want the gentleman to know I am going to be very dignified about this matter.

Let me now take up some of these remarks. The gentleman, for instance, indicates I said something willful and malicious about the Democratic county judge, Hon. Edmund K. Jarecki. There are at least five or six gentlemen on the floor of the House at this moment to whom I have expressed my very highest regard for, and opinion of, Judge Jarecki. He has been the Democratic county judge for years, more or less dominating all of the election machinery in Chicago, and he is one of the outstanding and one of the highest type judges in the United States. I have repeatedly said this, but the gentleman, under his permission to revise and extend his remarks, could only have had one purpose in saying that I attacked the county judge, which was to make him feel unkindly toward me before the election next year. But even this, no matter what I may have said about the county judge, or anybody else may have said to the detriment of the character of the county judge, would not sway his honest decisions one iota. He is that type of man, and I know it.

The gentleman says I talked about the board of election commissioners in a way to put them in a bad light. They are also Democrats, and I have spoken in the very highest terms of them. Their honesty of purpose is unimpeachable, but, of course, they are still the election commissioners and will be next year when the election is on, and this insertion in the RECORD was made to hurt my character with them. I think it is mighty small and mighty cheap politics.

Let me go a little further, Mr. Speaker. I never attacked, as the gentleman indicates in his remarks, the character of James McAndrews, my opponent. On the contrary I have said a lot of nice things about him. He was a Member of Congress here for six terms from a district about 10 miles from the one in which I now live and in which he now lives. I did say he never made a speech during the last campaign, and he never did. This is no slander. It is a part of the record that he never did. There is no slander in this, and he probably will not make one in the next election, either, for reasons best known to himself.

The gentleman also says:

Long before my colleague, Mr. BRITTEN, or I reached the city of Chicago, Mr. McAndrews was favorably known to a majority of the people of that district.

Long before the gentleman or I reached Chicago McAndrews was popularly known in my district. This was before the Chicago fire in 1871, when I was born—think of it! The gentleman knows I was born in Chicago 62 years ago, but long before that time McAndrews was very popular in my district. [Laughter.]

I have made some inquiries about his popularity at that time, but it was said that the Chicago fire of 1871 burned all the records, and therefore we cannot find anything about this boy wonder. [Laughter.] The gentleman, of course, was not here at the time of the Chicago fire. He was in Czechoslovakia.

Mr. SABATH. That is right.

Mr. TERRY of Arkansas. May I ask the gentleman a question? The gentleman spoke about having been born at the time of the fire. I have always wondered what started that great conflagration in Chicago. [Laughter.]

Mr. BRITTEN. I may say to the gentleman that I came after the fire, and that is probably the reason I get hot every once in a while.

The gentleman [Mr. SABATH] also states, on page 7458, in a number of charts and tables which he inserted, and which, by the way, only show the Republican vote and do not show the Democratic vote at all, and were merely intended to confuse——

Mr. O'CONNOR. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. O'CONNOR. All the matter which was held a question of personal privilege is on page 7458, left-hand column, consisting of two sentences.

The SPEAKER. The gentleman is correct. The point of order is sustained.

Mr. BRITTEN. Mr. Speaker, does that mean I cannot go into the other points that reflect on my character?

The SPEAKER. The gentleman must confine himself to the objectionable language referred to.

Mr. BRITTEN. Of course, I know the Speaker will hold I cannot do anything that is not pertinent to the Speaker's ruling.

The SPEAKER. The gentleman is entitled to justify himself with respect to the charges made against him.

Mr. BRITTEN. The gentleman refers to the vote in every precinct and in every one of the wards, and, of course, is referring to the vote by which I was elected, but he only shows the Republican vote. The gentleman does not show the Democratic vote at all, and confusion, of course, will arise in the mind of anyone looking at these charts alone. They will lead them to think I got a tremendous vote in that district. The truth of the matter is, Mr. Speaker, out of 4 wards in my district I carried 2 and lost 2, and I did not carry any of them in a lopsided manner or by an excessive vote, despite what these charts show.

For instance, if he had included alongside of my vote the vote for Mr. McAndrews, he would have shown not 22 percent in the forty-second ward——

Mr. BYRNS. Mr. Speaker, I make the point of order that the gentleman is traveling outside of the language mentioned by the Speaker.

Mr. BRITTEN. But the gentleman from Illinois [Mr. SABATH] inserted certain charts and tables——

The SPEAKER. That is not in issue.

Mr. BRITTEN. It was in issue in Chicago a year and a half ago. Do I understand the Speaker definitely rules that

this language is not of a personal character, when the gentleman from Illinois [Mr. SABATH] says in his extension?—

In conclusion, I cannot refrain from stating that this arbitrary action, as well as the action of the gentleman of the elections committee, who first moved that the ballots be recounted and who some weeks later moved to rescind the action of the committee, is hard for me to comprehend.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the Speaker has ruled against that language as being privileged.

The SPEAKER. The point of order is sustained.

Mr. BRITTEN. Where the gentleman from Illinois threatens the Members of the House because of the presentation of the election committee resolution, does not the Speaker feel that I am entitled to take the floor in that direction?

The SPEAKER. Not on that.

Mr. BRITTEN. Then I ask unanimous consent that I may address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

Mr. O'CONNOR. Reserving the right to object, the gentleman from Illinois [Mr. SABATH] also desires some time, and I will couple that request with that of the gentleman from Illinois.

Mr. BRITTEN. If the gentleman from Illinois will speak the English language so we can understand him, we will go along with him.

Mr. O'CONNOR. Mr. Speaker, I object to that—the gentleman has already referred to Czechoslovakia.

Mr. McCORMACK. That is a direct insult to the House.

Mr. BRITTEN. If my friend from Massachusetts says so, I will take that out of the RECORD.

Mr. McCORMACK. I consider it an insult to the Members of the House.

Mr. BRITTEN. Mr. Speaker, my good friend from Massachusetts indicates that that language should come out of the RECORD, and I promise the House that I will take it out of the RECORD. I ask unanimous consent that I may take that out of my speech.

Mr. O'CONNOR. I object.

THE QUESTION OF RIVERS, HARBORS, AND FLOODS

Mr. WHITTINGTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address that I delivered before the Committee on Rivers and Harbors.

The SPEAKER. Without objection, it is so ordered.

Mr. WHITTINGTON. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following address delivered by me today before the National Rivers and Harbors Congress, which is holding its twenty-ninth annual convention in the city of Washington, D.C.:

The rivers and harbors of the country present national questions. A national policy is more important now than ever before to insure the continued improvement, development, and utilization of a national waterway transportation system, including rivers, harbors, lakes, canals, and connecting waterways. The program can best be supported with the national viewpoint in mind. The improvement should be well balanced and the public interests of the whole country must be considered.

Transportation is essential to the progress of any people. Water transportation has always contributed to making cities and countries great and powerful.

The great cities of modern and ancient times have been located on rivers, gulfs, seas, or oceans. New York is situated at the mouth of the Hudson and New Orleans is located near the mouth of the Mississippi.

History shows that the controlling influence in the rise and fall of cities and nations has been the relative costs of transportation. The life of all countries is characterized by the bloodless yet relentless warfare of trade and commerce.

The United States has unsurpassed inland and coastal waterways. With the greatest valleys and the most fertile plains in the world, surrounded by lakes, gulf, and oceans, and with the mightiest river system on earth traversing the interior valleys and plains, its facilities for both domestic and foreign commerce are unrivaled among the nations. Commerce makes and keeps a nation great. Agriculture and manufacturing are capable of greater expansion in the United States than in any other country. It is imperative that the United States assume and maintain its leadership in trade and commerce, domestic and foreign. Cheap transportation is necessary to the advancement of both agriculture and industry. The maintenance of an adequate merchant marine is essential to the development of foreign commerce and imperative as a matter of national defense. The development of inland and coastal waterways and the promotion of domestic waterway transportation are equally important to domestic commerce.

The coastline of the United States, including the shore line on the Great Lakes, aggregates some 45,000 miles—almost twice the circumference of the earth. The rivers in number and length, in both navigation and power are unsurpassed.

ONE HUNDRED YEARS

From the first, the improvement of waterways was advocated as a part of the internal-improvement policy of the Nation. Washington and Jefferson were among the first advocates of inland waterways and harbor improvements. Federal appropriations for river and harbor improvements were begun more than 100 years ago. They were made more effective by the act of June 13, 1902, creating the Board of Engineers for Rivers and Harbors. The best way to foster and maintain a national policy is to advocate only the projects that are sound from both an engineering and economic standpoint.

The first congressional appropriation for improving rivers and harbors was made in 1824. It was the era of canal building, to be followed by the turnpike. It was the beginning of railway construction; it was the time of Fulton, Stephenson, Livingston, and Macadam.

The history of transportation is the story of canals, waterways, roads, railways, highways, pipe lines, and airways. The stagecoach has been replaced by the motor bus; the sailboat has been superseded by the steamboat, and now by the steel barge. The primitive locomotive with its wood burner has been replaced by the modern giant coal-and-oil burner. Progress means change. In no other field have more transitions occurred than in the realm of transportation.

The inland waterways have had a contest from the beginning. The early canals were acquired by the railroads and junked. Steamboats were purchased and scrapped. Cutthroat rates were inaugurated by the railroads and traffic on the Mississippi River practically disappeared by 1900. Having obtained a monopoly, the railroads increased rates.

PANAMA CANAL

The construction of the Panama Canal resulted in favoring industries near the coast to the detriment of manufacturing in the interior. It diverted traffic from the transcontinental railways to steamships. The Middle West was penalized. Rates from Kansas City to San Francisco are in excess of the rates on first-class freight from New York to San Francisco. Between the Rocky and the Appalachian Mountains, 70 percent of the agricultural products of the United States are produced, 50 percent of its manufactured products are supplied and 60 percent of its exportable surplus of agricultural products are grown. This vast area contains 98 percent of the iron-ore deposits, 82 percent of the coal, and 70 percent of the petroleum stores of the country. The raw material is available in abundance and with an outlet to the sea, the Mississippi Valley will become in deed and in truth the heart of the Nation. The people of the interior must have access to the ocean and to world markets. Cheap transportation is imperative.

COMPARATIVE RATES

Transportation is measured by freight rates in mills per ton-mile. In 1924 the average freight rate of the railroads was 11.32 mills per ton-mile. The average rate on the Great Lakes was 1.2 mills per ton-mile. From 1923 to 1928 the average rate of the Inland Waterways Corporation between New Orleans, La., and St. Louis, Mo., was 3.9 mills per ton-mile. The figures speak for themselves. Water transportation is the cheapest form of transportation. The Great Lakes provide the cheapest transportation in the world.

INVESTMENT

The total expenditures of the Government to June 30, 1932, for waterways aggregated $1,650,000,000, approximately a billion dollars having been spent for river and harbor construction, a quarter of a billion dollars for their maintenance, and a quarter of a billion dollars for flood control and navigation on the Mississippi and Sacramento Rivers. Great harbors have been constructed at Boston, New York, Philadelphia, Houston, Galveston, San Francisco, Los Angeles, and at Cleveland and other points on the Great Lakes.

The prosperity of the Nation depends upon the prosperity of all parts of the country. If one section suffers at the expense of another, the whole Nation suffers.

The economic balance in the great Middle West can only be restored by cheap river transportation in cooperation with rail and motor transportation.

SUBSIDIES

Transportation is probably the best barometer of trade. If commerce declines, transportation feels the effects first—competition becomes keen. When freight decreases, competition increases. Rate wars result. At the present time a campaign is being waged against the Inland Waterways Corporation. Much is being said about subsidies to inland waterways.

All forms of transportation, with the exception of pipe lines, have at one time or another been subsidized. More than 200,000,000 acres of land were granted by the Government to the railroads. Many of the lands have been sold. They netted the railroads $374,411,176.39. It is estimated that the lands still owned by the railroads are valued at $387,970,275.82. I am not criticizing these grants. Cash donations, land subsidies, and stock

subscriptions were made to railroads amounting to approximately $915,000,000. The Government actually subsidized the railroads for the 26 months of operation during the World War, and the 6-month guaranty period after the war in an aggregate amount far greater than the total sums appropriated for inland waterways since the beginning of the Government.

In opposing the legitimate operations of the Inland Waterways Corporation ostensibly to get the Government out of business but in reality to destroy water transportation, the railroads are pursuing a short-sighted policy. A campaign has been waged among railway employees. They have been beguiled by propaganda. They have been told that 195,000 railway employees have been thrown out of employment by the operations of the Federal Barge Lines. If this argument were sound, it would constitute an indictment of railway operation. Is it possible for the Federal Barge Lines, employing only 6,500 men, to do the equivalent work of 195,000 railway employees?

Again, the railways of the United States are the direct beneficiaries of 90 percent of the river and harbor appropriations. They are quite content for the Government to improve harbors at Portland, San Francisco, Galveston, Philadelphia, New York, and Boston for the accommodation of the railroads. They have been among the chief advocates of the improvement of the ports of the Great Lakes. They have been the beneficiaries of these improvements. Until the people of the Mississippi Valley are accorded the equivalent of the freight rates that obtain along the seaboard, railway opposition to improving the inland waterways will fall of its own weight.

Whenever any form of transportation fails to serve the public, that form of transportation must either readjust itself or fail. I am the friend of railways. They are entitled to a square deal, but railways must meet competition or, having fulfilled their mission, the railways will fail. Moreover, when the business of the country recovers there will be sufficient traffic for all. It is said that transportation doubles ever 15 years. The solution is more traffic and hence more earnings. If railways will reduce instead of increase their freight rates, and if they will reduce their passenger rates, there will be more traffic and more income. Nothing will so quickly destroy a city or a country as excessive transportation costs.

INLAND WATERWAYS CORPORATION

The Inland Waterways Corporation was organized in 1924 under the Transportation Act of 1920 to increase and expand water carriers and rail carriers through cooperation so that there might be a coordinated and cooperative rail-water transportation system. The act was designed to encourage a water transportation and to foster and preserve in full vigor both rail and water transportation.

Every citizen of the United States is interested in the costs of transportation. It is reflected in the costs of living.

The argument against Government subsidy is the same argument that has been advanced by every transportation agency that was superseded and supplanted by those in existence today.

The United States will not abandon its investments in rivers and harbors, but it will maintain and complete the system and thus promote the interests of the public, which are paramount to the interests of any private or public industry. Public service rather than private profit is the slogan that should characterize the policy that will result in the maintenance and improvement of the waterways of the Nation.

The utilization of the Mississippi River and its navigable tributaries will benefit rather than injure the railroads. The Monongahela River in the Pittsburgh area carries 26,000,000 tons annually and yet the Pennsylvania Railroad has enlarged its Monongahela division four times. Manufacturers make great industrial centers and cheap raw materials are vital. The cost of transportation determines the location of industries.

The great aluminum plant at East St. Louis would not have been established without the cheap cost of transporting bauxite ore from the British Guianas by ship and thence up the Mississippi River by the Federal Barge Lines. All railroads that connect with East St. Louis profit by distributing the finished product. There should be cooperation rather than conflict between the waterways and the railways.

The Inland Waterways Corporation is fulfilling its mission. Traffic is returning to the Mississippi River. The tonnage on the Mississippi today is twice what it was in the halcyon days of the palatial steamboats. The Inland Waterways Corporation carries annually about 1,700,000 tons of freight. In 1929, before the depression, it carried 2,114,470 tons of freight.

Water transportation is dependent upon navigable streams, suitable boats, adequate terminals, balanced freight, cooperation with the railroads and an equitable division of the freight rates. The economic salvation of the Mississippi Valley depends upon cheaper transportation rates, especially of raw materials and bulky commodities. The cities have cooperated. Minneapolis, St. Paul, St. Louis, East St. Louis, Cairo, Memphis, Helena, Vicksburg, Baton Rouge, New Orleans, Dubuque, Burlington, and Rock Island have erected terminals. The city of Greenville, Miss., has recently erected a terminal.

The Mississippi River is open to navigation from Chicago and St. Paul to New Orleans. Navigation on the Missouri to Kansas City will shortly be accomplished. Navigation along the Ohio River has enabled cheaper freight rates from Pittsburgh to New Orleans than obtain by rail from Pittsburgh to Baltimore although the distance to New Orleans is more than five times greater.

DEFINITE POLICY

Improvements for rivers and harbors are under attack. These attacks have been accentuated by economic conditions that have resulted in freight decreases. The opponents of Federal appropriations for rivers and harbors urge a change in governmental policy. In opposition to Federal appropriations for the construction and improvement of Federal works, it is urged that the United States abandon the policy of Federal appropriations that has heretofore obtained. It is now urged that improvements should be made by direct charges against the traffic. The policy that obtains along the Rhine and other European streams is being advocated as applicable to the United States; but our situation is vastly different. European conditions are not applicable here. A tax upon vessels and a lockage tax in our canalized streams would not suffice. They would hinder rather than help. The Rhine is an international stream—France, Germany, Holland, and Belgium are all interested. Most of the other large rivers in Europe are international streams. This is especially true of the Danube. Again, European streams are not comparable to the Mississippi and its tributaries. They are much smaller.

Our inland waterways are located entirely within the United States. They are in most cases interstate streams. There is no occasion to follow the European policy. All of the people interested are in the United States. No international problems are involved. It is a mistake merely to try something because it is new. European conditions, I repeat, are not applicable. The United States makes, instead of follows, precedents. With the largest inland waterways in the world and with the greatest resources on earth, the Federal Government should continue to promote the improvement of its rivers and harbors as a Federal problem, and at Federal expense. It will be more economical to improve our waterways year by year than to double either our highways or our railways. The remedy is not to abandon the American policy, but to preserve and expand that policy for the benefit of all worth-while rivers and harbors in the country.

FLOOD CONTROL

Closely allied with the problem of transportation is the question of flood control. Floods are the destructive enemies of transportation as they are of life and property. Sooner or later the losses of floods are absorbed by the Nation. With the building of cities, with the improvement of the country, and with the increase in population, the hazard of floods is becoming increasingly greater. Flood control along navigable streams is the proper function of the Federal Government. Congress has the power to regulate both foreign and domestic commerce. The power to regulate commerce includes the power to enact flood-control legislation in order to protect commerce and preserve life.

The problem of controlling floods as distinguished from the navigation of the stream in the case of the Mississippi River is not adaptable to local treatment. Minor local flood conditions may be handled by the local authorities, but general flood problems are beyond the capacity of the local interests to solve. Levees along the Mississippi River must hold waters that come from points as far east as Pittsburgh and as far west as Idaho and from all of the territory between the Alleghenies and the Rockies. The working of a suitable plan of control for the Mississippi and its tributaries is a problem of immense complexity. The problem can be solved by improving and increasing the channel capacity, by confining the flood waters between levees, by the construction of reservoirs, and by diversions. No one method alone is capable of solving the flood problems of the Mississippi River and its tributaries. A comprehensive plan will involve a combination of all the methods available.

The Mississippi flood of 1927 drove 700,000 people from their homes, resulted in the loss of at least 246 lives, and destroyed property and property values aggregating $200,000,000 to $400,000,000. The American public contributed for the relief of this disaster some $18,000,000. It was, in the language of Herbert Hoover, "Our greatest peace-time disaster."

There was a destructive flood in the Miami Valley in 1913, as a result of which 300 lives were lost with property damages of $100,000,000.

Prior to 1917 no Federal appropriations had been made for flood control. The appropriations were made for the Mississippi River, with the limitation they should be used only in aid of navigation. The Flood Control Act of 1917 for the first time gave recognition to the problem of floods, and provided for a partial contribution to improvements to prevent floods along the Mississippi River and along the Sacramento River, but it was not until the great Mississippi flood of 1927 that flood control on the Mississippi was adopted as a national policy. Previously the question had been how much the building of a reservoir or the construction of a levee would affect navigation.

There has been a change of consciousness. The Mississippi River and its tributaries are the property of the people of the United States. The system embraces 42 percent of the area of the United States and touches 31 of the 48 States of the Union. It constitutes a problem for national control.

The Flood Control Act of 1928 authorizing the appropriation of $325,000,000 is fundamentally sound. It provides that levees along the main river should be supplemented by diversions, floodways, outlets, and spillways. It is intended to solve the problem in the lower Mississippi Valley from Cairo to the Gulf of Mexico, but the Nation will never be satisfied until adequate provision has been made for the solution of the problem along the entire river and its tributaries.

There are two problems in the Mississippi Valley: First, there must be relief from floods; secondly, there must be the creation and utilization of navigation to give the farms and the mines an outlet to the sea. The flood problems of the Mississippi River will never be solved until the problems along the tributaries have been solved.

For the past 15 years the Federal Government has contributed to the improvement of both flood control and navigation of the Sacramento River. Navigation obtains to a large extent, especially along the lower stretches of the Sacramento River.

The construction of Boulder Dam will provide for flood control along the lower Colorado in the Imperial Valley.

The improvements under the supervision of the Tennessee Valley Authority will result in flood control along the Tennessee River. The Public Works Administration in 1933 authorized the construction of the Bonneville Dam and the Grand Coulee Reservoir on the Columbia River and provided for the building of the Fort Peck Reservoir along the Missouri River. In aid of navigation, the Public Works authorized the construction of a reservoir on the Tygart River, a tributary of the Monongahela River. It approved and agreed to pay approximately one half the cost of the building of a system of reservoirs along the Muskingum River in Ohio. These projects are being executed under the supervision of the Chief of Engineers, except the Grand Coulee Reservoir, which is under the supervision of the Bureau of Reclamation. Some 4 years ago Congress appropriated money to provide against floods in Lake Okeechobee, Fla., as a part of the improvement of the intercoastal waterways of the Nation.

I have thus enumerated the flood-control projects of the Nation to which the Federal Government has contributed.

Probably the outstanding flood-control project constructed without Federal contribution is the Miami conservancy project along the Miami Valley in Ohio, built following the flood of 1913 at a cost of $30,000,000. It consists of a series of retarding dams and reservoirs and has protected the Miami Valley from overflow.

WATERWAYS EXPERIMENT STATION

For years John R. Freeman, the eminent civilian engineer, had advocated the establishment of a national hydraulic laboratory. One of the most constructive features of the Flood Control Act of 1928 was the provision for the United States Waterways Experiment Station, which is located at Vicksburg, Miss. The initial cost of the hydraulic laboratory was approximately a quarter of a million dollars. Without question it is the most complete hydraulic laboratory in the world. Already river and harbor works, as well as flood-control improvements are profiting as a result of experimentation. From time immemorial cut-offs were opposed by Mississippi River engineers. It was argued that they would destroy the channel below the cut-off and that they were wholly detrimental in alluvial valleys. Experiments thus far conducted indicate a complete change of view with respect to cut-offs. The experiments to date have been highly satisfactory, but, as usual, the Corps of Engineers are careful and conservative. There have been no large Mississippi floods since the experiments have been made. While optimistic, the Corps of Engineers await the testing of the experiments by actual floods. It is believed, however, that flood heights can and will be materially reduced by cut-offs that are being made in the vicinity of Greenville, Vicksburg, and Natchez on the lower Mississippi River.

The laboratory is being used for experiments in all river and harbor work. It will materially contribute to the solution of the problems of both navigation and flood control.

RESERVOIRS

Further and careful studies in flood control are demonstrating that reservoirs will largely be utilized in the control of the floods of the tributaries of the Mississippi River. While reservoirs located near the alluvial valley will be most effective in controlling the floods of the lower Mississippi River, there is a definite place for reservoirs in the upper stretches of the tributaries. The adopted project in the Mississippi Flood Control Act of 1928 is sound because it is capable of expansion. No work that is done under the act will be discarded or become obsolete as a result of the controlling of floods along the tributaries. It is capable of expansion to provide for flood protection in the backwater and the tributary areas. The same obligation rests upon the Government to protect the backwater areas that obtain along the Mississippi River.

SURVEYS AND EXAMINATIONS

Drainage and minor flood-control works along the streams and rivers of the United States have been constructed at immense costs to the taxpayers of the Nation. In many cases they were utterly inadequate. There had been no surveys of the rivers and streams along which they were constructed. In line with its policy of promoting the public interest in the Rivers and Harbors Act of January 21, 1927, provision was made for studies of approximately 200 streams and rivers in the United States, as provided by House Docket 308, Sixty-ninth Congress, first session.

On these streams, the Corps of Engineers were directed to formulate plans for the improvement of the streams for navigation, for flood control, irrigation, and hydroelectric power, and $7,322,400 was authorized to be appropriated for the surveys and examinations. Under section 10 of the Flood Control Act of May 15, 1928, the Corps of Engineers were especially directed to submit reports, as provided by said document 308, but with more comprehensive surveys and investigations, covering the main tributaries of the Mississippi River, including the Yazoo River in Mississippi. The report on the Yazco River has been submitted and will be published in the near future. It will recommend the control of the floods along the Yazoo River system by the construction of a series of reservoirs near the foothills and will recommend the control of the floods in the backwater area by the building of a system of levees.

NATIONAL PLAN FOR FLOOD CONTROL

We hear much of national planning these days. National plans for flood control are now under consideration. An agency has been suggested for the supervision of further flood-control works along the Mississippi River, another agency for the east tributaries, and a third agency for the west tributaries of the main river. Agencies dealing with flood control in other rivers emptying into the Gulf and agencies for the rivers that find their way into the Lakes, and into the Atlantic and Pacific Oceans, have been suggested.

We are likely to become topheavy with commissions. Too many executives result in inefficiency. The problems of rivers are similar.

The Corps of Engineers of the United States have had more experience and are better informed about flood-control problems than any other engineers in the world. They have been loyal and efficient. The Fort Peck improvement, the Muskingum project, and the Columbia River Dam, as I have stated, are being constructed under their supervision. They have advised the Administrator of Public Works respecting all flood-control and river-and-harbor improvements.

I advocate a policy of national flood control. The Mississippi River is the longest and the most important river in the world. The Mississippi Valley as a dwelling place for mankind is the most important territory on the globe. The plan along this river should embrace all its tributaries and should provide for floods along all of the tributaries.

What agency shall represent the public and the Government in the formulation and expansion of the plans for the further improvement of the Mississippi River system? The Corps of Engineers are familiar with all of the rivers of the Nation. They have studied them. They have examined them. The engineers of the Army are composed of the ablest engineers in the United States. The honor graduates of West Point have the privilege of an assignment in the Corps of Engineers. Graduates are sent to the leading engineering schools in the United States and foreign countries. Army engineers are thus among the best-educated and best-trained engineers in the world.

I believe that there should be a comprehensive plan for the Mississippi River system and that it should be under the supervision of the Chief of Engineers. I recommend the same course for the other rivers of the United States. In both planning and execution there must be an executive who has the final say. The Chief of Engineers should be at the head of both planning and execution. A division engineer may be immediately in charge of the Mississippi River system and other division engineers in charge of the systems in the other watersheds of the Nation, but in the interest of economy and efficiency and for the public good of the people of the United States I believe that the formulation and execution of policies should be under the supervision of the Chief of Engineers, with the power and authority in him to utilize, in connection with the Army engineers, the best engineering talent among the civilian engineers of the country.

APPROPRIATIONS

The Congress of the United States levies taxes. The Congress should, therefore, provide for definite appropriations. In an emergency and to promote employment the prerogative may be delegated to another authority. Practically all public works in the United States have been investigated through the years by the Congress of the United States. Investigation by an independent agency in many cases results in duplication and in other cases in works that Congress has refused to approve.

If Congress is to levy the taxes, Congress should be the spokesman in the appropriations and allocations of funds for flood control and river-and-harbor improvements. I repeat, however, to emphasize, that the public interest in all projects must be apparent and that the projects must be sound. I have, therefore, urged that Congress resume its function of making direct appropriations for public improvements, including highways, rivers and harbors and flood-control works. The first step has been taken. Congress, for the fiscal year 1935, has definitely allocated and appropriated $29,000,000 for flood control and has made provision for the release of an additional $18,000,000 previously impounded by Executive order. There is thus available so that works may be planned and executed during the favorable seasons and weather, approximately $47,000,000 for new work and maintenance in the year 1935. I advocate a similar policy for highways and for river-and-harbor work.

As an advocate of the improvement of the rivers of the Nation for navigation and flood control, I maintain that no transportation will survive as long as some other form furnishes a cheaper and a better mode of transportation. I assert that this better and cheaper transportation will result through cooperation and coordination of waterways, highways, and railways.

The people of the Mississippi Valley are not selfish. They are interested in the progress of the people of all of the States of the Union. Whatever helps us will help others. We can only prosper as others prosper. We are all citizens of a common country, with a common destiny.

The United States has erected an imposing structure at Yorktown to commemorate the birth of the independence of the Nation. I believe that the sentiment of the words carved on

that monument should characterize all of our plans and purposes for the improvement and advancement of the rivers and harbors of the United States. On that noble shaft are these words:

"One country—one constitution—one destiny."

AMENDING LONGSHOREMEN'S COMPENSATION ACT

Mr. O'CONNOR, from the Committee on Rules, reported the following privileged resolution, which was referred to the House Calendar and ordered printed:

House Resolution 366 (Report No. 1395)

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 8057, a bill to amend the Longshoremen's and Harbor Workers' Compensation Act with respect to rates of compensation, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed 30 minutes, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and the amendments thereto to final passage without intervening motion, except one motion to recommit.

SECURITIES EXCHANGE BILL OF 1934

Mr. BANKHEAD. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 363, for the consideration of the bill H.R. 9323, and ask that it be reported.

The Clerk read as follows:

House Resolution 363

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 9323, a bill to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and the amendments thereto to final passage without intervening motion except one motion to recommit.

With the following committee amendment:

Page 1, line 10, strike out the word "four" and insert the word "seven."

Mr. BANKHEAD. Mr. Speaker, I yield the usual 30 minutes to the gentleman from Pennsylvania [Mr. RANSLEY], if he desires to use that much time. I now yield 10 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, I am so very much interested in this rule and the proposed legislation that I shall refrain from answering my colleague from Illinois [Mr. BRITTEN], but I shall do so in the near future and point out to him that no injustice was done him by my extension of remarks and the statistics included in my speech, which do not descend to the regrettable depths of unfairness and viciousness he has displayed toward me.

Mr. Speaker, ladies, and gentlemen, the resolution before us is broad and liberal. It calls for 7 hours of general debate.

After that, notwithstanding the bill is of a very technical nature, the rule provides that the bill shall be read under the 5-minute rule giving each and every Member opportunity to offer amendments and to speak on the amendments.

I am of opinion that this is the most important piece of legislation that has even been considered by the Congress. For many years efforts have been made to regulate the stock exchanges. After every panic serious efforts have been made to enact legislation that would make impossible the panics that were brought about by the manipulation of the stock exchange. In 1894, after the 1893 panic, an effort was made to secure legislation. In 1908 a commission was appointed to investigate the stock exchange, and in 1912 a bill was introduced to accomplish that purpose. The Pujo Committee reported and demanded action in 1912. The bill was considered, but the same tactics that are pursued against this bill were utilized then to bring about the defeat or delay of the legislation.

During the last 30 days I have received, and each and every Member must have received, hundreds of letters and telegrams from misled business men telling us that this legislation will be detrimental to the best interests of the Nation. I say to these business men that they are misled. This legislation will restore confidence, will not injure legitimate business, and all it will do is restrict the gambling activities of a small group of men who have no interest in the welfare of the Nation, but who, regardless of the effect everybody knew it would have upon conditions of the country, ruthlessly manipulated the markets and brought about the conditions from which the Nation is now suffering. Had it not been for the manipulators of Wall Street, for the criminal inflation for which they were responsible and carried on in 1927, 1928, and 1929, the crash would not have occurred. The people who were responsible for the inflation of 1928 and 1929 are also the very men responsible for the crash in 1929. This legislation is absolutely necessary for the best interests of the Nation, because not until we pass this measure will confidence be restored. All this bill aims to do is to prohibit the reckless gambling and manipulation on the exchange.

I have here from an inside man a description of the stock exchange. He says:

1. Not one fourth of the transactions on the exchange are sales where the seller actually parts with the security, and is paid for it by the purchaser.
2. The exchange is, therefore, the largest gambling house in the world.
3. This gambling house is owned and controlled by its broker members.
4. The value of a seat on the exchange, depends upon the amount of play the game attracts.
5. Those who run the game are really the betting commissioners for the boobs who sit in the game.
6. The betting commissioners have looked in the hand of every one of the "boobs", know exactly what cards they hold, and the limit of their stakes.
7. Most important of all, they know at just what point the "boob" has put in a stop-loss order, hence they know just when the "boob" must take his loss, when the market is forced down.

The privilege of a seat at the gambling table in New York was worth as much as $650,000 at one time. True, it is not worth that much today, but that was the price in the good old days of 1929. No wonder that every ingenuity and every effort is being made to mislead the House and the Membership about this legislation now pending.

I regret that the propaganda going on is so unfair and unjustifiable. As I stated before, they are trying in every conceivable way to mislead the Members and the country in regard to the legislation. I myself am indeed grateful and overjoyed that I have the opportunity to speak for the rule that will make the legislation in order, because ever since 1929 I have appealed to the stock-exchange officials and I appealed to the then President, Mr. Hoover, urging that we suspend these operations. I have pleaded that they should stop short-selling and the many vicious activities that were detrimental to the Nation, but nothing has been done. They now say, "Give us a chance and we will amend our rules." They have refused to act before, and they will refuse to act in the future.

Regardless of what they promise, regardless of what they say, they are not sincere, they do not want any legislation, they believe that it is their own privilege and their God-given right to control this gambling den that brought about destruction to America, brought about the closing of our banks and manufacturing plants, nearly ruined all of the insurance companies, brought about the unemployment of 16,000,000 men in the United States and that caused untold hardships and suffering and, above all, that was responsible for thousands of suicidal deaths. I doubt very much that any flood, fire, or plague ever caused as much destruction and loss as the inflations of 1928 and 1929 and its resultant crash. In fact, it destroyed the values of not only stocks and bonds, but the value of city and farm

properties, as statistics show that the value of listed stocks fell to the extent of 83 percent, causing a loss of more than $100,000,000,000. I say that had we had legislation of this nature on our statute books in 1893, 1907, and 1929 the then panics and losses would not have been possible. Therefore, I am amazed that so many well-meaning business men permit themselves to be used by the most vicious propagandists in the history of America. To the business men of America I want to say they should not be alarmed by this proposed legislation. Instead of stifling business it will encourage business and restore confidence. I invite them to read the financial reports of even the Republican newspapers. A heading on the first page of the financial section of a Chicago newspaper of April 26 reads:

General Motors Quarter Net Soars to 63 Cents—Profit is 500 Percent Over Same 1933 Period.

Another heading in the same paper:

Power Output Reaches Best Level of Year.

Still another:

Steel Activity Continues Rise to 56 Percent—Operations Gain Four Points for Week.

Another:

White Motor Gives Third 10-Percent Raise to Workers.

On the same page:

Dollar Rises Above Par to 59.11 Gold Cents.

Another reads:

Stewart-Warner Profit is $167,495 in First Quarter.

Still another on the same page:

Industrial Earnings Run Three Times Those Year Ago.

A further heading reads:

The First 51 Corporations to Report Show Total Net of $18,740,000, as Compared With $6,332,000 a Year Ago.

Other headings:

Sangamo Electric Boosts Pay 10 Percent; 700 Affected—New Car, Store Sales, Rise in Chicago Area.

From a New York newspaper of April 27 the following heading appears in its financial section:

Bank Reserves up $79,000,000 in Week.

And another from this New York paper:

Internal Revenue Shows Big Increase—9 Months' Total to March 31 Was $797,000,000 Above That of 1932-33 Period.

From a Washington newspaper of April 28:

Electric Output Reveals Uptrend—North American Official Reports Gain in April of Over 18 Percent.

Mr. Speaker, such are the headings in these Republican newspapers. They show that conditions are improving, notwithstanding the stock exchange scare statements.

I repeat that the passage of the bill will to a still greater extent stimulate business and improve conditions, and, therefore, it is manifestly unfair that this institution, through its activities, should create alarm just for the purpose of stopping the proposed legislation to regulate it.

Mr. Speaker, ladies and gentlemen of the House, the stock exchanges have had plenty of opportunity to eliminate the vicious practices that have been going on, as has been testified to and disclosed by the Senate investigating committee. It is high time that the unscrupulous Wall Street investment bankers, who are part and parcel of the New York Stock Exchange, be stopped in reenacting shortly, as they would, another crash. Before concluding I want to congratulate our courageous President, Franklin D. Roosevelt, upon his determination to effect the passage of this proposed legislation, because I know that he recognizes the tremendous, powerful opposition, and, understanding the good that will be accomplished by the adoption of the bill, he remains praiseworthily steadfast for its adoption.

In conclusion, Mr. Speaker, let me call attention to the fact that the same tactics and the same fight have been waged against the Federal Reserve Act and other beneficial legislation by these overlords of high finance, which gives the lie to the selfish and unworthy lobbyists and propagandists who have tried to put the fear of God in everybody they could reach.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio [Mr. COOPER].

Mr. COOPER of Ohio. Mr. Speaker, I do not rise at this time to oppose the adoption of this rule. I am of the opinion that the measure which will be considered on the adoption of this rule is one of the most important pieces of legislation that this or any other Congress has considered. It has been continually before the Committee on Interstate and Foreign Commerce for the last 8 or 10 weeks. Only the members of the committee themselves know how hard we have worked to try to put this legislation into shape to present it to the House. It has been a tremendously difficult task to undertake to write this legislation in order that Congress might consider it. I want to pay my respects to the Chairman of the Committee on Interstate and Foreign Commerce [Mr. RAYBURN], who has worked hard in order to try to get this legislation before the House. It has been my pleasure and privilege to serve with him on the Interstate and Foreign Commerce Committee for 18 years. I do not believe that in all my experience on this committee, any chairman has had such a tremendous task before him as has Mr. RAYBURN, chairman of our committee, during the committee consideration of this measure. [Applause.]

