3902. By Mr. THOMAS F. FORD: Resolution of the City Council of Los Angeles, Calif., memorializing the Congress of the United States to enact necessary legislation for the continuation, during the ensuing fiscal year, of the Works Progress Administration program under conditions and regulations now in force, without any limitation upon the cost of projects to be undertaken; to enact into law House bill 4576, for the continuation of the Public Works Administration construction program, thus providing work for the unemployed citizens of this country and obtaining valuable public improvements; to the Committee on Appropriations.

3903. By Mr. KEOGH: Petition of the United Federal Workers of America, Washington, D. C., favoring the passage of the Ramspeck bill (H. R. 960); to the Committee on the Civil Service.

3904. Also, petition of the Emerson Radio & Phonograph Corporation, New York City, concerning the repeal of the Federal 5-percent tax on radios; to the Committee on Ways and Means.

3905. Also, petition of Local No. 251, National Federation of Post Office Clerks, Brooklyn, N. Y., concerning the Neely bill (S. 281); to the Committee on the Civil Service.

3906. By Mr. LAMBERTSON: Petition of Mrs. W. H. Dittemore and 15 other members of the Farm Bureau unit of Denton, Kans., urging Congress to do everything possible to prevent war; to the Committee on Foreign Affairs.

3907. By Mr. PFEIFER: Petition of the Emerson Radio & Phonograph Corporation, New York City, urging repeal of the Federal 5-percent excise tax on radios; to the Committee on Ways and Means.

3908. Also, petition of the Knight Oil Corporation, New York City, opposing extension of the Connally bill (S. 1302); to the Committee on Interstate and Foreign Commerce.

3909. By Mr. POLK: Petition signed by 59 residents of Scioto County, Ohio; also telegrams and about 100 letters from other residents of the county, urging the enactment of House bill 6470, the so-called Murray-Casey bill; to the Committee on Appropriations.

3910. By Mr. SCHIFFLER: Petition of Mary Ann Rush and 52 other citizens of Wheeling, W. Va., urging the extension of the classified executive civil service of the United States; to the Committee on the Civil Service.

3911. By Mr. RISK: Joint resolution of the City Council of the City of Providence, R. I., urging the United States Government to use its good offices in preserving the integrity of the Balfour declaration in the interests of the Jewish national home at Palestine; to the Committee on Foreign Affairs.

3912. By Mr. TARVER: Petition of mothers, wives, and daughters, of Pelham, Ga., protesting against sending sons, husbands, and brothers on foreign soil to fight other countries' wars; to the Committee on Foreign Affairs.

3913. By Mr. VOORHIS of California: Petition of George W. Rackliff, of Alhambra, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3914. Also, petition of Jessie LaFayette, of Baldwin Park, Calif., and 69 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3915. Also, petition of Ira J. Teurman, of Baldwin Park, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3916. Also, petition of Juanita Brooks, of Monrovia, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3917. Also, petition of Mary A. Kirby, of Whittier, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3918. Also, petition of Hugh B. Dailey, of Los Angeles, Calif., and 18 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3919. Also, petition of Howard T. Whited, of El Monte, Calif., and 59 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3920. Also, petition of C. W. Gardines, of Pico, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3921. Also, petition of Walter S. Conn, of Los Angeles, Calif., and 59 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3922. Also, petition of L. F. Langford, of Pasadena, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3923. Also, petition of Alice B. Mooney, of Pasadena, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3924. Also, petition of W. S. Sanders, of Pomona, Calif., and 59 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3925. Also, petition of C. Robert Weber, of El Monte, Calif., and 23 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3926. Also, petition of H. C. Carlson, of Baldwin Park, Calif., and 65 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3927. Also, petition of A. R. Christensen, of Baldwin Park, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3928. Also, petition of Perry Mayhew, of Baldwin Park, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3929. Also, petition of John A. Haggart, of Baldwin Park, Calif., and 29 others, urging support of House bill 5620, known as the General Welfare Act; to the Committee on Ways and Means.

3930. By the SPEAKER: Petition of William Kennedy, of San Francisco, Calif., petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration appropriation; to the Committee on Appropriations.

3931. Also, petition of the New Jersey State Bar Association, Trenton, N. J., petitioning consideration of their resolution with reference to the appointment of a United States district court judge for the district of New Jersey to fill the existing vacancy; to the Committee on the Judiciary.

SENATE

WEDNESDAY, JUNE 21, 1939

(Legislative day of Thursday, June 15, 1939)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Chaplain, Rev. ZeBarney T. Phillips, D. D., offered the following prayer:

O God, the everliving One, from whom all is endowed, with whom all is imbued, and who art in the mind that seeks Thee out: Bring us nearer to Thyself and closer to our fellow men in constraining and consecrating us to all duty and service, that we may be kept from burdening ourselves needlessly with cares, anxieties, and frets that cloud the mind. Give to us the discerning wisdom so needful for the exacting duties that confront us here, and, as we go from strength to strength, empower us with the spirit of divine compassion, which was the habitual mood of Christ, who saw the tragedy in which all human life is caught, and, on the cross, revealed that love which men may not resist, and which wins to itself every seeker after peace. We ask it in His name and for His sake. Amen.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day, Tuesday, June 20, 1939, was dispensed with and the Journal was approved.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Davis	La Follette	Reynolds
Andrews	Donahey	Lee	Russell
Ashurst	Ellender	Logan	Schwartz
Austin	Frazier	Lucas	Schwellenbach
Bailey	George	Lundeen	Shipstead
Bankhead	Gerry	McCarran	Slattery
Barbour	Gillette	McKellar	Smathers
Barkley	Green	Maloney	Taft
Bilbo	Guffey	Mead	Thomas, Okla.
Bone	Gurney	Miller	Tobey
Borah	Harrison	Minton	Townsend
Bridges	Hatch	Murray	Truman
Brown	Hayden	Neely	Tydings
Bulow	Herring	Norris	Vandenberg
Burke	Hill	Nye	Van Nuys
Byrd	Holman	O'Mahoney	Wagner
Capper	Holt	Overton	Walsh
Chavez	Hughes	Pepper	Wheeler
Clark, Idaho	Johnson, Calif.	Pittman	White
Clark, Mo.	Johnson, Colo.	Radcliffe	Wiley
Danaher	King	Reed	

Mr. MINTON. I announce that the Senator from Virginia [Mr. GLASS] is detained from the Senate because of illness.

The Senator from South Carolina [Mr. SMITH] is absent because of illness in his family.

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from Texas [Mr. CONNALLY] are necessarily detained.

The Senator from South Carolina [Mr. BYRNES], the Senator from California [Mr. DOWNEY], the Senator from Tennessee [Mr. STEWART], the Senator from Utah [Mr. THOMAS], and the Senator from Texas [Mr. SHEPPARD] are detained on important public business.

Mr. AUSTIN. I announce that the Senator from Oregon [Mr. MCNARY] is absent because of illness, and the Senator from Massachusetts [Mr. LODGE] is absent on public business.

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

ROOFS AND SKYLIGHTS OVER WINGS OF CAPITOL

The VICE PRESIDENT, under the terms of the Legislative Branch Appropriation Act (Public, No. 130, 76th Cong.), approved June 16, 1939, appointed the Senator from Texas [Mr. CONNALLY] as the member on the part of the Senate of the joint committee to direct a structural engineering study of the roofs and skylights over the wings of the Capitol Building.

WARRANTS AND SUBPENAS IN CONNECTION WITH VIOLATIONS OF POSTAL LAWS

The VICE PRESIDENT laid before the Senate a letter from the Acting Postmaster General, transmitting a draft of proposed legislation designed to give the Inspection Service of the Post Office Department authority to serve warrants and subpenas in connection with violations of the postal laws, and also to authorize the making of arrests without warrants where there is danger that a person believed, upon reasonable grounds, to have been guilty of a postal felony may escape before a warrant can be obtained for his arrest, which, with the accompanying paper, was referred to the Committee on Post Offices and Post Roads.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a petition of sundry citizens of the State of New Jersey praying that the Federal Music Project and Opera Co. be retained and appropriated for in pending legislation under the administration of the W. P. A., which was referred to the Committee on Appropriations.

He also laid before the Senate petitions of sundry citizens of New York City praying that a one-man board administer the Works Progress Administration, that there may be no decentralization of the arts project and no curtailment of the theater project, and that no restrictions be placed on the Works Progress Administration in pending legislation, which were referred to the Committee on Appropriations.

He also laid before the Senate a telegram in the nature of a memorial from The Junior Members Round Table of the American Library Association, signed by Norma Olin Ireland, chairman, San Francisco, Calif., remonstrating against the confirmation of the nomination of Archibald MacLeish, of Connecticut, to be Librarian of Congress, which was ordered to lie on the table.

Mr. CAPPER presented a concurrent resolution adopted by the house of representatives and the senate of the Sunflower Girls' State (State of Kansas), Topeka, Kans., favoring the enactment of legislation to provide for the continuation of the National Youth Administration program in the high schools of the Nation, which was referred to the Committee on Appropriations.

JEWISH NATIONAL HOME IN PALESTINE

Mr. GREEN presented a resolution of the City Council of Providence, R. I., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Whereas recognition has been given by the nations of the world to the historic connection of the Jewish people with Palestine and to the grounds for reconstituting their national home in this country; and

Whereas the United States of America has given its approval to the reestablishment of the Jewish national home in Palestine, as embodied in a resolution adopted by the Congress of the United States known as the Lodge resolution; and

Whereas this body deplores the persecution of peoples in any land based upon racial bigotry and religious intolerance, and has on previous occasions expressed its sympathetic interest in the Jewish national inspirations: Now, therefore, be it

Resolved by the City Council of Providence, R. I., in joint session assembled, That it expresses concern in the welfare of the Jewish national home and its admiration of the progress made in Palestine by the efforts of the Jewish pioneers; and that it views with favor their achievements in Palestine, where opportunities were created for tens of thousands of Jews to return to the land of their fathers as of right and not on sufferance; and be it further

Resolved, That the United States of America be, and is, respectfully solicited to use its good offices for the purpose of safeguarding the integrity of the Balfour declaration, assuring its consummation and the interest of the Jewish national home in accordance with the terms of the Palestine mandate, to the end that the doors of Palestine may be opened for the purpose of admitting the homeless Jewish victims of racial bigotry and religious intolerance where they may find the opportunity of rebuilding their broken lives; and be it also further

Resolved, That copies of these resolutions be forwarded by the clerk of the city council to the President of the United States, to the Vice President of the United States, to the Speaker of the House of Representatives, and to the Representatives in Congress from the State of Rhode Island.

REPORTS OF COMMITTEES

Mr. ADAMS, from the Committee on Public Lands and Surveys, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

S. 5. A bill to grant certain lands to the Arizona State Elks Association Hospital (Rept. No. 637);

S. 770. A bill to authorize the addition to Glacier National Park, Mont., of certain property acquired for the establishment and operation of a fish hatchery, and for other purposes (Rept. No. 638); and

S. 2152. A bill to protect scenic values along the Catalina Highway within the Coronado National Forest, Ariz. (Rept. No. 639).

Mr. ADAMS also, from the Committee on Public Lands and Surveys, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

S. 2619. A bill to provide a measure of damages for trespass involving timber and other forest products upon lands of the United States (Rept. No. 640); and

S. 2624. A bill to amend the act of August 24, 1912 (37 Stat. 460), as amended, with regard to the limitation of cost upon the construction of buildings in national parks (Rept. No. 641).

Mr. LA FOLLETTE, from the Committee on Indian Affairs, to which was referred the bill (S. 607) to amend section 40 of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September 7, 1916, as amended, reported it with an amendment and submitted a report (No. 642) thereon.

He also, from the same committee, to which was referred the bill (H. R. 4497) to prescribe rules for the enrollment of Menominee Indian children born to enrolled parents, and for other purposes, reported it without amendment and submitted a report (No. 643) thereon.

Mr. HOLMAN, from the Committee on Military Affairs, to which was referred the bill (S. 1618) granting an annuity to William F. Pack, reported it with an amendment and submitted a report (No. 644) thereon.

Mr. GURNEY, from the Committee on Military Affairs, to which was referred the bill (S. 1750) authorizing the Secretary of War to convey to the town of Marmet, W. Va., two tracts of land to be used for municipal purposes, reported it with amendments and submitted a report (No. 645) thereon.

Mr. SLATTERY, from the Committee on Military Affairs, to which was referred the bill (S. 2031) authorizing the Secretary of War to bestow the Silver Star upon Michael J. Quinn, reported it without amendment and submitted a report (No. 646) thereon.

Mr. WAGNER, from the Committee on Banking and Currency, to which was referred the bill (S. 2240) to provide for a national census of housing, reported it with amendments and submitted a report (No. 647) thereon.

Mr. BANKHEAD, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 1836) to promote farm ownership by amending the Bankhead-Jones Farm Tenant Act to provide for Government-insured loans to farmers, to encourage sale of farms held by absentee owners to farm tenants, and to enable tenant farmers to become owners of farm homes through long-term low-interest rate loans on farms, and for other purposes, reported it with an amendment, and submitted a report (No. 649) thereon.

Mr. SCHWARTZ, from the Committee on Claims, to which were referred the following bills, reported them severally with amendments and submitted reports thereon:

S. 753. A bill for the relief of the widow and children of Dr. Joe M. Ferguson (Rept. No. 650);

S. 2156. A bill for the relief of Walter Petersen (Rept. No. 651); and

S. 1445. A bill for the relief of Bruno Arena (Rept. No. 652).

Mr. SCHWARTZ also, from the Committee on Claims, to which was referred the bill (S. 2271) for the relief of Barnet Warren, reported it with an amendment and submitted a report (No. 653) thereon.

He also, from the same committee, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

H. R. 3673. A bill for the relief of the Allegheny Forging Co. (Rept. No. 654); and

S. 1839. A bill for the relief of Le Roy Breithaupt (Rept. No. 655).

Mr. HUGHES, from the Committee on Claims, to which was referred the bill (S. 2607) authorizing the Comptroller General of the United States to settle and adjust the claim of Edith Easton and Alma E. Gates, reported it without amendment and submitted a report (No. 656) thereon.