I am sure there are many good things in this bill. I do not question the right of the Federal Government to regulate stock exchanges. I think they should have been regulated long ago. We all know something of the manipulations and practices that have been carried on by some of the stock exchanges in the past. People who have invested their money in securities must look some place for protection. Therefore I believe it is absolutely necessary to pass legislation for the regulation of the stock exchanges, which will protect the people of our country who invest their money in securities. So with that part of the bill I am fully in accord.

But I feel confident that this measure goes far and beyond the regulation of the stock exchanges, by giving to the Federal Trade Commission the power to regulate industries, corporations, businesses, banks, and credits. Industry and business today want to be let alone for a little while. They want to try to get on their feet. They are trying to recover. They are doing everything that is humanly possible to try to bring our country back to a sound economic situation again; but they are afraid that the restrictions placed upon them in this bill will retard economic recovery and not assist it.

I have numerous letters and telegrams from industrialists, business men, especially those in the great industrial district in which I live, who are afraid of this bill. I know they are honest and sincere men. They have no desire to evade any law. I do not believe that they attempt to engage in any corrupt practices in placing their securities and stocks on the market. They suffered tremendous loss during the last 3 years of economic depression; but notwithstanding that they have kept their industries operating in order to try to give men work, to try to keep their families alive. They are afraid of this bill. They say it will make it hard for them to go forward and it will tighten up credits.

The SPEAKER pro tempore. The time of the gentleman from Ohio [Mr. COOPER] has expired.

Mr. RANSLEY. Mr. Speaker, I yield 5 additional minutes to the gentleman from Ohio.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. COOPER of Ohio. Not now. What industry wants today is a relaxation of credit, especially the heavy industries. If there can be a little relaxation of credit so that they can get credit money and put it into productive activity, we will step along pretty fast toward economic recovery.

Mr. MAY. Will the gentleman yield?

Mr. COOPER of Ohio. I would rather not yield at this time. I will yield later during general debate.

As I said in the beginning, there are many good things in this bill, but there are some parts of the bill, I believe,

that should be modified and amended. It is not my purpose at all to try to make any fight against the passage of the bill. What I have in mind is that when the bill is read under the 5-minute rule we should try to amend some of the sections of the bill, so that it will make it a little easier for business and industry to get on their feet instead of making it more difficult for them to do so. [Applause.]

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

Mr. BANKHEAD. Mr. Speaker, I yield 5 minutes to the gentleman from Georgia [Mr. COX].

Mr. COX. Mr. Speaker, I had intended only to ask for time in the event there was opposition to the adoption of the rule. It seems that everyone concedes this bill is of such great importance that there should be consideration of it at this time; and therefore the lack of opposition to the rule.

The gentleman from Ohio [Mr. COOPER], who has just addressed you, expressed fear that in the administration of the act as it is proposed, in the event of its becoming law, it would tend to restrict credit and, therefore, interfere with the operation of business. The report on the bill expressly declares it to be one of the intents of the measure to prevent the concentration of money in the great centers where the exchanges operate, resulting in depriving financial or lending institutions in the outlying sections of the country of the ability to take care of the needs of the people. As a matter of fact, the consideration I have given the measure leads me to believe that that will prove to be one of its beneficial effects.

The gentleman from Ohio [Mr. COOPER] has paid his respects to the chairman of the Committee on Interstate and Foreign Commerce, the gentleman from Texas [Mr. RAYBURN]. I invite the attention of the House to the report filed by the gentleman from Texas [Mr. RAYBURN], for the committee, on this bill. Aside from the fact that it is a very eloquent document, it is one of the most informative statements I have read since my term in Congress, and will give you a very accurate picture of what is proposed in the bill and of the results it is expected to accomplish.

I take it that the bill is constructed largely along the line of the report of what is known as the "Roper committee." There, of course, is some departure from the report if, as a matter of fact, there was any intention in the first instance, conscious or otherwise, to follow it—on the part of the committee.

Those departures, according to the witnesses who testified, very materially improve the measure and give it better promise of good to the country as a whole.

There are, of course, important legal questions involved. There is the question of delegation of power on the part of Congress to an administrative agency; and then there is the main question as to the power of Congress to deal with the situation in any respect whatsoever.

[Here the gavel fell.]

Mr. BANKHEAD. Mr. Speaker, I yield 6 additional minutes to the gentleman from Georgia.

Mr. COX. So far as the delegation of power is concerned, I am not disturbed, because Congress states in definite terms what it desires accomplished and leaves to the discretion of the administrative agency how these results may best be obtained, holding the agency, of course, within limitations fixed by Congress—a maximum and a minimum, a high and a low, fixed by the Congress. In other words, Congress tells the Federal Trade Commission, which is made the administrative agency—and properly so, because it is the agency that administers the Securities Act, which is related to the pending bill—what it wants to accomplish, and lays down methods by which that result should be accomplished, and directs the Federal Trade Commission, the administrative agency, to produce those results.

In section 2 is set forth a declaration of fact which is intended to serve as a basis for the legislation. Some criticism has been made of section 2 because of the fact that Congress undertakes to legislate as a fact that which some feel should be left to the courts to determine. The declaration of facts as set forth in section 2 legislatively determined to be facts will in large measure relieve the courts of the necessity of deciding many important questions which otherwise might arise, and demonstrates the wisdom of the committee sponsoring the bill.

All of the powers of the Government are invoked in section 2, powers adjusted to peace-time conditions, and to those of war, those expressed and those implied, and all other powers; but, after all, you must come back to the proposition that if Congress has the power at all, and I think it has, to regulate these exchanges, it must be found in the commerce clause of the Constitution. There is a fear that there might be an effort under this act to regulate production; and, of course, production is not commerce. There is the fear that much might be attempted under this bill that is not properly within the power of Congress to do; but a careful consideration of the expressions of the court of last resort in many different cases that have gone to it for determination leads to the conclusion that the matter with which Congress is undertaking to deal, although in a sense it may be declared to be purely intrastate business, is so interwoven and mixed with interstate transactions as to become a part of them; and if Congress is to exercise its power and the exclusive power to regulate interstate commerce, it cannot stop at the point where it is insisted that transactions on the exchange are purely intrastate, but it must go all the way in the interest of a full and complete control and regulation of the problem.

The bill is deserving of careful study by the House; and particularly do I urge the membership of this body to read and to ponder the magnificent report filed by the chairman of the committee, the gentleman from Texas [Mr. RAYBURN].

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

Mr. COX. I yield.

Mr. PARKS. Calling the gentleman's attention to the language at the bottom of page 9, reading as follows:

> (b) The Commission and the Federal Reserve Board, as to matters within their respective jurisdictions, shall have power by rules and regulations to define accounting, technical, and trade terms used in this act, and such definitions, insofar as they are not inconsistent with the provisions of this act, shall have the force of law.

Mr. COX. That language carries a very broad delegation of power, of course, but it is necessitated because of the inability of the committee to define those terms to meet all conditions—conditions now existing and conditions as they may change from day to day.

Mr. PARKS. Does not that delegate to the administrative board or commission the power to legislate for the Congress?

Mr. COX. As I say, it carries pretty broad power, but all in the interest of flexibility and workability.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing a radio address delivered by my colleague, the gentleman from New York [Mr. FISH], on the 26th of April 1934.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CROWTHER. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following radio address of Hon. HAMILTON FISH, Jr., of New York, over the National Broadcasting Co. network, Thursday evening, April 26, 1934:

> We have heard a great deal of talk from the Democrats about the inflation of 1929, and silly statements that it was caused by the Republican tariff. We Republicans have nothing to apologize for in giving the American people the highest degree of prosperity ever known in any Nation in the world between 1921 and 1929 under a protective tariff system and successive Republican administrations. During those years the American wage earners were the best paid, the best housed, the best fed, the best clothed, and the most contented in the world. The Republican Party gave the American people an overabundance of prosperity, a veritable surplus of prosperity, and they abused it by being wasteful and extravagant. They followed the lead of the big international bankers and money changers and gam-

bled and speculated with their earnings made in those prosperous times in the hope and delusion of becoming rich overnight without work or effort.

Did the Democratic Party point out the menace of the inflation at that time? It did not. Its present chief spokesman on monetary policies, Prof. Irving Fisher of Yale University, stated in 1929 that the existing high prices would continue indefinitely and that the peak had not been reached. Back in 1928 Alfred E. Smith, the Democratic standard bearer, came out openly for the maintenance of the protective tariff principle as being in the best interests of American labor and industry.

The present Democratic administration, however, talks in general terms about the high rates of the 1930 tariff bill, but is unable or unwilling to particularize on any schedule or on any item and fails to specify what rates are too high. The protective tariff system has built up the industries and the standards of wages and living in the United States and the attitude of the President imperils the welfare of our workingmen. American labor declines to compete with the poorly paid labor of Europe, Asia, or the forced labor of Soviet Russia.

President Roosevelt evidently cares little for the Federal Constitution or our representative form of government, or he would not have asked for unlimited powers to make reciprocal trade agreements with foreign nations. The request in itself is unworthy of the President, and must be another "brain trust" proposal entered into without mature consideration. I would have no objections to giving that power to a nonpartisan tariff commission, provided it could report back to the Congress for final approval. I would favor such a policy in dealing with Canada, Mexico, and Central and South America. We should be willing to make trade concessions to these countries which are our natural markets, but I am bitterly opposed to placing such unlimited power in the hands of any individual in direct violation of the Constitution.

The hardest blow ever dealt our democratic system of government is the request made by the President on the Congress to abdicate its constitutional powers to enact tariff legislation, which includes the taxing power.

The conferring upon the President the right to make trade agreements without the final sanction of Congress is not only unconstitutional but is an outright betrayal of our representative form of government. It amounts to an open admission by Congress that, after 145 years of dealing with tariff legislation it is now incompetent and unfit to legislate properly, intelligently, and in the public interest. Members of Congress are called upon to violate their oath of office to uphold the Constitution and betray representative government by abjectly surrendering their taxing powers to the President. When we do that we become nothing more than rubber stamps. We have already provided for a 59-cent rubber dollar, and now we are asked to rubberize the Constitution of the United States.

The President, in his recent N.R.A. speech, used these words: "The real truth of the matter is that for a number of years in our country the machinery of Democracy had failed to function." The President is not helping to uphold our American ideals and traditions by joining the hue and cry and carping criticisms both from within and from without our country against our free institutions.

For a number of years Mussolini, Stalin, and Hitler have been making public statements about the dismal failure of democracy, and particularly of the failure of parliamentary or representative government to function. They need no longer laugh up their sleeves, but if this bill is enacted into law they will cry out from the house tops the doom of democracy. What a travesty, without rhyme or reason or any emergency except a manufactured one, it would be for Members of Congress to abdicate their main powers and functions and help to destroy the usefulness of Congress and our legislative system of government. To me it is a tragedy far beyond the merits or demerits of the pending legislation.

Both my father and grandfather, of the same name, served in the Congress and no President, no matter what party he belongs to, can persuade or coerce me to betray my trust and help destroy our representative system of government which in the past has been the pride and glory of freemen and of a mighty Republic.

Why sacrifice that which has been tried in the darkest days of Civil War and in the midst of a World War to turn from our representative and legislative form of government to giving dictatorial powers to the Chief Executive? He holds no mandate from the American people to destroy American industries and the American market for goods produced by our own wage earners. Up to recently the United States has been the greatest free-trade country within its own boundaries in the world. However, this administration, by the use of subsidies and processing taxes on cotton and foodstuffs, has virtually imposed heavy duties on the American people for purchasing their own goods and mirabile dictu now proposes, through reciprocal trade agreements to show favoritism to the goods produced by cheap foreign labor in Europe, China, Japan, and Soviet Russia.

Thomas Jefferson would turn in his grave at the thought of transferring such autocratic and despotic taxing powers to the Chief Executive. Where are the constitutional and Jeffersonian Democrats in this contest against an economic dictatorship? If they vote for this bill in the Congress, it must be in open violation of every principle of Jeffersonian democracy. If they vote for this bill, it is a plea of confession and avoidance. They must confess to their constituents back home that as a party or individually they are not qualified to legislate or to act in a representative capacity in accordance with the provisions of the Federal Constitution, and in order to avoid the natural consequences of their incompetence must turn the entire tariff powers over to the President and the "brain trust."

What will be the logical answer of the people back home? "We sent you to Washington to look after our interests and to legislate intelligently and not to abdicate your constitutional powers and set up an economic dictatorship. If you are either unable or unwilling to perform your constitutional legislative duties, why we will look around and get someone who will." The price of betraying their trust as representatives of the people back home warrants defeat at their hands.

Has the flame of liberty burned so low that Members of Congress can betray the constitutional rights of a free people by turning the taxing power over to the Chief Executive without a remonstrance? Have the memorable contests and oratory of John Hampden in England, Mirabeau in France, and James Otis and Patrick Henry in our own country against taxation without parliamentary representation been all in vain? As James Otis pointed out, this principle caused one English King to lose his head and another to lose his crown, and he might have added it also caused the American revolution. Must we again revive this age-old fight? There is no alternative if this tariff bill is enacted into law.

Our revolt against England was because of taxation without representation. For that principle our forefathers fought bitterly, even sacrificing their lives in order to establish it for all time and for the benefit of Americans of succeeding generations. This is the heart and foundation of the Declaration of Independence, and was quickly transplanted into our Constitution. The whole frame of the Constitution was to protect that principle. The three distinct branches of our Government—the legislative, executive, and judicial—were set forth in the clearest and strongest language possible, in order that there be no infringement by one branch of the Government upon the other. And those great makers of the Constitution imposed the important task of taxation upon the Congress because the Congress is the direct representative of the people. Do you now wish to sacrifice that great and tried principle and turn it over, in violation of the Constitution, to the branch of the Government having no power whatever to tax? That is what this tariff bill means. It is the end of taxation by the direct representatives of the people and a restoration of taxation without representation, which caused the Revolutionary War.

The next national compaign will then have to decide as between the restoration of our American representative form of government and a socialistic dictatorship. On that issue of Americanism against socialism there can be only one answer, no matter what other issues are injected into the campaign.

What is needed badly at this juncture of our economic life, when business is at a low ebb and struggling to work its way out of a lengthy depression, is sound common sense, and there seems to be little of it. What is really needed is a restoration of business confidence in order to turn the wheels of industry and provide employment. However, business, instead of being encouraged, is discouraged at every turn by new shackles imposed by the "brain trust" and by doubts and uncertainties engendered by the proposed tariff bill. What is needed is the restoration of individual effort and initiative which has made our country the greatest, richest, and freest republic in the world. Instead, the "brain trust" promotes collectivism and regimentation and rushes from one socialistic experiment to another.

The disastrous defeat of the Republican Party in 1932 left but a small number of us in the House of Representatives to carry on sound Republican principles. Although somewhat dazed by the extent of our losses, we were not disheartened, knowing well the incapacity of the Democrats to function as a national party and to keep within bounds of reason and govern with moderation.

The Republican Party must not remain supine any longer. We must not look backward; economic conditions have changed. We must go forward on a constructive, liberal platform in favor of a square deal for both capital and labor. We must stand, as we have always stood, against state socialism, and for a sound currency, the protective tariff, and for the Federal Constitution as the rock upon which our constitutional rights and liberties are founded.

With malice toward none and charity for all I have presented my views without fear or favor on the pending legislation authorizing the President to enter into trade agreements with foreign nations which, even if held constitutional, would create further uncertainties and demoralization of American industry.

Canada, Great Britain, and other nations are emerging or have emerged from the world depression without indulging in socialistic panaceas, while the United States staggers along under a rapidly increasing burden of debt, with business confidence lacking and private enterprise discouraged and all but destroyed.

Let us give business a chance, remove the heavy hand of Government control and regimentation, and let the Federal Government come out openly and say to American business, "We are with you, not against you; you are entitled to make a reasonable profit; we believe in private enterprise and not in Government ownership." If the Government would give such assurances, it would restore confidence overnight, and the wheels of industry would begin to hum and provide permanent employment for millions of loyal American wage earners.

Let us preserve the American market for American labor and uphold the standard of wages and living that American citizens have been accustomed to in the past. Let us stand firmly for

the maintenance of the Constitution and our representative government, and proclaim in no uncertain language that there is no room for socialism, communism, or fascism, or any other foreign form of dictatorship in the United States.

Mr. BANKHEAD. Mr. Speaker, I yield 3 minutes to the gentleman from Missouri [Mr. COCHRAN].

Mr. COCHRAN of Missouri. Mr. Speaker, as I view this situation it is a question of legislating either for the few or the many. We have heard from the few, by telegraph, telephone, and letters. We have not heard from the many. But the many are watching us, and they are expecting us to enact legislation which will protect them in the future. They are thinking of what happened to them in 1929, and they do not want that to happen again. Can you blame them? The country was shocked by the evidence brought out at the Senate committee hearing, and people look to us to do something that will cure that evil.

I have listened with a great deal of attention to the argument of the gentleman from Ohio [Mr. COOPER]. I too come from a great industrial center, the same as he does; a greater industrial center than he comes from. A month ago a hundred business men from St. Louis came here greatly excited about this bill. We had meetings, and I suggested to them that they place their views and objections in writing, pointing out where the bill was going to be harmful, and give the memorandum to the chairman of the committee. They followed the suggestion. Yesterday I received a telephone message from the man whom I considered chairman of that delegation telling me that they were satisfied with the bill as reported, and that they did not think it could be improved upon on the floor of the House. The gentleman that called me on the telephone is president of one of the greatest chemical companies in this country. They are going back home because they say they are satisfied. They were over-scared, and they had no reason to be scared. They know what was in the original bill and they know what is in this bill. They are satisfied, and if they are satisfied I take it that when other business men learn what is really in the bill they will be satisfied.

Mr. WADSWORTH. Will the gentleman yield?

Mr. COCHRAN of Missouri. I yield to the gentleman from New York.

Mr. WADSWORTH. Surely the gentleman would not compare this measure with the measure that was originally introduced.

Mr. COCHRAN of Missouri. I do not compare this measure with the one that was originally introduced. I realize many changes have been made.

Mr. WADSWORTH. They were excited over the first one.

Mr. COCHRAN of Missouri. May I say to the gentleman from Ohio [Mr. COOPER] again that the delegation that came from my city, through the man I considered to be their chairman, called me on the telephone and withdrew objection to the measure? If our business men do not object to this bill, I cannot understand how Ohio business men will object to it. I have not heard from the people who were here in the interest of the stock brokers. Their representatives were here for weeks, and they, too, offered suggestions, some of them I understand being accepted by the committee.

I am satisfied that the bill is sound, that it is what the country needs, and I propose to support the bill. [Applause.]

Business might not want to be regulated now, but it had no objection to being regulated a year ago, when it came here and begged the President to help. He has helped, and as a result of that help they see light where a year ago all they could see was a black cloud. If they could trust the President a year ago, it seems to me they can trust him now. Had the Securities Act of 1933 and this bill been a law 10 years ago the crash of 1929 would never have happened. We do not want another disaster such as we experienced in 1929, and the way to prevent it is to pass this bill.

Mr. BANKHEAD. Mr. Speaker, I move the previous question on the adoption of the resolution as amended.

The previous question was ordered.

The committee amendment was agreed to.

The resolution was agreed to.

Mr. RAYBURN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H.R. 9323, to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself in the Committee of the Whole House on the state of the Union for the consideration of the bill H.R. 9323, with Mr. TAYLOR of Colorado in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. RAYBURN. Mr. Chairman, the Committee on Interstate and Foreign Commerce of the House for the past 9 weeks has been wrestling with the problems raised by this suggested legislation.

A draft of a bill was submitted to Senator FLETCHER, of the Senate Banking and Currency Committee and to me as Chairman of the House Committee on Interstate and Foreign Commerce. We took the draft bill as a basis for discussion, began hearings. For 5 weeks, with an intermission of 1 week, we conducted hearings and those who were in so-called "opposition" to the legislation had at least three fourths of this time. To every section of the country and to every interest affected opportunity for hearing was accorded.

The bill that is before you today, it matters not what the propagandists who oppose any sort of legislation may say, is the bill of no one man or group of men, except the 25 members of the Committee on Interstate and Foreign Commerce of the House. Partisanship has been abolished in the committee during the hearings and during the consideration of this bill in executive session, and may I pay to my Republican colleagues on the committee the compliment which I believe they, as well as my Democratic colleagues, deserve for the way in which they went about the solution of this problem. Especially do I want to remark about the two minority members of the subcommittee, Messrs. COOPER and MAPES. They were courteous and cooperative with me throughout. May I pay a special compliment to the gentleman from Michigan [Mr. MAPES] for his help, his wisdom, and his good judgment in working out the definite and concrete provisions of the bill. I congratulate him and thank him for the way in which he has cooperated with me.

Few bills have ever had such thorough consideration as this stock-exchange bill. As a practical matter, the matters with which it deals have been the subject of hearings ever since the investigation of the Senate Banking and Currency Committee started some 2 years ago. And to complete the certainty that the bill in its present form has been given consideration at least so far as hearing opposition is concerned, we have worked out the terms of this bill under the pressure of the most vicious and persistent lobby that any of us have ever known in Washington—a lobby that has relentlessly opposed the bill, not only in the original form, but in the present form as my committee brings it to you, and which would, I am convinced, protest against it in any form so long as there was a tooth left in it.

Before we begin discussing the provisions of the bill in its present form, and consider objections still being made to it, I want to talk about that lobby, because the possibility that that lobby has inspired most of the protests against the bill is something which has to be taken into consideration in valuing those protests fairly. I am not suggesting that persons affected by a proposed regulation have not the right to protest fairly against it to the limit of their powers. I do not object to the effort of the New York Stock Exchange and of other exchanges to rally brokers against the bill on the frank ground that it will cut down on the profits they can take from the public. But I do object to the unfair and insidious campaign of exploitation of ignorance which the stock exchanges have waged to get business, banks, investors, and anyone else they could reach

to pull their chestnuts out of the fire with exaggerated interpretations of the bill and terroristic prophesies of general disaster. My experience with those who have personally interviewed me to protest against this bill and thereby given me a chance to cross-examine them on what they really know about it, has convinced me that not one critic in five hundred has even carefully read the bill or the sections he came in to talk about. They have been simply and sincerely following like so many sheep the suggestion carefully planted in their minds by those who want to prevent this or any other kind of effective stock-exchange legislation from being enacted at this session. As I have said, I believe in encouraging frank and honest and intelligent protest by those who know what they are talking about. But I do resent a deliberate campaign to swamp Congress and the press with a false appearance that the thinking criticism of the bill is much wider than it is.

There has not been a bill introduced into the Congress of the United States in all the years that it has been my privilege to serve in this body that has been attacked as viciously and in many instances as senselessly as this legislation has been attacked. Propaganda unequaled by any that I have ever before witnessed has been leveled against this legislation, against the members of the committee, and especially against the chairman of the committee.

I resent, as I think does everyone in this House, the campaign of personal pressure that has been carried on against every Congressman in this House, and I do not need to expand on the tactics of that campaign. There is not one of us who has not recognized how subtly and how cleverly the sources of pressure against us have been chosen, how there have been sent against each of us the most carefully chosen delegations of our personal friends and of our political friends, nor how bluntly there has been drummed into us the fact that this is an election year, when we need friends. These things do not need to be told, except to assure each of us that his own experience has been repeated by every other one of us.

But I do think that there have been certain phases of this compaign of manufacturing public opinion that are probably only best known to those who have actually been working with the bill. For instance, take the flood of letters we have received. It is commonplace talk that it has been an inspired flood. But only an analysis of a representative group of those letters will show how inspired and how untrustworthy they are. As the best illustrative sample I have had an examination made of approximately 5,000 letters and telegrams received by the President. I have those communications here with me and any unbeliever may examine them if he wishes.

Mr. AYRES of Kansas. Will the gentleman yield—not for a question but to ask if the gentleman is going to include those letters in the RECORD?

Mr. RAYBURN. Yes; some of them. The first interesting revelation is that apparently even the authenticity of some of this mail is not above suspicion. A letter from Pittsburgh makes the following interesting revelation:

On Monday or Tuesday of this week a petition was sent to the President with many forged signatures. This petition was dictated and placed in the customer's room of ——— (brokerage firm), of this city, by the manager, Mr. ———. It did not bear the firm name, as they explained they wished it to appear as coming from those outside the market.

I saw Mr. ——— add 9 names to the list; Mr. ———, an employee, added 2, as did Mr. ———, another employee. I saw many others, whom I did not know, write several names at a time. All employees were compelled to sign, and several customers who had previously refused were reminded they should sign. I learned later these customers had weak margin accounts.

In the light of this sort of attitude it is significant that the names signed to 50 communications from Pasadena, Calif., alone could not be found by the Postal Service or in the city directory.

But beyond the problem of genuineness, internal evidence makes it clear that the vast majority of the letters are of the chain variety written not of the writer's own free will and consideration but as the result partly of compulsion and partly of ignorance bred of a fear carefully nurtured by a whispering campaign. Three sources of this inspiration are particularly clear in the letters I have here. One is the campaign of brokerage houses among their employees and customers. Very early in this propaganda business I picked up this interoffice wire from a brokerage house in New York to all its branches:

REGARDING FLETCHER-RAYBURN BILL

Will you please ascertain and advise what is being done by concerted action of savings banks, corporations, listed or unlisted, insurance companies, in your territory in the way of organized effort for the fight on the above bill.

Are your employees alive to the fact that with the passage of the bill a great many of them will be out of employment?

Are they writing their Senators and Representatives? If not, they should do so at once, using their own note paper, not firm paper, and writing in their own way, protesting the passage of a bill which will rob them of employment. Please advise.

I do not doubt that every brokerage house in the country waged a similar concerted campaign to create protest against this bill. If you want to know one way in which they worked, remember the language of that letter from Pittsburgh about the forged names:

The employees were compelled to sign, and several customers, who had previously refused, were reminded they should sign. I learned later these customers had weak margin accounts.

But not all customers and employees were fooled or intimidated. Listen to this one:

PASADENA, CALIF.

A few minutes ago a broker from the Pasadena office of ——— & Co. called my father asking permission to sign his name to a telegram criticizing the Fletcher-Rayburn bill, all expenses to be paid by the brokerage house.

It is not justice that such communications as these should influence our President and representatives. After much thought I have come to the decision independently that the Fletcher-Rayburn bill should be made a law.

And here is an account of the campaign in New York:

LONG ISLAND, N.Y.

May I, as an American citizen and an admirer of the new deal, take a few moments of your valuable time and give you an interesting but nauseating sidelight of the Wall Street viewpoint of the Fletcher-Rayburn bill.

All the brokers and big-money men have started a campaign of their own in an effort to defeat the passing of this bit of legislation. They have warned their employees that if the bill passes they will all lose their positions, as their business simply cannot flourish under the new regulations; next, each employee and every member of his family were told to write to their Senator and Congressman protesting the passing of such bill—form letters were given to all the men to take home so the folks at home could get an idea of what to write.

But that isn't the worst offense. Yesterday each and every clerk was made to put up 50 cents toward lawyers' fees, which these "big shots" are going to hire to fight this bill. If they must fight, why can't they hire their own lawyers instead of taking it from the clerks who are only making $16 and $18 per week? Have you ever heard of anything more nauseating? The clerks don't dare refuse—for their jobs are at stake—the white-collar class is the most underpaid class in our whole American system, and nothing can be done to help them, because they haven't the initiative to organize and fight for their rights.

I don't think any of those clerks would oppose the bill if they weren't threatened with unemployment and made to write those letters under duress. It is sickening to think that these millionaires who have got the country in chaos in the first place should now use their employees as tools to fight the Government.

P.S.—If you want to print this, please omit my name, as I would lose my position.

From Boston, Mass.:

The letterhead above will identify me as at least for the present being employed by one of the common sources which you referred to in your letters to Senator FLETCHER and Representative RAYBURN. Probably with my attitude in support of your principles and my utter disgust at the obnoxious abuses of the public trust in this business I will not be here long. In fact, I am told by a member that feeling the way I do I am in the wrong business.

It has been very interesting to me to observe the common source battling your desires for right with mass meetings, petitions to be signed under virtual threats, newspaper articles, raising funds for committees, and a most complete effort at regimentation of business corporations, chambers of commerce, advertising agencies, investment services, counselors, et al., by means of public speakers over the radio, and public assemblies and circulars, one of which I am enclosing for your amusement. Also letters by the many to Senators, Congressmen, and committeemen, from persons of and under age claiming Democratic political faith, falsely in many cases, but that if this bill is passed it will make violate their constitutional liberty, rights, etc. In fairness to many of

these writers I would say that they are right in thought but frightened to action against their better judgment.

Now, as a customer's man and naturally still desirous of being able to earn a living I have read the bill carefully and I see that it contains nothing that I will object to. The means of administration of the bill are above my ability to argue. Whether the Federal Trade Commission should be the supervisory board I cannot say, but certainly not a committee made up of stock-exchange members. Likewise, whether the Federal Reserve bank should have control over margin requirements I cannot say, but they should be made standard by a law. I believe, in fact, that the method of control of margins being argued is merely a camouflage and in reality what the propagandists are really fighting for are lower margin requirements instead of who should control them.

May I say that I hope your Congress will not be influenced against their good judgment in support of your wishes * * *.

Here is a letter from Los Angeles describing the campaign among brokers' employees in that city:

They were instructed not to write these letters on a typewriter and not to mention their firm's name. Then they had to take these letters to their employer in an unsealed envelop so that he may examine its contents.

San Francisco, Calif.:

We all had to sign a petition to you yesterday. Please have someone take a knife and cut my name out. I have to have a job and just had to sign or quit.

When this bill was first introduced, a great many said we ought to know what the Federal Reserve Board thinks and what the Treasury Department thinks. It was committed to their hands for 8 days and they went over it line by line, and then Governor Black, of the Federal Reserve Board, had the courage to come up and say that he had read the bill from end to end and he thought it was a workable bill. I shall refer to him a little later. Mr. Smith, Assistant Secretary of the Treasury, came up and said all in favor of it that he had been instructed to say.

Now, here are some letters that would appeal to the gentleman from Illinois [Mr. BRITTEN], since he gave out his learned statement this morning with reference to "the boys" that he claims wrote this bill.

One correspondent, giving an address in Gloucester, Mass., wrote on March 22:

I have been studying the new bill for stock exchanges as recently reported by the committee and I cannot see that there has been much improvement in it over the original draft. The only thing I can think of when I visualize the workings of the bill is good old Russia. We seem to be drifting there fast.

The following day a letter signed with another name, giving an address in Saugus, was written as follows:

I have been studying the new bill for stock exchanges as recently reported by the committee and I cannot see that there has been much improvement in it over the original draft. The only thing I can think of when I visualize the workings of the bill is good old Russia. We seem to be drifting there fast.

On the same day a third letter, signed with still a third name, was written from Braintree Highlands, Mass., saying:

I have been studying the new bill for stock exchanges as recently reported by the committee and I cannot see that there has been much improvement in it over the original draft.

The only difference between the third letter and the other two is the failure to think of "good old Russia." I have only read the first paragraph in each case, the remainder of the letters is virtually identical. The stationery on which these three letters are written differs only in the color of the border.

Mr. RANKIN. Will the gentleman yield?

Mr. RAYBURN. I will ask the indulgence of the committee that I may continue until I get a little further along.

Mr. RANKIN. I think Greece and Turkey should be mentioned since Mr. Insull has been over there.

Mr. RAYBURN. There are two typewritten letters apparently from stenographers on plain stationery giving a home address and signed by the stenographer. But habitual honesty led the purported author to place the customary initials in the lower left-hand corner and these reveal that the letters were dictated to the writer by someone else, probably the employer.

And let me say to you about this bill, the impression has been created that everybody who operated on an exchange, that everybody who was a member of an exchange, that everybody who was a manufacturer or a business man is opposed to this legislation; and yet men came to my office and filed strong statements advocating a strong stock exchange bill and asking me to put their statements in the RECORD without filing their names.

One gentleman who is a big broker on the New York Stock Exchange came to my office and said, "I think you have a good bill, with two amendments." We went over his two suggestions, and after discussing them with him, found he had been misinformed about what they meant, and he said, "The people who have been talking to me did not understand this bill as you have explained it." Knowing he is a man of high type and an important broker on the great exchanges, I said to him, "Then it looks to me like you could help us stop some of this propaganda. You say you are for a strong bill and that you know about these evils that should be corrected." He said, "Well, I am for a strong bill. I am for this legislation. These evils should be outlawed and should be corrected, and if it were necessary for me to lay my head on the block in order to get a good strong bill, I would do it; but that is exactly what it would mean. I have a house in New York and several branch houses throughout the country and 800 employees in my houses. Some of them violate some rule or regulation of the New York Stock Exchange every day and they are passed over, but if I put myself up in opposition to them as favoring a good strong bill, they will destroy me by 10 o'clock in the morning."

Business men throughout the country have come to me and said that they wanted a good strong bill.

But here is a letter that caps the climax. Three writers ask in identical words, "What would Jefferson think of the Fletcher-Rayburn bill? He would, of course, use every influence to defeat it." May I ask you what that great democrat—not speaking in a partisan sense of the word—what would that great democrat, who believed in honesty in Government and honesty in all the affairs of men, have said about 1929 and the conditions and the practices that brought about the loss of untold millions to the people of this country? What would Jackson have said, what would Lincoln have said, what would Cleveland have said, what would Theodore Roosevelt have said? They would have said the same thing, that this President Roosevelt today says; that he "wants a law that will prevent the elements getting so mixed that it will bring about conditions like we had in 1927, 1928, culminating in 1929." [Applause.]

A representative of one of the large exchanges came to my office one morning and said, "Since you revised your bill"—that is, the first revision (the subcommittee and the full committee took 2 weeks to revise the revision)—"since you revised your bill, with four changes you have got a workable bill. I should like to come before your committee and be heard." I said, "You have had three quarters of the time in opposition to the bill, but tomorrow I will give you 30 minutes."

The next morning he came in and had 30 minutes and presented his four amendments.

Then I asked him the question, "If we were to adopt your four suggestions, would you support the legislation?" He threw his hands in the air and said, "No. The bill is unconstitutional. It is unworkable, destructive and not constructive."

Now, if the Membership of the House expects any man or any group of men to write any sort of a bill or law that will be accepted and endorsed by the people who do not want any sort of regulation, then they are mistaken. It matters not how you revise this bill, not what you take out of it, the people who operate the exchanges do not want it. They want self-regulation; and when temptation comes, self-regulation will mean the kind of regulation you had in 1929.

The New York exchange holds itself up by rules adopted recently establishing self-regulation and say that such rules ought to be sufficient. But it must be remembered that the

New York Stock Exchange is not the only exchange in the country, and furthermore, the New York Stock Exchange, if it can pass a rule, can revoke that rule as well.

We want to lodge the authority, power, and direction somewhere in some agency of the Government as representing the people of the country, with the right to approve or disapprove the rules and regulations of the exchanges, and with the power and authority to enforce the rules and regulations if in the public interest it is found necessary.

Another clear source of inspiration for these letters in addition to the pressure brought by brokers' houses on their customers and employees is the propaganda conducted by many of the larger corporations of big business men. For example, the Associated Gas & Electric Co., the utility now under investigation in New York State, relayed to thousands of small, ignorant stockholders, who could not understand the bill even if they had an opportunity to read it, the exaggerated account of it given by the New York Stock Exchange.

Many almost illiterate stockholders and bondholders have been frightened by this campaign into thinking that passage of the bill will destroy what little value remains of the securities previously sold them by high-pressure methods, and have written pathetic letters often enclosing the company's circular or mentioning it by name.

An organization calling itself the Chicago Association of Commerce has issued a circular beginning as follows:

> The Chicago Association of Commerce, with a membership of some 4,000 business houses located in the Chicago metropolitan area, opposes S. 2693 and H.R. 7852, proposing the National Securities Act of 1934, in the following particulars:

This is what a member of the association has to say about this statement:

> I am wondering if the association has the right to undertake to express itself on behalf of all its members in this way without their consent. * * *
>
> I am not ready to say, for example, that the National Securities Act of 1934 is the dangerous instrument that the association's statement would have one believe it to be. * * * I have had an accurate account at one of the brokers for many years so that I am not speaking unfamiliar with the stock market.

Of all letters examined about 300 represent forms which have been followed word for word, and another 200 are obviously based on a given model, although not absolutely identical.

This sort of thing is particularly insidious when carried on under the veil of governmental authority. An example turned up the other day: When questioned by the Scripps-Howard press, Mr. George Houston, the actual head of the so-called "durable goods committee of the code authorities under the N.R.A.", admitted that a formal memorandum of proposed changes in the bill to satisfy business, presented to me as the official work of the committee, was at least physically mimeographed at 2 o'clock in the morning on the machines of the New York Stock Exchange lobby in the suite of Mr. Whitney's lawyers in the Willard Hotel.

The business man who brought me the memorandum as the work of the committee—a perfectly honest man whose sincerity I thoroughly trust—freely admitted after the exposure that he had been "played for a sucker." The National Manufacturers Association and its own lobby here in Washington were clearly implicated in the preparation of the memorandum under these circumstances. We have had all sorts of reports from N.R.A. committees in the last couple of months about the Securities Act and similar legislation. I wonder how many of the reports of such committees and how many reports of chambers of commerce, business bureaus, and national associations of this and that have resulted in 2-o'clock-in-the-morning visits to the Willard Hotel or similar sources of disinterested advice to the public. I am sorry that more of the press did not carry General Johnson's highly significant statement after the durable goods committee incident in which he openly repudiated any authority of that or similar committees to speak for the N.R.A. And yet in the letters coming to the President are clear references to the effect of that report of the durable goods committee on an unsuspecting business public. I have offered you just a few illustrative concrete instances of activity which we have felt going on about us. Of themselves, if they were all, they might be comparatively unimportant. But they are very important not for what they are but for what they lead us to suspect as indications of the kind of thing which a thousand times multiplied has been going on invisibly around us.

The blunt fact about the reaction of that portion of the public which has been induced by this campaign to protest against the bill—particularly that part of the business public which is excited about the regimentation of industry supposed to lurk in the bill—is that it has either been unable to comprehend the necessarily complicated provisions of this long bill and the many drafts of it which have followed one another in the course of its revision, or that it has simply swallowed the opinions of propagandists whole without reading what they are supposed to be talking about.

I tell you from my own experience at the center of all this agitation that that part of the public which has been used by the New York Stock Exchange in its propaganda to create an appearance of a furore of protest against this bill is not representative of anything but the smallest portion of the public as a whole—and the public as a whole, perfectly conscious of the propaganda, are watching with interest to see whether we succumb to it. For every frightened security holder and every brokerage-house clerk and every nervous corporation executive who has let the stock exchange do this thinking for him, there are thousands whom experience with securities has made hard-headed who are doing some thinking for themselves, and are watching to see whether Congress hesitates to regulate the great financial powers of Wall Street whom tradition says cannot be controlled by the forces of Government.

One of the things that has been most frequently used to frighten people, particularly business men, are the provisions of the bill that have to do with reporting by corporations. When, for example, the business man whom I have referred to as admitting to me that he had been "played as a sucker", came to me with the memorandum mimeographed at the Washington headquarters of the New York Stock Exchange, I told him that I would take the bill and sit down with him and if there was a line in the bill or a sentence that did an injustice to or put an unreasonable burden upon business in this country I would be the first to move to strike it out. I then took the bill up and said to this gentleman, "Your first amendment is to strike out section 2 of the bill entirely. Why do you want to strike that out? It simply declares that this matter has reached the point where it is charged with a public interest, that there is necessity for regulation." He then said that he did not care whether it was stricken out or not, but I said, "You move to strike it out."

At every place in the bill where the term "or appropriate in the public interest" occurs, they have proposed to strike it out. Just why should a statement like that be objectionable? If the Commission that administers this law must find, before it can reach a rule or regulation, that it is in the public interest or for the interest of the investing public, what objection is there to that? It seems to me that that is a loosening of the bill. But that gets back to another thing. This bill now is criticized because it gives too much power to the administrative authorities, but all through the hearings the representatives of the exchanges and the so-called "representatives of business" in this country pounded into the committee the unwisdom of particularizing in the legislation, or going further than simply fixing the outstanding standards for the administrative body to go by. We went through the bill, and everywhere that we could find a place to give authority to the Commission to make rules and regulations to govern these matters we gave it to them, and now you will hear throughout this House those who are not voting against the bill but voting for every amendment which pulls the teeth of it, saying that they fear that we are giving to a commission or board here in Washington unheard-of powers to look into the affairs of business.

Mr. Chairman, there is no use trying to write a bill that will be effective, which will cure these evils, that will protect the public in general and investors in particular, which will please also the great exchanges of this country. These stock exchange amendments were offered in the committee. We were able to vote them down. They will be offered on the floor of this House, and I intend to brand every one of them as they come. Some people in this country may want the New York Stock Exchange and its satellites and hirelings to write this legislation. I do not. [Applause.] I do want to write a bill that will deal justly and fairly with every group and with every individual in this land. I have been held up I know as an enemy to business, but there is nothing in my career in Congress that warrants it. Twenty-four months ago I was called one of the arch reactionaries of the House and of the country, but when I went out with the securities' bill and tried to protect the investing public in this country by giving them information about securities that were offered to them, and stopping a lot of pretty bad practices that were going on, I was then advertised as a radical or a bolshevik. When I came along following the recommendation of the President of the United States and the platform upon which he was elected and upon which each and every one of you on my right was elected, trying to carry out this legislation in the protection of the people against the rapacities of the past, I am again branded as one who is willing to go out and destroy business.

Let me tell you something, and I say this to representatives of the exchanges who are doing me the honor to sit in the galleries this afternoon. They have not yet lost hope that they will be able to pull the teeth of this bill so they are still around here, and I am glad to have them here.

They are engaged in a business that ought to go on, that has a very legitimate and important function to perform. We should have a market place for the exchange of securities, but it should be a clean and honest market place.

They are in a business that, since 1929, has not stood in such high favor in the United States. In their own selfish interest, if their judgment was used, instead of their fear, they would want a strong bill for the regulation of the exchanges in order to reestablish the faith and confidence of the people so that they will again in the future, if they forget their unhappy experience of the past, use these exchanges as a place of barter and trade for securities.

Then I took up sections 11 and 12 of this bill with this business man, and I said to him, "if you will point out one thing in sections 11 and 12", and that is the registration requirements for securities, "one line that regiments business, that interferes with the operation of your own business, that makes it unduly burdensome, I will take it out." I sat down with him, and I began to read these things to him. What are they supposed to do? When they try to scare you about what the Commission is asking them to do, let me show you what the committee on stock list of the New York Stock Exchange asks them to do and the questions which they ask them to answer. Here I hold in my hand the printed list of requirements; observe all those questions covering several pages, which must be answered. The New York Curb Exchange also has detailed requirements. Now, what do we ask them to report? You know there is a remarkable thing about this bill. It contained a provision that they should report to the stock exchange and to the Commission. They objected to reporting to the Commission. Why I was never able to figure out; but they were perfectly willing that a copy of the report that they made to the stock exchange, when they had an application for a listing of their securities, should be filed with the Commission. What the difference is in that I do not know, but we did put in the bill a provision that they should file the original with the stock exchange and a duplicate with the Commission if the Commission asked them to do it.

Now, what do we ask them to do?

(A) The organization, financial structure, and nature of business.

Is that harmful? Is that irksome?

(B) The terms, position, rights, and privileges of the different classes of securities outstanding.

(C) The terms on which their securities are to be, and during the preceding 3 years have been, offered to the public or otherwise.

(D) The directors and officers, their remuneration (including amounts paid, or which may become payable, as a bonus or under a profit-sharing agreement), and their interests in the securities of, and their material contracts with, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer.

Is it asking too much that they give us their bonus lists? I think, my friends, that when an officer of a company is paid a salary sufficient unto his labor, then if the company happens to make profits, those profits are the property of the stockholders. I think it is a very bad thing not only from the standpoint of what I think is the right thing to do but also from the standpoint of the very looks of things for a man to receive $150,000 a year as a salary and eight or nine hundred thousand dollars at the end of the year as a bonus.

It appears to me that if a man is paid from $75,000 to $150,000 a year, he is reasonably compensated; and if not he alone but all of the people in the organization and all the people that labor to produce what it sells should make $900,000, it either ought to be distributed to the stockholders or among those who made it possible. We ask merely that the stockholders be informed of the bonuses. If that is regimentation of business, then that is it.

Then we ask for:

Remuneration (including amounts paid, or which may become payable, as a bonus or under a profit-sharing agreement) in excess of $10,000 per annum, to any person other than directors and officers.

(F) Management and service contracts of material importance to investors;

(G) Options existing or to be created with respect to their securities;

(H) Balance sheets for the 3 preceding years certified by independent public accountants or otherwise, as the Commission may prescribe; and

(I) Profit-and-loss statements for the 3 preceding years, certified by independent public accountants or otherwise, as the Commission may prescribe.

Such copies of articles of incorporation, bylaws, trust indentures, or corresponding documents by whatever name known, underwriting arrangements, and other similar documents.

And so forth.

Now, I want to say that before a man can list his stock on the New York Stock Exchange, he may be required to file that much or more (apart from the disclosure of bonuses, which certainly the investing public has a right to know), but there seems to be a fear running around that the Government is going to regiment business. If any gentleman on the floor of this House during the consideration of this bill—and we have had all of these amendments—can demonstrate to the membership of this committee on either side of the House that there is regimentation of business in this bill, we are willing to take it out.

Now, the talk has been that they would have uniform accounting for all corporations of the country. There is nothing like that in this bill. There is no attempt to do it, but if an agency of the Government is going to try to regulate the sale or dealing in securities of any corporation doing business in interstate commerce, there must be intelligent reporting so that somebody can understand it.

I asked some of our railroad brethren years ago, when we were trying to get them to bring about a system of uniform accounting, which we afterward had to pass a law to make them do, why they did not get up figures that somebody could understand. It took a Philadelphia lawyer to understand their figures. Finally, by act of Congress, they were forced to bring about a uniform system of accounting, which they fought very strenuously, and today each railroad will tell you that they themselves would oppose the repeal of that requirement.

I do not say that the average business in the country is on the same footing with the railroads, because the railroads are strictly a regimented industry, being public-service corporations and subject in all of their dealings to the law.

I do challenge these people to show me where there is any interference, but they cannot show it. This fear went out from Washington. Propaganda was spread throughout the

land. It went to every manufacturer; it went to every bank; it went to every employee of these houses throughout the country, a campaign of misrepresentation and attempted fright.

Mr. PETTENGILL. Mr. Chairman, will the gentleman yield for a brief interruption at this point?

Mr. RAYBURN. I yield.

Mr. PETTENGILL. I am quoting from the report of the New York Stock Exchange for the year 1931–32, written by Mr. Whitney himself. In it this statement is made:

The exchange is a firm believer in the necessity of full and complete statistics about corporate affairs. It has for many years urged companies to give practical and complete information to shareholders about all aspects of company business.

Mr. RAYBURN. I agree with that statement. The president of the exchange also said in an address last year before the Chamber of Commerce of Cleveland:

In the nineteenth century even large businesses which had grown out of family enterprises were still controlled or at least influenced by the judgment of a few stockholders who held a substantial interest in the company and who were active in its affairs. Today that is the exception rather than the rule. I do not believe that as a result of this change the officials who have been operating our great corporations are less efficient than those who would have been chosen under the old order of things. I believe quite the contrary. But a vastly important consequence of this change is the fact that the published reports of our great companies are now the only authoritative information upon which investors can judge of the success or failure of the companies in which they have put their money. In the past, when there were few stockholders and these few were actively interested in the business of the company, the amount of information published by American companies was meager, and it became an almost invariable habit to set up company accounts in the most simple form of a balance sheet and income account. In many instances these financial statements were far from informative, and, indeed, practically no effort was made to state in them facts of the utmost importance. I shall not attempt to go into a technical discussion of accounting principles, but I can illustrate what I mean by a very simple example. Many industrial enterprises necessarily have on hand at all times inventories of either finished goods or raw materials. If these inventories are valued simply at the amount paid for them, the condition of the company often appears to be better or worse than it is in reality. It is only in recent years that the necessity of valuing inventories at or below market value has been generally recognized, and until this principle is applied universally, there is always the chance that company statements may mislead investors rather than inform them. There are many similar situations in accounting practice due to the fact, already mentioned, that some of our generally accepted methods of accounting were established by companies owned and operated by a few stockholders. These methods are not adequate to inform the investors of today who are obliged to rely almost entirely for their information upon financial statements sent to them by their companies.

It is now generally recognized that the lack of complete disclosure of the results of business operations contributed to the inflation of security values which preceded the panic of 1929. More frank and more complete information might have prevented many people from assuming that profitable operation would continue indefinitely. Investors were satisfied if it appeared that their company had earned more in the current year than in the preceding period and were induced by that information alone to hope that the future would show nothing but increasing profits. Had they known that in some instances a large part of these profits was due to nonrecurring and fortuitous circumstances, and in others to the use of accounting methods which resulted in an overstatement of income, they might have been less optimistic and security prices might not have become so inflated.

The public today insists upon more complete and accurate financial statements from publicly owned companies and I am sure that the officials and directors of these corporations, realizing the reasonableness of this demand, will furnish investors with adequate information. There have not been many instances where the failure to give complete information was due to a desire on the part of directors or officers to secure unfair personal advantage. However, many company officials did not publish complete financial statements because they were afraid that the disclosure of too much information would put their companies at a disadvantage in meeting competition, not only from other American corporations, but frequently from foreign companies engaged in the same line of business. This fear, though genuine, has in large measure proved to be unfounded.

And it is to the credit of the New York Stock Exchange that within the limits of its power it has done a great deal to require more and more information for the benefit of stockholders.

"Why then", say opponents of the bill, "is not the problem of reports of corporation left to the exchanges without Government interference?" One answer is that the exchanges are not in a position as a practical matter to require issuing corporations to give them as much information as modern standards consider is indispensably necessary to aid decent appraisal by an investor of the value of a security he proposes to buy or sell. Exchanges can only go so far before selfish managements and interlocking banking control decide that it is more advisable to fight the exchanges' requirements than to tell shareholders the entire truth about the use of their money. Another reason is that when the amount of information which is to be furnished depends upon the power of exchanges to enforce requirements as a matter of private contract in return for the advantages of listing, the trading positions of exchanges vary greatly. Requirements which the great New York Stock Exchange can insist upon, smaller exchanges cannot insist upon and get enough business to live. Writing minimum listing requirements for all listed corporations into sections 11 and 12 assures a decent minimum of listing requirements for securities listed on all exchanges, and having the information filed not only with the exchanges, but with a Federal agency, assures that the information will really be available and readily accessible to investors who might have difficulty approaching the exchanges.

The information asked for by sections 11 and 12 goes no further than the present requirements of the New York Stock Exchange except in respect of the revelation of the remuneration of officers, directors, and high-salaried employees. As a legal matter, the New York Stock Exchange can demand far more than is required by sections 11 and 12 since there is no limit to what, by private contract, the exchange can demand of applicants. It requires as part of its listing agreement that the applicant "furnish the New York Stock Exchange, on demand, such reasonable information concerning the company as may be required." Companies that are subject to such demands upon them on the part of private interest operating a public-securities market, can hardly be heard to object to the minimum listing requirements set forth in sections 11 and 12.

As for the new requirements set out in sections 11 and 12 for the revelation of the compensation and remuneration which officers, directors, and high-salaried employees take out of the business, that is an advance which the public investors of the United States who are paying that compensation and remuneration will demand regardless of the protests of the managements whom they are paying and the charges that such revelation may interfere with essential secrecy in the operation of corporations.

Now, coming back to this campaign of fear, the President of the United States wrote me a letter before he went away on a short vacation, in which he called attention to this propaganda and pointed out that it came from a common source; and, of course, it was paid for from a common source. I, too, can bear witness to this organized propaganda. I have in my hands a batch of more than 200 letters. As you may observe, they came from a common source, from the same neighborhood. Every one is in the same colored envelope, but they are written in different hands.

As I pointed out before, the Associated Gas & Electric System is circularizing everybody who owns any of its stock. While it may not be information to you, it is true nevertheless, that the Associated Gas & Electric System throughout its existence—and it is a concern whose securities run into hundreds of millions of dollars—has been the most noncooperative organization in the United States, both with regard to State commissions and to legislative bodies. This system, of course, is dominated by the personality of Mr. Hobson; and he is pretty hard to get before a committee, as some of you may know.

Mr. COOPER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. COOPER of Ohio. The objections of most of the utilities were met by an amendment accepted by the committee, which amendment inserted the words "or any

State." I think this was the principal objection from the utility companies.

Mr. RAYBURN. Of course, we put the language in the bill "of any State"; but we also provided that the commission should be allowed to call for other things, because we know some of the States do not have any laws with reference to this question and some have very poor laws with respect to it.

Mr. COOPER of Ohio. If I may make this further observation, the fear expressed by the utilities was that they would have to set up a double-accounting system. They now have to conform to a system set up by each State public utility commission; and the thing about which they complained in the bill in its original form was that it would probably cause them to set up a double-accounting system.

Mr. RAYBURN. The requirement that adequate and intelligent reports be made for the benefit of investors does not necessitate the keeping of two sets of books.

Remember that we have been hearing for these 2 months on this subject of corporate reports only the voice of corporation managements. We have heard very little on behalf of the great unorganized and inarticulate mass of millions of security holders, who look to us to understand their side of the problem without a lobby. But three indications of their side of the problem have been presented in the course of the hearings that I think should be known. Two of them are communications from great investment services that for many years have tried to make available to the great investing public knowledge of the value of corporate securities—Standard Statistics Service and Moody's Investment Service. The following excerpt appeared in the Standard Trade and Securities Service of Standard Statistics Service on April 7:

IMPROVED CORPORATION STATEMENTS

The section of the proposed act dealing with the adequacy, frequency, and uniformity of corporation reports is, in our judgment, a prudent one.

To most of the large corporations the securities of which are now listed on national exchanges, the supervision over corporation reports that is provided for will constitute not much more than a mere technicality. These corporations are already, in the main, rendering adequate reports to their security owners of sufficient frequency and in sufficient detail.

On the other hand, there still exist, unhappily, a limited number of corporations which have invited the investing public to advance loans to them, or to join in partnership with them, but which still refuse to render the proper kind of financial reports to the public. Indeed, a limited number of cases can be cited where there are securities in the hands of the public but where the corporations which issued these securities refuse to give any financial information whatsoever to security owners.

From the standpoint of the investing public, such an attitude appeals to us as entirely indefensible.

In sum, this portion of the act is quite unlikely to work any hardship upon those thousands of corporations which are already playing fair with their security owners. It does, however, compel necessary publicity on the part of that relatively small group which has not been playing fair.

There is every reason to believe that the Federal Trade Commission, in administering this section of the act, will not be unduly severe.

The following is a letter I received from Moody's, one of the oldest investment services in the United States:

APRIL 10, 1934.

Hon. SAM RAYBURN,
House of Representatives Office Building,
Washington, D.C.

Re: Revised National Securities Exchange Act of 1934.

DEAR MR. CONGRESSMAN: We have noted, from press reports, that some amendments are being offered and made in the above bill.

We write to express the hope that those sections which require issuing corporations to make available to the public information on registered securities will not be weakened. We refer to section 11 (b) and to section 12.

In urging that there be no amendments to these sections such as would materially affect them, we speak as an organization that has been for more than 30 years engaged in furnishing information and counsel to institutions and individual investors.

In our experience there is no room for doubt that the more information there is available concerning a corporation, the more accurate one's judgment can be as to the investment qualifications of its securities. Or, to put it in the opposite way, lack of adequate and frequent information concerning a corporation prevents effectively thorough appraisal of the investment qualifications of its securities.

We do not wish to argue that availability of information will ipso facto protect investors against losses. Intelligence cannot, of course, be legislated into investors' minds. But exercise of intelligence, where it does exist, can be made possible if adequate information be made available as set forth in the above-mentioned sections of the bill. This would also tend to prevent a certain amount of that type of market manipulation which is based on absence of information.

Yours very truly,

RUSSELL LEAVITT, *Vice President.*

And one of the few witnesses who appeared on the investors' side of this problem, the manager of a great investment trust in New York City, a professional investor of the public's money and a professional analyst for that purpose of corporation reports, made a statement in part as follows:

If by the term "trade secrets", opponents of this measure mean excessive margins of profit, which would be revealed only by the publication of earnings against sales, then these critics have cited the best reason for publication of the figures.

If margins of profit are too wide and prices are too high, the consuming public should be afforded the protection of open competition and investors should be apprised that the margins are so wide as to become untenable through competition.

Some directors and executives of corporations have failed to keep pace with the progressive transfer of control from private groups to the public. The directors today are merely employees working in the interest of the investing public. The latter never intended to place the directors in a preferential position with regard to information concerning the company's earnings, but this situation exists in hundreds of companies today.

Pool operations in recent years have been concentrated largely in stocks of companies which report annually and which thus preserve secrecy and mystery concerning their earnings for months at a time.

A study of hundreds of companies in the last 7 years has convinced me that the units which do not report adequately on their operations and financial status have either been losing ground competitively, have been pursuing policies which they do not care to have exposed, have been operating on margins of profit which are clearly excessive, or have been influenced in their public relations by private groups, which have not yet recognized the shifting of ownership of great corporations to the public and are not sensitive to the fiduciary responsibilities of directors and officers.

The reporting of large corporations has improved in recent years, partly as a result of the leadership of the New York Stock Exchange, and because of the increasing recognition of the rights of the smaller investor, which has been produced by the recent depression.

If the corporate form of organization is to endure, millions of investors must be protected by legislation that will ensure that the small stockholder and the large one will be treated on a basis of equality.

The major problem of investors and investment trusts is the appraising of values. Whenever the financial community has gotten too far away from values and loses its perspective, as in 1929 and the summer of 1933, there has been trouble.

The problem of appraising values depends on three factors: General business conditions, on which Government agencies, such as the Federal Reserve Board and the Department of Commerce, present full information; the condition of the industry in which one is seeking to invest funds; and the financial record of the individual companies. The success of the investor in ascertaining facts regarding industries and individual companies is dependent largely on the policy of companies as to issuing adequate and frequent reports.

I do not believe that any company would have the effrontery to seek to evade the reporting requirements of this bill by withdrawing its shares from listing on any exchange in this country.

These, then, are the reasons why provisions for decent and frequent corporate reports are included in this stock exchange bill. They simply standardize requirements which the stock exchanges are already making at a standard which offers at least a beginning of protection against the concealment of management interests of investors who have hitherto bought into listed securities almost entirely blindly.

A lot has been said to the effect that this bill would cause deflation of outstanding securities. I think Governor Black of the Federal Reserve Board is the best authority on this question. Governor Black was asked the direct question if he thought it would bring about a deflation of securities and he said:

I have heard "wolf" cried so much about business in this country that I do not have much fear about it. We heard the same thing when we went off of the gold standard; you heard the same thing about the gold clause, and I felt the same way when they took our gold, but I was mistaken in all three things.

Governor Black was asked what effect a similar law would have had upon the situation in 1929 and he said

that nothing could have stopped the wild speculation of 1929 because the people practically went insane; but he did say that if such a law had been in effect in 1927 and 1928 preceding the break in New York, that it could have been materially lessened. That is what he says about these so-called "deflationary provisions."

In section 3 of the bill we set forth the definitions; and I shall insert in the RECORD at this point some further definitions of terms which may be used in connection with the discussions of the bill in nontechnical language and are only intended to assist the Members in understanding the bill.

A "put" is an option to sell a security at a given price within a given time.

A "call" is an option to buy a security at a given price within a given time.

A "straddle" is a combination of a "put" and a "call", giving the holder the right either to sell or to buy the security at specified prices within a given time.

The term "pool" is used to describe operations to control the price of a security, usually by means of a syndicate or joint account. Under the bill all efforts to raise or lower the price of a security are outlawed. Pools to peg or stabilize the price are subject to regulation by the Commission.

A "short sale" is a sale by a person who does not own the security sold. He borrows the security to make delivery to the buyer and subsequently buys the security in order to return it to the lender. His profit is the difference between the price at which he sells and that at which he subsequently buys.

"Floor trading" is trading on the premises of an exchange by members for their own account. As used in the bill it also includes trading for a discretionary account.

"Arbitrage" is the simultaneous buying of a security in one market at a price and selling it in another market at another price for the purpose of profiting from the difference in prices in such markets.

"Over-the-counter market", as used in this bill, refers to a market maintained off a regular exchange by one or more dealers or brokers. The market must be maintained both for the purchase and the sale of the securities in question. A dealer or broker who merely undertakes a request to find a purchaser for a person who wants to sell or to find a seller for a person who wants to buy, would not usually be considered to be creating a market. But the dealer who normally is willing to quote "a market", that is, both the price at which he will buy and the price at which he will sell, is creating an over-the-counter market.

Section 6 is the section around which a great controversy has raged. It deals with the all-important problem of credit control or margins. I have from the beginning considered this problem paramount. A reasonably high margin requirement is essential so that a person cannot get in the market on a shoe string one day and be one of the sheared lambs when he wakes up the next morning. I do not believe people ought to be allowed to go into the market on a 10-, 15-, 20-, or 25-percent margin.

Originally we proposed in this bill that the margin should be 60 percent for the initial margin or 40 percent as the initial loan. Then in order to bring about an agreement, I proposed 50 percent for margins and 50 percent for loan values. The subcommittee finally went to an initial margin of 45 percent and a borrowing of 55 percent, which the full committee accepted. And considerable flexibility in the application of the margin rules is afforded by the provision permitting a broker to lend 100 percent of the 3-year low, not exceeding 75 percent of the market. Indeed, according to the calculations of Standard Statistics, the margins required on the basis of the present level of the market would not exceed 35 percent.

Governor Black has been quoted all around as wanting this bill flexible as far as margins are concerned. A proposal was made from some source that we have a marginal requirement in the bill, but that no standard should be set up and that the margin business should be turned over entirely to the administrative body. May I say one thing about these margins? It matters not whether this bill is administered by a board or a commission and the Federal Reserve Board in conjunction with them, but it is important that the margin requirements for member banks of the Federal Reserve System, the margin requirements for nonmember banks, and the margin requirements for brokers be put under the administration of the same body. If the margins for the member banks are under the Federal Reserve System, then the margins for the nonmember banks and for the brokers should be handled by the same agency. As Governor Black said, whether or not there was a standard fixed in the bill the margin requirements should be administered by the same body for the reason that if the Federal Reserve Board fixed one marginal requirement for member banks and another administrative authority fixed another margin for brokers and nonmember banks, speculative loans would move from the brokers and nonmember banks to member banks, or from member banks to the brokers and nonmember banks, depending upon which margin requirements were the higher.

But believing that we should set up a flag somewhere, and that we should give some congressional expression to what we regarded as a proper margin requirement, we set up 45 percent as the initial margin, and yet we give the Federal Reserve Board, when it finds it in the public interest, and necessary to the free flow of trade and commerce, power to vary even the 45-percent margin for initial opening of accounts. Not only that, but we go farther and say that the maintenance of the account shall be left entirely with the administrative body. It seemed to those of us who believe in some sort of a standard being fixed by Congress, some kind of a bright line drawn or signal set up, that we would have failed in our duty if we did not give some indication to the Reserve Board as to what we regarded as a fair minimum-margin requirement.

I believe that the House, after discussion and when we begin to read this bill under the 5-minute rule, will come to the same conclusion that the subcommittee and the full committee came to, namely, that we should have a marginal requirement in this bill.

Mr. CLAIBORNE. Will the gentleman yield?

Mr. RAYBURN. I yield to the gentleman from Missouri.

Mr. CLAIBORNE. Assume a man employed by a company whose stock is dealt with on an exchange. If that man wants to buy further of his company's stock and goes to the banker to make a loan in order to increase his stock holdings, does this bill limit his banker as to the amount of money the banker may lend him to buy his company's stock?

Mr. RAYBURN. If it is listed on the exchange, yes.

Mr. CLAIBORNE. So that young men who have built themselves up by buying their company's stock, of which they know much, are limited in the future and may not be able to do so?

Mr. RAYBURN. They will unless by rules and regulations it is provided otherwise, if the stock is listed on the New York exchange.

If there has been a thing in the world that has been abused throughout this country, and if there is one way in which management perpetuates itself in office, it is by the use of proxies. We treat that situation here and say that the proxies shall be used under such rules and regulations as the administrative body may promulgate.

Mr. McFADDEN. Will the gentleman yield?

Mr. RAYBURN. I yield to the gentleman from Pennsylvania.

Mr. McFADDEN. I wanted to inquire about the other provision. May I ask the gentleman whether or not his committee considered the question of taking stockbrokers or members of the exchange out of the banking business and forbidding them lending money to their customers, and compelling the customers to either have the cash or go to the banks and get it? Did the committee consider that question?

Mr. RAYBURN. The rules and regulations give wide authority to the administrative body over loans. Stock-exchange brokers cannot lend on unlisted securities, but banks may lend any amount they deem proper.

Mr. McFADDEN. There is no restriction on the brokers borrowing money from the banks and in turn lending to their customers.

Mr. RAYBURN. That is precisely what the margin regulations cover.

We have a liability clause in here covering false and misleading statements. It appeared to us that there ought to be some way of protecting a man against false and misleading statements.

The first provision of the bill as originally written was very much challenged on the ground that reliance should be required. This objection has been met. In other words, if a man bought a security following a prospectus that carried a false or misleading statement, he could not recover from the man who sold to him, nor could the seller be punished criminally, unless the buyer bought the security with knowledge of the statement and relied upon the statement. It seemed to us that this is as little as we could do.

I will proceed to section 18, which deals with powers with respect to exchanges and securities. The Commission is authorized, if in its opinion such action is necessary or appropriate for the protection of investors, after appropriate notice and opportunity for hearing, by order, to suspend not only an exchange for a period but to suspend trading in a security on an exchange. In other words, they may force the delisting of the security if the issuer of such security has failed to comply with any provision or the rules and regulations thereunder.

May I say something about the hearings before the Commission? The hearings may be public. There are some issues which will come before the Commission where the people who are being heard would not want open hearings, because it might give away trade secrets that they would not want given out. We have protected in this bill, as far as language can protect, the trade secrets of corporations.

We come to the penalty clause of the bill, which was very drastic in the beginning. The maximum penalty for violation was 10 years' imprisonment, a $25,000 fine, or both.

Of course, I did not think it made a great deal of difference, since this was the maximum penalty and the court could impose such fine or imprisonment as it deemed appropriate to the particular offense. But to show that the committee wanted to take as much of this so-called "fright" out of the bill as possible, we reduced the maximum penalty to a fine of $10,000 or 2 years in prison, and in the case of an exchange, to a fine of not more than $500,000.

All in all, as we believe we will be able to demonstrate under the 5-minute rule in answer to questions and in the discussion of amendments, we have a reasonable bill, one that will not be irksome to any legitimate industry, but will protect the public from conditions that have existed in the past and in the long run will not only help investors and the public in general, but will be a great boon to the stock exchanges themselves and the traders on the stock exchanges.

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

Mr. RAYBURN. Yes.

Mr. MAY. I am very much in favor of regulating the stock exchanges and have a great deal of confidence in the information of the chairman of this committee, but I would like to state a concrete proposition that affects my own particular neighborhood and see if it meets the requirements of this legislation. In my district I have an operating coal company that is a $30,000,000 concern with a $6,000,000 defaulted bond issue in receivership. I have another coal company that has a statement involving $8,000,000 with a $35,000,000 bond issue in default and it is also in receivership. I have a gas company that owns a good many leases of gas wells in production and has a default of $4,500,000 of bonds. Under the provisions of this proposed legislation, could these receivers enter into an agreement with the bondholders by which they could refund these bonds by an issue of preferred or common stock, without having to meet the requirements of this legislation? In other words, would they have to list these stocks on the exchanges?

Mr. RAYBURN. If they are not listed stocks, they would not have to do it.

Mr. MAY. If they are not already listed stocks?

Mr. RAYBURN. Yes; primarily this does not have anything to do with securities except those listed on a national exchange, and the exchange must make application and be granted the right to register them before it comes under the National Securities Act. The commission also has power to regulate the over-the-counter markets, but in so doing they can only regulate the brokers or dealers who create a public market for both the purchase and sale of such securities, and cannot compel corporations not interested in having a public market for their shares to file any statements or submit to any regulation.

Mr. MAY. Then it would not affect small corporations at all who have not such registered stocks?

Mr. RAYBURN. Not at all.

Mr. BROWN of Kentucky. If the gentleman will permit, the company that the gentleman from Kentucky is speaking of would be affected by this legislation and, as a matter of fact, it ought to be affected, because before they offer such a security to the gullible public, such as the securities of a company that has been in receivership, the public ought to be protected by some sort of law.

Mr. RAYBURN. I think the Securities Act of 1933 is the one to which the gentleman is referring.

Mr. MAY. My question does not have any reference to the gullible public. I am talking about the bondholders of the concern taking stock for it.

Mr. BROWN of Kentucky. Is not this company listed on the New York Stock Exchange?

Mr. MAY. I do not know whether it is or not, but it is a New York corporation.

Mr. RAYBURN. Now, Mr. Chairman, I am going to close, because I am fearfully tired and I would rather answer the questions you are going to ask me under the 5-minute rule, because we are going to have unlimited debate at that time.

I want to wind up what I say here today by repeating what I stated in a radio address when I told the people of the country something about this bill.

The people of this country, I think, are high-minded and honest. I think the vast majority of business in this country is high-minded and honest. I do not think we have to pass restrictive laws for a great deal of business, but I do think that business with a reputation to protect, that over a long period of years has built up a reputation and a good will among the people that is worth a great deal to it, has the right to be protected from the desperadoes who are making it hard on the man who wants to conduct a straightforward and honest business.

I think the people of this country want corruption driven from high places. I think they want and expect their public officials to be clean, and we must not forget, when we are harassed by this propaganda of a few thousands of people, the unnumbered millions throughout this country who have not been articulate in this fight, who have no interests to serve except the common good. They are looking to you and to me as their spokesmen and as their Representatives, not only now but in the future. They want to see this country clean in business and clean in politics, so that the faith and confidence of our people may not be shattered and destroyed, so that under a faith and confidence that are constant and patriotic the institutions of this country, great as they are, may be transmitted to posterity in such a way that those who live at that time can be of the most service to those who live about them. [Applause.] I thank you.

Since the majority report of the committee deals more fully with matters that I have had time only to touch upon, I insert it as part of my remarks.

The report is as follows:

[H.Rept. No. 1383, 73d Cong., 2d sess.]

SECURITIES EXCHANGE BILL OF 1934

Mr. RAYBURN, from the Committee on Interstate and Foreign Commerce, submitted the following report to accompany H.R. 9323:

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, report favorably thereon without amendment, and recommend that the bill do pass.

I. INTRODUCTORY STATEMENT

THE PRESIDENT'S MESSAGE AND LETTER

On February 9, 1934, the President sent the following message to Congress:

"To the Congress:

"In my message to you last March proposing legislation for Federal supervision of national traffic in investment securities I said: 'This is but one step in our broad purpose of protecting investors and depositors. It should be followed by legislation relating to the better supervision of the purchase and sale of all property dealt with on exchanges.'

"This Congress has performed a useful service in regulating the investment business on the part of financial houses and in protecting the investing public in its acquisition of securities.

"There remains the fact, however, that outside the field of legitimate investment naked speculation has been made far too alluring and far too easy for those who could and for those who could not afford to gamble.

"Such speculation has run the scale from the individual who has risked his pay envelop or his meager savings on a margin transaction involving stocks with whose true value he was wholly unfamiliar, to the pool of individuals or corporations with large resources, often not their own, which sought by manipulation to raise or depress market quotations far out of line with reason, all of this resulting in loss to the average investor, who is of necessity personally uninformed.

"The exchanges in many parts of the country which deal in securities and commodities conduct, of course, a national business, because their customers live in every part of the country. The managers of these exchanges have, it is true, often taken steps to correct certain obvious abuses. We must be certain that abuses are eliminated, and to this end a broad policy of national regulation is required.

"It is my belief that exchanges for dealing in securities and commodities are necessary and of definite value to our commercial and agricultural life. Nevertheless, it should be our national policy to restrict, as far as possible, the use of these exchanges for purely speculative operations.

"I, therefore, recommend to the Congress the enactment of legislation providing for the regulation by the Federal Government of the operations of exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and, so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation.

"FRANKLIN D. ROOSEVELT.

"THE WHITE HOUSE, *February 9, 1934.*"

On March 26, 1934, the President sent the following letter to the chairman of this committee:

THE WHITE HOUSE,
Washington, March 26, 1934.

Hon. SAM RAYBURN,
Chairman Interstate and Foreign Commerce,
House of Representatives.

MY DEAR MR. CHAIRMAN: Before I leave Washington for a few days' holiday, I want to write you about a matter which gives me some concern.

On February 9, 1934, I sent to the Congress a special message asking for Federal supervision of national traffic in securities.

It has come to my attention that a more definite and more highly organized drive is being made against effective legislation to this end than against any similar recommendation made by me during the past year. Letters and telegrams bearing all the earmarks of origin at some common source are pouring in to the White House and the Congress.

The people of this country are, in overwhelming majority, fully aware of the fact that unregulated speculation in securities and in commodities was one of the most important contributing factors in the artificial and unwarranted "boom" which had so much to do with the terrible conditions of the years following 1929.

I have been definitely committed to definite regulation of exchanges which deal in securities and commodities. In my message I stated, "it should be our national policy to restrict, as far as possible, the use of these exchanges for purely speculative operations."

I am certain that the country as a whole will not be satisfied with legislation unless such legislation has teeth in it. The two principal objectives are, as I see it—

First, the requirement of what is known as margins so high that speculation, even as it exists today, will of necessity be drastically curtailed; and

Second, that the Government be given such definite powers of supervision over exchanges that the Government itself will be able to correct abuses which may arise in the future.

We must, of course, prevent insofar as possible manipulation of prices to the detriment of actual investors, but at the same time we must eliminate unnecessary, unwise, and destructive speculation.

The bill, as shown to me this afternoon by Senator FLETCHER, seems to meet the minimum requirements. I do not see how any of us could afford to have it weakened in any shape, manner, or form.

Very sincerely,

FRANKLIN D. ROOSEVELT.

THE GENERAL PURPOSES OF THE BILL

To reach the causes of the "unnecessary, unwise, and destructive speculation" condemned by the President's message, this bill seeks to regulate the stock exchanges and the relationships of the investing public to corporations which invite public investment by listing on such exchanges.

The bill is conceived in a spirit of the truest conservatism. It attempts to change the practices of exchanges and the relationships between listed corporations and the investing public to fit modern conditions, for the very purpose that they may endure as essential elements of our economic system. The lesson of 1921-29 is that without changes they cannot endure.