He also, from the same committee, to which was referred the bill (S. 1810) for the relief of the Citizens State Bank of Marianna, Fla., reported it with an amendment and submitted a report (No. 657) thereon.

Mr. BAILEY, from the Committee on Commerce, to which was referred the bill (S. 1989) to provide for the alteration of certain bridges over navigable waters of the United States, for the apportionment of the cost of such alterations between the United States and the owners of such bridges, and for other purposes, reported it with amendments and submitted a report (No. 658) thereon.

ENROLLED BILLS PRESENTED

Mr. TRUMAN, from the Committee on Enrolled Bills, reported that that committee presented to the President of the United States the following enrolled bills:

On June 15, 1939:

S. 1886. An act to extend to June 16, 1942, the period within which certain loans to executive officers of member banks of the Federal Reserve System may be renewed or extended; and

S. 2154. An act to modify the provisions of section 14 of the act of June 30, 1834, and section 10 of the act of June 22, 1874, relating to the Indians.

On June 21, 1939:

S. 1569. An act to amend the Agricultural Adjustment Act of 1938, as amended.

BILLS INTRODUCED

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

By Mr. BAILEY:

S. 2657. A bill to provide for the refund of amounts paid as taxes or paid for tax-exemption certificates, tax-payment warrants, or tax-exemption stamps, under the Bankhead Cotton Act of 1934, the Kerr Tobacco Act, and the Potato Act of 1935; to the Committee on Agriculture and Forestry.

S. 2658. A bill for the relief of Etta Houser Freeman; to the Committee on Claims.

By Mr. GILLETTE:

S. 2659. A bill to authorize the presentation of a Congressional Medal of Honor to Frank L. Williams; to the Committee on Military Affairs.

By Mr. THOMAS of Oklahoma:

S. 2660. A bill amending Public Law No. 96 of the Seventy-fifth Congress, being an act entitled "An act amending section 2 of Public Law No. 716 of the Seventy-fourth Congress, being an act entitled 'An act to relieve restricted Indians whose lands have been taxed or have been lost by failure to pay taxes, and for other purposes'"; to the Committee on Indian Affairs.

By Mr. PEPPER:

S. 2661. A bill to create a board of inspectors, Bureau of Marine Inspection and Navigation, at Miami, Fla.; to the Committee on Commerce.

By Mr. WAGNER:

S. 2662. A bill authorizing the Secretary of the Treasury to convey an easement in certain lands to the city of New York, and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. SHIPSTEAD:

S. 2663. A bill to amend the act entitled "An act for the grading and classification of clerks in the Foreign Service of the United States of America, and providing compensation therefor," approved February 23, 1931, as amended; to the Committee on Foreign Relations.

By Mr. BYRD:

S. 2664. A bill to amend the act of June 30, 1936 (49 Stat. 2041), providing for the administration and maintenance of the Blue Ridge Parkway, in the States of Virginia and North Carolina, by the Secretary of the Interior, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. LUNDEEN:

S. 2665. A bill for the relief of the tornado sufferers of Anoka, Minn.; to the Committee on Appropriations.

By Mr. KING:

S. 2666. A bill providing for the exchange of certain park lands at the northern boundary of Piney Branch Parkway, near Argyle Terrace for other lands more suitable for the use and development of Piney Branch Parkway; to the Committee on the District of Columbia.

By Mr. HATCH:

S. 2667. A bill for the relief of Mr. and Mrs. John W. Finley; to the Committee on Claims.

By Mr. ELLENDER:

S. 2668. A bill for the relief of T. B. Sellers; to the Committee on Finance.

By Mr. KING:

S. 2669. A bill to admit Orris R. Grimmesey permanently to the United States; to the Committee on Immigration.

RELIEF OF TORNADO SUFFERERS AT ANOKA, MINN.

Mr. LUNDEEN. Mr. President, within the last few hours we have been made acquainted with terrific storms and a tornado in the city of Anoka in Minnesota, and I have today introduced a bill authorizing the appropriation of $100,000 for the relief of sufferers not only from the storm, but from the heavy rains and terrific weather visited upon the people of the stricken vicinity after the tornado swept by, leaving the people without homes, without shelter, and in some cases without food. I wish to call this measure to the attention of the Senate at this time. We have often come to the rescue of lands across the sea in the past. Now, here is an American city in Minnesota—a fine upstanding community of good, God-fearing American people—the business center of that city destroyed, homes wrecked by cyclone and storm. It is our duty to help them in this awful crisis. I plead with the Senate and the Congress to lend a hand to our distressed citizens of Minnesota that they may be able to rebuild their homes and firesides and raise again their industries, where strong men earned a livelihood for their wives and children. I feel certain the Senate will heed their call for help. These citizens will gladly enter into any arrangement that our executive and legislative departments of Government may devise. State and Nation must act in a material and realistic way; sympathy and condolence is not enough. I thank the Senate.

(See S. 2665, under the proper heading, introduced today by Mr. LUNDEEN and referred to the Committee on Appropriations.)

Mr. LUNDEEN. I ask unanimous consent that the bill be printed in the RECORD at this point.

There being no objection, the bill (S. 2665) for the relief of the tornado sufferers of Anoka, Minn., was ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the mayor of Anoka, Minn., the sum of $100,000, to be used for the relief of the victims of the tornado which occurred in said city on June 18, 1939.

THE REVENUE—AMENDMENTS

Mr. LA FOLLETTE submitted several amendments intended to be proposed by him to the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, which were ordered to lie on the table and to be printed.

WORK RELIEF AND RELIEF—AMENDMENTS

Mr. HAYDEN submitted sundry amendments, Mr. MEAD submitted several amendments, and Mr. JOHNSON of Colorado submitted two amendments intended to be proposed by them, respectively, to the joint resolution (H. J. Res. 326) making appropriations for work relief, relief, and to increase employment by providing loans and grants for public-works projects for the fiscal year ending June 30, 1940, which were referred to the Committee on Appropriations and ordered to be printed.

LABOR DEPARTMENT APPROPRIATIONS

The VICE PRESIDENT laid before the Senate the action of the House of Representatives insisting upon its disagreement to the amendments of the Senate numbered 1, 14, and 15 to the bill (H. R. 5427) making appropriations for the Labor Department for the fiscal year ending June 30, 1940, and for other purposes.

Mr. McKELLAR. I move that the Senate further insist upon its amendments still in disagreement, request a further conference with the House thereon, and that the Chair appoint as conferees on the part of the Senate the same conferees who were appointed on the original bill.

The motion was agreed to; and the Vice President appointed Mr. McKELLAR, Mr. RUSSELL, Mr. McCARRAN, Mr. BANKHEAD, Mr. LODGE, and Mr. BRIDGES conferees on the part of the Senate at the further conference.

TRIBUTE TO THE LATE GRACE ABBOTT

Mr. DAVIS. Mr. President, our country has lost a valued citizen in the passing of Miss Grace Abbott. I had the honor of being associated with the work of the Children's Bureau in the Department of Labor during a period of almost 10 years when Miss Abbott was Chief. I have never known a more capable administrator. Her energy and enthusiasm in behalf of the youth of the Nation brought rich returns in health and happiness for an uncounted host of underprivileged children. She was indeed the benefactor of the entire Nation. Miss Abbott will always be remembered for the high ideals of public service which she established while Chief of the Children's Bureau.

Mr. President, I ask unanimous consent to have printed in the RECORD as a part of my remarks an editorial on Grace Abbott published in the Washington Post for June 21, 1939.

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

[From the Washington Post of June 21, 1939]

GRACE ABBOTT

The death of Grace Abbott, professor of public welfare administration at the University of Chicago and former head of the United States Children's Bureau, brings to an untimely close a distinguished career of public service.

Few men and women possess the qualities that enable them to function both as effective crusaders for social betterment and as capable administrators. Miss Abbott was one of the rare individuals who could do both. Her zeal as a reformer was tempered by the restraint that comes from having a trained mind and a disciplined imagination.

As Director of the Children's Bureau during the formative years from 1921 to 1934 Miss Abbott's name became known to literally millions of households interested in the problems of child welfare. Her efforts were directed constantly toward improving and expanding the statistical and informational services of the organization and establishing closer contact with the States and local communities. While engaged in this exacting work she served as a member of numerous private committees and governmental bodies at home, and on various occasions represented this country at international conferences dealing with the problems of women and children.

Miss Abbott's competence as a bureau head and her broad vision of the developmental task that awaited her as Chief of the Children's Bureau were due, to some extent, to her varied experiences as a social worker and her expert knowledge of governmental organization and administration. Before entering the Federal service, for instance, she had been director of the Immigrants' Protective League of Chicago and executive secretary of the State immigration commissions of Massachusetts and Illinois. In this capacity she became especially interested in the children of immigrants and the difficulties encountered in adjusting them to an alien environment.

When Miss Abbott retired voluntarily from the public service 5 years ago it was to take up another kind of work for which she was ideally fitted—that of training others to enter a field in which she had labored with such conspicuous success. After becoming associated with the University of Chicago she continued to serve the public as teacher, editor of the Social Service Review, and author of a recently published authoritative study, The Child and the State.

Her death deprives the country of an outstanding citizen, honored for what she has achieved and doubly regretted because she was not given time to make the fuller contribution of which she was capable.

Mr. NORRIS. Mr. President, I wish to add a word to what the Senator from Pennsylvania has said concerning Miss Grace Abbott. When history is written I believe it will be demonstrated that she was one of the noblest women our country ever produced. She was always unselfish. She forgot herself and her own interests in doing good to others. She was the greatest friend the children of our country ever had. She lived a noble life. She did much good in this world, and untold benefit and happiness will come to millions of children who never knew Miss Abbott. Students of present-day history know her worth.

I agree fully with the sentiments expressed by the Senator from Pennsylvania.

THE TOWNSEND PLAN AND THE G. O. P.—ADDRESS BY HON. JAMES A. FARLEY

[Mr. BARKLEY asked and obtained leave to have printed in the Appendix of the RECORD an address by Hon. James A. Farley, chairman of the Democratic National Committee, on

the subject The Townsend Plan and the G. O. P., which appears in the Appendix.]

ADDRESS BY GOVERNOR WHITE, OF MISSISSIPPI, BEFORE KANSAS STATE CHAMBER OF COMMERCE

[Mr. HARRISON asked and obtained leave to have printed in the RECORD the address delivered by Hon. Hugh L. White, Governor of Mississippi, before the Kansas State Chamber of Commerce at Wichita, Kans., on June 16, 1933, on the subject Land of the Free, which appears in the Appendix.]

EMPLOYEES OF CIVIL AERONAUTICS AUTHORITY

[Mr. BAILEY asked and obtained leave to have printed in the RECORD a letter addressed by Hon. Harllee Branch, Vice Chairman, Civil Aeronautics Authority, to the editor of the Huntington (W. Va.) Advertiser, in regard to the number of employees of the Civil Aeronautics Authority, which appears in the Appendix.]

FACTS ABOUT TRADE AGREEMENTS—ARTICLE BY C. E. BROUGHTON

[Mr. MCKELLAR asked and obtained leave to have printed in the RECORD an article entitled "The Facts About Trade Agreements," by C. E. Broughton, editor of the Sheboygan (Wis.) Press, which appears in the Appendix.]

TREATY OBLIGATIONS—RADIO ADDRESS BY H. V. KALTENBORN

[Mr. SCHWELLENBACH asked and obtained leave to have printed in the RECORD a radio address by H. V. Kaltenborn on the subject of treaty obligations, which appears in the Appendix.]

SAVINGS IN OPERATION OF NATIONAL LABOR RELATIONS ACT IN 1938

[Mr. WAGNER asked and obtained leave to have printed in the RECORD a study made by Morris Weisz, assistant economist of the National Labor Relations Board, on the subject of savings resulting from the effective operation of the National Labor Relations Act in 1938, compared with costs of its operation, which appears in the Appendix.]

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the amendment of the House to the bill (S. 1117) to provide for the reimbursement of certain enlisted men or former enlisted men of the United States Navy for the value of personal effects lost in the hurricane at the submarine base, New London, Conn., on September 21, 1938.

The message also announced that the House had passed the bill (S. 1302) to make permanently effective the act entitled "An act to regulate interstate and foreign commerce in petroleum and its products by prohibiting the shipment in such commerce of petroleum and its products produced in violation of State law, and for other purposes," approved February 22, 1935, as amended, and for other purposes, with amendments, in which it requested the concurrence of the Senate.

The message further announced that the House insisted upon its amendment to the bill (S. 1164) for the relief of Nadine Sanders, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. KENNEDY of Maryland, Mr. KEOGH, and Mr. THOMAS of New Jersey were appointed managers on the part of the House at the conference.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H. R. 875) for the relief of Okie May Fegley, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. KENNEDY of Maryland, Mr. KEOGH, and Mr. THOMAS of New Jersey were appointed managers on the part of the House at the conference.

The message further announced that the House had agreed to the amendment of the Senate to the bill (H. R. 4133) for the relief of Joseph N. Thiele.

The mesage 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 amendments of the Senate to the bill (H. R. 6260) making appropriations for the fiscal year ending June 30, 1940, for civil functions administered by the War Department, and for other purposes; that the House had receded from its disagreement to the amendments of the Senate Nos. 5 and 7 to the bill, and concurred therein, and that the House had receded from its disagreement to the amendment of the Senate No. 6 to the bill and concurred therein with an amendment, in which it requested the concurrence of the Senate.

STABILIZATION FUND AND WEIGHT OF THE DOLLAR

The Senate resumed the consideration of the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

Mr. PITTMAN. Mr. President, so that it may be the subject of discussion, I should like to offer an amendment to the Adams amendment.

I offer the amendment, which I request may be printed and printed in the RECORD, together with certain correspondence pertaining to the subject.

There being no objection, the amendment was ordered to be printed and to be printed in the RECORD, together with the correspondence referred to.

The amendment of Mr. PITTMAN to the amendment of Mr. ADAMS is as follows:

Amendment intended to be proposed by Mr. PITTMAN to the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised, by adding the following amendment to the pending amendment offered by Mr. ADAMS, as follows:

"SEC. —. The Secretary of the Treasury, on and after July 1, 1939, is authorized and directed to purchase silver, mined from natural deposits in the continental United States subsequent to June 30, 1939, for present or future delivery with any direct obligations, coin, or currency of the United States, authorized by law, or with any funds in the Treasury not otherwise appropriated upon the delivery, or tender of delivery to the Secretary of the Treasury or his agent, at the rate and price of $1.27 per fine ounce.

"SEC. —. The Secretary of the Treasury is authorized and directed to issue silver certificates in such denominations as he may from time to time prescribe in a face amount not less than the cost of all silver purchased hereunder, and such certificates shall be placed in actual circulation. There shall be maintained in the Treasury as security for all silver certificates heretofore or hereafter issued and at the time outstanding an amount of silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates. All silver certificates heretofore or hereafter issued shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, and shall be redeemable on demand at the Treasury of the United States in standard silver dollars; and the Secretary of the Treasury is authorized to coin standard silver dollars for such redemption.

"SEC. —. The Secretary of the Treasury is hereby authorized to issue, with the approval of the President, such rules and regulations as the Secretary of the Treasury may deem necessary or proper to carry out the purposes of this act, or of any order issued hereunder.

"SEC. —. As used in this act—

"The term 'the continental United States' means the States of the United States, the District of Columbia, and the Territory of Alaska.

"The term 'monetary value' means a value calculated on the basis of $1 for an amount of silver or gold equal to the amount at the time contained in the standard silver dollar and the gold dollar, respectively.

"SEC. —. The right to alter, amend, or repeal this act is hereby expressly reserved. If any provision of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

"SEC. —. All acts and parts of acts inconsistent with any of the provisions of this act are hereby repealed, but the authority conferred in this act upon the President and the Secretary of the Treasury is declared to be supplemental to the authority heretofore conferred, and which by this amendment and act is not repealed."

The correspondence presented by Mr. PITTMAN is as follows:

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D. C., May 23, 1939.

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: Two or three weeks ago I left with you a letter that I had written to 12 western Senators and their reply to my letter. I also left with you a galley proof of the testimony before the Special Silver Committee of the Senate. I ask you if the testimony does not show the following facts:

That in December 1937 the Governors of the silver-producing States, mine operators' associations, miners' unions, and civic associations warned the President and you that the reduction in the price of domestic silver below 77.57 cents an ounce would result in the reduced mining operations and consequent unemployment; that such predictions have come true; that the production in silver in 1937 was 70,000,000 ounces and in 1938—when the price was reduced—was only 58,000,000 ounces; that employment of those directly engaged in mining in August and September 1937 was 125.9, and in January and February 1938 was 86.4; and in January and February 1939 was 83.1; that in August and September 1937 pay rolls were 136.1; that in January and February 1938 was 87.9; and in January and February 1938 was 80.7; that the testimony of Dr. Finch and the statistics prepared by the University of Utah disclose that for every person engaged in mining in that State 14 other persons are dependent upon such mining labor for employment; that using such figures at the minimum, at least 100,000 persons were thrown out of employment through the reduction in the domestic price of silver; that the Government, by reducing the price of domestic silver from 77.57 cents an ounce to 64.64 cents an ounce, gained less than $2,000,000 in seigniorage.

I think you must answer these questions in the affirmative from the uncontroverted evidence. The evidence recently adduced from the same Governors and similar organizations discloses that conditions will get worse instead of better if the price of domestic silver is not restored to at least 77.57 cents an ounce. It must be evident also to you that unless a stable price is fixed until at least July 1, 1941, preparations for mining cannot be safely undertaken. Even now, by reason of the uncertainty as to what will take place on the first of July of this year, curtailment of mining operations is going on.

The metal-mining industry cannot understand why billions of dollars are expended in bonuses on behalf of agriculture, while our Government refuses to forego a profit of $2,000,000 to preserve the mining industry. The mining industry has a right to be impatient and is impatient.

Sincerely,

KEY PITTMAN.

THE SECRETARY OF THE TREASURY,
Washington, June 7, 1939.

Hon. KEY PITTMAN,
United States Senate.

MY DEAR SENATOR: I wish to thank you for your letter of May 23, 1939, relative to fixing a price for domestic silver at at least 77.57 cents an ounce until at least July 1, 1941, and to assure you that the problem to which you refer will continue to receive careful study by this Department.

Sincerely yours,

H. MORGENTHAU, Jr.,
Secretary of the Treasury.

UNITED STATES SENATE,
Washington, D. C., June 11, 1939.

Hon. HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: I have the honor to acknowledge receipt of your letter of June 7 in reply to my letter of May 23, 1939.

It should appear that you intend to pursue your customary policy of waiting until the 30th day of June to inform certain mining companies of the United States whether they are going to operate on the 1st day of July or not. Some of them have been hanging on with a slight deficit in hopes the price of silver would be restored to what it was in 1937, namely, 77.57 cents an ounce. If it is not restored, these mines on the 1st day of July will close down and discharge their employees, who will go on the relief rolls.

I feel it my duty to call together those of the West interested in the mining industry for a conference to determine whether or not it is advisable to offer amendments to the bill extending the President's authority with regard to devaluation of gold.

Sincerely yours,

KEY PITTMAN.

Mr. THOMAS of Oklahoma. Mr. President, I have hanging on the wall a map of the United States. A portion of the map is colored in green. It takes the total income from all the States shown in green to pay the cost of government—that is, the National Government and the governments of the several States, cities, counties, and districts. It takes a sum equal to the total income from all the States west of the Mississippi River to pay this one item of taxes.

Then the map shows the States east of the Mississippi and south of the Ohio in red. It takes the total income of all the States shown in red to pay the interest that the people have to pay each year. The amount each State contributes to the national income is marked on the State.

In 1937 the national income was about $67,000,000,000. Of that sum, it took $17,743,000,000 to pay the cost of government—National, State, county, city, and District.

We have in this country today a massed indebtedness of something like $260,000,000,000. That includes the national debt, the several State debts, the several county debts, the several city debts, the several District debts, and all private debts.

When the people pay their taxes, they pay their part of the interest on the public debt. Subtracting $60,000,000,000 from $260,000,000,000 leaves a private debt of $200,000,000,000. At 5 percent, the total interest on the private debt amounts to $10,000,000,000. To pay that $10,000,000,000 it takes a sum equal to the total income of all the States shown in red on the map of the United States.

I have before me some charts, and as I proceed I shall use these charts to enforce and demonstrate what I mean. I shall devote my time exclusively to the question of the present condition in which the country finds itself.

Mr. President, the trouble in this country is over money. I made a speech, not far from where I am now standing, on the 18th day of February 1932. That was at the beginning of a national campaign year. When I made that speech in 1932, standing just in the rear, there were on my right, on the Republican side, about 20 more Republican Senators than there were Democrats on my side of the aisle. In that speech I tried to portray to the Senate the size a gold cube would be if all the monetary gold in the world were melted into that cube. At that time, in dollars valued as they were in 1932, it would have made a cube about 31½ feet square.

I illustrated by commencing at the far corner of the Chamber. Thirty-one and one-half feet would come just a little way beyond the door, almost to the Vice President's chair. Then, commencing at that wall, coming out toward this door, 31½ feet would come about to where the Senator from Wisconsin [Mr. WILEY] is now sitting, in the seat of the Senator from Nebraska [Mr. NORRIS]. Then go back to the wall on the east and back to the starting place. That is a block about 31½ feet square. Then imagine that cube rising 31½ feet high, and you would have had at that time an imaginary gold block the size of all the gold in the world melted into a single cube.

At that time the gold block was worth about $12,000,000,000. Since that time we have devalued the dollar, and since that time we have produced gold, and since that time gold in trinkets has been converted into monetary money, so the imaginary gold cube now is about 34 or 35 feet square.

I said, 6 years ago, that if Congress, then Republican, did not do the thing I wanted done—not because I wanted it done, but because I saw then what had to be done—we could put that block of gold in that corner of the Senate Chamber and leave plenty of room on that side for the then majority party to transact its part of the business of the Senate. A majority in this body of 20 on the Republican side dwindled to a total of 16 Members. They could have had the block of gold over there, and there would have been plenty of room left for the 16 Republicans who were here, because they did not do the thing they should have done.

Mr. President, before I conclude today I shall try to demonstrate to my Democratic colleagues that if we do not do the thing that should be done we may transfer that block of gold over to this corner, and in only a few years there will be plenty of room on this side for the few remaining Democrats to transact their part of the Nation's business.

Mr. BORAH. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator from Idaho.

Mr. BORAH. If the Senator could get the issue before the country so that the people could pass upon it, he could prophesy with some degree of certainty.

Mr. THOMAS of Oklahoma. Mr. President, I tried to tell the Senate in a speech I made later, 6 years ago, in advocacy of the gold-devaluation bill and the silver policy and the policy of placing more money in circulation, just what the effect would be. In that particular I was not mistaken. It was clear to me then, as it is clear to me now; and if those of you who do me the honor to listen to what I shall have to say today are not convinced of my position, then I shall have failed.

Mr. President, no political party—and I use this expression in no partisan sense; it is only to show the reaction of business upon the minds of the people—no political party in recent years has succeeded itself on a falling price level; not one.

Let me call attention to this chart.

Commencing back in 1892 the Nation elected Grover Cleveland as President. At that time the price level was low. A dollar was worth 190 cents. A dollar bought $1.90 worth of goods. For a farmer or a producer to get a dollar, he had to produce $1.90 worth of goods and sell it. Grover Cleveland succeeded a Republican President. Cleveland stayed in 4 years; and instead of prices going up during Cleveland's administration, prices went down. The dollar value in 1896 was $2.15. In that year, 1896, we had the famous free-silver campaign waged by William Jennings Bryan. That year the farmers of America and the producers of America had to toil, raise, and produce, and sell $2.15 worth of goods to get $1 to pay their taxes and to pay their interest. They could not do it, and they did not do it. That high price dollar is the reason why we had the free-silver campaign waged by William Jennings Bryan in 1896. The Democrats were voted out, and Mr. McKinley was voted in.

Mr. McKinley came into power when we had a dollar worth $2.15 in terms of property. For the next several Presidential terms—1900, 1904, and 1908—we had a gradually decreasing dollar value. The dollar value decreased from 215 to 144 in 1912. Over a dollar of buying power had been taken out of the dollar during that series of Republican administrations; and with the falling price valued dollar times were getting good, and the Republicans won.

In the year 1912 another reason caused the election of the Democrats—the division in the Republican Party. I shall not go into that matter, but simply call attention to it. So in 1912 Mr. Wilson was elected President with a price level of 144, which meant at that time that the farmers and the fishermen and the miners and the lumbermen and the other producers had to produce and sell $1.44 worth of goods, on the average, to get a dollar to pay their taxes and to pay their interest.

Mr. Wilson came into power on March 4, 1913. He stayed in power for two terms, with the dollar value falling from $1.44 down to 1920, when the price level was 64 cents, away below 100. In the first part of 1920 the farmer had to produce only 64 cents' worth of goods to be sold to get a dollar. That is why we had high prices in 1919 and 1920. Credit was easy. The amount of money in circulation had doubled. When the Federal Reserve bill was passed in 1913 we had three and a half billion dollars in circulation. Under Mr. Wilson's administration, from 1913 to 1920, the medium of circulation, real money, increased from three and a half billion dollars to six and a half billion dollars, practically double; and that is the reason, I contend, for the price level and the high prices in 1918 and 1919. The election came off in 1920, with high prices. That is, they were high prices when the conventions were held.

When the Republicans held their convention in Chicago in 1920 there were some smart men in the convention. There are always smart men in Republican conventions, and there are smart men in Democratic conventions, too. But in 1920, in Chicago, the Republicans placed in their platform a declaration which embodies the whole science of money. They left out nothing. They condemned the Democrats for being responsible for the high cost of living. They said to the people of America, "The Democrats have now been in power for 8 years. Wheat is high. Corn is high. Cotton is high." Wheat was $2.40 a bushel in my State. Cotton was selling for 44 cents a pound in my State. Hogs were high, and cattle were high. Everything was high. Every man who wanted a job had a job. In that year there was no unemployment, except in the case of tramps who were habitually unemployed. They would not work if they had a job. You could not hire them to work. In that year there was no unemployment in the country. Jobs were hunting men, not men hunting jobs.

In 1920 the war was over. Times had been good. Prices were high; and, for some reason, even in my State of Oklahoma—a strong Democratic State—my farmers and my hog raisers and my cattle raisers went out and voted for lower wheat, lower corn, lower hogs, and lower cattle prices. That is what it meant.

I desire to read the clause from the Republican platform of that year. The public did not know what it meant. The convention did not know what it meant; but there were people who knew what it meant. I want to read just part of this platform. These few lines contain the whole science of money. This is under the head of "The High Cost of Living," from the Republican platform of 1920, adopted in Chicago June 8 to 12 of that year. I read:

> The prime cause of the high cost of living has been, first and foremost, a 50-percent depreciation in the purchasing power of the dollar, due to a gross expansion of our currency and credit.

That is one side of this question. The Republicans in their platform said that the Democrats had depreciated the value of our money 50 percent; and as a result of that depreciation, prices had gone up to unheard of degrees, wheat selling for $2.40, as I have said, corn for over a dollar, cotton for 44 cents a pound, and other commodities in proportion. But there is the charge. Second, they say:

> Reduced production, burdensome taxation, swollen profits, and the increased demand for goods arising from a fictitious but enlarged buying power. * * *

They admit that times were good because of these high prices, but they call them fictitious. Then here is their remedy:

> We pledge curselves—

They are pledging themselves to the country, pledging what they are going to do. They are going to bring down these high prices; they are going to bring down the price of wheat, the price of cotton, the price of corn, and of everything else in proportion; and this is their pledge:

> We pledge ourselves to earnest and consistent attack upon the high cost of living—

How are they going to do it?—

> by rigorous avoidance of further inflation in our Government borrowing; by courageous and intelligent deflation of overexpanded credit and currency.

I want to get that point clear, if I can. Times were good, prices were high, the Democrats were in power; the Republicans had a convention, and they accused the Democrats of being responsible for the high prices, they accused the Democrats of being responsible for the good times, and they said overexpanded credit and overexpanded currency were the cause of the good times. They pledged themselves to the people of America: "You elect the Republicans to power, and we will bring down the high prices. How are we going to do it? By courageous and intelligent deflation of overexpanded credit and currency." They were going to deflate the credit of the Nation; they were going to deflate the currency of the Nation.