The bill is not a moral pose or a vengeful striking back at brokers for the losses which nearly the entire Nation has suffered in the last 5 years. Nor is its purpose or effect to regiment business in any way. It is simply an earnest attempt to make belated intelligent adjustments, long required by changing conditions, in a faulty system of distributing shares in corporate enterprise among the public—a system which from the coldly objective viewpoint of the welfare of a conservative public simply has not worked. The out-of-date unsuitability to post-war conditions of a whole series of economic interrelationships of which the stock exchanges are the nerve center has uncontrollably accentuated natural moderate fluctuations of our economic system into mad booms and terrible depressions. And such booms and depressions constitute a more real danger to the stability of a moderate, honest, individualistic state than all the unsound theories in the world. This bill seeks to save, not destroy, stock markets and business, by making necessary changes in time.

The fundamental fact behind the necessity for this bill is that the leaders of private business, whether because of inertia, pressure of vested interests, lack of organization, or otherwise, have not since the war been able to act to protect themselves by compelling a continuous and orderly program of change in methods and standards of doing business to match the degree to which the economic system has itself been constantly changing—changing in the proportion of the wealth of the Nation invested in liquid corporate securities traded in on the stock exchanges, changing in the relationship of the distribution of securities and the trading in securities to the balanced utilization of the Nation's credit resources in the financing of agriculture, commerce, and industry. The repetition in the summer of 1933 of the blindness and abuses of 1929 has convinced a patient public that enlightened self-interest in private leadership is not sufficiently powerful to effect the necessary changes alone—that private leadership seeking to make changes must be given Government help and protection.

Since the war the interest of the public at large in the ownership of corporate enterprise has grown bigger, the size of the corporate unit has increased, the diffusion of corporate ownership has widened, all correlatively. Not only is nearly one half of the entire national wealth of the country represented by corporate stocks and corporate and Government bonds, but nearly one half of that corporate wealth is vested in the 200 largest nonbanking corporations which, piercing the thin veil of the holding company and disregarding a relatively few notable exceptions, are owned in each case by thousands of investors and are controlled by those owning only a very small proportion of the corporate stock. Ownership and control are in most cases largely divorced. It is estimated that more than 10,000,000 individual men and women in the United States are the direct possessors of stocks and bonds; that over one fifth of all the corporate stock outstanding in the country is held by individuals with net incomes of less than $5,000 a year. Over 15,000,000 individuals hold insurance policies, the value of which is dependent upon the security holdings of insurance companies. Over 13,000,000 men and women have savings accounts in mutual savings banks and at least 25,000,000 have deposits in national and State banks and trust companies—which are in turn large holders of corporate stocks and bonds.

With this growth in security ownership by the public, the security markets have grown proportionately in importance. Two hundred and thirty-seven million corporate shares were sold on the New York Stock Exchange in 1923; despite the depression, 654,000,000 shares were sold in 1933.

With such concentration of national wealth in the form of liquid corporate securities, the economic machinery of the whole country is now affected by, and is organized primarily to serve, security markets which are as sensitive as a hair trigger. A magnificently organized lending machinery which operates by wire can, with an offer of call-loan safety and 1 percent higher interest, draw funds from local banks which would otherwise seek moderate investment in local business enterprise, to finance the pool of a far-away metropolitan speculator distributing through the stock exchanges the securities of a huge corporate merger designed ultimately to swallow and destroy local enterprise. And there is a demonstrable direct relationship between easy credit for the purchase of new securities in the stock market and the trend toward industrial monopolies so accentuated since the war.

A rise in the security markets stimulates economic activity in all lines of business, a fall in the market precipitates a decline. If the rise in the market is occasioned by an excessive use of credit, a decline in the market loosens a process of deflation which feeds on itself and ruins not only security prices but all business as well. Between 1922 and 1929 brokers' loans increased from 1½ billion dollars to 8½ billion dollars. Five billion dollars of this increase took place in 3 years, 1½ billion dollars in the last 3 months. In the crash of 1929 the same loans declined 3 billion dollars in the first 10 days and 8 billion in the next 3 years. These figures alone will enable the economic historian of the future to describe the unhealthy prosperity of 1929 and the inevitable grief and suffering that followed in the succeeding years—grief and suffering that overwhelmed and carried away not merely the speculative gains of those who participated in the speculative debauch, not merely the savings of the most frugal and most thrifty invested in securities, but eventually the operat-

ing profits of every business in the country no matter how unrelated to stock exchanges.

All through these years the machinery of the stock exchanges and of corporate management have only grown bigger without growing different. But this significant growth in size and importance of the exchanges and the business they do with the public has necessitated a real difference in kind in the treatment of that public by the law and by business ethics. Stock exchanges which handle the distribution and trading of a very substantial part of the entire national wealth and which have developed a technique of sucking funds from every corner of the country cannot operate under the same traditions and practices as pre-war stock exchanges which handled substantially only the transactions of professional investors and speculators. And standards of corporate management adequate to inspire investor confidence in the caveat-stockholder era of closely held stockholder-managed companies cannot be stably perpetuated in an era where one company boasts over 700,000 stockholders, and 200 corporations control one half the corporate wealth of the country.

If investor confidence is to come back to the benefit of exchanges and corporations alike, the law must advance. As a complex society so diffuses and differentiates the financial interests of the ordinary citizen that he has to trust others and cannot personally watch the managers of all his interests as one horse trader watches another, it becomes a condition of the very stability of that society that its rules of law and of business practice recognize and protect that ordinary citizen's dependent position. Unless constant extension of the legal conception of a fiduciary relationship—a guarantee of straight shooting—supports the constant extension of mutual confidence which is the foundation of a maturing and complicated economic system, easy liquidity of the resources in which wealth is invested is a danger rather than a prop to the stability of that system. When everything everyone owns can be sold at once, there must be confidence not to sell. Just in proportion as it becomes more liquid and complicated, an economic system must become more moderate, more honest, and more justifiably self-trusting.

When corporations were small, when their managers were intimately acquainted with their owners and when the interests of management and ownership were substantially identical, conditions did not require the regulations of security markers. Even those who in former days managed great corporations were by reason of their personal contacts with their shareholders constantly aware of their responsibilities. But as management became divorced from ownership and came under the control of banking groups, men forgot that they were dealing with the savings of men and the making of profits became an impersonal thing. When men do not know the victims of their aggression they are not always conscious of their wrongs. President Wilson showed a keen prophetic sense when he stated:

"Society cannot afford to have individuals wield the power of thousands without personal responsibility. It cannot afford to let its strongest men be the only men who are inaccessible to the law. Modern democratic society, in particular, cannot afford to constitute its economic undertakings upon the monarchial or aristocratic principle and adopt the fiction that the kings and great men thus set up can do no wrong which will make them personally amenable to the law which restrains smaller men; that their kingdom, not themselves, must suffer for their blindness, their follies, and their transgressions of right."

II. General Analysis of the Bill

Its scope and constitutionality

The causes of dangerous speculation in the securities markets go far deeper than defects and abuses in stock-exchange machinery alone. They include inadequate central control of a national credit system that too easily provides for speculation funds which the national welfare much more requires in local commerce, industry, and agriculture. They include inadequate corporate reporting which keeps in ignorance of necessary factors for intelligent judgment of the values of securities a public continually solicited to buy such securities by the sheer advertising value of listing. They include exploitation of that ignorance by self-perpetuating managements in possession of inside information. Speculation, manipulation, faulty credit control, investors' ignorance, and disregard of trust relationships by those whom the law should regard as fiduciaries, are all a single seamless web. No one of these evils can be isolated for cure of itself alone. A stock-market pool, for instance, is only an effect and not a cause; the manipulator, a shell-game artist who can live only by following the county fair of too easy credit and ignorance.

A bill seeking effectively to control and regulate the securities markets therefore necessarily covers a wide field—necessarily touches more than a few willful speculators of Wall Street, necessarily calls for the cooperation of the wide-spread economic interests which the securities market affects. Business which was engulfed and nearly destroyed by the speculations of 1929 has its contribution to make in the form of fair and informing reports. Banks whose assets were carried away in loans based upon values inflated by reckless speculation must cooperate in permitting coordinated control of the delicate credit system which has been left to their management despite the fact that the Nation has had to expend billions of dollars to insure their solvency.

The factual situation which makes the legislation necessary is set forth in section 2. These recitals of fact—the use of the security markets as interstate markets in which ownership passes from residents of one State to those of another; the constant use of the postal facilities for the conduct of these markets; the abundant use of the credit facilities of national banks and of member banks of the Federal Reserve System; the effect of security prices upon transactions in interstate commerce, upon bank loans, upon taxes, and upon credit available for trade, transportation, and industry—are common knowledge not only among economists but among bankers and business men everywhere. This legislation is not an attempt to reach out and correct the morals of the citizens of any one State; it is an attempt to deal with very vital economic problems going to the root of the functioning of our national credit system.

The constitutional significance of the wide delegation of powers to the Federal Reserve Board and to the Federal Trade Commission, which would administer the act, has been considered with particular care—and the delegation made only with the indication of such maximum standards for discretion as, in the considered judgment of the committee, the technical character of the problems to be dealt with would permit. The bill legislates specifically just as far as the committee feels it can. The original bill submitted to the committee dealt very specifically and definitely with a number of admitted abuses. In many cases, however, the argument was made that while the solutions offered might be correct, their effects were so far-reaching as to make it inadvisable to put these solutions in the form of statutory enactments that could not be changed in case of need without Congressional action. Representatives of the stock exchanges constantly urged a greater degree of flexibility in the statute and insisted that the complicated nature of the problems justified leaving much greater latitude of discretion with the administrative agencies than would otherwise be the case. It is for that reason that the bill in dealing with a number of difficult problems singles out these problems as matters appropriate to be subject to restrictive rules and regulations, but leaves to the administrative agencies the determination of the most appropriate form of rule or regulation to be enforced. In a field where practices constantly vary and where practices legitimate for some purposes may be turned to illegitimate and fraudulent means, broad discretionary powers in the administrative agency have been found practically essential, despite the desire of the committee to limit the discretion of the administrative agencies so far as compatible with workable legislation. It has been represented that the pleas of the representatives of the stock exchanges for the vesting of broad discretionary powers in the administrative agencies have been made with a view to subjecting the bill to constitutional attack at a later date. The committee has, however, taken the pleas in good faith, believing that the nature of the legislation is such as to justify within constitutional limitations that measure of flexibility required in dealing with so intricate a subject matter.

Organization of bill

The chief provisions of the bill may be grouped under six headings: (a) control of credits; (b) control of manipulative practices; (c) provision of adequate and honest reports to securities holders by registered corporations; (d) control of unfair practices of corporate insiders; (e) control of exchanges and over-the-counter markets; (f) administration.

Control of credits

The underlying theory of the bill with respect to control of credit is as follows:

(1) Without adequate control the too strong attraction of a speculative stock market for credit prevents a balanced utilization of the Nation's credit resources in commerce, industry, and agriculture.

(2) To effect such better balance, all speculative credit should be subjected to the central control of the Federal Reserve Board as the most experienced and best equipped credit agency of the Government.

(3) To achieve that control the Federal Reserve Board should be vested with the most effectual and direct power over speculative credit, i.e., the power to control margins on the actual ultimate speculative loans themselves.

(4) Both for the direction and the protection of the Federal Reserve Board in the administration of flexible powers, Congress should offer the Board some definite margin standard to indicate the judgment of Congress that the amount of credit previously routed through the stock markets has been excessive and to indicate the approximate proportion in which such amount should be reduced.

To accomplish these purposes, sections 6 and 7 of the bill gives the Federal Reserve Board power to control speculative credit. The problem of control has been approached from several directions because of the certainty that no purpose of the bill will be more tempting to evasion. Borrowings by brokers to finance their customers are confined to borrowings from or through member banks of the Federal Reserve System or those nonmember banks which apply for a license from the Board. With respect to loans to the ultimate speculating customer, the Board is substantially given power by rules and regulations to fix margins on (a) all loans on securities from brokers to customers, and (b) loans from banks and others to customers made on equity securities and to carry or purchase securities. For the purposes of guiding and protecting the Board from undue speculative pressure in the exercise of its discretion, the bill includes as a standard for the rules and regulations of the Board a limitation of credit on the initial granting of loans to 55 percent of the current market price

of the securities offered as collateral, or 100 percent of the lowest market price of the preceding 3 years, whichever is the greater.

To avoid any conceivable deflationary effects upon presently existing loans on securities, all such loans, and renewals and extensions thereof, are exempt from the application of section 6 until January 1, 1939.

The main purpose of these margin provisions in section 6 is not to increase the safety of security loans for lenders. Banks and brokers normally require sufficient collateral to make themselves safe without the help of law. Nor is the main purpose even protection of the small speculator by making it impossible for him to spread himself too thinly—although such a result will be achieved as a byproduct of the main purpose.

The main purpose is to give a Government credit agency an effective method of reducing the aggregate amount of the Nation's credit resources which can be directed by speculation into the stock market and out of other more desirable uses of commerce and industry—to prevent a recurrence of the pre-crash situation where funds which would otherwise have been available at normal interest rates for uses of local commerce, industry, and agriculture, were drained by far higher rates into security loans and the New York call market. Increasing margins—i.e., decreasing the amounts which brokers or banks may lend for the speculative purchase and carrying of stocks—is the most direct and most effective method of discouraging an abnormal attraction of funds into the stock market.

When margins are discussed with this main purpose in mind, differences between the collateral value of gild-edged bonds and speculative stocks, the credit-worthiness of particular borrowers and similar considerations which have been urged as reasons why each loan should be treated as a particular problem in itself—considerations which affect not a general national-credit policy, but only the safety of a particular stock transaction from the standpoint of a particular lender and particular borrower—are unimportant.

Section 6 empowers the Federal Reserve Board to prescribe margins for both brokers and banks on securities registered on exchanges licensed under the bill (hereinafter referred to as "registered securities")—both for the initial opening and for the maintenance or carrying of accounts. The Board is given complete legal authority to fix margins at any point. But a standard is included in the bill as an indication by Congress to the Board that from the standpoint of a general policy of utilization of national credit resources, the Board should control the credit available to the stock market to an amount roughly corresponding to such standard.

To protect margin requirements from evasion, brokers may lend only on listed securities excepting exempted securities. Banks are subject to margin limitations only on loans on registered equity securities in cases where the loan is sought for the purpose of purchasing or carrying securities. The Board is not required to fix the same margins for banks as for brokers and is given a free hand in fixing margins for maintenance as distinguished from margins for the initial opening of accounts.

It has seemed necessary to empower the Board to fix margins for banks as well as for brokers (a) to prevent evasion of restrictions on brokers' margins through loans by banks; (b) to increase the powers of the Board over speculative loans by its member banks; and (c) to give the Board an effective power (it has no powers at present) over speculative loans by nonmember banks.

The margin standard in section 6 has been expressed as a percentage of market value which may be lent upon securities rather than of the amount which the customer is required to deposit at the time of his purchase. The basic loan value provided by the standard for the initial opening of an account is 55 percent of market value of the securities lent upon, i.e., from the standpoint of what the customer must "put up", a 45-percent margin. This standard is not indicated for the purposes of maintenance of the account. The 55-percent loan value indicated would govern in the long run of a rising market. But to afford easier margins for the present market and for a possible future declining market a more favorable alternative standard is indicated in section 6 (a) (2), which, by the finding of Standard Statistics Service, would operate to permit, at the present time, an average initial loan value of 65½ percent of market value on the stocks now listed on the New York Stock Exchange, or, from the customer's point of view, a margin of only 34½ percent.

Under this alternative standard, the margin is only 25 percent in the case of a security that is selling at not more than 33⅓ percent above its 3-year low. As the security increases in price, the margin required gradually increases proportionately until, when the security has reached a price that is more than 80 percent above its 3-year low, a margin of 45 percent is required. This flexible margin standard permits a relatively low margin in the case of stable securities such as bonds, while it requires a higher margin in the case of volatile securities after they have risen substantially in market price. Since the margin increases as the price of the security rises, pyramiding on paper profits is made difficult.

Section 6 seems to furnish a very practical program of controlling the volume of stock-market credit, since it embodies a combination of a basic formula, initially setting minimum margins, with a more general discretionary administrative control, which should be based on the total amount of credit outstanding, the level of stock prices, the phase of the business and financial cycle, and so forth. Between the time when changes are made by the Federal Reserve Board, margin requirements would be automatically raised or lowered by the movements of stock prices. Such a self-adjusting mechanism would probably function better, in actual practice, than any system wherein margin requirements are changed only by deliberate action of the Board and remain unadjusted except when the Board takes such action.

The 55-percent standard expressed in the statute is, however, so deliberately overlenient for the purpose of encouraging the markets at this particular point in the recovery program, that the Board in exercising its discretion would be expected to lower this 55-percent figure considerably after the market reaches more normal levels.

CONTROL OF MANIPULATIVE PRACTICES

To insure to the multitude of investors the maintenance of fair and honest markets, manipulative practices of all kinds on national exchanges are banned. The bill seeks to give to investors markets where prices may be established by the free and honest balancing of investment demand with investment supply. Investors are free to buy and sell virtually without restraint. But wash sales and matched orders and other devices designed to create a misleading appearance of activity with a view to enticing the unwary into the market on the hope of quick gains are definitely prohibited. False and misleading statements designed to induce investors to buy when they should sell and to sell when they should buy are also outlawed and penalized.

But the most subtle manipulating device employed in the security markets is not simply the crude form of a wash sale or a matched order. It is the conscious marking-up of prices to make investors believe that there is a constantly increasing demand for stocks at higher prices, or the conscious marking-down of stocks to make investors believe that an increasing number of investors are selling as prices recede. Legitimate investors desire to buy at as low a price as possible and to sell at as high a price as possible, and honest markets are made by the balancing of investment demand and investment supply.

The provisions concerning manipulative practices have been drawn in light of the results of the recent investigation conducted by the Senate Committee on Banking and Currency. Despite all the talk of good pools and bad pools, no evidence has been submitted to this committee that would justify the recognition of a good stock-market pool. As the Twentieth Century Fund in its recent report on "Stock Market Control" states—

"As a matter of fact, any pool which seeks to bring about a change in the price of a security through manipulation is 'illegitimate' according to our definition, inasmuch as it thereby lessens the efficiency of an exchange in the performance of those functions which, as we indicated, are the only justification for its existence."

If the pool to "rig" or "jiggle" the market is wrong, it necessarily follows that the market must be purged of reports about activities for the rise or operations for the decline. If brokers and other interested persons are permitted to spread through brokerage and publicity channels constant reports regarding such activities, it is doubtful whether stimulated activity would not accomplish much the same effect as is accomplished by the direct mark-up or mark-down prices by the pool. For that reason the circulation of reports of market operations conducted for a rise or for a decline is prohibited.

The evidence as to the value of pegging and stabilizing operations, particularly in relation to new issues, is far from conclusive. While abuses are undoubtedly associated with such manipulation, because of the desire of the committee to proceed cautiously such operations have not been forbidden altogether, but have been subjected to such control as the administrative commission may find necessary in the public interest or for the protection of investors.

The granting of options to pools and syndicates has been found to be at the bottom of most manipulative operations, because the granting of these options permits large-scale manipulations to be conducted with a minimum of financial risk to the manipulators. The bill, therefore, gives the administrative commission power to regulate dealing in options or trading in options. The connection of pool activity with the option has recently been recognized in the rules of the New York Stock Exchange. As it is not always easy to trace and prove manipulative activity, it is necessary to rid the market of devices which commonly accompany or cloak these activities. Short selling and stop-loss orders, which have been the source of much abuse, are brought within the regulatory power of the administrative commission.

There is plenty of room for legitimate speculation in the balancing of investment demand and supply, in the shrewd prognostication of future trends and economic directions; but the accentuation of temporary fluctuations and the deliberate introduction of a mob psychology into the speculative markets by the fanfare of organized manipulation menace the true functioning of the exchanges, upon which the economic well-being of the whole country depends.

To make effective the prohibitions against manipulation civil redress is given to those able to prove actual damages from any of the prohibited practices.

PROVISION OF ADEQUATE AND HONEST REPORTS TO SECURITIES HOLDERS BY REGISTERED CORPORATIONS

No investor, no speculator, can safely buy and sell securities upon the exchanges without having an intelligent basis for forming his judgment as to the value of the securities he buys or sells. The idea of a free and open public market is built upon the theory that competing judgments of buyers and sellers as to the

fair price of a security brings about a situation where the market price reflects as nearly as possible a just price. Just as artificial manipulation tends to upset the true function of an open market, so the hiding and secreting of important information obstruct the operation of the markets as indices of real value. There cannot be honest markets without honest publicity. Manipulation and dishonest practices of the market place thrive upon mystery and secrecy. The disclosure of information materially important to investors may not instantaneously be reflected in market value, but despite the intricacies of security values truth does find relatively quick acceptance on the market. That is why in many cases it is so carefully guarded. Delayed, inaccurate, and misleading reports are the tools of the unconscionable market operator and the recreant corporate official who speculate on inside information. Despite the tug of conflicting interests and the influence of powerful groups, responsible officials of the leading exchanges have unqualifiedly recognized in theory at least the vital importance of true and accurate corporate reporting as an essential cog in the proper functioning of the public exchanges. Their efforts to bring about more adequate and prompt publicity have been handicapped by the lack of legal power and by the failure of certain banking and business groups to appreciate that a business that gathers its capital from the investing public has not the same right to secrecy as a small privately owned and managed business. It is only a few decades since men believed that the disclosure of a balance sheet was a disclosure of a trade secret. Today few people would admit the right of any company to solicit public funds without the disclosure of a balance sheet.

The need of proper and adequate reporting as an adjunct of the proper functioning of the exchanges has been expressed by the realistic and responsible executive assistant of the committee on stock list of the New York Stock Exchange:

"It has been said a hundred times that accounting is a matter of conventions, and it is questionable whether these conventions have kept pace with the changes in modern business conditions. As the art stands today, it appears to the business man to have evolved with primary emphasis upon two objects:

"(a) To give to management that accurate information and aid which are essential to the successful conduct of a business, and (b) to give to actual and prospective creditors that accurate information essential to the determination of the volume of credit which may safely be extended and the conditions under which it may be allowed.

"Under conditions of ownership where the number of partners or stockholders was small, where enterprises were largely managed by their owners, or by the personally chosen representatives of a few owners in close contact with the business, and where it was the custom to finance permanently but little beyond minimum needs and to borrow largely to meet peak needs, accounting adequately performing these two functions probably sufficiently served the needs of the then situation. In the meantime the wide-spread diffusion of corporate ownership, with which we are all familiar, has occurred. There are few large enterprises which have not taken on the corporate form and a large proportion of the total ownership is in the hands of millions of relatively small investors who have no direct contact with management and whose only knowledge of the company is derived from its financial reports. In recent years there has been a marked tendency to finance more or less permanently for peak requirements, becoming lenders of money at the time of minimum requirements, and so tending to lessen the aggregate volume of bank credit needed.

"Because of these changes, coupled with a growing tendency toward extreme broadness and flexibility in the corporation laws of many States, the time appears to have arrived for some changes of emphasis as to the objects to be achieved by sound accounting practice. While there have been able efforts devoted toward this end, the result so far generally attained does not seem to me sufficient to meet the needs. The need of accurate information for the aid of management is still paramount; but, under conditions of today, the next object in order of importance has become 'to give to stockholders, in understandable form, such information in regard to the business as will avoid misleading them in any respect and as will put them in possession of all information needed, and which can be supplied in financial statements, to determine the true value of their investments.'

"This is, of course, the object in which the stock exchange is particularly interested. The primary object of the exchange is to afford facilities for trading in securities under the safest and fairest conditions attainable. In order that parties may trade on even terms they should have, as far as is practicable, the same opportunities for knowledge in regard to the subject matter of the trade.

"The exchange is interested in the accounts of companies as a source of reliable information for those who deal in stocks. It is not sufficient for the stock exchange that the accounts should be in conformity with law or even that they should be conservative; the stock exchange desires that they should be fully and fairly informative."

The president of the New York Stock Exchange has effectively answered those who contend that such publicity will give advantage to competitors:

"The public, today, insists upon more complete and accurate financial statements from publicly owned companies, and I am sure that the officials and directors of these corporations, realizing the reasonableness of this demand, will furnish investors with adequate information. There have not been many instances where the failure to give complete information was due to a desire on the part of directors or officers to secure unfair personal advantage. However, many company officials did not publish complete financial statements because they were afraid that the disclosure of too much information would put their companies at a disadvantage in meeting competition, not only from other American corporations, but frequently from foreign companies engaged in the same line of business. This fear, though genuine, has in large measure proved to be unfounded."

The reporting provisions of the proposed legislation are a very modest beginning to afford that long-denied aid to the exchanges in the way of securing proper information for the investor. The provisions carefully guard against the disclosure of trade secrets or processes. But the idea that a fair report of corporate assets and profits give unfair advantage to competitors is no longer seriously entertained by any modern business man. The realistic corporate executive knows that his alert competitors have a pretty good notion of what his business is; and if he is unable to compete with them, it is because he is hopelessly behind in the keen competitive struggle. The reporting provisions of the legislation have been approved by such conservative investment services as Moody's and Standard Statistics, and, despite the wild fears spread throughout the country by powerful lobbyists against this bill, intelligent business men recognize that general knowledge of business facts will only help and cannot hurt them. The possession of these facts has for a number of years been the exclusive perquisite of powerful banking and industrial groups. Making these facts generally available will be of material benefit and guidance to business as a whole.

CONTROL OF UNFAIR PRACTICES BY CORPORATE INSIDERS

A renewal of investors' confidence in the exchange markets can be effected only by a clearer recognition upon the part of the corporate managers of companies whose securities are publicly held of their responsibilities as trustees for their corporations. Men charged with the administration of other people's money must not use inside information for their own advantage. Because it is difficult to draw a clear line as a matter of law between truly inside information and information generally known by the better-informed investors, the most potent weapon against the abuse of inside information is full and prompt publicity. For that reason, this bill requires the disclosure of the corporate holdings of officers and directors and stockholders owning more than 5 percent of any class of stock, and prompt disclosure of any changes that occur in their corporate holdings. Short selling and selling against the box by insiders are prohibited. These provisions have been called the "anti-Wiggin provisions" of the bill. The committee is aware that these requirements are not airtight and that the unscrupulous insider may still, within the law, use inside information for his own advantage. It is hoped, however, that the publicity features of the bill will tend to bring these practices into disrepute and encourage the voluntary maintenance of proper fiduciary standards by those in control of large corporate enterprises whose securities are registered on the public exchanges.

Fair corporate suffrage is an important right that should attach to every equity security bought on a public exchange. Managements of properties owned by the investing public should not be permitted to perpetuate themselves by the misuse of corporate proxies. Insiders having little or no substantial interest in the properties they manage have often retained their control without an adequate disclosure of their interest and without an adequate explanation of the management policies they intend to pursue. Insiders have at times solicited proxies without fairly informing the stockholders of the purposes for which the proxies are to be used and have used such proxies to take from the stockholders for their own selfish advantage valuable property rights. Inasmuch as only the exchanges make it possible for securities to be widely distributed among the investing public, it follows as a corollary that the use of the exchanges should involve a corresponding duty of, according to shareholders, fair suffrage. For this reason the proposed bill gives the Federal Trade Commission power to control the conditions under which proxies may be solicited with a view to preventing the recurrence of abuses which have frustrated the free exercise of the voting rights of stockholders.

CONTROL OF THE EXCHANGES AND OVER-THE-COUNTER MARKETS

The importance of the actual workings of the exchanges themselves, although great, should not be exaggerated. The stronger and more subtle economic forces affecting speculation come from without the exchanges. But as this speculation converges upon the exchanges, the control of the exchange mechanism is a necessary part of any effective regulation. It is for that reason that the bill gives the Federal Trade Commission broad powers over the exchanges to insure their efficient and honest functioning. Theoretically floor trading has been assumed to be of value in stabilizing prices and preventing undue fluctuations. The studies conducted by the special counsel for the Senate Committee on Banking and Currency have thrown considerable doubt upon the value of floor trading. The large floor traders seldom stem the tide but run with it. Their activity tends to accentuate the moves of the market and to stimulate undue speculation. The importance of active, constant trading can readily be exaggerated. A relatively stable market over a period is of much greater importance to investors than a fictitiously stable market that involves no more than one eighth of a point spread between sales but results in wide fluctuations over days or weeks. The market's liquidity depends upon its relative stability and not upon the spreads between momentary sales. To prevent the artificial stimulation of the market that comes from excessive speculative

trading unrelated to investment, the Commission is given power to regulate and, if need be, prevent floor trading. The Commission is further given power to prevent excessive trading by members off the floor who at times are tempted to stimulate the market by numerous in-and-out transactions which cost them nothing more than the nominal commissions paid to the $2 brokers.

No issue has been more disputed than that centering about the functions of the specialist. There are many who believe that the exchange mechanism would function better without the specialist, that the work done by the specialist could be done more effectively by a clerk or official of the exchange clearing the orders in a purely mechanical way, much as they are cleared today on the New York Stock Exchange in the "bond crowd." There are others who believe that a specialist should be obliged to act either as a dealer or as a broker and should not be permitted to combine the functions of dealer and broker. The jobber on the London Stock Exchange is essentially a dealer-specialist who deals only with other jobbers and with brokers, and does not act as a broker himself or deal with the public directly. It is generally admitted that there are serious abuses in connection with the work of specialists. The New York Stock Exchange tightened its rules in regard to specialists on the very eve of the hearings held by the committee. It is true that some of the worst evils associated with the specialist have centered around their participation in pools, but there are inherent difficulties in the situation where under normal circumstances the available orders are known to the specialist only—and perhaps his favored friends—and not to everyone dealing in the security involved. Inasmuch as the stock exchanges objected to the laying down of any statutory rule governing specialists, their suggestion has been adopted of giving the Commission effective power to control the activities of specialists and to experiment with various devices of control.

Another perplexing problem in regard to the working of the exchanges has been that centering about the dealer-broker relationship. There is an inherent inconsistency in a man's acting both as a broker and a dealer. It is difficult to serve two masters. And it is particularly difficult to give impartial advice to a client if the dealer-broker has his own securities to sell, particularly when they are new securities for which there is no ready market. The combination of the functions of dealer and broker has persisted over a long period of time in American investment banking, and it was found difficult to break up this relationship at a time when the dealer business was in the doldrums and when it was feared that the bulk of the dealer-brokers would, if compelled to choose, give up their dealer business and leave, temporarily at least, an impaired mechanism for the distribution of new securities. Consequently, it was deemed impracticable at this time to do more than require the dealer-broker to disclose to his customer the capacity in which he was acting and to refrain from taking into margin accounts new securities in the distribution of which he had participated during the preceding 6 months.

The bill proceeds on the theory that the exchanges are public institutions which the public is invited to use for the purchase and sale of securities listed thereon and are not private clubs to be conducted only in accordance with the interests of their members. The great exchanges of this country upon which millions of dollars of securities are sold are affected with a public interest in the same degree as any other great utility. The Commission is empowered, if the rules of the exchange in any important matter are not appropriate for the protection of investors or appropriate to insure fair dealing, to order such changes in the rules after due notice and hearings as it may deem necessary. The exchanges may alter their rules if more effective means are discovered to meet the same or new problems. Although a wide measure of initiative and responsibility is left with the exchanges, reserved control is in the Commission if the exchanges do not meet their responsibility. It is hoped that the effect of the bill will be to give to the well-managed exchanges that power necessary to enable them to effect themselves needed reforms and that the occasion for direct action by the Commission will not arise.

The committee has been convinced that effective regulation of the exchanges requires as a corollary a measure of control over the over-the-counter markets. The problem is clearly put in the recent report of the Twentieth Century Fund on Stock Market Control:

"The benefits that would accrue as the result of raising the standards of security exchanges might be nullified if the over-the-counter markets were left unregulated and uncontrolled. They are of vast proportions, and they would serve as a refuge for any business that might seek to escape the discipline of the exchanges; and the more exacting that discipline, the greater the temptation to escape from it. Over-the-counter markets offer facilities that are useful under certain conditions, but they should not be permitted to expand beyond their proper sphere and compete with the exchanges for business that, from the point of view of public interest, should be confined to the organized markets. This constitutes the sanction for Federal regulation of over-the-counter dealers and brokers. To leave the over-the-counter markets out of a regulatory system would be to destroy the effects of regulating the organized exchanges."

ADMINISTRATION

The bill places the administration of the legislation, apart from credit phases, in the Federal Trade Commission. It provides, however, for the enlargement of that Commission by two members and the creation within it of a special division which will administer both this bill and the Securities Act of 1933. Unquestionably these two measures are so closely related that they should be administered by the same body, and unquestionably if no new commission were to be appointed that administration should be lodged in the Federal Trade Commission, which has so ably organized the administration of the Securities Act of 1933.

Insofar as the proposals of the stock exchanges suggest a separate stock-exchange authority, it should be kept in mind that the name by which the body administering the act is known is not important. The legislative essentials are the same whether the body is called an "authority" or a "board" or a "Federal commission." Those essentials are how much power the administrative body shall have and whether it shall be made up entirely of representatives of none but the public interest, or of expert representatives, as such, of stock exchanges and of other distinct classes in the community.

Insofar as experts are concerned, it is a commonplace of administrative statesmanship that boards of men who are experts in details rarely agree among themselves, and in their very expertness with the trees seldom perceive the woods of broad public policy. The well-learned lesson of democratic government with experts is that they should be kept on tap but not on top.

Insofar as making up a permanent Government regulatory body from representatives of special vested interests is concerned, it has been long ago learned that no harmony of policy can result from a regulatory body packed with advocates of warring interests and that the inevitable result of placing on a regulatory authority able advocates who have at heart the definite interest of a particular class which will profit by the least possible regulation is stultification of the regulation.

III. ANALYSIS OF THE BILL BY SECTIONS

SECTION 1. SHORT TITLE

This section provides that the act may be cited as the "National Securities Exchange Act of 1934."

SECTION 2. THE NECESSITY FOR REGULATION AS PROVIDED IN THIS ACT

The purpose of this section is to indicate the facts which give rise to the necessity for the legislation and justify the exercise of congressional power. The evidence submitted to the committee, together with that produced before the Senate Banking and Currency Committee during its recent extensive investigation and facts that have become common knowledge during the national economic crisis of the past few years, abundantly justify the findings recited in this section.

SECTION 3. DEFINITIONS AND APPLICATION OF ACT

(a) This subsection defines the terms used in the act. Most of these definitions are self-explanatory. Banks are expressly exempted from the definitions of "broker" and "dealer." The definition of "bank" in paragraph (6) includes banks organized under the laws of the United States, members of the Federal Reserve System, and any other bank performing the normal functions of receiving deposits or exercising fiduciary powers and which is subject to supervision and examination by State or Federal authorities. In paragraph (10) the words "oil, gas, or other" have been stricken out of that part of the definition of "security", as it appeared in earlier prints of the bill, which included any "certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease." From the use of the words "other mineral royalty or lease" in the earlier print it is clear that an oil or gas royalty or lease was considered to be one kind of mineral royalty or lease, and thus no actual change is made by striking out the words indicated above. An "exempted security" is defined in paragraph (12) to include certain specified classes of securities. In addition, the Secretary of the Treasury may designate for exemption the securities of corporations in which the United States has a direct or indirect interest; and the Federal Trade Commission (elsewhere referred to as the "Commission") is given power to place in the category of "exempted securities" any other securities (including unregistered securities the market in which is predominantly intrastate) where it deems such action necessary or appropriate in the public interest or for the protection of investors. A large number of the provisions in the act expressly exclude "exempted securities." Thus the Commission is able to remove from the operation of any one or more of these provisions any securities as to which it deems them inappropriate. It may attach such conditions as to such exemption as it deems desirable. The Commission may therefore make appropriate exemptions for the protection of the holders of defaulted securities and foreign securities if the issuers refuse to register.

(b) The Commission and the Federal Reserve Board are given power to define accounting, technical, and trade terms.

(c) The act is not to apply to instrumentalities and agencies of the United States, except where they are specifically included.

SECTION 4. TRANSACTIONS ON UNREGISTERED EXCHANGES

This section forbids the use of the mails and interstate commerce to any exchange which is not registered as a national securities exchange under section 5, but authorizes the Commission to exempt from this prohibition small exchanges as to which it finds that registration would be impracticable and unnecessary in the public interest or for the protection of investors. Such exemption may be withdrawn under stated circumstances.

SECTION 5. REGISTRATION OF NATIONAL SECURITIES EXCHANGES

Subsection (a) provides for registration as a national securities exchange upon application by any exchange which agrees to comply, and to require its members to comply, with the act and the rules and regulations thereunder, and which furnishes the Commission with required information.

An exchange desiring registration is required by subsection (b) to provide for the disciplining of members who are guilty of conduct inconsistent with just and equitable principles of trade, and must include in this category any willful violation of the act or any rule or regulation thereunder.

It is provided in subsection (c) that exchanges may adopt any rules not inconsistent with the act or the rules and regulations thereunder or the laws of the State in which it is located.

Subsection (d) directs the Commission to grant an application for registration if it appears that the exchange is so organized as to be able to comply with the act and rules and regulations thereunder and to insure fair dealing and the protection of investors.

Subsection (e) provides that the Commission's order granting or denying an application for registration shall be made within 30 days unless the application has been withdrawn.

Subsection (f) permits an exchange to withdraw its registration upon such terms as the Commission may deem necessary for the protection of investors.