It is true that at that time there was easy money, there were vast bank loans, the largest amount in circulation known to history up to that time, six and a half billion; and when they made this pledge, the people did not understand what

it meant. Many do not understand the money question now, and many will never understand it. Many say that the money question is an Einstein proposition; that it is not for ordinary mortals to understand the money question. But it is just as plain as something taught in the kindergarten, if one will think a moment. Money is nothing more nor less than a unit of measure. Money has no intrinsic value, or little intrinsic value. We have none that has intrinsic value. If we have a silver dollar, it is really worth less than 40 cents. The money we have in our pockets and in the bank has no intrinsic value, save the little money that is in silver, and there is not very much of that. The monetary unit, the dollar, the real dollar, is a price-measuring unit. Credit dollars are not a measuring unit.

There are two schools of thought in this country. One believes that credit dollars, bank-deposit dollars, have the same effect upon prices that real dollars have. When I say "bank-deposit dollars," I mean the kind of dollars the banks are full of now.

To show how much some people know about the money question, let me relate an incident within my own experience. At one time I made a speech before the Ways and Means Committee of the House of Representatives. I was a Member of the House at the time, and I was arguing for the payment of the soldier bonus in cash, in currency. I made the statement before the Ways and Means Committee that "tonight when the banks all close their doors, 31,000 of them, all the banks together will not have a billion dollars in money in their vaults." By "money" I meant gold, silver, currency dollars.

One member of the Ways and Means Committee stopped me and said, "You cannot mean that. You cannot mean that the banks have on deposit $55,000,000,000, and that they do not have that much money in their vaults." I had the report of the Comptroller of the Currency before me, which showed that at that time the banks had not $55,000,000,000 in their vaults, but had only about $800,000,000 in their vaults, less than $1,000,000,000 of money.

When the banks close tonight, only about 15,500 banks, all of them together will not have in their vaults a billion dollars. Yet the deposits of the banks are between $50,000,000,000 and $60,000,000,000.

It is my contention that credit dollars, bank-deposit dollars, do not measure prices. I contend that real dollars, gold dollars, when they are in circulation, and silver dollars, when they are in circulation, and paper dollars, are the price-measuring units, and only they.

If someone tells me that credit expansion raises prices, let me answer that during the last 9 years, while the depression has been on, we have increased the credit money of the Nation by $30,000,000,000.

Mr. SHIPSTEAD. Mr. President——

The PRESIDING OFFICER (Mr. HOLMAN in the chair). Does the Senator from Oklahoma yield to the Senator from Minnesota?

Mr. THOMAS of Oklahoma. I shall be glad to have any Senator interrupt me at any time.

Mr. SHIPSTEAD. I call the Senator's attention to the fact, for the sake of clarity, that the increase of $30,000,000,000 means $30,000,000,000 of increased debts. The more deposits a bank has, the more it owes. The increase represents debts.

Mr. THOMAS of Oklahoma. So far as I am concerned, I do not desire to go too much into detail, because if I do those who are listening to me will leave. I wish to make the point that expansion of the bank deposits of itself does not increase prices. If it had increased prices, the $30,000,000,000 we placed in circulation in the past 10 years would have had the dollar so cheap today and prices so high that I do not believe the dollar would have been worth 20 cents, if we had put $30,000,000,000 of real money in circulation.

The orthodox school has no objection to the expansion of credit. That school has no objection to the Government borrowing billions, apparently, and placing those billions in the banks. They have no objection to the Nation voting bonds and placing those bonds in the banks, and against those bonds drawing their checks. But when we start to increase the circulation of real money by a few dollars, they throw up their hands and say, "Inflation is threatened, and is now on the way."

Mr. President, I know of no inflation in the whole United States, notwithstanding the fact that I am sometimes criticized, and called an inflationist. There is no Member of this body more against inflation than am I. Of course, it is necessary to define "inflation." According to my definition, inflation is the issuance of irredeemable paper money. We have never issued such money in my time. It is not now proposed that we issue any irredeemable paper money. I am not an inflationist. All I have ever stood for and all I have ever advocated is an adjustment of the value of the dollar to such a point that the people can live. Who is against that proposal?

The people cannot live under the present dollar; they are not living under the present dollar. I shall not go into that feature of the question, save to remind my colleagues that we are borrowing this year many billions of dollars to run the Government. I have a newspaper clipping, which I saw on my desk only 2 days ago, under the headline "United States expenses near the $10,000,000,000 mark." We may expend $10,000,000,000 this year, but we will not collect that much money. What will be the result? We will have to borrow the difference between what we do collect and the amount we expend, and that will be $4,000,000,000, or thereabouts, which we must borrow this year to meet the appropriations the Congress will have made. So the Budget is not being balanced.

There are many millions of our people on the W. P. A. rolls, and there are others, old people, receiving old-age pensions. The farmers of the country are not getting anywhere; they are going bankrupt day by day. I shall not dwell on this, except to remind my colleagues that we are not out of the depression yet, and it is my impression that the reason is that the price level is too low.

Who is making any money today? There are two classes who are making money; first, the men and women who have their wealth invested in fixed investments, bonds and mortgages. The second class is the big banks of the country. Of course, in discussing this matter, if one is honest—and I hope I am—he must divide the people into groups. There are two groups in this country, one group that wants money scarce, high-valued dollars, and low prices. That is the bond-holding class, that is the big banks of the country; and I shall show in a moment just why the big banks want money scarce and prices low.

The other class, the large class, the debtor class, the producing class, the small, average business class, are on the other side of the equation. Those are the two groups, on the one side the bankers and the bondholders, the few, and on the other side the great mass of the people, who would be benefited by being able to make a profit upon the things they produce. We can all place ourselves in either group. It is for each one to decide.

Someone might ask me, Why are the banks against higher prices and cheaper money? I can answer in just a word. There are three banks in the United States which, together, have more money than all the money in circulation. The National City Bank of New York has deposit resources of over $2,000,000,000; the Chase National Bank has deposit resources of over $2,000,000,000; and the Guaranty Trust Co. has deposit resources of about two billion. Add the three figures which make up the total resources of those three banks, and we have six and a half billion dollars. If they should start to liquidate today, there would not be enough money in circulation, if they got it all, to liquidate. So three banks today have more resources, more economic power, than is represented by all the money in circulation throughout the length and breadth of America.

Someone might say, "How does that affect our economy?" Let me explain that very briefly. In 1932 wheat sold in my State for 19 cents a bushel. Oil sold in my State for 11

cents a barrel and less. In the same year cotton in my State sold for 4 cents a pound and less.

Mr. President, let me show how these prices affected the big banks of the East. Let us take the three banks I just mentioned. To make the illustration simple, let us say they have resources to the extent of $6,000,000,000. They had $6,000,000,000 of resources in 1932 and more. These three banks together, in 1932, had economic power equal to the value of their money resources in terms of cotton, for example, or in terms of wheat for example, or in terms of oil. With their resources of $6,000,000,000, how much economic power did they have in terms of wheat? Wheat was then selling at 19 cents a bushel. That would be about 5 bushel for $1. The total resources of the three banks amounted to $6,000,000,000. Five bushels of wheat sold for a dollar. Multiply 6,000,000,000 by 5 and the result is 30,000,000,000. So those three banks in that year 1932 wielded an economic power, in terms of wheat, equal to 30,000,000,000 bushels of wheat.

In 1932, as I stated, oil was selling in my State for between 10 and 11 cents a barrel. Using the same process as before for the purpose of illustration, we find that 10 barrels of oil sold for a dollar. These banks wielded economic power equal to 60,000,000,000 barrels of oil.

The same economic power was wielded in connection with cotton, hogs, livestock.

Mr. President, how does adjusting the price level affect those banks? They opposed the amendment offered here 6 years ago. Senators, I think there were 21 votes cast against my amendment 6 years ago. Only 7 of the votes cast against that amendment are represented today by the same Senators. How does reducing the price level, or increasing the price level, affect those big banks? As I have said, in 1932 the three banks in New York had an economic power equal to 30,000,000,000 bushels of wheat, 60,000,000,000 barrels of oil, and hogs and livestock and cotton in proportion.

I offered an amendment 6 years ago to cheapen the dollar. At that time the dollar was worth $1.67. Every man in America who could produce anything to sell had to produce and sell $1.67 worth of goods in order to get a dollar with which to pay his taxes and interest. People could not do it. So I offered an amendment the purpose of which was to cheapen the dollar. The big banks were all opposed to it.

I will tell the Senate why the big banks were opposed to the amendment. At that time they possessed this vast economic power to which I have referred. The amendment was adopted and the dollar was cheapened. Wheat went to a dollar a bushel. How much economic power in terms of wheat did the banks have when wheat was a dollar a bushel? They had $6,000,000,000 of economic power. When each bushel of wheat went to a dollar they had economic power equal to only 6,000,000,000 bushels of wheat. They had lost economic power equal to 24,000,000,000 bushels of wheat.

Oil went to a dollar a barrel. What was the economic power in terms of oil then possessed by the big banks of the East? I do not mean the little banks of the West; they have no control in the matter; but I mean a few of the big banks of the East. They then had less economic power represented by 24,000,000,000 bushels of wheat. They had 24,000,000,000 barrels of oil less economic power.

Had wheat gone to $2 a bushel they would have lost in economic power the difference between 30,000,000,000 and 3,000,000,000 bushels of wheat. That is the reason they want scarce money. The reason they want high money and low prices is the money power which their resources enable them to wield. The big banks are not for this program. The big banks and the banks generally have had a bankers' jubilee for the past 10 years.

Mr. LUCAS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. THOMAS of Oklahoma. I yield.

Mr. LUCAS. I should like to know how the matter of economic power of these big banks affects the banks from the standpoint of profit. I presume that is what the Senator means when he says the banks have this great economic power. Whether they have $30,000,000,000 of economic power or $5,000,000,000 of economic power, how does that affect the banks from the standpoint of profit or loss?

Mr. THOMAS of Oklahoma. When the depression came in 1929 value left properties upon which the banks had made loans. When the depression came and the value went out of these properties the banks began to suffer; they suffered tremendously. We have had a period of deflation, it might be said, from 1920 on. We have lost 15,000 banks in the period since 1920. In 1920 we had 31,000 banks and more in the United States, and from that time until now we have lost the difference between 31,000 banks and 15,000 banks, or, roughly, 15,000 banks have gone out of business because of the declining price level. Of course, when banks go out of business some of them liquidate; their depositors, perhaps, do not lose in the liquidation; but when a bank fails and cannot pay out, the depositors are not the only ones who lose. The stockholders lose, and the community loses when a bank fails.

Mr. LUCAS. Mr. President, I am simply a novice at this money game, and I may ask some foolish questions. If I do I know the distinguished Senator, who is an expert on the money question, will forgive me. I am trying to ascertain what the value is to the banks of having this tremendous economic power. Who profits by it? That is the point I should like to know about. The Senator has dealt with considerable emphasis on the fact that at one period the banks possessed $30,000,000,000 of economic power; and at another period, when prices went up, they lost economic power. Who profits as the result of the tremendous economic power which these banks have? What is the advantage in the banks having such economic power?

Mr. THOMAS of Oklahoma. I should like to ask the Senator a question in return. If there is no advantage in the banks having great economic power, why, then, do the banks want to have it; and when they have it, why do they object to proposals that it be reduced?

Mr. LUCAS. Mr. President, I have no knowledge of those matters. The Senator from Oklahoma made the statement concerning the tremendous economic power which the banks possess.

Mr. THOMAS of Oklahoma. Does the Senator doubt that the banks did possess that tremendous economic power? If he does, let him take a pencil and paper and figure it out for himself.

Mr. LUCAS. No; but where do the banks obtain any advantage from that economic power? Have they obtained any advantage by having this tremendous power? If so, where is it? Who profits by it? I understand that it is to the banks' interest, as well as to the interest of any business, to make a profit for their stockholders and those who are interested in their institutions.

This may be an immaterial question, and it may be a question which I should not ask, but, as I followed the Senator's statement, I was interested in attempting to know who profits by the great economic power that the banks have, and why do they want it?

Mr. THOMAS of Oklahoma. I shall not go into that feature except to say that not so long ago the senior Senator from Nebraska [Mr. NORRIS] in a discussion upon the floor referred to a chart which hung on the wall of the Senate Chamber showing a large circle, and right in the center of that circle were the words "The octopus of money power," which was represented by a few large banks in New York, and from the hub spokes went out to the rim of the large circle, and it showed that these few banks in New York City have either a large interest or a controlling interest in, or have representatives in the directorates of practically all of the large economic institutions of America and the world.

My viewpoint and my philosophy are that they cannot prosper indefinitely on a low price level. I think they are wrong. I think the economy of the Nation will demonstrate that they are wrong. They had what they wanted up to 1929, and then the country suffered a depression, and I think the banks lost tremendously. But nevertheless I shall illus-

trate the power they had under a low price level. Whether it is of any value to them is for everyone to decide for himself.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. MINTON. To answer the inquiry made by the Senator from Illinois, would not this be the advantage the banks would have in this situation? Let us assume that the banks are going to liquidate in terms of wheat. If they liquidate in terms of wheat, in the one instance they would have 30,000,000,000 bushels of wheat with which to liquidate, whereas if they liquidate under the other circumstances they would have not more than 6,000,000,000 bushels of wheat.

In other words, during the period of low prices paid for wheat, referred to by the Senator from Oklahoma, the resources of the three large New York banks in question represented, in terms of bushels of wheat, a profit of 24,000,000,000 bushels, the difference between 6,000,000,000 bushels and 30,000,000,000 bushels. If everyone were dealing with the banks in terms of bushels of wheat, the banks would have the advantage of a profit of 24,000,000,000 bushels of wheat.

Mr. THOMAS of Oklahoma. The Senator is correct.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TYDINGS. I should like to ask a question for information. Does the Senator contend that the three big banks are more prosperous and make more money for themselves and for their stockholders under the condition which he has pictured, or under the condition where the dollar is a harder dollar than the one which exists today?

Mr. THOMAS of Oklahoma. I am unable to answer that question, because I am not a banker, and I have no access to the books of the banks.

Mr. TYDINGS. Will the Senator let me answer it for him?

Mr. THOMAS of Oklahoma. I have here copies of two speeches of Mr. Aldrich, of the Chase National Bank, delivered recently. In one speech he cautioned the sound-money people and the conservative group of the Nation not to permit any more devaluation of the dollar or any more cheapening of our money.

Mr. TYDINGS. I would say to the Senator what I am sure the able Senator knows already, that the big banks of the country make more money under the conditions to which they wish to return than they do under present conditions, when the dollar is devalued. So I concede their reason is entirely selfish; that they think they will make more money if the dollar is not devalued than if the dollar is devalued. But, in my opinion, the statement that the big banks of the country want cheap prices so they can have more economic power is not true. The big banks of the country want business to hum so they can make money, and they do not believe business can hum with cheap, easy money.

Mr. THOMAS of Oklahoma. Mr. President, before I shall have concluded I will place in the RECORD reports from the Federal Reserve Board which do not sustain the statement just made by the Senator from Maryland. When we had a rising price level from 1933 to 1937 times were getting good. Everyone was hopeful that the depression was about over. Yet the big banks were complaining all the time about the threat of inflation, and the country "going to the dogs."

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TYDINGS. I think the big banks were pretty nearly correct about that, because the Senator himself has just been complaining that we are appropriating $10,000,000,000 and are taking in only $7,000,000,000. We are simply treading water. We are not getting anywhere.

Mr. THOMAS of Oklahoma. Mr. President, I cannot agree to that statement. When the Congress met to make appropriations for the year 1937 we were very hopeful that when we made the appropriations for that year we would no longer have to make appropriations to take care of the unemployed and the needy of the Nation. If I remember correctly we appropriated that year only about one and a half billion dollars, and we had the conviction that after that year, if times continued to improve, we would be over the period of the depression, and the following year we would not have to keep the P. W. A., the W. P. A., and all the other alphabetical agencies going.

Mr. President, I wish to call attention to a very practical matter. I have before me certain charts to which I wish to refer. The charts were made by W. P. A. workers. A W. P. A. worker is one who lives off the Government and receives a Federal check, starting with the President and coming down to the man who receives $1.25 a week. Every Member of this body is a W. P. A. worker. These charts were made by W. P. A. workers.

I make the assertion that no political party has ever succeeded itself on a falling price level. Today we are having a falling price level. I commence back in 1892. At that time Grover Cleveland was elected President. The price level was $1.90. Mr. Cleveland served for 4 years, and instead of the price level going up, the price level started down. The dollar went up from $1.90 to $2.15. At the end of 4 years Mr. Cleveland and his party went out of power. Mr. McKinley came into office in 1896. Mr. McKinley had a falling valued dollar, and prices started to go up.

By 1900 the dollar had been reduced in value from $2.15 to $1.78. Mr. McKinley was reelected, and from 1900 to 1904 the dollar fell from $1.78 to $1.67, with a rising price level.

Mr. Roosevelt was reelected. From 1904 to 1908 the dollar fell from $1.67 to $1.59. That was not very much of a fall, but price levels were stabilized and there was a gradual rise.

From 1908 to 1912 Mr. Taft was President. We still had a falling valued dollar, and increased prices. The dollar fell from $1.59 to $1.44. During Mr. Taft's term we had a period of gradually rising prices and a gradual reduction in the value of the dollar. Had it not been for a division in the Republican Party in 1912 in all probability the Republican candidate would have won the election that year. That is simply my statement. Nevertheless, for some reason the dollar still was $1.44.

In 1912 Mr. Wilson became President. One may assign whatever cause he chooses for his election. However, in that year the Republican Party was divided and, as always happens, the other party won. Under Mr. Wilson the dollar value fell from $1.44 to $1.17.

In 1916 we had a gradually increasing price scale. Mr. Wilson succeeded himself.

In 1920 we had an extraordinary situation—an exception to the rule. Millions of boys had just come back from France. People had been making money, and they were all tired of working. They thought times never again would become bad. To tell the truth, in my State the people did not go out to vote in large numbers. Those who did go out to vote voted for the Republican ticket. They voted for cheaper corn, cheaper wheat, and cheaper cotton. They did not know it, but that was the effect. Nevertheless, with the highest prices in history in 1920, Mr. Harding won the election.

Mr. Harding came on the scene with a dollar worth only 64 cents. A farmer could produce 64 cents' worth of cotton and receive a dollar for it. He could produce 64 cents' worth of wheat and sell it and receive a dollar for it, on the average. The same situation applied to livestock, cattle, and everything else. When Mr. Harding came on the scene in 1921 we had a period of increased value of the dollar, which meant falling prices.

Then we had what was known as the panic of 1921. The dollar rose in value from 64 cents to $1.01. Governor Strong was Governor of the Federal Reserve Bank of New York City. I think Governor Strong was the smartest financier the country has produced, unless it be Alexander Hamilton. I make an exception of a more recent Secretary of the Treasury, who was known to be a great financier. I think Governor Strong, through his ability, his insight, and his honesty, was fully qualified to take charge of the whole financial system of the Nation.

Governor Strong thought the dollar was too lowly valued in 1920. He stepped into the breach. He took out of circulation $100,000,000 a month—not of credit, but of real money—$100,000,000 a month of real money was taken out

of circulation, beginning in March 1921; and as the money left circulation the dollar began to climb in value and prices began to fall. Wheat in my State fell from $2.40 to $1 a bushel. Cotton in my State fell from 44 cents a pound to 20 cents a pound, and other things fell in proportion. That condition caused the depression of 1921.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TYDINGS. Without taking exception to what the Senator has just said, does not the Senator think some of that depression was occasioned by the fact that the whole world had just been at war, and was demanding raw materials at a rate far beyond anything we could comprehend? Naturally, when the war was over there was a carry-over for perhaps a year or two; and then the real effect of a readjustment of the whole world's economy had much to do with that depression rather than any particular manipulation of the money.

Mr. THOMAS of Oklahoma. In answer to the suggestion made by the senior Senator from Maryland I again call attention to the Republican platform of 1920, which said that the thing that made prices higher was too much money in circulation, too much credit in existence.

Mr. TYDINGS. Even so——

Mr. THOMAS of Oklahoma. Then the Republicans said, "We are going to bring prices down by a courageous and intelligent deflation of both currency and credit."

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

Mr. THOMAS of Oklahoma. I yield.

Mr. PEPPER. Was it not the declared and publicly announced policy of W. P. G. Harding at that time to restrict the amount of currency in circulation so as to deflate prices?

Mr. THOMAS of Oklahoma. Mr. President, I have gone over this matter many times in the Senate, but I think perhaps I should do so again.

On May 25, 1920, the late Senator McCormick introduced a simple resolution of about six or eight lines. The resolution recited a request. I shall read the resolution:

Resolved, That the Federal Reserve Board be directed to advise the Senate what steps it proposes to take or to recommend to the member banks of the Federal Reserve System to meet the existing inflation of currency and credit and consequent high prices, and what further steps it proposes to take or recommend to mobilize credits in order to move the 1920 crop.

The resolution directed the Federal Reserve Board to advise the Senate what the Board proposed to do to bring prices down, conceding, of course, that prices were too high from Senator McCormick's standpoint.

The resolution came up in the Senate. No doubt Senators now in the Chamber remember that resolution. There was practically no discussion. Nobody seemed to know anything about the money question. I cannot say exactly why Senator McCormick introduced the resolution; but I think I know. He was requested by some member of the Federal Reserve Board to introduce the resolution so as to give the Federal Reserve Board an opportunity to make a reply.

One or two questions were asked about the resolution. On the 25th day of May 1920—the day of the month is not material, nor is the month—the resolution passed. It went to the Federal Reserve Board, and the Board made a reply to the resolution. I have the reply.

The Federal Reserve Board said it proposed to send out a notice to all the member banks and tell the banks to quit making loans. That was the first thing. The Board proposed to tell the banks not only to quit making loans but to commence collecting the loans they had outstanding. The Board sent out the notices. The banks received instructions not only to quit making loans but to commence collecting the money that they had out. Of course, the bankers who knew anything knew exactly what that meant. It meant deflation.

I have before me a copy of the report submitted by the Federal Reserve Board to the Senate. It is too long to read. It is already in the RECORD. It appears in the CONGRESSIONAL RECORD of April 27, 1933, on page 2475.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TYDINGS. As I understand, the Senator feels that the ideal condition would be to have commodities so related to the dollar that the dollar would be worth 100 cents in terms of commodities, no more and no less. Am I correct?

Mr. THOMAS of Oklahoma. Exactly so.

Mr. TYDINGS. In 1920 the dollar was below that point. It was worth only 54 cents in terms of commodities.

Mr. THOMAS of Oklahoma. That is correct.

Mr. TYDINGS. After the operation which brought on the depression had taken place, the dollar was worth $1.01, measured in terms of commodities.

Mr. THOMAS of Oklahoma. That is correct.

Mr. TYDINGS. How would the Senator have raised the dollar back to 100 cents in 1920, except through some sort of action to take money out of circulation?

Mr. THOMAS of Oklahoma. There was no other way to do it; and I am not complaining about what was done. I am trying to explain that it was done, which means that it can be done again.

Mr. TYDINGS. I misinterpreted the Senator's statement. I thought he was criticizing.

Mr. THOMAS of Oklahoma. I am not complaining. I am trying to show how those who control money make prosperity and depressions at will. They know when such things are going to happen. They buy and sell accordingly. As a result practically all the gold we have in the United States, $16,000,000,000 worth, is now claimed by the banks, having made it in profit.

Mr. President, I have just stated that after the resolution was passed by the Senate in 1920 the Federal Reserve Board submitted its report and told the Senate how the Federal Reserve Board was going to bring prices down. The first step was to stop lending. The second was to begin collections. Notices were sent to the member banks. The banks quit making loans; the banks commenced collecting from their borrowers; and as the banks collected the money they sent it to the Federal Reserve bank to pay their obligations, because the banks had borrowed heavily from that institution. That process was responsible for taking out of circulation $100,000,000 a month, beginning in March 1921. It lasted for 18 months thereafter. At the end of that period the circulation had been decreased $1,800,000,000. Prices fell, as I have said; wheat from $2.40 a bushel to $1; cotton from 44 cents a pound to 20 cents a pound; the prices of other commodities in proportion, bringing on the depression of 1921.

Mr. TAFT. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator.

Mr. TAFT. I thought the price of wheat was, rather, determined by the Liverpool price than by anything that happened in this country, according to the argument made yesterday. Would the price of wheat, therefore, fall as a result of the decrease in the volume of American currency?

Mr. THOMAS of Oklahoma. If I had time to go into that matter—and, of course, I could take the time—I would say it is my contention that we have the power to fix the price of wheat in this country at any point we see fit. Wheat is now selling at 50 cents in my State. We can make wheat sell in my State for a trillion dollars a bushel. They did that in Germany. It took a trillion marks in Germany to buy a 24-cent gold piece.

Mr. TAFT. No matter what the Liverpool price may be?

Mr. THOMAS of Oklahoma. It is immaterial what the Liverpool price may be so far as our domestic money is concerned.

Mr. TAFT. But where there is a large surplus, as in the case of wheat, how can we get away from the world price of wheat?

Mr. THOMAS of Oklahoma. We can fix the price level domestically at any point we see fit. We do not have to depend upon any other nation domestically in terms of gold. We are not on gold today.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TYDINGS. I presume that what the Senator has observed about wheat would also apply to cotton?

Mr. THOMAS of Oklahoma. As to the price level?

Mr. TYDINGS. Yes; as to the price level.

Mr. THOMAS of Oklahoma. We could put cotton to $10 a pound easily.

Mr. TYDINGS. I am trying to understand the matter, and should like to ask a further question. As I understand, we could fix the price of wheat and cotton which is consumed domestically at any price we wanted to, according to the Senator's contention?

Mr. THOMAS of Oklahoma. There is no doubt about that.

Mr. TYDINGS. But could we fix the price of wheat and cotton for that portion sold outside the United States?

Mr. THOMAS of Oklahoma. We could not. We could fix it domestically; we can fix our own price level where we please.

Mr. TYDINGS. We could do that apart from that sold outside the United States?

Mr. THOMAS of Oklahoma. I had not intended to go into that issue because that gets outside the question. I make the statement that we have it in our power to fix the price level at any point we see fit, any point that we see proper, and I mean it. Why? The Constitution says that Congress has the power to coin money and regulate its value. The Nation is 150 years old. The Congress during this time has exercised one-half of that power. It has exercised the power to coin money. There is no complaint about the coinage; we have money coined in abundance, but it is not in circulation. So Congress has exercised the power to coin money. The second power of Congress is the power to regulate the value of our dollar. Has Congress done something, but very little, along that line? A hundred years ago, under Andrew Jackson, the Congress changed the content of the gold dollar twice. It reduced the value of the gold dollar twice in Jackson's administration a hundred years ago. Then the gold dollar was reduced in value by the last administration, the first administration of Mr. Roosevelt, which I am calling the last administration. Those were the only times the Congress has undertaken to devalue or revalue the gold dollar.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. GILLETTE. I wish to inquire of the Senator, referring again to the matter he was just discussing of the manipulation of the Federal Reserve Board between 1920 and 1924, how much of that change was due to the manipulation of credit facilities and how much to the actual retirement of circulating medium?

Mr. THOMAS of Oklahoma. I could only answer one-half of that question. From 1920 to 1924 the actual money was contracted from six and a half billion dollars to $4,200,000,000. In 1924 we only had about $4,200,000,000 of real money in circulation. The difference between that sum and six and a half billion dollars had been taken from circulation. When I speak of "money" I mean gold money and silver money and paper money; I do not mean credit money. They are as distinct as are day and night, in my opinion.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. I have been listening with a great deal of interest. but there is one point as to which I should like to make sure. Does the Senator in his argument intend to claim that there should be any change in the gold content or the silver content of our money?