SECTION 6. MARGIN REQUIREMENTS

The Federal Reserve Board is directed by subsection (a) to prescribe by rules and regulations the maximum amount of credit which may be extended and maintained on any security (other than an exempted security) which is registered on a national securities exchange. As far as the initial extension of credit is concerned it is indicated by the act that this should be based on a standard of 55 percent of the current market price of the security or 100 percent of its lowest market price during the preceding 36 calendar months, but in no case more than 75 percent of the current market price. Until July 1, 1936, the lowest price on or after July 1, 1933, is to be considered as the lowest price during the preceding 36 calendar months. Matters of detail concerning the maintenance of margins, substitutions, additional purchases, withdrawals, and transfers of accounts are left to be determined by the Board, which is also given power to prescribe regulations with regard to margins in the case of delayed deliveries, short sales, arbitrage transactions, securities which have not been on the market for 36 months, and similar matters of administrative adjustment.

Under subsection (b) the Federal Reserve Board may depart from the standard indicated in subsection (a) for the initial extension of credit by (1) lowering margin requirements insofar as it deems necessary for the accommodation of commerce and industry, having due regard to the general credit situation, and (2) prescribing such higher margin requirements as it may deem necessary or appropriate to prevent the excessive use of credit to finance speculative transactions in securities. Thus the effect is to make the margin provisions of the act completely elastic, giving the Federal Reserve Board discretion, but at the same time indicating a standard to which it is to adhere except under the circumstances indicated.

Subsection (c) makes it unlawful for a member of a national securities exchange or a broker or dealer who does business through such a member to extend or maintain credit in violation of the regulations prescribed under subsections (a) and (b), or without collateral or on collateral other than an exempted security or a security registered upon a national securities exchange, except insofar as this is permitted by rules and regulations of the Federal Reserve Board where such use of credit is not for the purpose of purchasing or carrying securities or of evading the margin requirements for registered securities.

Subsection (d) authorizes the Board to make rules and regulations so far as may be necessary to prevent evasion of this section through loans from persons who are not covered by subsection (c) and permits the imposition, upon loans made for the purchasing or carrying of registered securities, of limitations similar to those which may be imposed upon members, brokers, and dealers. It is expressly provided that such regulations shall not apply to loans not made in the course of business (such as purely personal loans), to loans on exempted securities, to loans to aid dealers in the distribution of securities not through the medium of a national securities exchange, to bank loans on any security other than an equity security or to such other loans as the Board may deem it necessary or appropriate to exempt. (An equity security is defined in sec. 3 (a) (11), and is, to speak generally, a stock or a security convertible into a security similar thereto.)

Subsection (e) makes the provisions of this entire section inapplicable to credit outstanding at the effective date of the act until January 31, 1939. This is designed to prevent forced liquidation.

SECTION 7. RESTRICTIONS ON BORROWING BY MEMBERS, BROKERS, AND DEALERS

By subsection (a), borrowing on registered securities (other than exempted securities) by members, brokers, and dealers who do a business through members is confined to loans from member banks of the Federal Reserve System or from nonmember banks which agree to comply with the provisions of this act, the Federal Reserve Act, and the Banking Act of 1933, insofar as they relate to the use of credit to finance transactions in securities. This, however, is subject to certain exceptions in case of transactions between members, brokers, and dealers and in emergency cases.

Subsection (b) prohibits a member, broker, or dealer to permit his indebtedness (except on exempted securities) in the ordinary course of business as a broker to exceed 2,000 percent of his net capital or such lower percentage thereof as the commission may prescribe.

A broker is forbidden by subsection (c) to commingle the securities of customers without their written consent; and by subsection (d) regardless of such consent to pledge customers' securities with those of persons who are not customers or under circumstances that will subject customers' securities to a lien in excess of the aggregate indebtedness of the customers. This means that a broker cannot risk the securities of his customers to finance his own speculative operations. He is also forbidden by subsection (e) to lend a customer's securities without the latter's written consent.

SECTION 8. PROHIBITION AGAINST MANIPULATION OF SECURITY PRICES

Subsection (a) makes it unlawful for any person to use the mails, or interstate commerce, or any facility of a national securities exchange, or for any member of a national securities exchange by use of any means, to participate in certain practices in connection with securities registered on a national securities exchange.

Under paragraph (1) of this subsection it is made unlawful for the purpose of creating a misleading appearance as to the real nature of the market or activity of trading in the security, (A) to effect any transaction which involves no change in the beneficial ownership of the security, or (B) to enter orders for the purchase of a security with the knowledge that orders of substantially the same size, at substantially the same time and at substantially the same price, for the sale of such security will be entered by or for the same or different parties, or (C) to enter orders for the sale of a security with the knowledge of orders of substantially the same size, at substantially the same time and at substantially the same price, for the purchase of such security, will be entered for the same by or for the same or different parties. These provisions strike at wash sales and matched orders.

Paragraph (2) makes it unlawful to effect any series of transactions in a security for the purpose of raising or depressing the price of such security. Of course, any extensive purchases or sales are bound to cause changes in the market price of the security. If a person is merely trying to acquire a large block of stock for investment, or desires to dispose of a big holding, his knowledge that in doing so he will affect the market price does not make his action unlawful. His transactions become unlawful only when they are made for the purpose of raising or depressing the market price. This provision catches the rigging and jiggling of the market, and prevents the marking up or down of prices by pools.

Inducing the sale or purchase of securities by the making of a false or misleading statement of a material fact is outlawed by paragraph (4), unless the person making the statement had no reason to believe the statement was false or misleading.

Paragraphs (3) and (5) make it unlawful to induce the purchase or sale of a security by circulating in the ordinary course of business or for a consideration information that a security will change in price as a result of market operations for a rise or fall. These provisions are aimed at the tipster sheet and the practice of customer's men in inducing customers to buy or sell by spreading rumors with regard to the operations of pools.

The pegging of security prices is regulated by paragraph (6). Many experts are of the opinion that the artificial stabilization of a security at a given price serves no useful economic function. On the other hand the practice has been wide-spread on the part of many investment bankers who regard it legitimate, particularly if the public is aware of the plan. Instead of being prohibited, therefore, this practice is left to such regulation by the Commission as it may deem necessary for the prevention of activities detrimental to the interests of investors.

Subsection (b) is concerned with the use of options in connection with transactions on national securities exchanges. Options and trading against options are the usual concomitants of pool operations. Inasmuch, however, as it has been urged that all options are not affected with the manipulative taint it is made unlawful to trade in or against options only when in violation of such rules and regulations as the Commission may deem necessary in the public interest or for the protection of investors.

Subsection (c) empowers the Commission to make regulations regarding the guaranteeing of options for registered securities by members of national security exchanges.

Subsection (d) makes it clear that the options to be regulated under subsections (b) and (c), which include so-called "puts", "calls", "straddles", and "privileges"—which are commonly used for manipulative and speculative purposes—do not include duly registered warrants or rights to subscribe to a security or the right of the holder of a registered convertible security to have it converted.

Subsection (e) provides that persons who willfully participate in the manipulative or speculative practices which are forbidden by subsections (a), (b), and (c) shall be liable for the damages they cause to innocent investors who have bought or sold the security in question at a price which has been effected by such unlawful practices. A defendant may recover contribution from any other participant in the illegal transactions who would have been liable if sued jointly. Suits for recovery under this subsection must be commenced within 3 years after the violation.

Subsection (f) exempts from the operation of this section all exempted securities.

SECTION 9. REGULATION OF THE USE OF MANIPULATIVE DEVICES

This section makes it unlawful to use the mails or interstate commerce or any facility of a national securities exchange to effect a short sale of, or to employ any stop-loss order in connection with a transaction in, a registered security in contravention of the regulations of the Commission.

SECTION 10. SEGREGATION AND LIMITATION OF FUNCTIONS OF MEMBERS, BROKERS, AND DEALERS

Subsection (a) directs the Commission to regulate or prevent, by rules and regulations, floor trading on the part of members. By this means those who are actually on the scene of speculation may be restricted from taking undue advantage of this privilege. The Commission is also directed by rules and regulations to prevent such excessive speculation on the part of members who operate from off the floor as it may deem detrimental to the maintenance of a fair and orderly market. The Commission may make such exemptions as are necessary or appropriate in the case of exempted securities, arbitrage transactions, and transactions by odd-lot dealers and specialists.

Subsection (b) authorizes the registration of members as odd-lot dealers or specialists, or both, pursuant to the rules of the exchange, and subject to rules and regulations of the Commission. The odd-lot dealer may be permitted to deal for his own account only so far as necessary in the performance of his particular function. The Commission is directed to limit the specialist in his dealings for his own account to those which are necessary for the maintenance of a fair and orderly market. The specialist is forbidden to reveal the orders on his books to favored persons. This information must be available to all members or else kept confidential. The specialist is likewise prohibited from exercising purely discretionary orders as distinct from market or limited price orders.

Subsection (c) authorizes the Commission to exempt small exchanges from the provisions of this section. This will prevent hardship on those exchanges where the functions of members are not as highly specialized as on the larger markets. Provision is made for withdrawing the exemption in proper cases.

Subsection (d) provides that any member, or any person doing business through a member, who acts both as a broker and dealer shall not use the mails, or interstate commerce, or any national securities exchange to effect any transaction which involves purchasing for a customer on margin, or selling to him on margin, any security which the broker or dealer has been engaged in distributing within 6 months. This strikes at one of the greatest potential evils inherent in the combination of the broker and dealer function in the same person, by assuring that he will not induce his customers to buy on credit securities which he has undertaken to distribute to the public. A broker-dealer must also reveal to his customers whether he acts as principal or as agent, in order that the customer may be aware of any factors tending to influence the broker's advice.

Subsection (e) directs the Commission to investigate and report to Congress by January 3, 1936, on the question of completely segregating the activities of brokers and dealers.

SECTION 11. REGISTRATION REQUIREMENTS FOR SECURITIES

Subsection (a) prohibits members, brokers, and dealers from effecting any transaction on a national securities exchange in any security which is not exempted or registered under the provisions of this act.

The application to be filed by the issuer of a security with the exchange and with the Commission as a prerequisite to registration is described in subsection (b).

In paragraph (1) is indicated the information which the Commission may require an issuer to file in its application for registration. These provisions are self-explanatory.

Under paragraph (2) various documents, such as articles of incorporation, bylaws, and underwriting arrangements, may be called for.

Subsection (c) authorizes the Commission, if it deems any of the information specified under subsection (b) to be inappropriate in a given case or class of cases, to require in lieu thereof the submission of appropriate information of a comparable character. This assures adequate elasticity without giving the Commission unconfined authority to elicit any information whatsoever.

If an exchange approves the registration of a security and so certifies to the Commission, the registration becomes effective within 30 days under subsection (d), subject, however, to the provisions of section 18. An issuer may cancel its registration at any time subject to such conditions as the Commission may prescribe as necessary for the protection of investors. Registration of unissued securities for trading on a "when, as, and if issued" basis is permitted subject to regulations of the Commission in cases where the registration is not primarily designed to distribute the security to investors other than the present security holders of the company. This permits the creation of an adequate market in which the holders of rights to unissued securities may trade them as against the value of the unissued securities. At the same time the Commission will be able to prevent the practice of running up the price of a security prior to its issuance, so that it is finally issued at an excessive price.

In order to preclude congestion during the period when the act first comes into force, subsection (e) would permit the provisional registration of securities already listed on exchanges without compliance with the registration requirements set forth in this section. Such registrations may be effective until July 1, 1935, by which date there should be more than adequate time for formal registration.

Subsection (f) provides that unlisted trading (the practice of admitting securities to trade upon the application of a member of the exchange and without any action on the part of the corporation) shall be permitted by the rules and regulations of the Commission until July 1, 1935, in securities admitted to unlisted trading before March 1, 1934. Such securities are to be regarded as registered securities, except that they are exempt from the requirements of sections 11, 12, and 15, but in quoting transactions exchanges must specify the securities which are admitted merely to unlisted trading.

SECTION 12. PERIODICAL AND OTHER REPORTS

Subsection (a) requires the issuers of registered securities to keep the information filed under section 11 reasonably up to date and to make annual reports, certified by independent public accountants if the Commission deems this necessary, and such quarterly reports as may be deemed essential.

Subsection (b) permits the Commission to specify the form in which reports shall be made, the details to be shown in financial statements, and the methods to be followed in calculating the items indicated in their preparation. The purpose is to give some assurance that reports will not hide the true condition of the company. In the case of the reports of any person whose accounting is subject to the provisions of any law of the United States or of any State, the rules and regulations of the Commission imposing requirements with respect to reports are not to be inconsistent with the requirements imposed by such law; but if the Commission believes that such requirements are inadequate from the point of view of the investor, it may impose additional requirements. In other words, while the act carefully avoids unnecessary duplication of reports, it permits the Commission to require the reporting of all matters regarded as essential under the act for the protection of investors.

SECTION 13. PROXIES

Subsection (a) prohibits the solicitation of proxies in contravention of such rules and regulations as the Commission may prescribe in the interest of the issuer and its security holders.

By subsection (b) it is made unlawful for a member of a national securities exchange or a broker or dealer who transacts a business in securities through a member to give proxies with respect to securities carried for a customer in contravention of such rules and regulations as the Commission may prescribe for the protection of investors.

SECTION 14. OVER-THE-COUNTER MARKETS

The use of the mails and interstate commerce for the creation of markets, other than regular exchanges, is made the basis for such regulation of these markets as the Commission may find to be necessary or appropriate to insure to investors protection comparable to that which is accorded in the case of registered exchanges under the act. Such rules and regulations may include provision for the registration of brokers and dealers and of the securities traded. Securities already traded in on exchanges at the time the act becomes effective may be subjected to special regulation if they do not become registered under section 11. This will enable the Commission to distinguish between the securities of the type normally subject to speculative and manipulative abuse and those not customarily bought or sold on exchanges.

SECTION 15. DIRECTORS, OFFICERS, AND PRINCIPAL STOCKHOLDERS

Under subsection (a) directors and officers of the issuer of a registered equity security (other than an exempted security) and holders of more than 5 percent of any class of a registered equity security (other than an exempted security), are required at the time of registration to file with the Commission a list of their holdings of the issuer's securities and to file monthly reports of their dealings in such securities. This is to give investors an idea of the purchases and sales by insiders which may in turn indicate their private opinion as to prospects of the company.

By subsection (b) directors, officers, and principal security holders are forbidden to sell registered securities (other than exempted securities) short or to sell for delivery after 20 days. The latter provision is for the purpose of preventing sales against the box whereby those in possession of inside information sell their holdings but keep the stock registered in their name, so that their change of position does not become known until delivery is made at a later date.

SECTION 16. ACCOUNTS AND RECORDS, REPORTS, EXAMINATION OF EXCHANGES, MEMBERS, AND OTHERS

By subsection (a) national securities exchanges, their members, and brokers and dealers who do business through them, as well as brokers and dealers who maintain over-the-counter markets, are required to keep such records as the Commission may prescribe in the public interest or for the protection of investors. These records shall be open to reasonable inspection by the Commission.

Subsection (b) gives the Federal Reserve Board necessary powers as to reports and examinations in connection with the exercise of its functions under the act.

SECTION 17. LIABILITY FOR MISLEADING STATEMENTS

Subsection (a) provides that any person who makes or causes to be made any statement in an application, report, or document, which is false or misleading as to a material fact, shall be liable to a person who in reliance on the statement and in ignorance of its false or misleading character has purchased the security to which it relates at a price affected by it, unless the person sued proved that he acted in good faith without knowledge of the false and misleading character of the statement.

Subsection (b) provides for contribution between persons who would be liable to be sued jointly, and subsection (c) limits the time for bringing a suit to 3 years after the violation.

SECTION 18. POWERS WITH RESPECT TO EXCHANGES AND SECURITIES

Subsection (a) authorizes the Commission, when it deems such action necessary—(1) to suspend or withdraw registration of an

exchange which the Commission finds has violated the act or the rules and regulations thereunder or has failed to take adequate steps to enforce compliance therewith by its members, (2) to deny, postpone, suspend, or withdraw the registration of the security in case of violation by the issuer, (3) to suspend or expel a member or officer of an exchange who is guilty of a violation or of aiding a violation by acting as broker for a person whom he has reason to believe is engaged in a violation, and (4) summarily to suspend trade in any registered security for a period not exceeding 10 days or, with the approval of the President of the United States, summarily to suspend all trade on a registered exchange for not more than 90 days. Orders issued pursuant to (1), (2), and (3) must be preceded by appropriate notice and opportunity for hearing; action under (4) is of an emergency nature and therefore limited in time.

Subsection (b) authorizes the Commission to amend the rules of an exchange in certain particulars by rules and regulations, after the exchange has failed to comply with the Commission's written request for such amendment of the rules of the exchange as the Commission deems necessary or appropriate for the protection of investors or to insure fair dealing or administration of the exchange.

SECTION 19. LIABILITIES OF CONTROLLING PERSONS

By subsection (a) a person who controls a person subject to the act or a rule or regulation thereunder is made liable to the same extent as the person controlled unless the controlling person acted in good faith and did not induce the act in question.

Subsection (b) makes it unlawful for any person to do, through any other person, anything that he is forbidden to do himself.

Subsection (c) makes it unlawful for a director, officer, or security owner, without just cause, to hinder, delay, or obstruct the making of reports required of an issuer under this act.

In this section and in section 11, when reference is made to "control", the term is intended to include actual control as well as what has been called legally enforceable control. (See *Handy & Harmon* v. *Burnet* (1931) 284 U.S. 136.) It was thought undesirable to attempt to define the term. It would be difficult if not impossible to enumerate or to anticipate the many ways in which actual control may be exerted. A few examples of the methods used are stock ownership, lease, contract, and agency. It is well known that actual control sometimes may be exerted through ownership of much less than a majority of the stock of a corporation either by the ownership of such stock alone or through such ownership in combination with other factors.

SECTION 20. INVESTIGATIONS; INJUNCTIONS AND PROSECUTION OF OFFENSES

(a) The Commission is authorized to investigate violations of the act. The Commission is further authorized to investigate and to publish information concerning any facts, conditions, practices, or matters which it may deem necessary or appropriate to aid in the enforcement of the act or in prescribing rules and regulations.

(b) The Commission is authorized through its members, or officers designated by it, to administer oaths and affirmations, subpena witnesses, compel their attendance, and require the production of books, papers, correspondence, memoranda, and other records.

(c) This subsection relates to compelling attendance and testimony of witnesses and the production of evidence.

(d) This subsection is similar to one contained in the Federal Trade Commission Act, and provides that no person shall be excused from attending and testifying, but relieves any natural person from prosecution with respect to or on account of any matter concerning which he may testify or produce evidence.

(e) The Commission is authorized to seek the aid of the United States district courts to enjoin acts or practices in violation of the provisions of the act or rules and regulations.

(f) The district courts of the United States are given jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of the act or any order made thereunder.

SECTION 21. HEARINGS BY COMMISSION

This section provides that hearings of the Commission may be public and may be held before the Commission or any member or members thereof or any designated officer or officers and requires that appropriate records of hearings shall be kept.

SECTION 22. RULES AND REGULATIONS; ANNUAL REPORTS

(a) The Commission and the Federal Reserve Board, respectively, are authorized to make such rules and regulations as may be necessary for the execution of the functions granted to them under the act and are authorized for such purposes to classify issuers, securities, exchanges, and other persons or matters.

(b) The Commission and the Federal Reserve Board are directed to include in their annual reports to Congress such information and such recommendations for further legislation as they may deem advisable relating to the matters within their respective jurisdictions under the act.

SECTION 23. INFORMATION FILED WITH THE COMMISSION

(a) This subsection makes it clear that no person is to be required to reveal trade secrets or processes in applications, reports, or other documents.

(b) Any person filing information may object in writing to the public disclosure thereof, and the Commission is authorized to hear objections when it deems it advisable. In cases where objections are made the Commission is not to make the information public unless in its judgment disclosure thereof is in the public interest.

(c) It is made unlawful for any member, officer, or employee of the Commission to make disclosure of information which is not made available to the public as authorized in subsection (b).

SECTION 24. COURT REVIEW OF ORDERS

(a) This section relates to review by United States Circuit Courts of Appeal of orders of the Commission on the petition of any person aggrieved. On such review the court is to have exclusive jurisdiction to affirm, modify, and enforce or set aside the order, in whole or in part. Findings of fact by the Commission are to be conclusive if supported by substantial evidence. The judgment and decree of the court is to be final subject to review by the Supreme Court in accordance with sections 239 and 240 of the Judicial Code.

(b) The commencement of proceedings under subsection (a) is not to operate as a stay of the Commission's order unless the court so orders.

SECTION 25. UNLAWFUL REPRESENTATIONS

No action or failure to act by the Commission or Federal Reserve Board is to be construed to indicate approval of any security or transaction or to indicate a finding that any statement or report is true and accurate or not false or misleading. It is declared to be unlawful to make any representation that any such action or failure to act is to be so construed or has such effect.

SECTION 26. JURISDICTION OF OFFENSES AND SUITS

The district courts of the United States, the Supreme Court of the District of Columbia, and the United States courts of any Territory or other place subject to the jurisdiction of the United States are given jurisdiction of violations of the act and of rules and regulations thereunder, and of suits in equity and actions at law brought to enforce any liability or duty created by the act or by the rules and regulations thereunder.

SECTION 27. EFFECT ON EXISTING LAW

(a) This subsection reserves rights and remedies existing outside of those provided in the act, but limits the total amount recoverable to the amount of actual damages. It provides that the jurisdiction of State commissions shall not be affected insofar as it does not conflict with the provisions of the act or the rules and regulations thereunder.

(b) It is provided that nothing in the act shall be construed to modify existing law with regard to certain relationships between exchanges and their members.

SECTION 28. VALIDITY OF CONTRACTS

(a) This subsection declares void any condition or stipulation requiring any person to waive compliance with any provision of the act or any rule or regulation thereunder or any rule of exchange.

(b) This subsection declares void contracts made in violation of the provisions of the act or the rules or regulations thereunder, and contracts made prior to the enactment of the act which involve the continuance of any relationship or practice prohibited by the act or any rule or regulation thereunder.

(c) This subsection includes provisions to negative any construction of the act which would affect the validity of loans and liens in certain cases. Cases are specified in which the act is to be construed to afford a defense to the collection of any debt or obligation or the enforcement of a lien.

SECTION 29. FOREIGN SECURITIES EXCHANGES

(a) This subsection makes it unlawful for brokers or dealers to use the mails or any instrumentality of interstate commerce to effect upon an exchange outside the United States transactions in securities of issuers who reside in or are organized under the laws of, or have their principal place of business in, the United States or any place subject to the jurisdiction thereof, in contravention of the rules and regulations of the Commission.

(b) It is provided that the act shall not apply to any person insofar as he transacts a business in securities outside the jurisdiction of the United States unless he transacts such business in contravention of the rules and regulations of the Commission prescribed to prevent evasion of the act.

SECTION 30. REGISTRATION FEES

An annual registration fee for exchanges is provided for in this section. Such fee is to be an amount equal to one five-hundredth of 1 percent of the aggregate dollar amount of the securities sales transacted on the exchange during the preceding calendar year. Amounts received as fees will be deposited in the Federal Treasury.

SECTION 31. MEMBERS AND EMPLOYEES OF FEDERAL TRADE COMMISSION

(a) This subsection provides for two additional members of the Federal Trade Commission. It authorizes the Commission to divide the members thereof into divisions (each to consist of not less than three members) and to direct that any of its functions arising under this act or any other provision of law may be assigned or referred to any such division. Provision is made for rehearing before the full Commission of decisions, orders, or other action by a division. A rehearing is not to suspend the operation of that division unless the Commission makes an order to that effect.

(b) For the purposes of this act and of the Securities Act of 1933 the Commission is authorized to employ and fix the compensation of attorneys, examiners, and other special experts without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States.

SECTION 32. PENALTIES

Penalties are provided for willful violation of the act or any rule or regulation thereunder the violation of which is expressly made unlawful, or for the making or causing to be made any statement in any application, report, or document filed under the act if such statement is false or misleading with respect to any material fact The penalty provided is a fine of not more than $10,000 or imprisonment for not more than 2 years, or both, except that when the violation is by an exchange a fine not to exceed $500,000 may be imposed.

SECTION 33. SEPARABILITY OF PROVISIONS

This section declares the policy of Congress that if any provision of the act or the application of such provision to any person or circumstance is held invalid the remainder of the act or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

SECTION 34. EFFECTIVE DATE

The act is to take effect upon its enactment, except that certain of its provisions are to become effective July 1, 1934, and certain other provisions are to become effective on August 1, 1934.

Mr. COOPER of Ohio. Mr. Chairman, I yield 30 minutes to the gentleman from Connecticut [Mr. MERRITT].

Mr. MERRITT. Mr. Chairman and members of the Committee, I repeat what has been already said in appreciation of the work of our committee, which reported this bill, and particularly the immense amount of work our chairman, Mr. RAYBURN, has done. I think you will perceive from his remarks that at times he was a little worn by the number of people who wanted to see him, and by letters and telegrams he received. That is not strange. You will also agree, I think, that all the Members of Congress—I know it is true of all the members of the committee—have received an enormous number of telegrams and letters regarding the bill.

The chairman has characterized, and I suppose stigmatized all those communications as propaganda, but I think that if you have in mind the fact that by the best estimates we can get there are some 10,000,000 separate stockholders in the United States, and also that this bill directly and indirectly may affect every one of those 10,000,000 people, you will perceive why the bill has created a tremendous amount of interest throughout the United States and why the people have written in to their Congressmen.

I do not believe that the bulk of these communications have been brought about by anything except a legitimate desire of the people to protect their own property against undue depreciation.

It seems to me that it is not quite fair to the stockholders, these people seeking to protect their interests, to impute their action to unfair motives. I never have heard any objection to the farmers getting together to protect their own interests.

You doubtless appreciate that in the past 50 years the amount of liquid personal property in stocks and bonds in this country has increased tremendously, and very much to the advantage of the people of this country.

You will agree, I think, also, that while the so-called "panic of 1929" was largely connected with this personal property, and that while the blow-up was more evident on the stock exchange than anywhere else, the stock exchange was not primarily to blame.

You know, as any well-informed man knows, that these speculative eras and collapses afterward have been with us ever since civilization began and people have been possessed of personal property.

You will appreciate that stock exchanges have done a tremendous amount of good. If it had not been for the stock exchanges, which make capital liquid, which enable men to realize quickly on their holdings, the distress of the collapse would have been much greater.

You will all agree that more frozen assets of this country have been connected with real estate than they have with stocks.

I personally have not had very much business with the stock exchange, but I have known a great many people who have. I know that the New York Stock Exchange—that is credited with more of the evils than all the rest of them put together—I know that the business ethics are higher on that exchange than in the average business. It is conducted by word of mouth, and on honor, and violations of that honor are very rare.

I am not saying that there have not been abuses that should be corrected. What I am pleading for here is that in considering this legislation it should not be undertaken in any vindictive spirit. It should not be conducted with a notion that anybody who has made or may make a suggestion concerning the bill has been actuated by anything but an honest motive, and not by any propaganda.

In my own case, coming from New England, I have not been so much interested in the great corporations whose stocks are traded in on the New York Stock Exchange, and which become part of these great speculative movements, as I have in the smaller corporations and manufacturers who exist throughout New England and throughout the United States in general. I have not been so concerned with the regulation of stock-exchange practices, and I have not, as I said in my minority views, specially criticized the bill as a stock-exchange regulative bill, but I am concerned that the Commission which is set up under the bill should have such tremendous power over every manufacturing corporation and almost every other form of corporation in the country, and should have such tremendous power to regulate the care and management of these billions of liquid property in the United States.

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

Mr. MERRITT. Yes.

Mr. RICH. I was under the impression from what the chairman of the committee, Mr. RAYBURN, said a few moments ago, that the smaller businesses were not affected by this bill if they did not deal on the listed-stock exchanges.

Mr. MERRITT. That is partly true, but the fact of the matter is that the Commission under this bill still has the power to force every corporation into some stock exchange. It also has the power to exempt them, and that was put in for the relief of these smaller corporations, and I think it is a very valuable feature of the bill, but, nonetheless, it is true that the Commission could act so that those small businesses would be bound to register on some exchange.

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

Mr. MERRITT. Yes.

Mr. BRITTEN. I rise to accentuate the statement of the gentleman that the Federal Trade Commission really can control and regulate the corporation whose securities are not on any listed exchange. Is not that so?

Mr. MERRITT. Rather indirectly, I think. I think it may make regulations which would force the small corporations to register their securities if the Commission so desired.

Mr. BRITTEN. Could it not also make regulations which would more or less limit their credit?

Mr. MERRITT. Yes.

Mr. BRITTEN. And in the limitation of their credit they would have to do what the Commission required?

Mr. MERRITT. Yes.

Mr. BRITTEN. So that the Commission could indirectly, under the bill, control every industry in the United States if it wanted to.

Mr. MERRITT. It could control the business in its securities.

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

Mr. MERRITT. Yes.

Mr. BLOOM. I believe the gentleman stated that the Commission could force these different businesses into the exchange?

Mr. MERRITT. Yes.

Mr. BLOOM. Could it force the exchange to accept them? If it has the right to force the different businesses into an exchange, can it force the exchange to accept the different business interests?

Mr. MERRITT. It can force an exchange to become a national exchange if it wants to. It can exempt from the effects of the bill the smaller exchanges.

Mr. BLOOM. The exchange today needs to accept the different business interests it wants to list on the exchange. Is not that right?

Mr. MERRITT. Yes.

Mr. BLOOM. Suppose the exchange refuses to accept the business interests that the Commission would force into the exchange.

Mr. MERRITT. It could not do that, because they have to come in under general rules, and the general rules of all exchanges are subject to the Commission.

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

Mr. MERRITT. Yes.

Mr. MAPES. I dislike to interrupt my friend, but the question which has been propounded to the gentleman from Connecticut is so vital and the country is so much interested in the question and the answer that I feel I should say that I do not interpret the bill as giving the Federal Trade Commission power to compel any corporation to list on any exchange.

Mr. MERRITT. Not directly; no.

Mr. MAPES. And the only provision in the bill that relates to small or local corporations in that respect, as I understand it, is the one in the over-the-counter market section, which gives the Federal Trade Commission authority in its regulations of the dealers and brokers in the over-the-counter markets to require that such dealers and brokers cease to handle the securities of any corporation unless they are listed with them, but in no case is a corporation required to so list unless it sees fit to do so. I say again I beg the gentleman's pardon for interrupting him, but I think this is a very vital feature of the bill.

Mr. MERRITT. I think what I said before is correct, that the Commission could not do it directly; but I think if the bill is carefully read the gentleman will find that if the Commission starts out to do it by indirection it could either do that or else fix it so that the stock of any particular company could not be used as collateral, and would be very much depreciated.

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

Mr. MERRITT. Yes.

Mr. THOM. Could the gentleman point out the particular sections in which he says this could be done?

Mr. MERRITT. It is in several sections, but I could not take time to do that in detail. The gentleman will either have to take my statement, or the statement of someone else.

Mr. THOM. I do not question the gentleman's statement. I wanted to refer to the language; that is all.

Mr. MERRITT. I am sorry, but I have not the time to take it up in detail. All the measures which have been taken by the administration in connection with this question have been in the first place to relieve the distress and in the second place to relieve the depression. Undoubtedly some good results have followed, but not in all cases. We hear great dissatisfaction with the A.A.A. and a good deal over the N.R.A. The one certain result of all these measures, which I am not intending to criticize at all, has been an enormous increase in the public debt, which the President estimates at the end of the fiscal year 1935 will amount to over three thousand million dollars, with an annual interest charge of one thousand million dollars.

Now, in order that these temporary measures may really be temporary, it is, of course, essential that business should be revived. There are some signs now of revived business. My impression is that if the Nation could be assured of quiet, business would of itself revive on a sound foundation, which can only come from individual initiative and individual work. It is universally agreed also that the only sound foundation for reviving business must be in the purchase of capital goods; that is, goods for future useful work. All these enormous expenditures on public buildings produce demand for the material which goes into the buildings, but after the buildings are constructed they do not add to employment except in the care of the buildings, and they do add to the expense of maintenance by the Government.

Now, for the purchase of capital goods, and indeed for business in general, the first essential is confidence. It is very generally thought by business men and writers on economics that the Security Registration Act which was passed at the last session of this Congress has been very detrimental. It had a great many severe provisions with regard to underwriters, with regard to directors, and putting on them responsibilities and liabilities which drove a great many of them out of business and prevented new securities being issued. I do not mean to say that the lack of issuing new securities has been altogether due to that act, but I do say it has been a large factor. In this act we should be careful not to overdo it. The difficulty with all acts like this is that those who write them are so intent on punishing a few guilty people that they overlook the fact that they are really punishing still more, a greater percentage of honest people. In all corporations there are a certain number of selfish men who will endeavor to feather their own nests at the expense of the corporation or of their fellow stockholders, but, after all, those men are a very small percentage. The time has not yet come when great corporations or any corporations can get along without character and without brains. The difficulty with the Securities Registration Act and with this act, to my mind, is that it is so filled with directions and regulations which are indefinite and uncertain, and cannot be enforced. That was illustrated, for instance, by the colloquy between the gentleman from Michigan [Mr. MAPES] and myself. We have both been working on this bill for weeks, and the gentleman from Michigan thinks it produces one result and I think it produces another. There can be no doubt that the result from the Securities Registration Act, and the result from this act, will be that responsible people, a great many thousands of directors of corporations, will be forced out of those corporations. These men go on boards of directors not because they want to but because they are known in their communities, and their services are sought after because they are men of judgment and character. Such men are not going on those boards to make money on the stock, and if by going on a board of directors they are going to subject themselves to suits by any blackmailer that comes along, they will not go on. The result is that the corporation will not be formed or you will have boards of directors and managements not as able as you would wish.

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

Mr. MERRITT. I yield.

Mr. BRITTEN. Undoubtedly there is considerable opinion in the House for a change in the bill which grants this authority to the Federal Trade Commission. Many Members of the House, and I am one of them, would like to see a different form of commission set up, by the enactment of legislation. I am wondering if the gentleman contemplates presenting an amendment that, for instance, would provide a commission composed of a member of the Federal Reserve Board, a member of the Federal Trade Commission, and one or two members from the stock exchange, members who would know all about this very complicated machinery which operates the exchanges?

Mr. MERRITT. The gentleman perhaps knows that the bill as reported by the Senate committee provides for a separate commission.

Mr. BRITTEN. The Senate bill provides for a purely political commission, three Democrats and two Republicans.

Mr. MERRITT. I think so.

Mr. BRITTEN. My thought is that that would be just as bad as the provisions in this act now before the House. I have been much impressed with the testimony before the gentleman's committee, to the effect that a distinctly nonpartisan, nonpolitical commission of some sort should be established, and there should be upon that commission one or two men who know every angle of the operations of the stock exchanges of this country.

Mr. MERRITT. I agree with the gentleman, and if he will allow me, I will give him better authority than perhaps either he or I, for that statement. This whole legislation came from a commission which was appointed by President Roosevelt and headed by Mr. Dickinson, who is Assistant

Secretary of Commerce. That commission made a report, and this bill follows that report. I regret to say that Mr. Dickinson was not a member of the committee which drew the bill, but his letter to the President, which finally resulted in the drawing of the bill, has this phrase:

Should it be determined that a separate commission should be set up, such commission should be composed of at least three members without regard to political affiliations, appointed for a term of at least 7 years.

Now, this is the point:

In either case it is suggested that one of the members of the commission or authority should be required by law to be a man thoroughly experienced in stock-exchange practices.

I think the longer the committee considered this bill the more the members were impressed with the feeling of its enormous importance and the enormous interests which will be affected by the bill.

Mr. BEEDY. Will the gentleman yield?

Mr. MERRITT. I yield.

Mr. BEEDY. Is the gentleman going to offer an amendment embracing the suggestions made by the gentleman from Illinois and Mr. DICKINSON?

Mr. MERRITT. I think it will be offered. I do not know that I shall offer it.

Mr. BEEDY. Is there such amendment to be offered, within your knowledge?

Mr. MERRITT. I think it should be.

Mr. BEEDY. I think it should be, too; but I wanted to know whether anybody representing the committee can tell me whether there is such an amendment to be presented.

Mr. BULWINKLE. The gentleman refers to the separate authority or commission?

Mr. BRITTEN. Yes.

Mr. BULWINKLE. Yes; I am going to offer such an amendment.

Mr. BRITTEN. Mr. Chairman, will the gentleman from Connecticut yield to the distinguished gentleman from North Carolina to state to the House the substance of the amendment the gentleman proposes to offer?

Mr. BULWINKLE. In substance it will empower the President to appoint 3 men to serve for 2, 4, and 6 years, 2 of one political party and 1 of another.

Mr. BRITTEN. If the gentleman from Connecticut will yield further, my thought is that instead of the President naming three gentlemen of the political parties—and, of course, any commissioner named by the President would be a high type of man—that at least one member of the commission should be thoroughly qualified and experienced in the manipulations of the stock exchanges.

Mr. BULWINKLE. Answering the gentleman from Illinois, I may say that I do not think any President ought to be tied down to the selection of a man from any certain group.

Mr. BRITTEN. Does not the gentleman think it would be wise to suggest in the legislation that at least one man should be thoroughly experienced in the manipulation of stock exchanges?

Mr. BULWINKLE. No; I do not.

Mr. MERRITT. Mr. Chairman, I submit this matter can be cleared up in debate without using too much of my time.

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

Mr. MERRITT. I yield.

Mr. CULKIN. The gentleman stated that the Securities Act was handicapping industry in obtaining loans; and the gentleman's position on this stock-exchange bill, as I understood it, will further aggravate that condition.

Mr. MERRITT. I did not mean to say in obtaining loans. What I said was that the Securities Act and this act will retard good men from going on boards of directors.