Mr. THOMAS of Oklahoma. That is involved in the so-called Adams amendment. Let me answer that question; I had intended to do it later, but will do it now. So long as we have our money redeemed in gold really, so long as we can take our money into a bank and get gold for it, then our money is worth exactly what that amount of gold is worth. In 1836, I think it was, the content of the gold dollar was fixed at 25.8 grains of gold nine-tenths fine. For a hundred years that size of the gold dollar did not change; it was retained at that figure, 25.8 grains of gold nine-tenths fine, from Jackson's day to Roosevelt's day. Then, 6 years ago, we gave the President power to cut the gold dollar in two—to make two dollars out of one.

I used to teach school, and I have not gotten away from my desire to use the cardboard. I have here a piece of cardboard that I will call a gold dollar just for illustration. This gold dollar contains 25.8 grains of gold nine-tenths fine. That was fixed by a Democratic administration under Andrew Jackson back in 1836. The gold dollar remained that size until 1934. In 1933 we gave the President the power to cut this dollar in two and make two dollars out of one. That was the power he had. I cannot take this piece of cardboard apart; but had the President exercised the power we gave him he could have taken each gold dollar and cut it in two, so that the same gold in the dollar and the same amount of gold would be worth $2.

Someone may inquire, "How does that raise prices?" That is the simplest thing in the world. Here [indicating] is a bushel of wheat and here [indicating] is a gold dollar. This gold dollar is worth the bushel of wheat, and a bushel of wheat is worth the gold dollar. The bushel of wheat is worth the amount of gold in this dollar. The stamp on this dollar adds nothing to its value; that piece of gold unstamped is worth the same as if it were stamped. The only thing the stamp does to the gold is to certify that this piece of gold is a dollar, that it weighs 25.8 grains; that the gold is nine-tenths fine, nine parts gold and one part of alloy. That bushel of wheat is worth this much gold. We cut the dollar in two, making it $2, and this amount of gold is still worth the bushel of wheat and the bushel of wheat is still worth this gold. The wheat has been raised from $1 a bushel to $2 a bushel.

Mr. TYDINGS. That is on the domestic market?

Mr. THOMAS of Oklahoma. Yes, of course; on the domestic market.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. PEPPER. The Senator has gotten to the crucial point of the matter. Now suppose that the Government when it devalues a dollar to 50 percent of its previous gold content does not issue additional currency to make up for that 50-percent devaluation, does the Senator think the effect would be deflation or inflation?

Mr. THOMAS of Oklahoma. I am glad the Senator asked that question because it was suggested by my distinguished friend across the aisle, the Senator from North Carolina.

Mr. WILEY. What was the question?

Mr. THOMAS of Oklahoma. The question is, if we reduce the size of the gold dollar, does that have a corresponding effect upon prices? I will come to that just as soon as I can get to it, but I have got to explain one or two matters first. When we gave the President the power to cut the gold dollar and to make two dollars out of one he did not exercise that power in full; he only exercised it in part. He took this much gold [indicating] out of the dollar; he took 40 percent of the gold it contained by weight out of the dollar. So the dollar is now 40 percent less in weight. He reduced it from 25.8 grains nine-tenths fine to 15.21 grains nine-tenths fine, and by that simple act he cheapened the dollar in terms of gold that much, for when its weight is reduced, obviously its intrinsic value is depreciated. So this dollar, where it circulates, has just that much less value in it. The moment the President cut 40 percent of the gold out of this dollar the dollar fell in value wherever it circulated. It was not in circulation in the United States; this devaluation had no effect upon prices here, as I shall explain in just a moment. But this dollar becomes the basis of exchange of all American dollars in the world. So every time the dollar was cut in size, until now every exchange dollar issued by any bank in America that went abroad, every dollar of that exchange was worth this amount [indicating] of gold. When that dollar was spent in a foreign country it would buy what this amount of gold would buy, but when this was done the gold would

not be placed in circulation in the United States, for we are off gold; our dollars are not convertible into gold. So our dollars had no relation to gold domestically.

Mr. PEPPER rose.

Mr. THOMAS of Oklahoma. I am coming to the question of the Senator from Florida, if he will let me answer it.

The Senator from Florida asks why it was that the domestic dollar did not fall in value corresponding to the percentage of gold extracted from the dollar. Is that a fair statement?

Mr. PEPPER. It is.

Mr. THOMAS of Oklahoma. I will tell the Senator why it was, in my judgment.

At the time we devalued the gold dollar we had in circulation $40,000,000,000 of money, so-called deposit money of all kinds. If we had devalued the gold dollar 40 percent, and if that devaluation had been reflected in these deposits, then the $40,000,000,000 of deposits would have lost 40 percent of their value, or $16,000,000,000. They would have lost 40 percent of their buying power. If the devaluation of the gold dollar had been reflected against our bank deposits in the same way that the devaluation was reflected in our exchange dollar, the folks who had $40,000,000,000 on deposit would have lost $16,000,000,000 of value because of that devaluation. Is not that correct? Obviously so.

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

Mr. THOMAS of Oklahoma. May I make just one more statement? The depositors, however, did not lose that amount of value. We cut this much gold from the dollar. At that time the dollar was worth 167 cents. It is now worth 132 cents. The dollar has lost 21 percent of its value, although it has lost 40 percent of its content of gold.

I now yield to the Senator from Kentucky.

Mr. LOGAN. As I understood the Senator he stated that the depositors would have lost 40 percent of their deposits.

Mr. THOMAS of Oklahoma. In value.

Mr. LOGAN. Would not the price of commodities have gone up in proportion? The price of commodities would have advanced with the depreciation of the value of the dollar.

Mr. THOMAS of Oklahoma. That is correct.

Mr. LOGAN. Then the Senator adheres to the quantitative theory of money, that the quantity of money in circulation controls prices.

Mr. THOMAS of Oklahoma. Not only do I adhere to that theory but everyone else that I know of, excepting those who have special interests in the value of the dollar, adheres to the same theory.

Mr. LOGAN. It is so simple that I hardly see how anyone could dispute it; but, still, there are some who do dispute it.

Mr. THOMAS of Oklahoma. I will say, in answer to the Senator from Kentucky, that they are in control of the Government today. The small group which disputes the truth of that statement is in control of the Government, and has been for most of the past 150 years.

Mr. LOGAN. And I may say to the Senator that so long as that group is in control of the Government we shall never have anything like genuine prosperity in the Nation.

Mr. THOMAS of Oklahoma. I agree with the Senator.

Mr. LOGAN. I also agree with the Senator from Oklahoma that unless we can solve the money question there will be a number of vacancies on this side of the Chamber after the next election. I am very glad the Senator from New York [Mr. WAGNER] has submitted a resolution calling for a serious, intensive investigation of this whole question. Unless we find a solution of the money question, we shall never solve the problem of national prosperity.

Mr. THOMAS of Oklahoma. Let me say that in a few moments there will be laid before the Senate an amendment to the so-called stabilization-fund section which will solve this problem.

Mr. PEPPER. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator from Florida.

Mr. PEPPER. If I correctly understand the Senator, then, when this devaluation occurred—50 percent, we will say—our dollar was worth only 50 percent of its previous value in the world market.

Mr. THOMAS of Oklahoma. That is correct—60 percent.

Mr. PEPPER. We will assume that. In view of the fact that there was no expansion of the circulating currency here in proportion to the devaluation of the gold dollar, the same effect was not reflected in the economy of the United States.

Mr. THOMAS of Oklahoma. The Senator is exactly correct.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WAGNER. It may not have been reflected to the extent that the Senator would contend for, but there is no question, is there, that as a result of the devaluation our prices did go up proportionately, some 30 percent, I think?

Mr. THOMAS of Oklahoma. The record shows that world commodities which are controlled by gold prices throughout the world immediately went up correspondingly, because the gold dollar dropped in value throughout the world. Immediately wheat went up. Cotton and wheat are world commodities, but domestic prices did not go up.

Take the case of automobiles, for example. You could buy a better car since 1933 every day of the year than you could buy then, for less money. Otherwise, if your theory had been correct, the prices of automobiles would have gone up 40 percent. Just the reverse has been true.

Mr. WAGNER. There might have been other factors to prevent the price of automobiles going up; but even domestic commodities did go up substantially.

Mr. THOMAS of Oklahoma. All right. I agree that they have gone up. The first thing that made them go up was psychology. When we adopted that amendment the President had the power to cheapen the dollar, and he said he was going to do it. In numerous speeches he made the pledge to the people of America, "We are going to raise commodity prices. I do not know how we are going to do it, but do it we will." Psychology was used to cause prices to go up, and they went up because of the power in the hands of the President to do the thing, and because of his pledge to do the thing he had the power to do.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BAILEY. I wonder if my fellow W. P. A. worker is proceeding here today by way of an attack upon our great President. He says the President had the power, but he did not use it. I think, if that is the case, some of the other W. P. A. workers here ought to come to the rescue, and I believe I would come with them.

Mr. THOMAS of Oklahoma. No, Mr. President; I am making no attack upon the President.

Mr. BAILEY. But the Senator's argument amounts to an attack. He said the President had this bad situation, he had the power to remedy it, and he did not do anything to remedy it.

Now let me ask the Senator another question.

Mr. THOMAS of Oklahoma. All right; I yield.

Mr. BAILEY. I look at the Senator's chart, and I am a little afraid it is a Republican chart. It will be noticed that the average purchasing power of the dollar under Republican administrations, as shown on the chart, was $1.32. Under us W. P. A.-worker Democrats it is $1.53. I should like to have that explained, too. Then further, according to my friend's theory, the chart shows how we get elected and defeated. It looks to me as if that figure of $1.27, as compared with $1.23, indicates that we are going to get beaten next year. I do not like that.

Mr. THOMAS of Oklahoma. The Senator may place his own interpretation on the chart, but the chart is true to history.

Mr. BAILEY. That is what the Senator says. I want him to explain it. I do not think he is doing us Democrats any good right now.

Mr. THOMAS of Oklahoma. I will say to the Senator from North Carolina that I have a higher responsibility than I have to any organization.

Mr. BAILEY. I should like to have my friend exonerate the President.

Mr. THOMAS of Oklahoma. I shall do that in just a moment, if I may have the opportunity.

Mr. LOGAN. Mr. President——

Mr. THOMAS of Oklahoma. I yield.

Mr. LOGAN. I desire to ask the Senator if what he is now doing is not warning the Democrats in time, so that they may correct a situation which is susceptible of being corrected if they will turn their attention to it.

Mr. THOMAS of Oklahoma. In 1936, 2 years ago, the price level was 123. The dollar still had a value of 123 cents in it. It had fallen from 154. Then the dollar started to go up until in 1938 it was 127. There was a 5-cent increase in value; and, as a result of that, we had the depression come on us, and we lost a number of the faithful on this side, and their successors are now sitting over on the other side.

Mr. BAILEY. Mr. President, I wish to go back to what the Senator has said about this chart showing how administrations get elected and defeated. Is not this rise from 123 to 127, according to the Senator's rule, an indication that we are headed for defeat next year?

Mr. THOMAS of Oklahoma. I started out in my speech by stating that no party has ever succeeded itself on a falling price level. No party has ever succeeded itself on an increasing dollar; and the dollar has increased from 123 in 1936 to 127 last year. Today it is 132. The Senator may draw his own conclusion as to what my answer is.

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

Mr. THOMAS of Oklahoma. I yield. I have a whole group of charts here.

Mr. WAGNER. I understand that; but I asked the Senator a moment ago whether, as the result of devaluation, there was an increase in the price level, and a decrease in the value of the dollar. The Senator suggested that there was no domestic effect at all; but the very chart which the Senator is showing us now indicates that there was a fall from 154 to 123.

Mr. THOMAS of Oklahoma. I see the Senator's point. Let me answer that.

In addition to the amendment adopted 6 years ago to the agricultural adjustment bill, Congress adopted a silver program. Under the silver program we have increased the circulation by about $1,200,000,000. We have purchased silver and placed the silver in circulation, either actually or through certificates, and thereby we have increased the circulation by approximately $1,200,000,000. I contend that the silver-purchase program has been of more benefit to the American people than all the other bills that have been passed by Congress during the past 6 years; and it is my contention that the increase of circulation through the silver-buying program was the main cause for the increase in prices that we had from 1933 until 1937.

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

Mr. THOMAS of Oklahoma. Yes; I yield.

Mr. WAGNER. Just for the sake of clarity, is the Senator going to address himself to the subject of our excess reserves now or at any time during the discussion?

Mr. THOMAS of Oklahoma. Yes; I shall get to that matter.

Mr. WAGNER. It relates to this very question of circulation.

Mr. THOMAS of Oklahoma. I know this discussion is technical, and I know it is not interesting; but, as I see it, it is most important.

Mr. BAILEY. Mr. President——

Mr. THOMAS of Oklahoma. I yield.

Mr. BAILEY. I wish to testify that the discussion is extremely interesting to me. I should like to ask the Senator, while he is telling us about his theory of the relation of the dollar's buying power to farm commodities, if he will also tell us something about the theory of its relation to wages and salaries. Does it work in the same way?

Mr. THOMAS of Oklahoma. The Senator knows in advance what my answer will be, if he will do me the honor to sit and listen to me.

Mr. BAILEY. No; I never have known in advance what the Senator's answers would be.

Mr. THOMAS of Oklahoma. Let me tell the Senator, since he asks the question. The salaried class is in the same class as the bondholder class. The Senator to my right receives $10,000 a year.

Mr. BAILEY. Are wage earners in the same class?

Mr. THOMAS of Oklahoma. Those who have fixed wages; yes.

Mr. BAILEY. Mr. President, there is confusion. I have just now learned that Senators are W. P. A. workers.

Mr. THOMAS of Oklahoma. Does the Senator deny that?

Mr. BAILEY. Oh, yes. That is one answer I never expected to get from the Senator from Oklahoma. I was utterly amazed.

Mr. THOMAS of Oklahoma. By W. P. A. worker I mean a man who lives off the Government.

Mr. BAILEY. Very well; the Senator can have his definition.

Mr. BARKLEY. Of course, the W. P. A. means "works progress," and we do not always accomplish that in the Senate. [Laughter.]

Mr. BAILEY. Very well. I will not discuss the question whether or not a Senator is a W. P. A. worker, or whether or not he is on a Federal project. I will let that go. I have heard some intimation that they were to be put under the same sort of political restraint under which W. P. A. workers find themselves, and perhaps there is some logic to that. But now the Senator has told me that salaried people are in the class with bondholders, that bondholders are in the class with certain big banks, and that brings me right on down to the wage earners. Are they also in the class of the bondholders?

Mr. THOMAS of Oklahoma. Those who have a fixed wage by law, a fixed wage that is permanent, are in the same class.

Mr. BAILEY. If there were a reduction in the buying power of the dollar, and an increased price for cotton and wheat, would that increase also the wage earner's wages, and if it did not, where would he land?

Mr. THOMAS of Oklahoma. Mr. President, the Senator has all the answers in advance; they are of record. But I will reply.

Prior to the time when we had these high prices, in the time of Cleveland, for example, wage earners received 50 cents a day, 75 cents a day, a dollar and a quarter a day. In about 1920, under the low-valued dollars and the high prices, in the first place, one could scarcely find a man to work, because there was more work than there were men to do it. The lowest wage paid in my State at that time was $4 a day. I was employing labor to some extent at that time, and I could get no one to do any kind of work, to rake leaves, for example, or dig ditches, the kind of labor which takes backs, and not heads. Four dollars was the lowest.

As wages go up, the supply of labor comes down. In the first place, there are more jobs. So an increase in the price level makes more jobs, and gives the men who do the jobs more money for their work.

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

Mr. THOMAS of Oklahoma. I yield to my colleague.

Mr. LEE. Is it not also true that when the man on a fixed salary is injured somewhat, shall we say, there is a compensating effect from the standpoint of the farmer, who must meet certain fixed costs and charges, such as interest rates——

Mr. THOMAS of Oklahoma. I shall come to that later.

Mr. LEE. Such as payment of debts, payment of insurance premiums, and all other fixed charges. It benefits

him, and in the final analysis there is a gradual readjustment upward in the salaries. So the injury which the Senator from North Carolina may have in mind is more than offset by the benefit.

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

Mr. THOMAS of Oklahoma. I yield for a question.

Mr. BAILEY. I should like to make myself clear. I did not state or indicate that I thought there was any injury. I did not have any injury in my mind. I am just making progress here slowly. I have learned that Senators are W. P. A. workers, and that wage earners are in the class with the bondholders. Again, I further learn that if we devalue the dollar—and it may be a good thing—it looks as if Mr. Coolidge, as well as Mr. Harding, had it pretty good.

I merely wish to get the point. If we put up the price of wheat, the price of cotton, and the prices of all other commodities, and also put up the level of wages, in what condition would we be? We would still have our old problem of parity. We would just lift them all up at once; we would just have more money and higher prices, but no more value.

Mr. THOMAS of Oklahoma. I am surprised that the Senator from North Carolina, after listening to me as much as he has, would make such a suggestion. I have shown on the wall a map which demonstrates that two items added together take $27,000,000,000 each year of the people's money. It costs all the people of the United States $17,000,000,000 and more to pay the cost of their Government, and to pay their taxes. It costs them $10,000,000,000 each year to pay the interest on debts. Those are fixed charges, Government, taxes, and interest.

Mr. BAILEY. How are all the W. P. A. workers to come out under the Senator's theory? They would have to be lifted, too, would they not?

Mr. THOMAS of Oklahoma. The Senator voted against my amendment 6 years ago, and he is still trying to justify his vote.

Mr. BAILEY. I should like to ask the Senator what amendment that was. I should like to find out.

Mr. THOMAS of Oklahoma. It is burned indelibly on the conscience and mind of the Senator.

Mr. BAILEY. What amendment was that?

Mr. THOMAS of Oklahoma. The Senator knows well enough. It was an amendment offered to the agricultural adjustment bill. It is title III of the law, if I remember correctly.

Mr. BAILEY. That is an amendment which was adopted by the Congress and which the President did not carry out. Does not the Senator think I got on the side of the President in that situation? He never has used the power we gave him.

Mr. THOMAS of Oklahoma. The Senator is not correct in that statement.

Mr. BAILEY. I will make it correct. He did devalue the dollar.

Mr. THOMAS of Oklahoma. Yes.

Mr. BAILEY. To 59 cents.

Mr. THOMAS of Oklahoma. Yes.

Mr. BAILEY. He did not devalue it to 50 cents. He had the power to issue $2,000,000,000 of greenbacks.

Mr. THOMAS of Oklahoma. That is not a correct statement.

Mr. BAILEY. What was the power we gave him?

Mr. THOMAS of Oklahoma. We gave the President the power to do four things.

Mr. BAILEY. Very well.

Mr. THOMAS of Oklahoma. One was to issue $3,000,000,000 of greenbacks and put them in circulation.

Mr. BAILEY. Did he do that?

Mr. THOMAS of Oklahoma. No; he did not.

Mr. BAILEY. Very well; that is one power we gave him.

Mr. THOMAS of Oklahoma. We gave him the power to arrange with the Federal Reserve System to put into circulation $3,000,000,000 more of Federal Reserve notes.

Mr. BAILEY. Did he do that?

Mr. THOMAS of Oklahoma. He did it to a certain extent. The notes are in circulation; whether he did it or not I do not know.

Mr. BAILEY. Then we leave that in doubt. We do not know whether he did it or not.

Mr. THOMAS of Oklahoma. At any rate, it was done.

Mr. BAILEY. That is "two strikes."

Mr. THOMAS of Oklahoma. Power No. 3 was to cut the gold dollar in two and make two dollars out of one. In place of doing that, he took only 40 percent of the gold out.

Mr. BAILEY. Give him 40 percent credit, or about 33⅓ percent credit.

Mr. THOMAS of Oklahoma. Power No. 4 was to embark on a silver-purchase program, and that has been carried out.

Mr. BAILEY. That has been done?

Mr. THOMAS of Oklahoma. Yes.

Mr. BAILEY. And at a great cost to the American people?

Mr. THOMAS of Oklahoma. It has not cost the American people a single penny.

Mr. BAILEY. But it has not gotten us out of our troubles, because the Senator says we are in the depression just as bad as ever. What I am saying is that the President had four powers. It is agreed that he did not use two of them at all. I did not vote for him to have them. He has not used them, so he did not need them. The other power, the silver-purchase power, he used to the limit, but it has not done any good, since we are still in the depression.

Mr. THOMAS of Oklahoma. That is not correct. I said that it had more effect in getting us out of the depression, so far as we have gotten out, than anything else.

Mr. BAILEY. We are still bad off, but we would have been worse off if we had not had that?

Mr. THOMAS of Oklahoma. I agree.

Mr. BAILEY. As to the power relating to gold, he used that to the extent of four-fifths, so the President gets 1⅘ out of a possible four points. That is the situation. I do not know whether or not I was right in voting as I did, but the President has not used as much as half of the powers we gave him. I think that is a perfectly safe statement.

Mr. THOMAS of Oklahoma. In answer to the suggestion made by the Senator from North Carolina, let me show what would have been the effect had the Congress done exactly what he advocated. Cotton is selling for 8.21 cents today. It would be selling for 4.84 cents. My figures are based on the market of the 25th day of May a year ago, but the price of cotton today is about the same as it was then. Cotton was selling on the 25th day of May a year ago for 8.21 cents a pound, in gold. Had we not devalued the gold dollar, we would be getting 4.84 cents for cotton; and the Senator comes from a great cotton-producing State.

Mr. TAFT. How does the Senator know that we would have been getting that?

Mr. THOMAS of Oklahoma. Because cotton is measured in terms of gold every day of the year, every year, throughout the world.

Mr. TAFT. Then am I to understand that the cotton loans and cotton measures have had no effect on the price at all, that the only thing which affects it is the world gold dollar?

Mr. THOMAS of Oklahoma. The price of cotton is measured every day in the year in gold.

Mr. TAFT. So that a change in the policy behind the cotton measures affecting the price, loans, and so forth, would have no effect?

Mr. THOMAS of Oklahoma. We had to provide a system of loans to make up for our negligence in not adjusting the value of the dollar, and the Senator from Ohio indicates by his suggestion and his questions that he is still going to insist on the high-valued dollar and low prices. If I were running for President on the Republican ticket, that is exactly what I would do, because if we can keep prices down and keep conditions as they are, some man of his party, whoever gets

the nomination, will have an excellent chance to win. That is why I am talking to my Democratic friends so seriously on this question.

Mr. TAFT. I do not think there is anyone in this Chamber who would not like to see the price of cotton at least 50 percent higher than it is and the price of wheat 50 percent higher than it is, regardless of any political connection.

Mr. THOMAS of Oklahoma. I share that view. Under a Republican administration I made practically the same speech I am making on the question before us, and I have the speech here before me and could read it. Things have happened as I said they would happen. I do not think I am fooled today. Had we not devalued the gold dollar in 1933 and 1934, wheat would be selling today for 43 cents a bushel in terms of gold. Wheat is selling in the future market at about 70 cents today. A year ago wheat was selling for 73½ cents in terms of gold. It was worth in that valued dollar 43 cents a year ago.

Mr. BAILEY. Mr. President, the Senator says that the price of wheat depends wholly on the monetary policy. How then would he explain the rise in the price of wheat in the last 30 days by about 17 cents, when there has been no change in the monetary policy? Wheat has gone up. If it is all a matter of monetary policy, how does he explain the rise in the price of wheat?

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

Mr. THOMAS of Oklahoma. I yield.

Mr. HATCH. I wish to ask the Senator from North Carolina a question. Did he say there was a rise in the price of wheat recently of 17 cents a bushel?

Mr. BAILEY. Yes. Wheat has gone up due to the increased sales abroad and the prospect for a smaller crop in the United States. Monetary policy has had nothing to do with that increase in the price of wheat.

Mr. THOMAS of Oklahoma. Mr. President, I suggest that one of the Senate Pages go out and get the morning newspaper and give it to the Senator from North Carolina and let him read in it the price of wheat. The fact is that the recent forecast for this year's crop of wheat was not quite so large as earlier forecasts, and because of the forecast, which was that we would not raise as much wheat as it had been thought a while ago would be raised, wheat has increased considerably in value during the past few weeks. Sometime ago it was down to 60 cents a bushel. Then it went up to 80 cents a bushel. Now it is down to about 71 cents a bushel. So, instead of saying that wheat has increased in value a good many cents in the last few weeks, the Senator from North Carolina should say that it has lost about 7 or 8 cents in the past few weeks.

Mr. BAILEY. I think the Senator has given about my net figure. I said the rise in the price of wheat amounted to 17 cents.

If the rise in the price of wheat is due altogether to the forecast of the crop, how does the Senator relate the rise of wheat to monetary operations?

Mr. THOMAS of Oklahoma. Mr. President, I should be glad to yield to the Senator, but there is no chance to convince him. A man is never convinced against his will.

Let me make this statement: The same economic law which governs the price of wheat governs the value of the dollar. The same economic law which governs the value of a bale of cotton governs the value of the dollar. When bales of cotton are plentiful they are cheap. When bushels of wheat are plentiful they are cheap. The same economic law that fixes the prices of cotton, of wheat, of hogs and sheep, fixes the price of the dollar. When dollars are plentiful they are cheap and prices are high. When dollars are scarce they are dear and prices are low.

Mr. President, I do not want to have to go over that again. I have about worn out that argument.

Mr. BAILEY. Mr. President, I will not trouble my friend. It may be that he can neither convince me nor enlighten me. I am sorry if that be true. But I would not say that. I think he has now admitted that there are economic factors which have to do with prices other than the monetary policy.

Mr. THOMAS of Oklahoma. Mr. President, nowhere in my speech here today or elsewhere have I stated that there are no other economic factors involved; but I stand upon my statement that the same economic law which controls the value of cotton, and which controls the value of tobacco in the Senator's State, controls the value of the dollar in his State. When tobacco is plentiful tobacco is cheap. When cotton is plentiful cotton is cheap. When dollars are plentiful dollars are cheap in the Senator's State, and the same economic law operates in North Carolina, in Oklahoma, and in every other State.

Mr. President, I am not trying to change the economic law. I make the statement first that an expansion of credit dollars is not an expansion of dollars. The expansion of credit in the banks is not an expansion of dollars in times of major crises. I make the statement that the real dollars that we carry in our pockets—gold, silver, and paper—are price-measuring units, but credit dollars are not price-measuring units. As a proof of that, we have put $30,000,000,000 of credit dollars in circulation in the past few years. How much have prices increased?

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

Mr. THOMAS of Oklahoma. I yield.

Mr. GILLETTE. Earlier in the Senator's address I believe he made the statement that the devaluation policy had no effect whatever on the prices of the commodities domestically consumed. Just now the Senator stated that were it not for the devaluation policy wheat would be selling today at half the present price, and cotton would be selling at half the present price. Will the Senator clarify that situation?

Mr. THOMAS of Oklahoma. That is true for the obvious reason that wheat and cotton are world commodities. Every commodity that is a world commodity has been affected by the devaluation. Automobiles are domestic products. Have automobiles gone up in price because we have cheapened the dollar? Instead of automobiles going up in value they have gone down in value. Today we get a better car for less money, while the foreigner had the price of automobiles cheapened to him 40 percent immediately. Did we get the price cheapened to us 40 percent immediately?

Take the old-size gold dollar. A Frenchman in order to get a thousand-dollar car in America had to exchange a thousand of those big-size gold dollars to get a thousand dollars with which to buy the automobile. Then we had dollars of the size shown by my illustration. When the President took the amount of gold I now indicate out of the dollar, then the Frenchman could take this much gold, as I now indicate, 15 grains, and with it buy a dollar. That represented a 40-percent reduction. He could take 600 of those big dollars and convert them into a thousand dollars of American currency, and with 600 of those big dollars he could buy an American automobile.

So our devaluation cheapened automobiles to the Frenchman, to the Englishman, to the Irishman, to the Hindu, to everyone who was outside the United States. Did it cheapen automobiles here at home? It should have raised the price here at home. It did not raise the price. Have we cheapened the value here at home? Cars should go up in price 40 percent. They did not. That is why I say the devalued dollar did not change the price of the domestic product.

As the President devalued the dollar, took gold out of it, he did not put this piece of money back in circulation. It was taken out. He did not recoin this piece of money. He did not expand the circulation perceptibly except through the silver program.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. LUCAS. Let me ask the Senator a question. Corn is selling in Illinois for about 46 or 48 cents a bushel. Would corn now be worth only 23 cents if we had not devalued the dollar?