Mr. CULKIN. Is it not a fact that it makes it difficult for companies to finance their present needs by the issue of securities?

Mr. MERRITT. Yes; I think it does.

Mr. CULKIN. And is it not also a fact that at the present time it is difficult, if not almost impossible, for an industry of normal size to get loans from banks?

Mr. MERRITT. Yes.

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

Mr. MERRITT. I yield.

Mr. PETTENGILL. This act has nothing to do with the original issue of securities?

Mr. MERRITT. No; it only aggravates the difficulty; that is all.

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

Mr. MERRITT. I yield for a short question.

Mr. KOPPLEMANN. The gentleman remarked that it was difficult to get good men to serve on boards of directors.

Mr. MERRITT. Yes.

Mr. KOPPLEMANN. The gentleman predicates that statement upon the fact that members of boards are held responsible for the activities of their corporations?

Mr. MERRITT. Yes.

Mr. KOPPLEMANN. Therefore, the director who does not attend to business on the board becomes a bad man instead of a good man, and ought to be kept off the board.

Mr. MERRITT. Well, that is a little casuistry into which I will not go.

In closing I call the attention of the committee to the letter of the President addressed to the chairman of our committee on March 26, in which the President said in the paragraph summing up his letter:

We must, of course, prevent insofar as possible manipulation of prices to the detriment of actual investors; but at the same time we must eliminate unnecessary, unwise, and destructive speculation.

This sentence, you see, applies to stock-exchange practices. I cannot criticize the provisions of this bill in that regard especially, but I do think the bill goes beyond the expressed sentiments of the President. I think it will tend to continue the unsettled state of mind of business men and manufacturers so that they will not be willing to make forward contracts; they will not be willing to buy capital goods and contract to furnish capital goods because they cannot tell at what moment the Commission may decide to change its rules, may decide to put some increased burden on their corporation, may decide to make some new regulation of the stock exchanges which will freeze what ought to be their liquid assets.

This bill has been drawn with the greatest care; and I suppose that with the knowledge we have now it may be considered a good bill to cover these subjects, if we want to cover them; but I still doubt if there is a man on our committee who has been studying this subject who would be willing to say with certainty what the bill will do in very many directions.

[Here the gavel fell.]

Mr. COOPER of Ohio. Mr. Chairman, I yield 2 additional minutes to the gentleman from Connecticut.

Mr. MERRITT. I think, therefore, the part of wisdom, as I have suggested in the minority report, would be to allow this bill to sleep. Perfect it by debate, yes; give the Members an opportunity to debate, to state their own opinions, and hear the opinions of others, but allow the enactment of the bill to wait until the next Congress. It is only 7 months before another Congress will meet; and, surely, nothing is going to happen in that time; there is not going to be any destructive speculation. I think it will be the part of much greater wisdom to let the bill go over another 6 months instead of risking the enactment of a bad law which will be difficult to remove from the statute books once it is enacted.

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

Mr. MERRITT. I yield.

Mr. KELLER. I understood the gentleman to say that the ethics of the business of the country were not as high as the ethics of the New York Stock Exchange. Is that correct?

Mr. MERRITT. No; that is not what I said, although I did say practically that. I said that business as conducted on the New York Stock Exchange is conducted on a higher and better ethical standard than many other businesses.

Mr. KELLER. The gentleman, of course, has read the investigation of the Senate Banking and Currency Committee along that line?

Mr. MERRITT. Yes.

Mr. KELLER. What can the gentleman say with regard to his comparison in view of what was developed by that committee?

Mr. MERRITT. The report of the Senate committee related to a very few individuals on an exchange.

Mr. KELLER. The gentleman said that the national debt will reach something more than $30,000,000,000. I would like to know how much of that is actual and how much is in the form of revolving funds that will come back to the Government?

Mr. MERRITT. I cannot answer questions of detail and they do not affect my point.

Mr. KELLER. I have been trying to find that out.

[Here the gavel fell.]

Mr. COOPER of Ohio. Mr. Chairman, I yield 30 minutes to the gentleman from New York [Mr. WADSWORTH].

Mr. WADSWORTH. Mr. Chairman, I do not propose to discuss in detail the provisions of this bill, but rather to touch upon a few matters which have occurred to me during its consideration in the committee as being extraordinarily important.

When the gentleman from Connecticut states that the committee worked hard, he stated the truth, and when he stated that the chairman of the committee had been hard driven he sated the truth. It has been a big task, and for one I take my hat off to the chairman of the committee for the manner in which he has stood up under the pressure exerted upon him from all sides. At the same time I do not think we should belittle the concern that a very, very large number of people scattered all over the country have felt about this measure, and I think we can get a better understanding of this concern if we go back and look for a moment at the bill as it was originally introduced. It was a very different proposition than the one now confronting us.

The bill as originally introduced was not drawn under the auspices of the so-called "Roper committee", but by another group selected for the purpose, and the selection was not made by the members of the Interstate and Foreign Commerce Committee. That first bill was calculated to throw fear not only into the minds of brokers and dealers and those engaged in the marketing of securities, but into the minds of bankers and security owners all over the country, and those who are responsible for the management of great business enterprises. I think we ought to review for just a moment some of the things which that bill proposed to do, in order that we may understand the fear that spread over the country and the actual harm that was done by the destruction of confidence. Of course, not all will agree with me in my criticism of the original proposal. But, for example, in the original bill the margin requirement was to be 60 percent. The best informed people in the United States, as we have encountered them, or at least as I have encountered them, were thoroughly convinced that if that provision were frozen in the law we would embark upon another painful period of deflation.

Various errors were committed, probably unintentionally. For example, the first bill forbade dealing in convertible bonds on the stock exchange. This happily has been corrected. The first bill, as I recollect, would have compelled the separation of the broker-dealer business, and in this event nearly every small broker in the country would have been driven out of business, because he would have been forbidden to do any business as a dealer. It was perfectly apparent that the small house cannot live, cannot command enough income unless it is permitted under proper regulation to do both kinds of business. That very provision is the one that started a great deal of this campaign of opposition to the bill as a whole, for if it had gone into effect literally thousands of employees in broker-dealer houses throughout the country would have lost their places.

Under the original bill it was not definitely clear that a State bond was to be put in the exempt class, as was provided for United States bonds or obligations. This, of course, caused concern at the seat of every State government and was of special concern to those who make a specialty of dealing in municipal and State bonds. Their number, of course, is very large. That needed clarification.

As to the reports to be required from corporations desiring to list their stocks, there were some extraordinary provisions in the first measure introduced, and, as though to cover everything in case anything should be forgotten, the Federal Trade SCommission was authorized to require any kind of report that it saw fit to ask for. Furthermore, the Commission was charged with the initial function of granting permission for the listing of the securities on the exchange. In other words, the exchanges, in the first place, would have nothing to say about the matter; the Commission alone would pass judgment on the proposal to list a given security. That very thing, with the extraordinary report required under the first draft of this measure, would have centered here in the Federal Trade Commission a very practical control over all the corporations in the country whose securities might be listed upon any exchange.

The same is true with respect to the first draft concerning the accounts or the method of keeping accounts which these same corporations might be required to adopt under orders from the Commission. As we all know, hundreds and hundreds of utilities must keep their accounts in accordance with the laws of the State in which they operate and under which they are regulated. To authorize a commission here in Washington to prescribe a different form of keeping accounts would, of course, impose a tremendous expense on those companies, and to no public benefit. Naturally, they were nervous. The keeping of accounts now under the various State laws is a highly expensive piece of business. Of course, it must be done, but most of these companies are having a hard enough time to get along, and any unnecessary or additional expense is something to be avoided. We cured that in the final redraft of the bill.

Then, as to the publicity of this information which the Commission was authorized under the previous draft to gather in, there was grave doubt as to the wisdom of the publicity section, because under a certain construction of this section the trade secrets and business practices of all these concerns might be given out to the public or made available to the public—practices and secrets which have nothing whatsoever to do with dealing in securities on stock exchanges. In the first draft the bill went so far beyond the mere regulation of stock exchanges that it is not surprising that it attracted national interest rather than simply so-called "Wall Street" interest.

My experience with those who have protested against certain provisions of this bill as originally introduced has been a very informing one.

I confess I knew nothing about the practices of stock exchanges, never having come in contact with them in a single instance. In the hearings, it is true, three fourths of the time was consumed by critics of the bill, but in nearly every instance those who criticized the bill expressed the hope we would get a good bill regulating the dealing in securities.

I remember very well that the representatives of the Curb Exchange came before the committee and pointed out that under the provisions of the bill as then drafted there was no question whatsoever but that the Curb Exchange in New York must close. Do you blame them for coming to us and protesting? This has been cured in the redraft.

I can also remember the original proxy provisions as contained in the bill first introduced. They provided, for example, that any person soliciting proxies from a shareholder in a company must at the same time furnish such shareholder with a complete list of all the other shareholders in the company. This would be an extraordinary undertaking for the Pennsylvania Railroad, with its over 100,000 shareholders, or the American Telegraph & Telephone Co.,

with its 680,000 shareholders, living in all 48 States and in 80 foreign countries. Every one of them would have had to receive from the corporation's headquarters three volumes, each as large as the Washington telephone directory, with every name and address of the shareholders printed in the volume. Is it strange that we have had opposition and criticism? This has been cured to a very considerable degree in the redraft of the bill.

My experience has been very pleasant in having these things pointed out and teaching me, and I think they have taught us a great deal more than we ever knew before about the business of the United States.

Mr. MAY. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. MAY. Not for a question but merely an expression of the hope that the gentleman, while he has the floor, will point out to what extent the bill now under consideration has eliminated these objectionable features so that we may know the merit of the bill as it is at present.

Mr. WADSWORTH. I think I shall.

Mr. COOPER of Ohio. Will the gentleman yield a moment?

Mr. WADSWORTH. Yes.

Mr. COOPER of Ohio. A moment ago the gentleman spoke about section 11, which is the report section, and the gentleman stated he thought we had cured that. We have modified it, but I call the gentleman's attention to page 34, beginning with the word "except" in line 18, where we find these words:

> Except that this provision shall not be construed to prevent the Commission from imposing such additional requirements with respect to such reports, within the scope of this section and section 11.

Now, section 11 is the report section, so that while we have modified the bill, yet it does give the Federal Trade Commission the power to impose any additional requirements on reports that it may see fit to make.

Mr. RAYBURN. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. RAYBURN. But it states that the Commission cannot go further than the requirements of section 11.

Mr. COOPER of Ohio. Section 11 is the report section.

Mr. RAYBURN. Yes; that is a limitation.

Mr. COOPER of Ohio. Then the bill says that the Commission has power to impose additional requirements with respect to such reports within the scope of this section and section 11.

Mr. WADSWORTH. The gentleman from Ohio is correct. While modifications were made in this so-called "report section", and I think rather important modifications, there still does reside in the Federal Trade Commission the power which the gentleman from Ohio has mentioned.

Mr. BEEDY. Will the gentleman yield?

Mr. WADSWORTH. Yes.

Mr. BEEDY. Does not the gentleman still consider that very provision leaves the business interests affected laboring under great fear and doubt as to the possibilities of future regulations that may be imposed?

Mr. WADSWORTH. I will answer that question in this way. When I said the provision has been modified, the enumeration of the subjects to be covered in the reports required has been shortened. Some things that the committee believed were utterly unnecessary and put in merely for annoyance purposes have been eliminated. I regret myself that the sentence which the gentleman from Ohio has just read was put in the measure. It was put in after another modification had been made, which we thought was to be the final modification.

Mr. MAPES and Mr. PETTENGILL rose.

Mr. WADSWORTH. I yield first to the gentleman from Michigan, my colleague on the committee.

Mr. MAPES. I think perhaps it would be interesting to state here the theory of the sentence to which the gentleman has referred. It is recognized, I think, that some of the States do not require utility corporations to make very complete reports, and one of the purposes of this legislation is to protect investors by requiring informative reports, and this provision was put in so as to make it clear that the Federal Trade Commission, if it thought enough information was not being given to afford investors an opportunity to pass intelligently upon the value of the securities, could call for additional information, not inconsistent with what the State law required.

Mr. OLIVER of New York. Will the gentleman yield there?

Mr. WADSWORTH. Yes.

Mr. OLIVER of New York. When the gentleman referred to the power of the Federal Trade Commission a moment ago, I thought the gentleman referred to it with regard to the accountancy section.

Mr. WADSWORTH. I was talking about the accountancy section; yes.

Mr. OLIVER of New York. And was referring to the terrific expense that might be involved if new and different systems of accountancy were required and was not referring specifically to the section with regard to mere reports.

Mr. WADSWORTH. The language to which attention has been called is part of what might be called the accountancy paragraph.

Mr. COOPER of Ohio. If the gentleman will permit, I cannot agree with my colleague, the gentleman from Michigan [Mr. MAPES]. The bill does not say anything about this last provision applying to States that require no system of accounting. The language is, "shall not be construed to prevent the Commission from imposing such additional requirements with respect to such reports", as they may need. It may be that the gentleman from Michigan [Mr. MAPES] is right, but I do not read it in that way. It seems to me to give the Commission broad powers to establish any additional requirements they want with respect to section 11, which is the report section.

Mr. WADSWORTH. The inaccuracy of my analysis of this particular section is due to something I must confess. I think I am not violating the rules of the committee. I offered an amendment myself inserting, on page 34, line 15, the words "or any State", so as to relieve corporations which are required by State laws to keep their accounts in a certain way from being required by the Federal Trade Commission to keep them in another way. At the next meeting of the committee I was absent and the sentence to which the gentleman from Ohio has called attention was inserted, although the amendment which I had proposed in the first instance was accepted.

Mr. RAYBURN. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. RAYBURN. We were discussing that day accepting the additional language, and I remember we agreed to put in the words as to the States qualifying the language.

Mr. WADSWORTH. Undoubtedly the gentleman's recollection is accurate, but unfortunately I was absent that day from the committee. I simply mentioned that to explain my ignorance of the sentence read by the gentleman from Ohio.

Mr. MAPES. I do not want to interrupt the gentleman.

Mr. WADSWORTH. I yield.

Mr. MAPES. I did not mean to state, if I did so state, that any State did not require some sort of a report to be made by utility corporations. All I said was that some did not require very complete or enlightening reports, and this sentence to which the gentleman has been referring simply invests the Federal Trade Commission, if it sees fit, with the power to call for additional information.

Mr. WADSWORTH. I have been asked to find out where the modifications are which make the bill a better measure than the original one.

We will start with the marginal requirements. Under the original bill it was 60 percent. Most people thought that would bring a deflation and place the country in a worse condition than it is today. That has been reduced to 45 percent. Or he can borrow 100 percent of its lowest market price during the preceding 36 calendar months, but in no case more than 75 percent of the current market price. If

I had my way, I would make the first alternative 40 percent instead of 45 percent.

Now, we are dealing with a very delicate thing when we deal with margins. We cannot tell here in the House of Representatives what is going to happen in the next 3 months or the next 6 months or the next year with respect to the demand for securities, the demand of the public for securities for investment as well as speculation.

I should have preferred that the whole provision be left absolutely flexible with the Federal Reserve Board to keep its hand on the situation. But the committee finally decided to write their formula into the statute. The Senate bill does not contain the formula, but leaves it to the Federal Reserve Board.

As I am informed—I may not be correct about it—that is substantially the way that it is done in London. Instead of the Federal Reserve Board, the control is by the Bank of England.

It is further modified by the fact that the bill gives the Federal Reserve Board the right to change the formula if it deems it wise so to do for the benefit of trade and commerce and so forth.

I suppose there will always remain in the minds of the Federal Reserve Board the fact that the Congress has written the formula, and it will take quite a situation to persuade the Board to abandon the formula and substitute its own regulation. It would be a matter of courage. Generally those decisions have to be made, if made at all, under very stressful conditions; but if we are to trust government at all, I should think we could trust the Federal Reserve Board to rise to the occasion with respect to changing margin conditions.

Instead of separating broker-dealer concerns and forcing segregation and putting any number of them out of business, this bill permits broker-dealers to continue in business under regulations fixed by the Federal Trade Commission, and implies that a study shall be made of that to see what the developments may be and whether further legislation is necessary.

State bonds and municipal bonds are now definitely placed in the exempt clause by this bill.

As I said, the proxy provision has been toned down, and although I regard the section as absolutely unnecessary, having nothing to do with the regulation of stock exchanges, I suppose it can be said that it is not going to impose much hardship or annoyance on anybody.

I hesitate to bring up a constitutional question. This bill, I assume, is founded upon the interstate-commerce clause of the Constitution. There is a long argument in the first two pages of the bill. In fact section 2 is a speech, and I would advise you all to read it. I have never seen anything quite like it proposed in legislation. It starts by stating that certain things are important and certain things are evil, and then goes on to say that the important things should be handled and the evil things should be prevented, and it ends up with an exhortation that the whole thing is the right thing to do and is well within the provisions of the Constitution, or words to that effect. That, of course, is designed to control the Supreme Court. If I had my way, as a matter of bill drafting, I would strike it out. It has no place in a statute of the United States. You do not put your arguments in statutes; you put your arguments in the reports of the committee or you make them on the floor of the House or the Senate.

May I now call the attention of Members to one matter which has been one of deep concern to me, although, perhaps, not so to many others. This bill imposes a marginal requirement not only upon brokers and dealers but also upon all bankers. That establishes in my view a new thought and a new principle in the treatment of bankers and banks under a statute of the United States. Under this bill a banker may not loan to one of his customers more than 55 percent of the market value of the stock which that customer is purchasing and wants to carry with the aid of the loan.

We are speaking now, of course, of listed securities. The same provision, of course, applies to the broker. He may not lend more than 55 percent. I can very well understand how a statute controlling the broker in this regard is defensible, and I make no complaint against it, but I have my doubts as to the soundness of having these margin provisions apply to all the banks. A broker, when he makes a loan to a customer, makes little or no inquiry as to the customer's financial standing, otherwise than connected with the collateral he puts up. Of course, in most instances he does not see the customer, as the orders come in by telegraph very often. He makes no inquiry as to the customer's character or standing in the community, or as to his other assets. He does not inform himself as to the nature of the customer's business. Those things do not interest the broker. All he must do is to comply with the rules of the exchange or the statute of the United States, as the case may be, with respect to the customer's margin; but when the customer of a bank goes to that bank, known to the president of the bank, to the directors of the bank, as a man of substance and standing in the community, and proposes that the bank make him a loan with which he may purchase a listed security and carry it with the aid of the loan, and the banker knows with whom he is talking and knows about the man's other assets and about his character and all about his business, how long he has been living in the town, all about his family, as he will, if he is anything like a wise banker, then the banker may be doing a perfectly sound thing, a perfectly safe thing, a thing which will aid in a small way the business transactions of the town, if he should loan to that man on a smaller margin than 45 percent. Yet this law is to step in between the individual customer and his own banker, whether that banker be in Oshkosh or Wichita, or some place in Montana, or in Texas, or in New York City.

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

Mr. WADSWORTH. Yes.

Mr. SABATH. In the case the gentleman describes, if the man is a man of such standing as he describes, the banker could make a loan without this collateral security, or he could also make a loan to that extent, 45 percent, and then make a separate loan for an amount that he believes this man is entitled to receive. Is not that true? So that there is no danger of that provision at all.

Mrs. KAHN. That would be a direct evasion of the law.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. COOPER of Ohio. Mr. Chairman, I yield 10 additional minutes to the gentleman from New York [Mr. WADSWORTH].

Mr. WADSWORTH. Mr. Chairman, of course the question propounded by the gentleman from Illinois [Mr. SABATH], if answered in the affirmative—and I do not know that I am competent to answer it either in the affirmative or in the negative—but if answered in the affirmative, and that answer were taken as true, means that this section is not worth anything. If it is to be evaded that easily, why have it at all with respect to banks?

I may be somewhat old fashioned in my regard for the function of a banker. I do not like to see him put in the same category as the broker. I think the banker is expected to use judgment, and the broker is not expected to use judgment to anything like the same extent in making loans.

I know my suggestion will not be and cannot be carried out; that is, to take the banks entirely out of this margin provision. That was discussed in committee, and it was decided otherwise. I dread it somewhat. I believe it will cramp the style, if I may use that phrase, of prospective investors away back in the hinterland, who want to go to their county banks and make loans, who cannot put up any such amount of collateral, or it would cause great hardship upon them if compelled to do so, as is imposed by this statute. I would rather trust the judgment of the banker who is well acquainted with his customer than I would the law.

Mr. DARDEN. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. DARDEN. Does this limitation apply as between banks?

For instance, in my section there is a large number of small banks which operate seasonally and borrow from central banks, and at that time they hypothecate security. Would it apply to those banks?

Mr. WADSWORTH. It applies to all banks and to all persons and all corporations, all partnerships, all associations, and joint-stock companies, between themselves, or as an original transaction.

Mr. MILLIGAN. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. MILLIGAN. That only applies when they desire to buy securities?

Mr. WADSWORTH. That is right. It is only for loans made to carry a security on an exchange, but, of course, that in itself is a tremendous field.

Mr. RICH. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. RICH. If a banker made a loan, as suggested by the gentleman a few moments ago, to an individual who was not only entitled to a loan of 45 percent but to a greater loan, if the intent of this law is such that the banker is supposed to have a 45-percent margin, and he loans a greater amount than that, the banker would be liable for neglect of duty if he did not require 45-percent margin against the loan?

Mr. WADSWORTH. Oh, of course, the banker violates the law if he fails to require the 45-percent margin.

Mr. RICH. And the bank would be guilty of an offense?

Mr. WADSWORTH. Certainly.

Mr. BLACK. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. BLACK. In case the purchase of stock is entirely financed by a banker, in case it goes sour, who gets the sour end, the banker or the broker?

Mr. WADSWORTH. The man who makes the loan is the man who violates the law, as I understand it.

Mr. BLACK. But they are both within the law. It can be financed 100 percent, within the law, by borrowings.

Mr. WADSWORTH. Not under this bill.

Mr. BLACK. Not under this bill?

Mr. WADSWORTH. Not under this bill.

Mr. COLE. Will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. COLE. Is there very much difference in the provision we are discussing, section 6 of the present bill, and the power which the Federal Reserve Board already has under the Glass-Steagall bill?

Mr. WADSWORTH. Of course, the object of including banks is to prevent the use of bank credit in support of wild speculation. As it is described, the "sucking in", through channels of the banks, of the available credit reserves of the country, in support of speculation on the exchanges. The evil, which I suppose existed to a greater or lesser degree, but I do not know how great, was in the mind of the men of this House and of the Senate when the Glass-Steagall bill was passed at the extra session. There was inserted in the Glass-Steagall bill a provision to this effect—I am paraphrasing it, of course—that if the Federal Reserve Board or a Federal Reserve bank in a district made up its mind that one of the banks in that district was loaning too much money on the stock market, it could say to that bank in effect, "Taper down; taper down. Call some of those loans. Stop that. If you do not, if you persist, we will deny you the rediscount privilege at the Federal Reserve bank."

Now, that provision was designed to prevent the very evil which this inclusion of banks in the margin provision of this bill is designed to prevent. My contention is that the Glass-Steagall bill accomplishes the purpose. The Glass-Steagall bill will control, as to its volume, the amount of bank loans used for speculative purposes on the exchange. Volume will be controlled, but in this bill we go between the individual borrower and the banker, which I think is unnecessary.

Mr. COLE. Will the gentleman yield further?

Mr. WADSWORTH. I yield.

Mr. COLE. I agree with the gentleman that the Glass-Steagall bill, exercised by the Federal Reserve bank, would accomplish the same purpose. Of course, the gentleman knows the Glass-Steagall Act does not cover nonmember banks.

Mr. WADSWORTH. That is true; but I think they are finally going to come under the Federal Reserve System.

Mr. COLE. If the gentleman is satisfied with the provisions of the Glass-Steagall bill, the opinion of Governor Black, of the Federal Reserve bank, should have a great weight with him; he approves the provisions of section 6.

Mr. WADSWORTH. I know he does. It takes some recklessness on my part to disagree with him.

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

Mr. WADSWORTH. I yield.

Mr. PETTENGILL. If the provisions of the Glass-Steagall Act applicable to member banks is good legislation with regard to member banks, why should not this legislation prove to be good with regard to the operations of nonmember banks?

Mr. WADSWORTH. This legislation is different in this respect, it steps in between the individual customer and his banker.

Mr. PETTENGILL. Yes; I appreciate that.

Mr. WADSWORTH. In the Glass-Steagall bill there is nothing of the sort. That bill steps between the bank and the speculative market and says to the bank: "Your volume of loans is too great; cut it down." It does not say to the banker, however, that he must cut John Smith's loan down or Bill Jones' loan; it simply says that he has too much money loaned and that he must cut it down. I think the provisions of that act will accomplish the purpose Congress had in mind then and the purpose it has in mind now.

Mr. RICH. Mr. Chairman, will the gentleman yield for a further question?

Mr. WADSWORTH. I yield.

Mr. RICH. The Glass-Steagall bill prohibits the association of broker and dealer in the banking business. A few moments ago the gentleman said that this bill would permit them to resume their old operations.

Mr. WADSWORTH. The brokers and dealers?

Mr. RICH. The Glass-Steagall bill prohibited that.

Mr. WADSWORTH. No; the Glass-Steagall bill did not touch that subject at all.

Mr. RICH. I do not know whether I understood the full meaning of the gentleman's statement.

Mr. WADSWORTH. Oh, no; I misspoke myself, if I said anything like that.

Mr. COCHRAN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. WADSWORTH. I yield.

Mr. COCHRAN of Pennsylvania. Does not the gentleman draw a distinction as to the character of collateral?

Mr. WADSWORTH.. I do.

Mr. COCHRAN of Pennsylvania. There are common stock, preferred stock, and bonds. Should there not be a different margin requirement according to the nature of the security?

Mr. WADSWORTH. I think there should be, and that is why I believe in complete flexibility. [Applause.]

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. FORD].

Mr. FORD. Mr. Chairman, I am not going to discuss the details of the bill, but shall make just a few observations on the broader aspects of it.

No more controversial measure has been before this House than H.R. 9323, known as the "securities exchange bill of 1934."

The bill as first written brought down an avalanche of criticism and objections. It is my conviction that the bill as

first drawn was too drastic. Therefore, much of the criticism of that first draft has proved to be justified.

But extended public hearings have been held. Every objection has been given careful consideration. Revision after revision has been made with the purpose of eliminating the provisions that seemed to be too drastic.

Now, I think, we have a bill that will protect the public by preventing inequitable and unfair practices and that will in the end prove beneficial to legitimate operators on our stock exchanges.

This bill does three things. It protects investors, controls market manipulations that are destructive to values, and tends to curb destructive speculation.

This measure strikes directly at what I believe is the most vicious practice of the stock exchanges—that is, the making of what is known as "wash sales" and "matched orders." This kind of manipulation is on a par with the use of loaded dice or other devices utilized by crooked professional gamblers in the conduct of their profession. It is, however, more reprehensible. No sane man enters a gambling house expecting to get a fair break for his money. But hundreds of thousands of good, honest American citizens pay their money to brokers, thinking that they are dealing with conservative, responsible, business men who are affording them the facilities of the market on an even chance with all others who use the market for the purpose of buying and selling securities. These people think they are investing their money in legitimate securities. That should be the case. If this measure is enacted into law, I believe that will be the case henceforth.

I hold no brief for those who would deliberately interfere with or hamper legitimate business. On the other hand, I insist that since the stock market has in the past been guilty of practices that transcend the legitimate, they, as well as all other offenders, should be brought within the law that calls for an honest, fair, and open chance for the citizen who desires to invest his money in legitimate securities. If in so doing he loses through the natural or ordinary hazard in industry and commerce, that is a loss he is willing to take. But if he is sheared like a lamb through a rigged market, through manipulations resulting from wash sales and matched orders, he has a legitimate cause for complaint, and it is his Government's business, through its legislative and executive branches, to throw about this stock-purchasing and stock-selling business such safeguards as will make these tricky devices, so long indulged in, impossible in the future.

This is a measure that President Roosevelt strongly recommends. In the face of the terrific drive against the measure, the President has repeated his recommendations. He is acting in the interest of honest business and honest investors. His motives are the highest. Shall we listen to the uninformed protestors or to the special interests who are objecting to this bill? Or shall we follow the leadership of the best friend the people of the United States ever had? Let us have the courage to pass this bill, knowing that it is an honest bill, framed for the benefit of honest people. [Applause.]

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

Mr. RAYBURN. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. BLACK].

Mr. BLACK. Mr. Chairman, I take this minute merely for the purpose of answering the gentleman from California.

We have plenty of laws in New York against wash sales and matched orders; and we have the provisions of the United States mail fraud law against the same thing. We do not need this bill to give that particular protection. I do not think the gentleman will find anyone who has lost money recently on the New York Stock Exchange because of wash sales or matched orders.

Mr. FORD. Not recently; but how about the past?

Mr. BLACK. That may have been the case years and years ago.

Mr. RAYBURN. Mr. Chairman, inasmuch as there are no further requests for time this afternoon from Members on either side, 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. TAYLOR of Colorado, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes, had come to no resolution thereon.

GILBERT DU MOTIER, MARQUIS DE LA FAYETTE

Mr. BANKHEAD, from the Committee on Rules, submitted a report to accompany House Concurrent Resolution No. 37, providing for a joint session of the two Houses of Congress for appropriate exercises in commemoration of the one hundredth anniversary of the death of Gilbert du Motier, Marquis de La Fayette (Rept. No. 1412), which was referred to the House Calendar and ordered printed.

ONE HUNDRED AND FIFTIETH ANNIVERSARY OF FORMULATION OF THE CONSTITUTION OF THE UNITED STATES

Mr. BANKHEAD, from the Committee on Rules, submitted a report to accompany House Joint Resolution 265, providing for the preparation and completion of plans for a comprehensive observance of the one hundred and fiftieth anniversary of the formulation of the Constitution of the United States (Rept. No. 1413), which was referred to the House Calendar and ordered printed.

A CENTURY OF PROGRESS

Mr. KELLER. Mr. Speaker, I ask unanimous consent that I may be permitted to insert in the RECORD a letter from the President of the United States to the Congress under date of March 27, 1934, in relation to the Century of Progress.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. KELLER. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following letter from the President of the United States to the Congress under date of March 27, 1934, in relation to the Century of Progress:

To the Congress of the United States:

I commend to the favorable consideration of the Congress the enclosed report from the Chicago World's Fair Centennial Commission to the end that legislation may be enacted extending the availability of funds previously appropriated for Government participation in A Century of Progress, the Chicago World's Fair Centennial Celebration, in 1933, to June 30, 1935, and also authorizing the appropriation of funds in the amount of $405,000 for the purpose of defraying the expenses of participation by the Government of the United States in the reopening of A Century of Progress, the Chicago World's Fair Centennial Celebration, in 1934.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 27, 1934.*

PROF. ALBERT EINSTEIN

Mr. KENNEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an address delivered in Chicago April 8, 1934.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. KENNEY. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following address delivered by me at the National Conference of the Committee on Defense of Human Rights, held in Chicago, Ill., on Sunday, April 8, 1934:

Mr. Chairman and delegates, the privilege accorded me of attending your conference is profoundly appreciated, and it is with a keen feeling of pleasure that I have come to join you, but equally keen is my sense of regret that it is necessary for liberty-loving Americans in this twentieth century to gather in assembly in aid of the protection of minorities and the defense of human rights. Fortunately, we, in America, now enjoy, as in the beginning, the happiness, freedom, and liberty guaranteed by the Constitution of the United States. The United States of America still is, and may it ever be, known in the world as a "haven of liberty and true civilization."

In the present Congress there is pending the measure which has become entitled "House Joint Resolution 309": A resolution to admit Dr. Albert Einstein to American citizenship. The meas-

ure which I was privileged to introduce in the House of Representatives in Washington is intended to confer upon the "most eminent of the eminent" the greatest honor in the gift of the country—her citizenship.

Reads the simple document:

"Whereas Prof. Albert Einstein has been accepted by the scientific world as a savant and genius; and

"Whereas his activities as a humanitarian have placed him high in the regard of countless of his fellowmen; and

"Whereas he has publicly declared on many occasions to be a lover of the United States and an admirer of its Constitution; and

"Whereas the United States is known in the world as a "haven of liberty and true civilization": Therefore be it

"*Resolved*, By the Senate and House of Representatives of the United States of America in Congress assembled, That Albert Einstein is hereby unconditionally admitted to the character and privileges of a citizen of the United States."

As a United States Representative from New Jersey, I have felt that in honoring such a great man as Professor Einstein, the American people would be doing no more or less than honoring themselves. We like his greatness. We admire his genius. We cherish his humility. He came to us by choice; we choose to have him always if we can. He is imbued with the American principles of liberty; he has all the attributes of a true American; he has brought prestige and fame to America.

The United States has previously bestowed honors upon him. Our country, along with many others, has competed for his genius. He has finally come to us, to our land of liberty, has "this most illustrious scientist since Isaac Newton, one of the most appealing personalities of the world." He will be with us the greater part of the time, although he will leave us temporarily each year to impart his learning at institutions in other countries. He is of the world. But who shall gainsay that he does not now rightfully belong to America?

"My political idea is democracy", he has said. And further, "I believe that you in the United States have hit upon the right idea. You choose a President for a reasonable length of time and give him enough power to acquit himself properly of his responsibilities."

In the many expressions of this great mathematician and genius there is food for thought. Once knowing his simple, honest, sympathetic manner as gleaned from his life and work, nothing that he has said or done can fairly be misconstrued.

I have read his comment on the horrors of war and the virtues of peace. It brought echoes of what Sherman said of war. It revived in memory the ejaculations of many World War veterans, friends of mine, who, after the armistice, said, "No more war", thinking aloud, but yet ready to resume hostilities at the sound of the country's bugle. I have listened to the words of Theodore of Roosevelt fame, "We must have peace", and then more emphatically, "We must have peace; but if we must have war to gain peace, then we must war for the sake of peace." Devoutly committed to the cause of international peace, I have heard the genius Einstein denounce war—as most have at one time or another—and still I have seen the great humanitarian hasten to the defense of the people of his race militantly when they were in jeopardy, and I have marked his devotion to the cause of liberty—"liberty without which," he said, "life to a self-respecting man is not worth living."

In a great speech in Albert Hall, London, England, October 4, 1933, Dr. Einstein spoke of the blessings of freedom, saying: "We are concerned not merely with the technical problem of securing and maintaining peace but also with the important tasks of education and enlightenment. If we want to resist the powers which threaten to suppress intellectual and individual freedom, we must keep clearly before us what is at stake and what we owe to that freedom which our ancestors won for us after hard struggles.

"Without such freedom there would have been no Shakespeare, no Goethe, Newton, Faraday, Pasteur, or Lister. There would be no comfortable houses for the mass of the people, no railways or wireless, no protection against epidemics, no cheap books, no culture, no enjoyment of art for all. There would be no machines to relieve people from the arduous labor needed for the production of the essential necessities of life. Most people would lead a dull life of slavery just as under the ancient despotisms of Asia. It is only men who are free who create the inventions and intellectual works which to us moderns make life worthwhile."

As becomes a scientist, he has discoursed on the scientific and has turned from science to religion—to the supernatural. I have pictured him as he reflected upon the great mystery, with what seemed to me a searching mind, yet fervid heart. My study of his writings brought me back to the saintly Newman to recall his perplexities, which emerged triumphant in Lead Kindly Light. I saw Einstein perplexed, but religious, though tolerant. I peeked, I thought, into the inner recesses of his heart and his mind; and I saw there, as I believe, one of the Godliest of men.

An adherent to the principles of social justice, he has expressed himself vigorously on behalf of the masses—as have many of our leading statesmen—and in that characteristic we find, and find only, the great humanitarian.

He is living immortal in our midst.

Professor Einstein has accepted a life appointment at the Institute for Advanced Study. It was established by the generosity of two lovable philanthropists of my State of New Jersey—Mrs. Felix Fuld and her brother, Mr. Louis Bamberger, of Newark. It has, as you may know, temporary quarters in Fine Hall, Graduate Mathematical Building, at Princeton University. Dr. and Mrs. Einstein are residing now in Princeton, where they are the recipients of the love and affection of the people of my State. The State of New Jersey feels honored by their presence. The institute is honored. Its acquisition of his genius recalls what the great Poincaré wrote of the savant early in his career:

"Herr Einstein is one of the most original minds I have ever met. In spite of his youth he already occupies a very honorable position among the foremost savants of his time. What we marvel at in him, above all, is the ease with which he adjusts himself to new conceptions and draws all possible deductions from them. He does not cling tightly to classical principles but sees all conceivable possibilities when he is confronted with a physical problem. In his mind this becomes transformed into an anticipation of new phenomena that may some day be verified in actual experience. * * * The future will give more and more proofs of the merits of Herr Einstein, and the university that succeeds in attaching him to itself may be certain that it will derive honor from its connection with the young master."

As proof of the esteem for Professor and Mrs. Einstein of the people of my State, including the director and faculty of the institute and the president and faculty of the university housing it, one of the largest and most enthusiastic receptions of welcome ever known to New Jersey was recently tendered to him and his gentle, charming wife and companion. We love them both.

My own admiration for the great scientist, mathematician, and physicist, has existed for some time. My shortcomings in mathematics may account for it in part. I marveled at his mastery of problems that were never quite clear to me in their simpler forms. I saw him conquer not only those things beyond my comprehension but beheld him penetrate also far beyond the realms achieved by any scientist. His name is synonymous with relativity. I endeavored to follow the path he blazed in science but finally contented myself with the admiration his genius created and the joy of appreciation of his kind, simple nature and his humane liberty-loving character.

In his simplicity and modesty, he has written: "Everyone should be respected as an individual, but no one idolized. It is an irony of fate that I should have been showered with so much uncalled-for and unmerited admiration and esteem. Perhaps this adulation springs from the unfulfilled wish of the multitude to comprehend the few ideas which I, with my weak powers, have advanced."

Such as he, scientist, philosopher, humanitarian merits the high regard of any nation. Great Britain, France, Spain, and other countries have welcomed him and offered him their citizenship. Certainly the United States, which he has publicly declared to and does love—beacon of liberty that it is—gladly will extend to Dr. Einstein all the privileges and prerogatives of her citizenship.

I know that he loves the land of his birth, the German people and his Jewish race. In that he is like all true Americans, including Americans of foreign extraction, and the affection that he bears for his native soil does not lessen, but rather accentuates, the love that he has for this liberty-loving land of ours.

He is saddened, as are we, by the plight of the Jews in Germany; his Jewish traditions were inculcated in him at his mother's knee; his people are bone of his bone and flesh of his flesh, and he is proud of his race. As a result he is beloved and idolized by the Jewish people. But they are not alone. We all join with them in our admiration, love, and esteem for the great man amongst us. His coming to us has been a tribute to true civilization; so is it a telling rebuke to man's inhumanity to man.

Here minorities are protected and human rights safeguarded. Our Constitution, which Dr. Einstein so admires, by its provisions grants inalienable rights to minorities which may not be taken away. As long as it remains our basic law, which may God preserve to us, minorities along with the majorities shall enjoy the right to life, liberty, and the pursuit of happiness free from persecution and oppression. We are met in the United States, having come from all nations, to carry on and have our being according to the dictates of the individual, with conscience free from the restraint of oppression—political, religious, or otherwise. We believe that ours is the greatest nation on earth. The United States is, and ever will be, a true guardian of civilization. That protection we offer gladly to Dr. Einstein, thinker and doer, humanitarian and friend, permanently.

By so doing, we shall confer an unprecedented honor, not only upon the great scientist, but we shall pay tribute to the noble, God-respecting, law-abiding attributes of the Jewish people which he exemplifies.

Prompted by the genius of a great man, humanitarian, lover of the United States, and admirer of its Constitution—and inspired I might say—knowing as I did the sentiment of the citizens of New Jersey, which is symbolic of the feeling of the people of the United States, I, as a United States Representative from New Jersey offered in Congress the resolution with which you are now familiar for the purpose of admitting Dr. Einstein unconditionally to the character and privileges of a citizen of the United States.

Now, I know of no more worthy purpose than that which prompts this committee to confer here today. You have come from every section of the country in an effort to alleviate human suffering, to protect persecuted minorities, and defend human rights. I congratulate you upon the noble work you have undertaken. Human rights transcend all others. Your fight is not for the Jewish people, but for all humanity, for every liberty-loving man and woman of whatever race or creed. By your power and influence may you quickly succeed in putting an end to oppression and persecution wherever they may exist.

It is a distinguished honor to meet with you here and to be permitted to pay tribute to Dr. Einstein whom you and I with you

love, and to help promote the triumph of true civilization so dear to his heart—and to ours—over the relic of the Dark Ages—sinister oppression. I sincerely thank you for this honor and privilege and heartily do I enlist in the cause you have undertaken in the name of humanity.

THE FRAZIER-LEMKE BILL

Mr. TRUAX. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. TRUAX. Mr. Speaker, Members of the House, last Wednesday evening, April 25, it was my privilege to preside over a meeting of representatives of farming, business, banking, and the professions, of the States of Indiana, Ohio, and Illinois. The meeting, as I announced to the House on the same day, was held in the Caucus Room of the old House Office Building, Washington, D.C.

The delegates and representatives who attended this meeting came here solely in the interests of the Frazier-Lemke bill for the following reasons:

First. For an adequate volume of money to meet the normal money needs of the Nation.

Second. The bill completely destroys bankers' control and places it back where it lawfully belongs—with the Federal Government.

Third. It definitely stabilizes the value of farm land, improvements thereon, and adequately provides a method for the complete rehabilitation of all farmers and home owners who are being ruined by the millions under prevailing conditions.

Fourth. It provides for a legitimate and proper method of financing the money needs of the Federal Government.

Fifth. In fact, the application of this Frazier-Lemke principle of monetary reform will quickly prove that the American people will not need regimentating methods or some of the ridiculous palliatives that are now being employed.

Sixth. In stabilizing the value of property, it will revive the love for farms and homes among our American people on a scale never equaled heretofore and usher in an era of economic freedom, from which will naturally flow economic justice, and definitely establish the Jeffersonian principle of "equal rights to all and special privileges to none" and once more give the American people the measure of freedom to exercise their God-given talents relieved of the fear of ruination, misery, and want they are now so sorely afflicted with.

Resolutions embodying the text of the foregoing were adopted unanimously. In opening the meeting I made the following statement:

I would say to our distinguished Senators and Representatives from several States, and to these farmers from the States of Illinois, Indiana, and Ohio, and the representatives of the National Farmers' Union that this meeting tonight, in my humble opinion, is one that will largely determine the future course of American agriculture. I think it will determine or prove the soundness of what our good President said—I think it was yesterday—when he said that "the new deal is evolution rather than revolution."

Having been in this farm fight for the past 15 years, I believe in all candor and frankness that the farmers of the Corn Belt of this country, the farmers of the semiarid regions of the Northwest and the Southwest have reached that momentous epoch in their lives when the next year will determine whether or not they will go along with this country as they have in the past, as peaceful, law-abiding, wealth-creating, tax-paying citizens, by peaceful evolution, or whether they will find it necessary to accomplish their ends by riotous revolution.

I want to say to you men from Illinois and Indiana that 15 years ago I visited practically every big farmer in your States and sold them purebred hogs. I bought hogs of your purebred livestock growers, and now, after 15 years, we say that American agriculture today is at the lowest ebb in all of its history, reports to the contrary notwithstanding.

The word that we have received from Congress year after year has been if the farmers of this country will only unite on a common program, Congress will enact into law their program; and I say to you without fear of successful contradiction that the farmers of this country, with the possible exception of the cotton-growing South, have united on a common program, and that program is the passage of the Frazier-Lemke bill.

Now I am going to be brief. It is a great honor to preside over this meeting. Distinguished Senators and Congressmen, our only and our sole objective at the present moment is to secure enough additional signatures on the Frazier-Lemke petition to bring our bill to a vote on the floor of the House of Representatives. We are willing to abide by the consequences. We are willing to abide by the decision of the House of Representatives, and all we ask is fair treatment, to give our bill a chance to be voted on.

The officers of the National Farmers Union, Mr. E. H. Everson, of St. Charles, S.Dak., president; Mr. Edward B. Kennedy, of Kankakee, Ill., secretary; and Mrs. M. C. Puncke, of Kankakee, Ill., assistant secretary, were present and addressed the meeting.

Senator PATRICK MCCARRAN addressed the delegates and pledged his unqualified support to the Frazier bill in the Senate. A number of Members of this House were present and were called upon for expressions of opinion, practically all of whom expressed approval of the bill. Some of these Members had signed the petition, some indicated that they would sign it. Most interesting of all, however, were the remarks of the actual farmers who were present and who expressed themselves most forcibly in support of the bill.

The concensus of opinion was that instead of doing something for agriculture, something had been done to agriculture, that instead of restoring the purchasing- and debt-paying power of the farmer, it had taken it away from him following the war. Coupon grabbers have been permitted to escape paying their part of the war, and the amount that they should have paid has been taken out of the agricultural wealth produced in this country. The National Farmers' Union unequivocally and vigorously supports the Frazier-Lemke bill. This bill has more support for it in Congress than any other agricultural bill pending. The legislatures of 26 States have endorsed it.

These men say the farmer wants a new deal, a real new deal—not just a bunch of "new dealers" who stack the cards and give the other fellow all the aces. These men refer to Secretary of Agriculture Wallace, and former Assistant Secretary, but now Under Secretary, Tugwell, as the dealers who stacked the cards against them. All the farmer wants is the opportunity to retain the title to his home.

These representatives of the farmers from the Corn Belt say that neither the Farm Credit Administrator nor the Agricultural Adjustment Administration will make it possible for farmers to retain the titles to their homes. The first thing is to make it possible for the farmer to be secure in his home, for the farmer's home is the dearest thing this side of Heaven to him. The farmer sets aside a little money for a rainy day and now finds it in a closed bank. We are supporting legislation that will release these deposits in closed banks, but it appears that we are not to have the chance of voting on this legislation even though we obtained 145 signatures to discharge the committee from further consideration of the bill.

The farmer fights the elements. Now he must fight other elements that seek to deprive him of what little he has left.

One prominent official of the National Farmers' Union expressed the opinion that no Congressman or Senator should go home without giving the bill a chance to come out on the floor of the House and give it a free and fair chance to pass, for it will rescue the farm homes of America, and will be the salvation of this Nation, and a start in the right direction.

Someone asked the question, "How can Members of Congress who have farm constituents go back home after adjournment and answer the farmer who has lost or is losing his farm by the confiscation route of the money lender?" The answer was "that unless the bill passes, the farmers will answer next November. The time has come when the farmer will not be denied what he wants when longer he wants it."

The Frazier bill has been in the Senate for 2 years. It has had extensive hearings. People understand it, although they pretend to misunderstand it and disseminate false information and propaganda concerning its merits.

Mrs. Puncke, assistant secretary, National Farmers Union, a woman who is a farmer herself, who calls on farmers, who talks to the head of the family, and who understands the problem of the better half of the family, informed the as-

sembly that every day in her work she sees many sad foreclosures and confiscations of farm property. She sees men and women down and out. She says that the Farm Credit Administration has saved some homes and postponed the day of reckoning, but it is not really saving our farmers or our homes. The farmers cannot pay the interest and the charges connected with the Farm Credit Act, and eventually the day of reckoning will come again.

She made it apparent that people who live here in Washington lose touch with conditions at home. They get away from the feeling of the thing—the terrible distress that is in the air, and she stoutly maintained that the Frazier bill is the one bill through which we do not have to pay tribute to the international bankers. It puts money in circulation so that farm prices will rise. It gives us money on which we pay a service charge to our National Government. The farmers are at the end of their rope. They have no equity on which to borrow more. The Government promised to see them through and to give them a chance to live. The Frazier-Lemke bill is the only bill that is going to save our independent farm homes.

The situation in the country is dangerous. There is a growing resentment against the deal which the farmers are getting that is some day going to flare up; and when it does, God help this country. We must have the Frazier bill, and we are going to get it.

Senator McCARRAN showed his perfect understanding of this farm butchery when he stated that while money is being poured by the billions into certain lines, we failed to give it to the lower strata of life where labor and toil live hourly. We fail to go into the ranks of the humble. That is what you are fighting for in this measure which you have before you, a measure that will pour money down to the grass roots, on the beginning of all life, whence it will work its way upward to the upper stratas and benefit them to the same degree that it benefits tillers of the soil.

The National Farmers Union is one of the most unselfish, loyal, and aggressive organizations in the country. These farmers have organized themselves. There is not a paid organizer in any State. This is one of the features that stands out above all else. Some Members of this House say that the petition should not be signed. The rule to discharge the committee from further consideration of a bill is just as much a creature of the House of Representatives as the committee to which the bill has been referred.

It has been contended by some that the liberal provisions of this bill would enable the owner of marginal land to sell it to the Government through the mortgage route. This is impossible, since the bill does not provide for the making of any new loans.

Still others have said that $3,000,000,000 will not be sufficient to pay off the total farm mortgage indebtedness. But the bill provides that the available surplus and net profit of the Federal Reserve banks shall be invested in 1½-percent mortgage bonds. This, together with the amortization payments of 1½ percent, could be used to purchase additional mortgage bonds. This would make available the necessary funds to refinance the existing mortgage debt as fast as it is possible to refinance and appraise and complete the loans.

And some ask, If we start doing this, where will we stop? It is not a question of where we will stop, but we have to start here. We must restore the income and purchasing power of the American farmer so that the laborer can be put into productive labor to serve the farmer. He can use $25,000,000,000 worth of the products of labor, such as harness, fences, paint, repairs, cloth, machinery, and the things that labor must produce in order to have a job.

Some members of the House who have signed the petition admitted that they had refused to sign until they were convinced that the bill was sound. There are those who are not in full accord with the bill, but they believe that something must be done for the farmers, and done now. They believe that the terrific situation which confronts the farmers in meeting their debts justifies the support of this bill, even though you are not in complete accord with all its provisions. The existing situation is much worse than anything which might be produced by the operation of the Frazier bill. Agriculture is on the rocks now. How much longer it can go on is the vital question. The farmer cannot pay the current high rate of interest and take the low level of prices for what he sells. We had best give the Frazier bill an opportunity to save the farmer rather than to bring about a chaotic condition by our present somewhat modified policy of laissez-faire.

One of the most pathetic and tragic stories ever heard came from the lips of Mr. F. J. Hendrichs, of Bowling Green, Ohio, a dirt farmer on one of the best 225-acre farms in our State, raising abundant crops of corn each year, raising hogs, feeding each winter 50 steers. Years ago, when he first acquired his farm, there were no good farms. In the wintertime the mud was belly-deep on the horses with which he had to travel to get to the county seat. The land was swampy, needed ditching and clearing. Now the land is tilled and drained in the most perfect manner possible. It is bounded by hard-surfaced modern roads, paid for by assessing the property owners, one of the worst injustices ever perpetrated upon the farmer.

Mr. Hendrichs 2 years ago bought his feeder cattle from Texas. He bought the best that was on the market. He would order cattle from some of the local dealers, make a nominal payment down when the order was filled, and would send a draft in advance when they were ready to ship. He was astounded to find that on one load of cattle that he bought, when he received the bill for it, he was to forward a draft to a banker in Wall Street, which indicates conclusively that the Wall Street pirates are covering the country pretty thoroughly when they are in the cattle business in the Southwest.

This gentleman has owned his farm all his life. It is one of the finest in the State. He could have sold it before the war for $150 an acre. Many times during the war period he could have sold it for much more, but he did not sell. He and his good wife had lived on it and worked the soil all their life. Their children had grown up. They didn't want the farm sold.

Following the war Mr. Hendrichs, as was the plight of practically all farmers, lost money each year through declining prices of his own products and because of the high cost of commodities he had to buy and high taxes. Much sickness came into the little family. His son had to go to the hospital. A little later Mr. Hendricks, Sr., had to go to the hospital. He brought tears to the eyes of some of his listeners when he said that before leaving for the hospital he journeyed outside his home and longingly gazed over his little domain, his buildings and equipment, because he thought that might be the last time he would ever see them. Then his hard of cattle became infected with fever, and he had to sell them for next to nothing. He is now $13,000 in the red, so he had to put a mortgage on his farm and home. His good wife was most reluctant, for somehow she seemed to feel the sorrow and suffering which that mortgage might cause some day.

Mortgage is indeed a sinister word, taken from the French words, " mort " meaning death, and " gage " meaning hand—literally the hand of death that strangles to an economic death 2,000 farmers and home owners every time the sun rises and sets. But there was nothing else to do, so they mortgaged their farm for $10,000. They are now about to be foreclosed. They cannot get the necessary amount through the Farm Credit Administration; and unless the Frazier-Lemke bill is passed, it means old-age pensions, charity, or doles for this real knight of nature's nobility, 78 years old today, and still strong physically and mentally.

When these splendid tillers of the soil, these pioneers who blazed the trail, who cleared the wilderness and made them grow the waving fields of golden grain, when these patriarchs, these once independent sovereigns, now come before us and point to a threadbare and faded suit of clothes which they admit was bought 10 years ago, and that they have no money now with which to buy a new one, it is high

time that this Congress open its eyes, that the Congress look down upon the grass roots and in the windows of the homes of the finest citizens in our land.

The Frazier bill is the only remedy. If you do not help us now, you cannot help many of us at all later on. We have no such wild hopes as immediate prosperity or becoming rich following the passage of the Frazier bill. We merely want an opportunity to break the strangling cord of the money lenders. We want to hold our farms for ourselves and our children and our children's children. We do not care for any more of the unfair treatment, the unsympathetic attitude, the discrimination, and the complete damned foolishness of the Farm Credit Administration.

The delegates attending this meeting were:

Indiana: T. E. Tudor, route 3, Frankfort; J. F. Montgomery, route 5, Frankfort; Lloyd J. Martin, 1135 South Eighth Street, Goshen; James Bell, Elkhart; W. E. Yeater, New Paris; D. H. Fisher, New Paris.

Illinois: Charles W. Burkhardt, route 1, Gardner; William E. Tanner, route 3, Kankakee; Herbert J. Smith, Manhattan; William J. Hoover, Gilman; Edd Holtman, route 1, Ursa; Willis Kropp, route 3, Mendon; Charles C. Simmons, Ursa; Harold Humke, Sutter; C. Douglas Marsh, Lima; Charles R. Jingst, Sutter; Robert F. Marcotte, route 3, Kankakee; L. Fred Winterroth, Chebanse; Fred R. Wolf, Papineau; Fred Fornoff, Pekin; Harold L. Dean, Allentown; A. C. Helleman, Tremont; J. S. Park, route 2, Pekin.

Ohio: Dr. J. V. Lange, Mechanicsburg; Paul J. Ryan, Irwin; Rev. H. B. Parrott, Fletcher; J. G. Wolff, route 1, Milford Center; Harry B. Snyder, route 1, Mechanicsburg; Jim M. Yocom, Urbana; Samuel Clem, route 1, West Liberty; W. A. Crackstaff, route 3, Urbana; Edward T. Taylor, route 2, Urbana; R. S. Smith, Westville; Floyd S. Clark, route 2, Urbana; W. M. Benham, Rosewood; F. C. Ganette, route 4, Urbana; Raymond B. South, route 1, West Liberty; M. E. Bair, Gibsonburg; Harvey Swisher, route 3, Urbana; John Recker, Woodville; F. G. Grieger, route 1, Oak Harbor; W. O. Shuts, Pemberville; Fred L. Wegman, Pemberville; Fred J. Hendricks, route 1, Bowling Green; Fred Traver, route 1, Millbury; F. H. Mitchell, Rushsylvania; L. J. Black, Belle Center; William Kinnan, DeGraff; Fred B. Carr, route 4, Bellefontaine; T. E. Meyer, North Baltimore; C. F. Dagger, route 3, Urbana; R. W. Allen, route 4, Defiance; Charles C. Few, route 1, Fostoria.

Michigan: Fred Puncke, Grant (Ashland College).

USE OF LETTER BOXES

Mr. MEAD. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 3845) to amend section 198 of the act entitled "An act to codify, revise, and amend the penal laws of the United States", approved March 4, 1909, as amended by the acts of May 18, 1916, and July 28, 1916, with Senate amendments, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, line 9, after "box", insert "or other receptacle."

Page 2, line 4, after "box", insert "or other receptacle."

Page 2, line 4, strike out all after "box;" to and including "$300" in line 13, and insert "or shall willfully aid or assist in any of the aforementioned offenses, shall for every such offense be punished by a fine of not more than $1,000 or by imprisonment for not more than 3 years.

"SEC. 2. Whoever shall knowingly or willfully deposit any mailable matter such as statements of accounts, circulars, sale bills, or other like matter, on which no postage has been paid, in any letter box established, approved, or accepted by the Postmaster General for the receipt or delivery of mail matter on any mail route with intent to avoid payment of lawful postage thereon; or shall willfully aid or assist in any of the aforementioned offenses, shall for every such offense be punished by a fine of not more than $300."

The SPEAKER. Is there objection to the request of the gentleman from New York.

There was no objection.

The Senate amendments were agreed to.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted to Mr. CELLER for 1 week on account of illness.

SENATE BILLS AND JOINT RESOLUTIONS REFERRED

Bills and joint resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 99. An act for the relief of Francis Gerrity; to the Committee on Military Affairs.

S. 113. An act for the relief of Hans Dahl; to the Committee on Naval Affairs.

S. 164. An act for the relief of Joseph Gould; to the Committee on Naval Affairs.

S. 236. An act to provide funds for cooperation with the school board at Queets, Wash., in the construction of a public-school building to be available to Indian children of the village of Queets, Jefferson County, Wash.; to the Committee on Indian Affairs.

S. 294. An act for the relief of Stanton and Jones; to the Committee on War Claims.

S. 309. An act for the relief of Willard Heath Mitchell; to the Committee on Naval Affairs.

S. 333. An act for the relief of Clarence Leroy Witham; to the Committee on Naval Affairs.

S. 358. An act to authorize the Court of Claims of the United States to hear and determine the claim of Samuel W. Carter; to the Committee on Claims.

S. 367. An act for the relief of Hugh Flaherty; to the Committee on Naval Affairs.

S. 380. An act for the relief of certain officers and employees of the Foreign Service of the United States who, while in the course of their respective duties, suffered losses of personal property by reason of catastrophes of nature; to the Committee on Foreign Affairs.

S. 417. An act for the relief of Marino Ambrogi; to the Committee on Military Affairs.

S. 424. An act for the relief of Hector H. Perry; to the Committee on Military Affairs.

S. 426. An act for the relief of Robert H. Wilder; to the Committee on Military Affairs.

S. 427. An act for the relief of Edgar Joseph Casey; to the Committee on Naval Affairs.

S. 790. An act for the relief of Charles B. Arrington; to the Committee on Military Affairs.

S. 819. An act for the relief of S. N. Kempton; to the Committee on Claims.

S. 822. An act to amend the act entitled "An act to amend section 217, as amended, of the act entitled 'An act to codify, revise, and amend the penal laws of the United States', approved March 4, 1909", approved January 11, 1929, with respect to the use of the mails for the shipment of certain drugs and medicines to cosmetologists and barbers; to the Committee on the Post Office and Post Roads.

S. 865. An act for the relief of Michael J. Budzinski; to the Committee on Naval Affairs.

S. 887. An act for the relief of Lucy B. Hertz and J. W. Hertz; to the Committee on Claims.

S. 1161. An act for the relief of Alice E. Broas; to the Committee on Claims.

S. 1162. An act for the relief of Virginia Houghton; to the Committee on Claims.

S. 1163. An act for the relief of Mary V. Spear; to the Committee on Claims.

S. 1198. An act for the relief of Louise Fox; to the Committee on Foreign Affairs.

S. 1200. An act for the relief of Elizabeth Millicent Trammell; to the Committee on Foreign Affairs.

S. 1214. An act for the relief of Zinsser & Co.; to the Committee on Military Affairs.

S. 1281. An act for the relief of Harry P. Hollidge; to the Committee on Claims.

S. 1338. An act for the relief of John F. Patterson; to the Committee on Military Affairs.

S. 1358. An act to provide for the improvement of the approach to the Confederate Cemetery, Fayetteville, Ark.; to the Committee on Miltary Affairs.

S. 1505. An act for the relief of Thomas E. Read; to the Committee on Military Affairs.

S. 1585. An act for the relief of the Black Hardware Co.; to the Committee on Claims.

S. 1595. An act extending the benefits of the Emergency Officers' Retirement Act of May 24, 1928, to provisional officers of the Regular Establishment who served during the World War; to the Committee on World War Veterans' Legislation.

S. 1633. An act for the relief of Emma Fein; to the Committee on Claims.

S. 1690. An act for the relief of the Bowers Southern Dredging Co.; to the Committee on War Claims.

S. 1725. An act for the relief of Robert Emil Taylor; to the Committee on Military Affairs.

S. 1757. An act to amend an act entitled "An act to incorporate the Mount Olivet Cemetery Co. in the District of Columbia"; to the Committee on the District of Columbia.

S. 1779. An act authorizing the issuance of a special postage stamp in commemoration of the three hundredth anniversary of the founding of the Colony of Connecticut; to the Committee on the Post Office and Post Roads.

S. 1794. An act to authorize Vernon C. DeVotie, captain, United States Army, to accept a certain decoration tendered to him by the Colombian Government; to the Committee on Foreign Affairs.

S. 1797. An act authorizing the removal of rock from the submarine and destroyer base reservation at Astoria (Tongue Point), Oreg.; to the Committee on Naval Affairs.

S. 1826. An act for expenditure of funds for cooperation with the public-school board at Poplar, Mont., in the construction or improvement of public-school building to be available to Indian children of the Fort Peck Indian Reservation, Mont.; to the Committee on Indian Affairs.

S. 1972. An act for the relief of James W. Walters; to the Committee on Claims.

S. 1977. An act to provide funds for cooperation with the school board at Brockton, Mont., in the extension of the public-school building at that place to be available to Indian children of the Fort Peck Indian Reservation; to the Committee on Indian Affairs.

S. 1992. An act for the relief of Arthur R. Lewis; to the Committee on Military Affairs.

S. 1998. An act for the relief of the estate of Martin Flynn; to the Committee on Claims.

S. 2044. An act to amend the National Defense Act of June 3, 1916, as amended; to the Committee on Military Affairs.

S. 2112. An act for the relief of W. H. Key and the estate of James R. Wilson; to the Committee on Claims.

S. 2130. An act to authorize an appropriation for the purchase of land in Wyoming for use as rifle ranges for the Army of the United States; to the Committee on Military Affairs.

S. 2204. An act for the relief of James Johnson; to the Committee on Military Affairs.

S. 2207. An act for the relief of Sarah Lloyd; to the Committee on Military Affairs.

S. 2227. An act for the relief of Harold S. Shepardson; to the Committee on Military Affairs.

S. 2322. An act for the relief of A. J. Hanlon; to the Committee on Claims.

S. 2357. An act for the relief of Arthur Bussey; to the Committee on War Claims.

S. 2367. An act for the relief of Emilie C. Davis; to the Committee on Foreign Affairs.

S. 2431. An act for the relief of the estate of Joseph Y. Underwood; to the Committee on Claims.

S. 2442. An act for the protection of the municipal water supply of the city of Salt Lake City, State of Utah; to the Committee on the Public Lands.

S. 2455. An act to increase the efficiency of the Medical Corps of the Regular Army; to the Committee on Military Affairs.

S. 2497. An act for the relief of Judson B. Isbester; to the Committee on Military Affairs.

S. 2549. An act for the relief of Albert W. Harvey; to the Committee on Claims.

S. 2553. An act for the relief of the Brewer Paint & Wall Paper Co., Inc.; to the Committee on Claims.

S. 2585. An act authorizing and directing the Secretary of the Interior to cancel patent in fee issued to Victoria Arconge; to the Committee on the Public Lands.

S. 2674. An act to amend an act entitled "An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes", approved May 12, 1933; to the Committee on Agriculture.

S. 2713. An act for the relief of the estate of Anna Elizabeth Rice Denison; to the Committee on Foreign Affairs.

S. 2720. An act for the relief of George M. Wright; to the Committee on Claims.

S. 2744. An act for the relief of Anna Carroll Taussig; to the Committee on Claims.

S. 2745. An act to provide for changing the time of the meeting of Congress, the beginning of the terms of Members of Congress, and the time when the electoral votes shall be counted, and for other purposes; to the Committee on Election of President, Vice President, and Representatives in Congress.

S. 2752. An act for the relief of the legal beneficiaries and heirs of Mrs. C. A. Toline; to the Committee on Claims.

S. 2769. An act to provide funds for cooperation with Marysville School District, No. 325, Snohomish County, Wash., for extension of public-school buildings to be available for Indian children; to the Committee on Indian Affairs.

S. 2817. An act to amend the act relating to contracts and agreements under the Agricultural Adjustment Act, approved January 25, 1934; to the Committee on Agriculture.

S. 2825. An act to provide for an appropriation of $50,000 with which to make a survey of the Old Indian Trail known as the "Natchez Trace", with a view of constructing a national road on this route to be known as the "Natchez Trace Parkway"; to the Committee on Roads.

S. 2871. An act giving jurisdiction to the Court of Claims to hear and determine the claim of the Cherokee Fuel Co.; to the Committee on Claims.

S. 2874. An act authorizing the submission of an alternate budget for the Bureau of Indian Affairs; to the Committee on Indian Affairs.

S. 2875. An act for the relief of Margoth Olsen von Struve; to the Committee on Foreign Affairs.

S. 2883. An act for the relief of Mike L. Sweeney; to the Committee on Military Affairs.

S. 2899. An act establishing certain commodity divisions in the Department of Agriculture; to the Committee on Agriculture.

S. 2909. An act for the relief of Augustus C. Hensley; to the Committee on Military Affairs.

S. 2919. An act for the relief of Cornelia Claiborne; to the Committee on Foreign Affairs.

S. 2940. An act to provide funds for cooperation with the school board of Shannon County, S.Dak., in the construction of a consolidated high-school building to be available to both white and Indian children; to the Committee on Indian Affairs.

S. 2957. An act for the relief of the rightful heirs of Wakicunzewin, an Indian; to the Committee on Indian Affairs.

S. 2972. An act for the relief of John N. Knauff Co., Inc.; to the Committee on Claims.

S. 3007. An act to authorize an extension of exchange authority and addition of public lands to the Willamette National Forest in the State of Oregon; to the Committee on Agriculture.

S. 3016. An act for the relief of the Dongji Investment Co., Ltd.; to the Committee on Claims.

S. 3023. An act to amend section 4878 of the United States Revised Statutes, as amended, relating to burials in national cemeteries; to the Committee on Military Affairs.

S. 3041. An act to effectuate the purpose of certain statutes concerning rates of pay for labor, by making it unlawful to prevent anyone from receiving the compensation contracted for thereunder, and for other purposes; to the Committee on the Judiciary.

S. 3044. An act granting a pension to Eleanora Emma Bliss; to the Committee on Pensions.

S. 3046. An act creating the Sistersville Bridge Commission and authorizing said commission and its successors and

assigns to construct, maintain, hold, and operate a highway bridge across the Ohio River at or near Sistersville, W.Va.; to the Committee on Interstate and Foreign Commerce.

S. 3047. An act to carry out the findings of the Court of Claims in the case of George Lawley & Son Corporation, of Boston, Mass.; to the Committee on Claims.

S. 3085. An act relating to the operations of the Reconstruction Finance Corporation, and for other purposes; to the Committee on Banking and Currency.

S. 3114. An act to extend the times for commencing the construction of certain bridges in the State of Oregon; to the Committee on Interstate and Foreign Commerce.

S. 3138. An act authorizing the Reconstruction Finance Corporation to aid in the financing exports and imports; to the Committee on Banking and Currency.

S. 3161. An act for the relief of Mary Seely Watson; to the Committee on Foreign Affairs.

S. 3170. An act to revise air-mail laws; to the Committee on the Post Office and Post Roads.

S. 3185. An act to amend the Agricultural Adjustment Act, as amended, with respect to farm prices; to the Committee on Agriculture.

S. 3211. An act to extend the times for commencing and completing the construction of a bridge across the Chesapeake Bay between Baltimore and Kent Counties, Md.; to the Committee on Interstate and Foreign Commerce.

S. 3230. An act creating the Florence Bridge Commission and authorizing said Commission and its successors and assigns to construct, maintain, and operate, a bridge across the Missouri River at or near Florence, Nebr.; to the Committee on Interstate and Foreign Commerce.

S. 3269. An act relating to the construction, maintenance, and operation by the city of Davenport, Iowa, of a bridge across the Mississippi River at or near Tenth Street in Bettendorf, State of Iowa; to the Committee on Interstate and Foreign Commerce.

S. 3272. An act for the relief of the city of Baltimore; to the Committee on War Claims.

S. 3287. An act to authorize national banks situated in a territory or possession of the United States to establish branches; to the Committee on Banking and Currency.

S. 3290. An act to amend an act entitled "An act to establish a Board of Indeterminate Sentence and Parole for the District of Columbia and to determine its functions, and for other purposes", approved July 15, 1932; to the Committee on the District of Columbia.

S. 3303. An act to provide for the expeditious condemnation and taking of possession of land by officers, agencies, or corporations of the United States authorized to acquire real estate by condemnation in the name of or for the use of the United States for the construction of public works now or hereafter authorized by Congress; to the Committee on the Judiciary.

S. 3335. An act for the relief of Joanna A. Sheehan; to the Committee on Claims.

S. 3374. An act to extend the times for commencing and completing the construction of a bridge across Lake Champlain from East Alburg, Vt., to West Swanton, Vt.; to the Committee on Interstate and Foreign Commerce.

S. 3382. An act to cover the handling of Osage Indian alcoholics and narcotics; to the Committee on Indian Affairs.

S. 3393. An act relating to the tribal and individual affairs of the Osage Indians of Oklahoma; to the Committee on Indian Affairs.

S. 3396. An act to amend the act of January 30, 1897 (29 Stat. 506, sec. 2139; U.S.Rev.Stat., sec. 241, title 25, U.S.C.), transferring certain jurisdiction from War Department to the Department of the Interior; to the Committee on Indian Affairs.

S. 3404. An act authorizing loans from the Federal Emergency Administration of Public Works for the construction of certain municipal buildings in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

S.J.Res. 35. Joint resolution to provide for the determination and payment of claims for damage sustained by the fluctuation of the water levels of the Lake of the Woods in certain cases, and for other purposes; to the Committee on Foreign Affairs.

S.J.Res. 36. Joint resolution authorizing the President of the United States of America to proclaim October 11, 1934, General Pulaski's Memorial Day for the observance and commemoration of the death of Brigadier General Casimir Pulaski; to the Committee on the Judiciary.

ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills and joint resolutions of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 472. An act for the relief of Phyllis Pratt and Harold Louis Pratt, a minor;

H.R. 518. An act for the relief of T. Perry Higgins;

H.R. 719. An act for the relief of Willard B. Hall;

H.R. 1127. An act for the relief of O. H. Chrisp;

H.R. 1724. An act providing for settlement of claims of officers and enlisted men for extra pay provided by act of January 12, 1899;

H.R. 1870. An act for the relief of Corinne Blackburn Gale;

H.R. 2026. An act for the relief of George Jeffcoat;

H.R. 2321. An act for the relief of Capt. J. O. Faria;

H.R. 2339. An act for the relief of Karim Joseph Mery;

H.R. 2340. An act for the relief of Russell & Tucker and certain other citizens of the States of Texas, Oklahoma, and Kansas;

H.R. 2541. An act for the relief of Robert B. James;

H.R. 2561. An act for the relief of G. Elias & Bro., Inc.;

H.R. 2666. An act for the relief of D. F. Phillips;

H.R. 2682. An act for the relief of Bonnie S. Baker;

H.R. 2689. An act for the relief of Edward Shabel, son of Joseph Shabel;

H.R. 2828. An act to authorize the city of Fernandina, Fla., under certain conditions, to dispose of a portion of the Amelia Island Lighthouse Reservation;

H.R. 2858. An act to add certain lands to the Pike National Forest, Colo.;

H.R. 2862. An act to add certain lands to the Cochetopa National Forest in the State of Colorado;

H.R. 3345. An act to authorize the Department of Agriculture to issue a duplicate check in favor of the Mississippi State treasurer, the original check having been lost;

H.R. 3463. An act for the relief of Walter E. Switzer;

H.R. 3551. An act for the relief of T. J. Morrison;

H.R. 3579. An act for the relief of O. S. Cordon;

H.R. 3580. An act for the relief of Paul Bulfinch;

H.R. 3611. An act for the relief of Frances E. Eller;

H.R. 3843. An act to repeal an act of Congress entitled "An act to modify and amend the mining laws in their application to the Territory of Alaska, and for other purposes", approved August 1, 1912;

H.R. 3851. An act for the relief of Henry A. Richmond;

H.R. 3952. An act for the relief of Grace P. Stark;

H.R. 4013. An act to provide an additional appropriation as the result of a reinvestigation, pursuant to the act of February 2, 1929 (45 Stat., p. 2047, pt. 2), for the payment of claims of persons who suffered property damage, death, or personal injury due to the explosion at the naval ammunition depot, Lake Denmark, N.J., July 10, 1926;

H.R. 4269. An act for the relief of Edward J. Devine;

H.R. 4519. An act for the relief of C. W. Mooney;

H.R. 4611. An act for the relief of Barney Rieke;

H.R. 4779. An act for the relief of the estate of Oscar F. Lackey;

H.R. 4808. An act granting citizenship to the Metlakahtla Indians of Alaska;

H.R. 4846. An act for the relief of Joseph Dumas;

H.R. 4847. An act for the relief of Galen E. Lichty;

H.R. 5038. An act authorizing pursers or licensed deck officers of vessels to perform the duties of the masters of such vessels in relation to entrance and clearance of same;

H.R. 6013. An act to authorize the sale of land and houses at Anchorage, Alaska;

H.R. 6386. An act for the relief of Lucien M. Grant;

H.R. 6862. An act for the relief of Martha Edwards;

H.R. 7279. An act for the relief of Porter Bros. & Biffle and certain other citizens;

H.R. 7551. An act authorizing the Secretary of Commerce to dispose of the Pass A'Loutre Lighthouse Reservation, La.;

H.R. 7744. An act to authorize the Secretary of Commerce to transfer to the city of Bridgeport, Conn., a certain unused light-station reservation;

H.R. 7793. An act authorizing a preliminary examination of the Ogeechee River, in the State of Georgia, with a view to controlling of floods;

H.R. 7803. An act authorizing the city of East St. Louis, Ill., to construct, maintain, and operate a toll bridge across the Mississippi River at or near a point between Morgan and Wash Streets, in the city of St. Louis, Mo., and a point opposite thereto in the city of East St. Louis, Ill.;

H.R. 8516. An act granting the consent of Congress to the Mississippi Highway Commission to construct, maintain, and operate a free highway bridge across the Pearl River in the State of Mississippi;

H.R. 8854. An act to amend the District of Columbia Alcoholic Beverage Control Act by amending sections 11, 22, 23, and 24;

H.J.Res. 10. Joint resolution requesting the President to proclaim October 12 as Columbus Day for the observance of the anniversary of the discovery of America; and

H.J.Res. 61. Joint resolution granting compensation to George Charles Walther.

JOINT RESOLUTIONS AND BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on the following dates present to the President, for his approval, joint resolutions and bills of the House of the following titles:

On April 27, 1934:

H.J.Res. 315. Joint resolution granting consent of Congress to an agreement or compact entered into by the State of New York with the Dominion of Canada for the establishment of the Buffalo and Fort Erie Public Bridge Authority with power to take over, maintain, and operate the present highway bridge over the Niagara River between the city of Buffalo, N.Y., and the village of Fort Erie, Canada;

H.R. 191. An act for the relief of William K. Lovett;

H.R. 210. An act for the relief of Anne B. Slocum;

H.R. 232. An act for the relief of Anna Marie Sanford;

H.R. 233. An act for the relief of Florence Hudgins Lindsay and Elizabeth Lindsay;

H.R. 264. An act for the relief of Marguerite Ciscoe;

H.R. 323. An act for the relief of Harvey M. Hunter;

H.R. 408. An act for the relief of William J. Nowinski;

H.R. 470. An act for the relief of the city of Glendale, Calif.;

H.R. 507. An act for the relief of John Thomas Simpkin;

H.R. 520. An act for the relief of Ward A. Jefferson;

H.R. 526. An act for the relief of Arthur K. Finney;

H.R. 666. An act for the relief of Charles W. Dworack;

H.R. 768. An act for the relief of William E. Bosworth;

H.R. 879. An act for the relief of John H. Mehrle;

H.R. 880. An act for the relief of Daisy M. Avery;

H.R. 909. An act for the relief of Elbert L. Grove;

H.R. 1301. An act for the relief of M. Aileen Offerman;

H.R. 1362. An act for the relief of Edna B. Wylie;

H.R. 1398. An act for the relief of Lewis E. Green;

H.R. 1404. An act for the relief of John C. McCann;

H.R. 1418. An act for the relief of W. C. Garber;

H.R. 2040. An act for the relief of P. Jean des Garennes;

H.R. 2041. An act for the relief of Irwin D. Coyle;

H.R. 2074. An act for the relief of Harvey Collins;

H.R. 2169. An act for the relief of Edward V. Bryant;

H.R. 2337. An act for the relief of Harry L. Haberkorn;

H.R. 2512. An act for the relief of John Moore;

H.R. 2818. An act for the relief of Katherine G. Taylor;

H.R. 3542. An act to authorize the Secretary of the Navy to dedicate to the city of Philadelphia, for street purposes, a tract of land situate in the city of Philadelphia and State of Pennsylvania;

H.R. 4423. An act for the relief of Wilbur Rogers;

H.R. 4542. An act for the relief of Frank Wilkins;

H.R. 4609. An act for the relief of Augustus Thompson;

H.R. 4784. An act to reimburse Gottleib Stock for losses of real and personal property by fire caused by the negligence of two prohibition agents;

H.R. 4792. An act to authorize and direct the Comptroller General to settle and allow the claim of Harden F. Taylor for services rendered to the Bureau of Fisheries;

H.R. 4959. An act for the relief of Mary Josephine Lobert;

H.R. 5397. An act to authorize the exchange of the use of certain Government land within the Carlsbad Caverns National Park for certain privately owned land therein;

H.R. 5936. An act for the relief of Gale A. Lee;

H.R. 6166. An act providing for payment of $25 to each enrolled Chippewa Indian of Minnesota from the funds standing to their credit in the Treasury of the United States;

H.R. 6638. An act for the relief of the Monumental Stevedore Co.;

H.R. 6676. An act to require postmasters to account for money collected on mail delivered at their respective offices.

H.R. 6690. An act for the relief of certain officers of the Dental Corps of the United States Navy;

H.R. 7060. An act to extend the times for commencing and completing the construction of a bridge across the Columbia River near The Dalles, Oreg.;

H.R. 7200. An act to provide for the addition of certain lands to the Chickamauga and Chattanooga National Military Park in the States of Tennessee and Georgia;

H.R. 7425. An act for the inclusion of certain lands in the national forests in the State of Idaho, and for other purposes;

H.R. 7488. An act authorizing the Secretary of Commerce to acquire a site for a lighthouse depot at New Orleans, La., and for other purposes;

H.R. 7748. An act regulating procedure in criminal cases in the courts of the United States;

H.R. 7801. An act to extend the times for commencing and completing the construction of a bridge across the Columbia River at or near The Dalles, Oreg.;

H.R. 8040. An act granting the consent of Congress to the Iowa State Highway Commission and the Missouri Highway Department to maintain a free bridge already constructed across the Des Moines River near the city of Keokuk, Iowa;

H.R. 8237. An act to legalize a bridge across Black River at or near Pocahontas, Ark.;

H.R. 8429. An act to revive and reenact the act entitled "An act authorizing D. S. Prentiss, R. A. Salladay, Syl F. Histed, William M. Turner, and John H. Rahilly, their heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across the Mississippi River at or near the town of New Boston, Ill.," approved March 3, 1931;

H.R. 8438. An act to legalize a bridge across St. Francis River at or near Lake City, Ark.;

H.R. 8477. An act authorizing the State Road Commission of West Virginia to construct, maintain, and operate a toll bridge across the Potomac River at or near Shepherdstown, Jefferson County, W.Va.;

H.R. 8834. An act authorizing the owners of Cut-Off Island, Posey County, Ind., to construct, maintain, and operate a free highway bridge or causeway across the old channel of the Wabash River;

H.R. 8853. An act to extend the time for the construction of a bridge across the Wabash River at a point in Sullivan County, Ind., to a point opposite on the Illinois shore; and

H.R. 8861. An act to include sugar beets and sugar cane as basic agricultural commodities under the Agricultural Adjustment Act, and for other purposes.

On April 30, 1934:

H.J.Res. 10. Joint resolution requesting the President to proclaim October 12 as Columbus Day for the observance of the anniversary of the discovery of America;

H.J.Res. 61. Joint resolution granting compensation to George Charles Walther;

H.R. 472. An act for the relief of Phyllis Pratt and Harold Louis Pratt, a minor;

H.R. 518. An act for the relief of T. Perry Higgins;

H.R. 719. An act for the relief of Willard B. Hall;

H.R. 1127. An act for the relief of O. H. Chrisp;

H.R. 1724. An act providing for settlement of claims of officers and enlisted men for extra pay provided by act of January 12, 1899;

H.R. 1870. An act for the relief of Corinne Blackburn Gale;

H.R. 2026. An act for the relief of George Jeffcoat;

H.R. 2321. An act for the relief of Capt. J. O. Faria;

H.R. 2339. An act for the relief of Karim Joseph Mery;

H.R. 2340. An act for the relief of Russell & Tucker and certain other citizens of the States of Texas, Oklahoma, and Kansas;

H.R. 2541. An act for the relief of Robert B. James;

H.R. 2561. An act for the relief of G. Elias & Bro., Inc.;

H.R. 2666. An act for the relief of D. F. Phillips;

H.R. 2682. An act for the relief of Bonnie S. Baker;

H.R. 2689. An act for the relief of Edward Shabel, son of Joseph Shabel;

H.R. 2828. An act to authorize the city of Fernandina, Fla., under certain conditions, to dispose of a portion of the Amelia Island Lighthouse Reservation;

H.R. 2858. An act to add certain lands to the Pike National Forests, Colo.;

H.R. 2862. An act to add certain lands to the Cochetopa National Forest in the State of Colorado;

H.R. 3345. An act to authorize the Department of Agriculture to issue a duplicate check in favor of the Mississippi State treasurer, the original check having been lost;

H.R. 3463. An act for the relief of Walter E. Switzer;

H.R. 3551. An act for the relief of T. J. Morrison;

H.R. 3579 An act for the relief of O. S. Cordon;

H.R. 3580. An act for the relief of Paul Bulfinch;

H.R. 3611. An act for the relief of Frances E. Eller;

H.R. 3843. An act to repeal an act of Congress entitled "An act to modify and amend the mining laws in their application to the Territory of Alaska, and for other purposes", approved August 1, 1912;

H.R. 3851. An act for the relief of Henry A. Richmond;

H.R. 3952. An act for the relief of Grace P. Stark;

H.R. 4013. An act to provide an additional appropriation as the result of a reinvestigation, pursuant to the act of February 2, 1929 (45 Stat., p. 2047, pt. 2), for the payment of claims of persons who suffered property damage, death, or personal injury due to the explosion at the naval ammunition depot, Lake Denmark, N.J., July 10, 1926;

H.R. 4269. An act for the relief of Edward J. Devine;

H.R. 4519. An act for the relief of C. W. Mooney;

H.R. 4611. An act for the relief of Barney Rieke;

H.R. 4779. An act for the relief of the estate of Oscar F. Lackey;

H.R. 4808. An act granting citizenship to the Metlakahtla Indians of Alaska;

H.R. 4846. An act for the relief of Joseph Dumas;

H.R. 4847. An act for the relief of Galen E. Lichty;

H.R. 5038. An act authorizing pursers or licensed deck officers of vessels to perform the duties of the masters of such vessels in relation to entrance and clearance of same;

H.R. 6013. An act to authorize the sale of land and houses at Anchorage, Alaska;

H.R. 6386. An act for the relief of Lucien M. Grant;

H.R. 6862. An act for the relief of Martha Edwards;

H.R. 7279. An act for the relief of Porter Bros. & Biffle and certain other citizens;

H.R. 7551. An act authorizing the Secretary of Commerce to dispose of the Pass A'Loutre Lighthouse Reservation, La.;

H.R. 7744. An act to authorize the Secretary of Commerce to transfer to the city of Bridgeport, Conn., a certain unused light-station reservation;

H.R. 7793. An act authorizing a preliminary examination of the Ogeechee River in the State of Georgia, with a view to controlling of floods;

H.R. 7803. An act authorizing the city of East St. Louis, Ill., to construct, maintain, and operate a toll bridge across the Mississippi River at or near a point between Morgan and Wash Streets in the city of St. Louis, Mo., and a point opposite thereto in the city of East St. Louis, Ill.;

H.R. 8516. An act granting the consent of Congress to the Mississippi Highway Commission to construct, maintain, and operate a free highway bridge across the Pearl River in the State of Mississippi; and

H.R. 8854. An act to amend the District of Columbia Alcoholic Beverage Control Act by amending sections 11, 22, 23, and 24.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 4 o'clock and 16 minutes p.m.) the House adjourned until tomorrow, Tuesday, May 1, 1934, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

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

431. A communication from the President of the United States, transmitting schedules of claims amounting to $933,102.46, allowed by the General Accounting Office, as covered by certificates of settlement (H.Doc. No. 323); to the Committee on Appropriations and ordered to be printed.

432. A communication from the President of the United States, transmitting records of judgments rendered against the Government by the United States district courts, as submitted by the Attorney General through the Secretary of the Treasury (H.Doc. No. 324); to the Committee on Appropriations and ordered to be printed.

433. A communication from the President of the United States, transmitting an estimate of appropriation for the payment of a claim amounting to $7 allowed and certified by the General Accounting Office under certificate of settlement no. 0320408 (H.Doc. No. 325); to the Committee on Appropriations and ordered to be printed.

434. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the payment of claims allowed and certified by the General Accounting Office for payment of interest on amounts withheld from claimants by the Comptroller General of the United States in the sum of $11,393.03 (H.Doc. No. 326); to the Committee on Appropriations and ordered to be printed.

435. A communication from the President of the United States, transmitting a list of judgments rendered by the Court of Claims, which have been submitted by the Attorney General through the Secretary of the Treasury and require an appropriation for their payment (H.Doc. No. 327); to the Committee on Appropriations and ordered to be printed.

436. A communication from the President of the United States, transmitting an estimate of appropriation submitted by the Navy Department to pay claims for damages by collision with naval vessels, in the sum of $12,101.97, and which require an appropriation for their payment (H.Doc. No. 328); to the Committee on Appropriations and ordered to be printed.

437. A communication from the President of the United States, transmitting estimates of appropriations submitted by the Commissioners of the District of Columbia to pay claims and suits which have been settled, amounting to $41,346.87, and which require appropriations for their payment (H.Doc. No. 329); to the Committee on Appropriations and ordered to be printed.

438. A communication from the President of the United States, transmitting deficiency estimates of appropriations for the Department of Justice for the fiscal year 1933 and prior fiscal years, amounting to $11,088.89, and draft of a proposed provision pertaining to an existing appropriation (H.Doc. No. 330); to the Committee on Appropriations and ordered to be printed.

439. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Treasury Department for the fiscal year 1935, amounting to $27,150, together with a draft of a proposed provision pertaining to an existing appropriation (H.Doc. No. 331); to the Committee on Appropriations and ordered to be printed.

440. A communication from the President of the United States, transmitting estimates of appropriation submitted by the several executive departments and independent offices to pay claims for damages to privately owned property in the sum of $34,863.27, which have been considered and adjusted under the provisions of the act of December 28, 1922 (U.S.C., title 31, sec. 215), and which require appropriations for their payment (H.Doc. No. 332); to the Committee on Appropriations and ordered to be printed.

441. A letter from the Secretary of the Treasury, transmitting draft of a bill to amend section 5155 of the Revised Statutes, designed to clarify the situation with respect to the giving of security by national banks for deposits of public moneys; to the Committee on Banking and Currency.

442. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Smithsonian Institution for the fiscal year 1935, amounting to $8,000 (H.Doc. No. 333); to the Committee on Appropriations and ordered to be printed.

443. A communication from the President of the United States, transmitting supplemental estimate of appropriation for the legislative establishment, under the Architect of the Capitol, fiscal year 1935, in the sum of $33,332 (H.Doc. No. 334); 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. LEA of California: Committee on Interstate and Foreign Commerce. H.R. 8700. A bill to establish a code of laws for the Canal Zone, and for other purposes; without amendment (Rept. No. 1386). Referred to the House Calendar.

Mr. COX: Committee on Rules. House Joint Resolution 364. Joint resolution to create a select committee to investigate the administration of the code of fair competition of the petroleum industry, and for other purposes; without amendment (Rept. No. 1388). Referred to the House Calendar.

Mr. DRIVER: Committee on Rules. House Resolution 365. Resolution for the consideration of H.R. 8781, a bill to increase employment by authorizing an appropriation to provide emergency construction of public highways and related projects, and for other purposes; without amendment (Rept. No. 1390). Referred to the House Calendar.

Mr. SOMERS of New York: Committee on Coinage, Weights and Measures. H.R. 8833. A bill to authorize the coinage of 50-cent pieces in commemoration of the three hundredth anniversary of the founding of the Colony of Connecticut; with amendment (Rept. No. 1392). Referred to the Committee of the Whole House on the state of the Union.

Mr. LEA of California: Committee on Interstate and Foreign Commerce. H.R. 8173. A bill authorizing the President to make rules and regulations in respect to alcoholic beverages in the Canal Zone, and for other purposes; without amendment (Rept. No. 1393). Referred to the Committee of the Whole House on the state of the Union.

Mr. SEARS: Committee on Naval Affairs. S. 1103. An act to authorize the Secretary of the Navy to proceed with certain public works at the naval air station, Pensacola, Fla.; with amendment (Rept. No. 1394). Referred to the Committee of the Whole House on the state of the Union.

Mr. O'CONNOR: Committee on Rules. House Resolution 366. Resolution for the consideration of H.R. 8057, a bill to amend the Longshoremen's and Harbor Workers' Compensation Act with respect to rates of compensation, and for other purposes; without amendment (Rept. No. 1395). Referred to the House Calendar.

Mr. DOUGHTON: Committee on Ways and Means. House Joint Resolution 311. Joint resolution to permit articles imported from foreign countries for the purpose of exhibition at A Century of Progress Exposition, Chicago, Ill., to be admitted without payment of tariff, and for other purposes; with amendment (Rept. No. 1396). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROBINSON: Committee on the Public Lands. H.R. 8779. A bill to authorize the Secretary of Agriculture to adjust claims to so-called "Olmstead lands" in the State of North Carolina; without amendment (Rept. No. 1398). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H.R. 9147. A bill to eliminate certain lands from the Craters of the Moon National Monument, Idaho; without amendment (Rept. No. 1399). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H.R. 9148. A bill to accept the cession by the States of North Carolina and Tennessee of exclusive jurisdiction over the lands embraced within the Great Smoky Mountains National Park, and for other purposes; with amendment (Rept. No. 1400). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H.R. 9152. A bill to authorize the transfer of the Otter Cliffs Radio Station on Mount Desert Island in the State of Maine as an addition to the Acadia National Park, and for other purposes; without amendment (Rept. No. 1401). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H.R. 9153. A bill to amend an act entitled "An act to provide for the exercise of sole and exclusive jurisdiction by the United States over the Hawaii National Park in the Territory of Hawaii, and for other purposes", approved April 19, 1930 (46 Stat. 227); without amendment (Rept. No. 1402). Referred to the Committee of the Whole House on the state of the Union.

Mr. KNIFFIN: Committee on Naval Affairs. H.R. 9312. A bill to increase the statutory limit of expenditure for repairs or changes to naval vessels; without amendment (Rept. No. 1403). Referred to the Committee of the Whole House on the state of the Union.

Mr. MONAGHAN of Montana: Committee on Interstate and Foreign Commerce. House Concurrent Resolution 32. Concurrent resolution authorizing and directing the Federal Trade Commission to investigate conditions with respect to the sale and distribution of milk and other dairy products in the United States; without amendment (Rept. No. 1404). Referred to the Committee of the Whole House on the state of the Union.

Mr. LEA of California: Committee on Interstate and Foreign Commerce. H.R. 7667. A bill to provide for the measurement of vessels using the Panama Canal, and for other purposes; without amendment (Rept. No. 1405). Referred to the Committee of the Whole House on the state of the Union.

Mr. CHRISTIANSON: Committee on Indian Affairs. H.R. 8541. A bill to provide for the enrollment of members of the Menominee Indian Tribe of the State of Wisconsin; with amendment (Rept. No. 1406). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H.R. 1640. A bill to authorize the Secretary of the Interior to pay $500 for expenses of Sac and Fox business committee; with amendment (Rept. No. 1407). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H.R. 8017. A bill to provide for expenses of the Crow Indian Tribal Council and authorized delegates of the tribe; without amendment (Rept. No. 1409). Referred to the Committee of the Whole House on the state of the Union.

Mr. COFFIN: Committee on Military Affairs. S. 2046. An act to provide relief for disbursing officers of the Army in certain cases; without amendment (Rept. No. 1411). Referred to the Committee of the Whole House on the state of the Union.

Mr. BANKHEAD: Committee on Rules. House Concurrent Resolution 37. Concurrent resolution providing for a joint session of the two Houses of Congress for appropriate exercises in commemoration of the one hundredth anniversary of the death of Gilbert du Motier, Marquis de La Fayette; without amendment (Rept. No. 1412). Referred to the House Calendar.

Mr. BANKHEAD: Committee on Rules. House Joint Resolution 265. Joint resolution providing for the preparation and completion of plans for a comprehensive observance of the one hundred and fiftieth anniversary of the formulation of the Constitution of the United States; without amendment (Rept. No. 1413). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. ROBINSON: Committee on the Public Lands. H.R. 7970. A bill to authorize the Secretary of the Interior to quitclaim to Jameson Cotting and Anita Cotting, his wife, their heirs and assigns, a certain strip of land containing approximately 3.05 acres in Fairfax County, State of Virginia, in exchange for an equal area to be conveyed to the United States of America; without amendment (Rept. No. 1397). Referred to the Committee of the Whole House.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H.R. 4750. A bill authorizing the Secretary of the Interior to pay E. C. Sampson, of Billings, Mont., for services rendered the Crow Tribe of Indians; without amendment (Rept. No. 1408). Referred to the Committee of the Whole House.

Mr. DUNCAN of Missouri: Committee on Military Affairs. H.R. 1123. A bill for the relief of Arthur Van Gestel, alias Arthur Goodsell; without amendment (Rept. No. 1410). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H.R. 9335) granting an increase of pension to Missouri E. Griffith, and the same was referred to the Committee on Invalid Pensions

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. LOZIER: A bill (H.R. 9391) to provide for a census of unemployment, employment, and occupations to be taken as of November 12, 1934, and for other purposes; to the Committee on the Census.

By Mr. MUSSELWHITE: A bill (H.R. 9392) to reclassify terminal railway post offices; to the Committee on the Post Office and Post Roads.

By Mr. RAMSAY: A bill (H.R. 9393) to equalize the purchasing power of the American dollar, when the same comes in competition with inflated foreign moneys, and to fix duties on imports; to the Committee on Ways and Means.

By Mr. BURKE of Nebraska: A bill (H.R. 9394) to authorize the Federal Radio Commission to purchase and enclose additional land at the radio station near Grand Island, Nebr.; to the Committee on Merchant Marine, Radio, and Fisheries.

By Mr. WEIDEMAN: A bill (H.R. 9395) to provide compensation for disability or death resulting from injury to employees in certain employments in the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. WOODRUFF: A bill (H.R. 9396) to amend subdivision (a) of section 400 of the Revenue Act of 1926, relating to taxes on cigars and cigarettes; to the Committee on Ways and Means.

By Mr. DIMOND: A bill (H.R. 9397) to authorize the incorporated town of Seward, Alaska, to construct and install an electric-light and power plant, and for such purposes to issue bonds in any sum not exceeding $60,000; to the Committee on the Territories.

By Mr. MOREHEAD: A bill (H.R. 9398) authorizing the Brownville Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Missouri River at or near Brownville, Nebr.; to the Committee on Interstate and Foreign Commerce.

By Mr. TURNER: A bill (H.R. 9399) to provide for the acquisition and remodeling of a building to be used as the Dickson (Tenn.), post office; to the Committee on Public Buildings and Grounds.

By Mr. PATMAN: A bill (H.R. 9400) to exempt from taxation certain property of the American Legion in the District of Columbia; to the Committee on the District of Columbia.

By Mr. DOUTRICH: A bill (H.R. 9401) granting the consent of Congress to the Commonwealth of Pennsylvania to construct, maintain, and operate a toll bridge across the Susquehanna River at or near Middletown, Dauphin County, Pa.; to the Committee on Interstate and Foreign Commerce.

By Mr. DIMOND: A bill (H.R. 9402) to authorize the incorporated town of Fairbanks, Alaska, to undertake certain municipal public works, including construction, reconstruction, and extension of sidewalks, construction, reconstruction, and extension of sewers, and construction of a combined city hall and fire-department building, and for such purposes to issue bonds in any sum not exceeding $50,000; to the Committee on the Territories.

By Mr. McCANDLESS: A bill (H.R. 9403) to enable the people of Hawaii to form a constitution and State government; to the Committee on the Territories.

By Mr. TARVER: A bill (H.R. 9404) to authorize the formation of a body corporate to insure the more effective diversification of prison industries, and for other purposes; to the Committee on the Judiciary.

By Mr. KNUTSON (by request): A bill (H.R. 9405) to revise the laws and regulations relating to pensions and other allowances for veterans and their dependents, and for other purposes; to the Committee on Pensions.

By Mrs. NORTON: A bill (H.R. 9406) to regulate the election of delegates representing the District of Columbia to national political conventions; to the Committee on the District of Columbia.

By Mr. HOWARD (by departmental request): A bill (H.R. 9407) to amend the act of March 27, 1928, and section 4 of the act of May 31, 1933, enacted to safeguard the interests and welfare of Indians of the Taos Pueblo, N.Mex., in certain lands within the Carson National Forest; to the Committee on Indian Affairs.

By Mr. McCORMACK (by request): A bill (H.R. 9408) to correct the status of transferred members of the Fleet Naval Reserve placed on the retired list; to the Committee on Naval Affairs.

By Mr. BERLIN: A bill (H.R. 9409) to amend the act entitled "An act relating to the liability of common carriers by railroad to their employees in certain cases", approved April 22, 1908; to the Committee on Interstate and Foreign Commerce.

By Mr. GRIFFIN: A bill (H.R. 9410) providing that permanent appropriations be subject to annual consideration and appropriation by Congress, and for other purposes; to the Committee on Appropriations.

By Mr. COX: Resolution (H.Res. 364) to create a select committee to investigate the administration of the code of fair competition of the petroleum industry, and for other purposes; to the Committee on Rules.

By Mr. DRIVER: Resolution (H.Res. 365) for the consideration of H.R. 8781, a bill to increase employment by authorizing an appropriation to provide emergency construction of public highways and related projects, and for other purposes; to the Committee on Rules.

By Mr. O'CONNOR: Resolution (H.Res. 366) for the consideration of H.R. 8057, a bill to amend the Longshoremen's and Harbor Workers' Compensation Act with respect to rates of compensation, and for other purposes; to the Committee on Rules.

By Mr. CANNON of Wisconsin: Resolution (H.Res. 367) to appoint a special committee to make investigations concerning the manufacture and sale of arms and other war munitions; to the Committee on Rules.

By Mrs. NORTON: Resolution (H.Res. 368) for the consideration of S. 3404, a bill authorizing loans from the Federal Emergency Administration of Public Works for the construction of certain municipal buildings in the District of Columbia, and for other purposes; 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. BLAND: A bill (H.R. 9411) for the relief of James T. Moore; to the Committee on Military Affairs.

By Mr. BROWN of Michigan: A bill (H.R. 9412) granting a pension to Florence L. Collins; to the Committee on Invalid Pensions.

By Mr. CHURCH: A bill (H.R. 9413) granting retired pay to Percy C. Church; to the Committee on Military Affairs.

By Mr. EDMISTON: A bill (H.R. 9414) for the relief of Clarence G. Stonestreet; to the Committee on Military Affairs.

By Mr. ELLENBOGEN: A bill (H.R. 9415) for the relief of Timothy J. Sexton; to the Committee on Naval Affairs.

By Mr. HEALEY: A bill (H.R. 9416) for the relief of Mary E. Lord; to the Committee on Claims.

Also, a bill (H.R. 9417) to authorize the presentation to Frank E. Abbott of a Distinguished Service Cross; to the Committee on Naval Affairs.

By Mr. LANZETTA: A bill (H.R. 9418) for the relief of Edith Jordan; to the Committee on Claims.

By Mrs. ROGERS of Massachusetts: A bill (H.R. 9419) for the relief of Joseph Edward Richards; to the Committee on Military Affairs.

Also, a bill (H.R. 9420) for the relief of Eugene Michael Doran; to the Committee on Naval Affairs.

By Mr. RUFFIN: A bill (H.R. 9421) for the relief of Marie Louise Belanger; to the Committee on Claims.

Also, a bill (H.R. 9422) granting a pension to Jemima Woolery; to the Committee on Invalid Pensions.

Also, a bill (H.R. 9423) for the relief of Stella D. Wickersham; to the Committee on Claims.

By Mr. SCRUGHAM: A bill (H.R. 9424) to authorize the Secretary of the Treasury to convey to the Young Men's Christian Association of Reno, Nev., a portion of the old post-office site in said city; to the Committee on Public Buildings and Grounds.

By Mr. SOMERS of New York: A bill (H.R. 9425) for the relief of George Church; to the Committee on Claims.

Also, a bill (H.R. 9426) granting a pension to Henrietta Zeno; 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:

4355. By Mr. BOYLAN: Resolution adopted by the New York Typographical Union, No. 6, New York City, urging support for the amendment to section 301 of the Radio Act (S. 2910); to the Committee on Merchant Marine, Radio, and Fisheries.

4356. By Mr. BROWN of Michigan: Petition of depositors of the Leonidas Bank, Leonidas, Mich., containing approximately 50 signatures, urging the passage of the Brown bill (H.R. 9175) to provide relief to depositors in closed banks; to the Committee on Banking and Currency.

4357. Also, petition of citizens of the village of Climax, Kalamazoo County, Mich., containing approximately 100 signatures, urging the passage by Congress of House bill 9175, a bill by Mr. BROWN of Michigan to provide relief to depositors in closed banks, or the passage of the McLeod bill as reported with amendments by the House Banking and Currency Committee; to the Committee on Rules.

4358. Also, petition of citizens of the village of Scotts, Kalamazoo County, Mich., containing 50 signatures, urging the passage by Congress of House bill 9175, a bill by Mr. BROWN of Michigan to provide relief to depositors in closed banks, or the passage of the McLeod bill as reported with amendments by the House Banking and Currency Committee; to the Committee on Rules.

4359. By Mr. BRUNNER: Resolution of Council No. 120, Sons and Daughters of Liberty, South Ozone Park, N.Y., urging Congress to defeat the efforts being made by political leaders and exploiters of labor to defeat the spirit of restricted immigration; to the Committee on Immigration and Naturalization.

4360. Also, petition of Champlain Council, No. 441, Knights of Columbus, Elmhurst, Long Island, N.Y., favoring the proposed amendments to section 301 of Senate bill 2910, sponsored by Rev. Father Harney; to the Committee on Merchant Marine, Radio, and Fisheries.

4361. Also, petition of St. Teresa's Holy Name Society, Woodside, Long Island, N.Y., supporting the amendment to section 30k of Senate bill 2910, in behalf of radio station WLWL; to the Committee on Merchant Marine, Radio, and Fisheries.

4362. By Mr. FORD: Resolution by committee of 11 accredited representatives of municipalities in Los Angeles County, urging immediate resumption of a program comparable to the Civil Works Administration program, and particularly urging that funds be allocated to Los Angeles County in an amount not less than that expended on the Civil Works Administration program at its peak; that all incomplete Civil Works Administration projects shall be resumed immediately and carried to completion as approved, and that the Federal Government pay for materials, insurance, equipment, and supervision as called for in the approved Civil Works Administration applications for these projects; that the Federal Government arrange to pay for materials, equipment, insurance, and supervision on new projects; and that the administration and control of the emergency relief program in this county shall be handled by the United States Army engineers; to the Committee on Appropriations.

4363. Also, resolution adopted by Marine Engineers' Beneficial Association, No. 97, urging support of Wagner-Connery bill; to the Committee on Labor.

4364. By Mr. FOSS: Resolution of the General Court of the Commonwealth of Massachusetts, favoring the making of direct loans to industry by the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

4365. By Mr. HAINES: Resolution signed by members of Branch 1363, Ladies Catholic Benevolent Association, of York, Pa., approving amendment to section 301 of Senate bill 2910, and going on record as approving the valiant struggle of the non-profit-making associations conducting radio stations to preserve their ideals of serving in the public interest, etc.; to the Committee on Merchant Marine, Radio, and Fisheries.

4366. Also, resolution from Lily of the Valley Council, No. 79, Sons and Daughters of Liberty, of Waynesboro, Pa., in reference to restriction of immigration; to the Committee on Immigration and Naturalization.

4367. By Mr. HIGGINS: Resolution of the Ladies Catholic Benevolent Association, Branch No. 681, New London, Conn., favoring an amendment to section 301 of Senate bill 2910, a bill providing for the unification of the radio, telephone, and telegraph systems of the United States, in behalf of Radio Station WLWL, of New York City; to the Committee on Merchant Marine, Radio, and Fisheries.

4368. By Mr. HILDEBRANDT: Resolutions of members of the Immaculate Conception Catholic Church, of Winner, S.Dak., and the Winner Council, No. 2708, Knights of Columbus Lodge, of Winner, respectively, urging support of

the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4369. Also, resolution of the Women's Society of the White Temple Baptist Church, of Mitchell, S.Dak., urging support of House bill no. 6097, for supervision of motion pictures, known as the "Patman bill", and House Resolution No. 144; to the Committee on Interstate and Foreign Commerce.

4370. Also, resolutions of citizens of the city of Miller, Hand County; Volin, Armour, Mitchell, Huron, Watertown, and Sioux Falls, S.Dak.; urging support of House bill 6097, known as the "Patman bill", for supervision of motion pictures; to the Committee on Interstate and Foreign Commerce.

4371. By Mr. JOHNSON of Minnesota: Resolution by the Lions Club, Brainerd, Minn., urging the passage of House bill 8100, amending the Interstate Commerce Act; to the Committee on Interstate and Foreign Commerce.

4372. Also, resolution by the Brainerd Chamber of Commerce, urging the passage of House bill 8100, to amend the Interstate Commerce Act; to the Committee on Interstate and Foreign Commerce.

4373. Also, resolution by the Hibbing Chamber of Commerce, protesting against the Post Office Department's order to furlough employees; to the Committee on the Post Office and Post Roads.

4374. By Mr. JOHNSON of Texas: Memorial of L. W. Hartsfield, president of Hillsboro Junior College, Hillsboro, Tex., favoring House bill 8956; to the Committee on Banking and Currency.

4375. By Mr. KRAMER: Resolution adopted by the Veterans of Foreign Wars, Post No. 2970, on April 2, 1934, recommending that adequate protection be kept at Arlington Cemetery showcase in the future, 24 hours a day, every day of the year, to protect against further thefts of medals that cannot be replaced, and that guards for said duty be furnished from the United States Army stationed at a fort in the vicinity; to the Committee on the Judiciary.

4376. By Mr. LINDSAY: Petition of the Recovery Democratic organization, fifteenth assembly district, Brooklyn, N.Y., urging support of section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4377. Also, petition of the Currency and Credit League of the United States of America, Chicago, Ill., urging Congress to take necessary steps to remonetize silver without delay; to the Committee on Coinage, Weights, and Measures.

4378. Also, petition of Linford S. Stiles, Kensington Great Neck, N.Y., concerning the Fletcher-Rayburn bill; to the Committee on Interstate and Foreign Commerce.

4379. Also, petition of the Fur Wholesalers Association of America, New York City, concerning tax on furs; to the Committee on Ways and Means.

4380. Also, petition of the Brown & Ferraro Cooperage Co., Inc., Brooklyn, N.Y., urging defeat of House bill 8782; to the Committee on Agriculture.

4381. Also, telegram from Robert Allyn and others, Brooklyn, N.Y., favoring the Thomson bill; to the Committee on Military Affairs.

4382. Also, petition of The Crusaders, Inc., New York City, urging defeat of the Johnson bill to amend section 24 of the Judicial Code without the House committee amendment; to the Committee on the Judiciary.

4383. By Mrs. ROGERS of Massachusetts: Petition of the Opportunity Club of the North Congregational Church, of Cambridge, Mass., requesting Congress to investigate the whole Communist movement in the United States; to the Committee on the Judiciary.

4384. By Mr. RUDD: Petition of The Crusaders, Inc., New York City, opposing the Johnson Senate bill and favoring the House committee amendment; to the Committee on the Judiciary.

4385. Also, petition of the Currency and Credit League of the United States of America, Chicago, Ill., favoring legislation to remonetize silver; to the Committee on Coinage, Weights, and Measures.

4386. By Mr. WOLCOTT: Memorial of the Council of the Village of Ecorse, Mich., urging enactment of the McLeod bill (H.R. 8479) providing for the pay-off of depositors in closed banks; to the Committee on Banking and Currency.

SENATE

TUESDAY, MAY 1, 1934

(Legislative day of Thursday, Apr. 26, 1934)

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

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar day Monday, April 30, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had agreed to the amendments of the Senate to the bill (H.R. 3845) to amend section 198 of the act entitled "An act to codify, revise, and amend the penal laws of the United States", approved March 4, 1909, as amended by the acts of May 18, 1916, and July 28, 1916.

PURCHASE OF VEHICLES FROM EMERGENCY RECOVERY FUNDS

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, reporting in response to Senate Resolution 217, agreed to April 25, 1934, relative to purchases of passenger-carrying vehicles out of emergency recovery funds, which, with the accompanying papers, was ordered to lie on the table.

SACHS MERCANTILE CO., INC., *v.* THE UNITED STATES

The VICE PRESIDENT laid before the Senate a letter from the Chief Clerk of the Court of Claims, transmitting, pursuant to order of the court, a certified copy of the special findings of fact, conclusion of law, and opinion of the court, filed February 5, 1934, in the case of the *Sachs Mercantile Co., Inc.,* v. *the United States,* Congressional, No. 17638, which was referred to the court on January 28, 1929, by resolution of the Senate, under the act of March 3, 1911, known as the Judicial Code, which, with the accompanying paper, was referred to the Committee on Claims.

PETITIONS AND MEMORIALS

Mr. CAPPER presented the petition of Local Union No. 397, Brotherhood of Painters, Decorators, and Paperhangers, of Hutchinson, Kans., praying for the passage of the so-called "Wagner-Connery bill", being the bill (S. 2926) to equalize the bargaining power of employers and employees, to encourage the amicable settlement of disputes between employers and employees, to create a National Labor Board, and for other purposes, which was referred to the Committee on Education and Labor.

He also presented the petition of Local Union No. 19367, Federal Labor Union, of Hutchinson, Kans., praying for the passage of the so-called "Wagner-Lewis bill", being the bill (S. 2616) to raise revenue by levying an excise tax upon employers, and for other purposes, which was referred to the Committee on Finance.

He also presented memorials of sundry citizens of Hutchinson, Salina, and Wichita, Kans., remonstrating against the passage of the so-called "Fletcher-Rayburn bill", providing for the regulation of stock exchanges, which were ordered to lie on the table.

Mr. WALSH presented resolutions of Bricklayers, Masons, and Plasterers International Union, No. 11, of Massachusetts, of Fall River, and the National Woolsorters' Association of the United States, Lawrence, in the State of Massachusetts, favoring the passage of the so-called "Wagner-Lewis bill", being the bill (S. 2616) to raise revenue by levying an excise tax upon employers, and for other purposes, which were referred to the Committee on Finance.

He also presented resolutions adopted by members of the parishes of St. John, of Millers Falls, and St. Patrick, of