Mr. THOMAS of Oklahoma. Corn is a world commodity. On the 25th of May 1938, corn was worth 55½ cents in terms of gold. Had we not devalued the gold dollar corn would have been selling on that date for 34.7 cents a bushel.

Mr. LUCAS. Did the American market fix the value of corn rather than the Liverpool market?

Mr. THOMAS of Oklahoma. The demand for corn fixed the price. The price of corn, as I said, fluctuates according to the law of supply and demand.

Mr. LUCAS. Does the same philosophy the Senator is promulgating here at the present time cover a local commodity the same as a world commodity?

Mr. THOMAS of Oklahoma. If our money was based on gold, and redeemable in gold, then the argument would apply. But the gold dollar is entirely out of the question. That is history so far as we are concerned. It does not exist, because our money is not redeemable in gold dollars. So the argument I make is not on that basis, because we are not on gold. Today the worth of the dollar is based on the relation which the number of dollars in circulation bears to the property of the country and to the trade of the country.

Mr. LUCAS. Mr. President, if I follow the Senator correctly, then if there is a local commodity the market price of which is not fixed by a world price, such local commodity would have the advantage over a commodity whose price is fixed by the world market?

Mr. THOMAS of Oklahoma. Here at home the price of any commodity is fixed first according to the law of supply and demand for the commodity, in relation to the amount of money we have in circulation; the amount of these price-measuring units. That is my contention.

Mr. LUCAS. Mr. President, I confess I cannot follow the Senator. The Senator mentioned two different kinds of commodities. Corn and wheat and cotton are world commodities, and the price of corn, wheat, and cotton would be just one-half of what it is today were it not for the devaluation of the gold dollar under the act of May 1933?

Mr. THOMAS of Oklahoma. Exactly so.

Mr. LUCAS. I am now speaking about another commodity, the soybean, raised in the State of Illinois, which is not a world commodity in the sense that we speak of corn and wheat and cotton as being world commodities. If it were not for the devaluation of the dollar, would soybeans today be selling for one-half less than they are?

Mr. THOMAS of Oklahoma. I should like to try to explain that.

Mr. LUCAS. I should be glad to have the Senator do so.

Mr. THOMAS of Oklahoma. Today we have two kinds of dollars. We have a foreign-exchange dollar based on gold. Every American dollar, when it goes abroad, becomes a gold dollar in value. I want to make that plain. Every dollar of our exchange money is based upon gold, and every dollar of our exchange money is of the exact value of the piece of gold in the dollar. The exchange dollar fixes the price of all world commodities. So that world commodities are governed in their value in relation to the value of the gold in the gold dollar.

The domestic dollar is not based upon gold. Domestic prices have very little relation to gold. We have two dollars in this country. We have a gold dollar abroad and a domestic dollar at home. I contend that the domestic dollar is worth $1.32. I contend, and the record shows, that the domestic dollar, even after devaluation, with only the amount of gold in it shown by this diagram, is now of more value than the big dollar was in 1929, because then the dollar was worth only $1.04. I could go into that matter and show the reason for it. I think probably the record ought to show the reason why.

Mr. LUCAS. I thank the Senator for that explanation.

Mr. THOMAS of Oklahoma. We have two dollars, a domestic dollar, its value controlled by the number of dollars in circulation, and a gold dollar whose value is controlled by the amount of gold in that dollar.

All the exchange dollars are gold dollars because they are based upon the ability of the person who holds the exchange to convert it into gold. However, we cannot convert the domestic dollar into gold, so the domestic dollar has no relation to gold from my viewpoint. The value of the domestic dollar is controlled by the number of dollars in circulation. Scarce money means high-valued dollars hence, low prices. Plentiful money means cheap money, and high prices.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. O'MAHONEY. Eliminating all consideration of world commodities and world prices, does the Senator draw the conclusion that so far as the domestic dollar is concerned the devaluation of itself was beneficial to the citizens of the United States?

Mr. THOMAS of Oklahoma. Yes; I claim it was beneficial.

Mr. O'MAHONEY. The Senator claims it was beneficial?

Mr. THOMAS of Oklahoma. I do.

Mr. O'MAHONEY. In what way was it beneficial?

Mr. THOMAS of Oklahoma. In the first place, it gave the Treasury a profit of $2,800,000,000. That profit is for the benefit of all the people of America, because it is their money.

Mr. O'MAHONEY. But it has not been used.

Mr. THOMAS of Oklahoma. That is true; but we have it still. That is benefit No. 1. Benefit No. 2 is that the devaluation raised the prices of world commodities such as cotton, wheat, corn, and other commodities which are valued every day in the year in gold throughout the world. It raised the prices of those commodities. As to other prices it has not had a perceptible effect. In my judgment the effect on other prices has been caused by the silver program and by a more liberal program of the banking system in making loans to the extent loans have been made.

Mr. O'MAHONEY. The Senator states that money is a measure of value.

Mr. THOMAS of Oklahoma. That is correct.

Mr. O'MAHONEY. It is not a commodity. It is a measure of value.

Mr. THOMAS of Oklahoma. Gold is a commodity.

Mr. O'MAHONEY. Gold is a commodity.

Mr. THOMAS of Oklahoma. And silver is a commodity.

Mr. O'MAHONEY. But we have gone off the gold standard, and gold does not affect our domestic money, as I understand the Senator.

Mr. THOMAS of Oklahoma. Very little.

Mr. O'MAHONEY. Very little. So to all intents and purposes, so far as domestic money and domestic prices are concerned, we are on a managed currency basis.

Mr. THOMAS of Oklahoma. Approximately 100 percent.

Mr. O'MAHONEY. If money is primarily a measure of value, the essential factor in control of prices is the production and exchange of commodities, goods and services, is it not?

Mr. THOMAS of Oklahoma. I think the Senator is correct.

Mr. O'MAHONEY. What I have never been able to understand about the theory of those who take the position the Senator takes—though I have studiously tried to understand it—is how changing the value of the dollar is going to promote the production of commodities and their exchange. Without any attempt to be facetious, it seems to me that the philosophy is that if instead of referring to a foot as 12 inches we should refer to a foot as 6 inches, then a 6-foot man would be 12 feet tall instead of 6 feet. His height would be a matter of terminology, and his stature would not be raised a single inch. That is my difficulty about understanding the theory which the Senator is propounding.

Mr. THOMAS of Oklahoma. The Senator is not correct in his statement. If we shorten the yardstick to two-thirds of its present length, and still give it 36 inches, then by shortening the yardstick we increase the inches of height of the man we measure.

Mr. O'MAHONEY. But we increase only what we call an inch. The Senator discussed his pasteboard dollar and his gold dollar. He folded the pasteboard dollar over and demonstrated how it becomes two, or could become two if the President used his entire power. Then the Senator

pointed out to the Senator from North Carolina that on a certain day in May 1938 cotton was worth 8.21 cents. The Senator said that if the devaluation had not taken place it would have been worth 4.84, which, as I see it, is merely a declaration that the stable value of the cotton is merely changed in terms of the money which is used to measure it. It seems to me that is exactly the same as measuring a man and calling a foot 6 inches instead of 12 inches.

Mr. THOMAS of Oklahoma. Mr. President, the Senator comes from the West. The record shows that when gold was discovered in California in 1849 and 1850 a vast amount of gold was mined. It came into circulation either as money or as gold dust. To the extent gold was discovered in 1849 and 1850 and came into circulation, gold became more plentiful in terms of dollars, and prices were increased. That circumstance illustrates my theory. If we could find a mound of gold somewhere, mine the gold, coin it, and put it into circulation, it is my contention that the value of gold in terms of property would fall; but if gold in terms of property falls, property must rise in terms of gold.

Mr. O'MAHONEY. I think there could be no possible doubt of that statement. I follow the Senator completely.

Mr. THOMAS of Oklahoma. That theory is the quantitative theory of money.

Mr. O'MAHONEY. Certainly. When we use gold as a commodity and base our currency upon gold, naturally the value of the dollar will vary with the scarcity or the abundance of the material which is its base. I follow the Senator on that point completely. However, that is not the question.

Mr. THOMAS of Oklahoma. Answering the suggestion of the Senator from Wyoming, we do not now have any gold in circulation. In my judgment, a paper dollar does exactly the same thing toward prices as a gold dollar would do. I think everyone must admit that if we discovered gold and put the gold in circulation, gold would become more plentiful and dollars would become more plentiful; and, dollars being more plentiful and cheaper, property would go up in value. Since the gold is out of circulation, it is my contention that by printing paper money and putting paper dollars into circulation we could produce the same effect on prices as though we found a mountain of gold, coined the gold, and put the gold in circulation.

Mr. O'MAHONEY. I do not think there could be any doubt about that statement. However, if the Senator will turn his eyes to the chart which stands behind him and will refer to the decline in the price of the dollar between 1916 and 1920, I ask him if he does not remember that while that price was going down people were referring to the decline as the increase in the cost of living.

Mr. THOMAS of Oklahoma. As the dollar fell prices went up.

Mr. O'MAHONEY. Exactly.

Mr. THOMAS of Oklahoma. The dollar fell because during that period we placed about $3,000,000,000 of new paper money in circulation. Of course, the war had some effect. I cannot dispute that. However, the facts are that during the Wilson administration, from the time the Federal Reserve Act was signed until 1920, the circulation of real money increased from three and one-half billion to six and one-half billion dollars. Three billion dollars of real money was placed in circulation during the Wilson administration, and as a result of the placing of that money in circulation, prices went up to the highest level in my memory.

Mr. O'MAHONEY. There is no question about it; and because they went up a great cry went over the country about the high cost of living, which precipitated the campaign of 1920 and the declaration of Warren G. Harding that he would undertake courageous deflation. He undertook courageous deflation. He brought about the panic of 1921 and the conditions which resulted therefrom. However, when all is said and done, does it not come down to a question of what sort of commodities and what work can be exchanged for the dollar? When the dollar becomes cheap, the person who has a limited salary is able to buy less of the goods that he needs. That was the reason why, in the cities and the crowded centers of population, the great cry went up for the very argument Mr. Harding was making.

Mr. THOMAS of Oklahoma. The Senator is exactly correct in his interpretation. What I am trying to do from my standpoint is to have the dollar properly valued in terms of property. I want the dollar properly valued in terms of all the property in the United States, so that it will not hurt anybody or help anybody. I am not trying to hurt the bondholder. However, the bondholder today is receiving a subsidy of 32 cents on every dollar. My fellow W. P. A. worker to my left is receiving not only $10,000 but he is receiving a subsidy of 32 cents on every dollar of that $10,000. So, so far as the Senator is concerned, and so far as I am concerned, we are not receiving $10,000 a year. We are receiving $13,000 a year. The men and women who pay our salaries must produce $13,000 worth of wheat, corn, cotton, and sweat to obtain the money to pay our salaries.

Mr. BAILEY rose.

Mr. THOMAS of Oklahoma. I am opposed to that subsidy being paid the Senator from North Carolina [Mr. BAILEY].

Mr. O'MAHONEY. I am afraid the Senator will reduce our salaries to $6,000.

Mr. THOMAS of Oklahoma. Let me say that if the dollar keeps on going up it will have to be reduced in one of two ways. We may have to reduce it as it was reduced several years ago when Congress reduced the salaries of Members by $1,500 a year. If the dollar keeps going up, we cannot collect enough money to pay ourselves $10,000 a year. We shall have to cut our salaries to $5,000, or go on a per diem basis, as was the situation in the early days. On the other hand, if we cheapen the dollar and allow the people to make more money, they will have no trouble in paying the salaries of their Senators and Representatives.

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

Mr. THOMAS of Oklahoma. I will yield for a question, but I will not yield for a speech, because I myself have too much to say. The Senator can take his own time.

Mr. BAILEY. Mr. President, I have no thought of making a speech or asking a question. However, a question of fact arose as to the price of wheat. The Senator suggested that I send a page after a copy of the newspaper referred to. I took the time to obtain it, so I shall not trouble the Senator. I shall wait until he concludes, and then ask leave to print the editorial from the New York Times in the RECORD.

Mr. THOMAS of Oklahoma. Mr. President, I ask that a page bring me a copy of the New York Times, or any morning newspaper.

Mr. BAILEY. It is today's New York Times.

Mr. WAGNER. It is an editorial.

Mr. THOMAS of Oklahoma. I want the quotations. I do not want an editorial.

Mr. WAGNER. Mr. President, while the Senator is waiting for the newspaper, may I ask a question?

Mr. THOMAS of Oklahoma. Yes.

Mr. WAGNER. Taking one segment of the economic discussion—I am not now discussing the question whether an increase in circulation of money would bring about higher prices, but speaking of the devaluation of the dollar—is it not a fact that other countries having depreciated their currencies, and we not having taken similar action with our currency, our exports to other countries were greatly reduced because of the high prices of our commodities in terms of foreign currencies in foreign markets? When we did devalue the dollar we increased our exports; the exporters became more prosperous, of course, and that prosperity was bound to be reflected in our domestic economy, because they could and did employ more people; they increased the purchasing power of their employees and their stockholders. Thus, in that one segment alone, was reflected a benefit as a result of the devaluation, leaving altogether out of account the domestic price level.

Mr. THOMAS of Oklahoma. The Senator is exactly correct. The devaluation of the dollar had a vast influence upon the economy of the world. We do not appreciate the

power this Nation has. It has already bought or taken over $16,000,000,000 of the world's $26,000,000,000 of gold. This Nation has the economic power to acquire all the gold in the world. We could do that and no one would ever know the difference except those who did the job. The United States has the wealth and the economic ability to take over and acquire every ounce of monetary gold in the world and bury it in Kentucky, and if it should do so it would not seriously affect our domestic economy. The United States has the economic power to acquire every ounce of silver in the world and to bury it in the neighborhood of West Point in New York.

There are only 10,000,000,000 ounces of silver in the world. At 42 cents an ounce, $4,200,000,000 would buy all the silver in the world. That amount of money represents 5 months' expenses of the Government of the United States. The Federal Government is spending each 5 months sufficient to buy all the silver in the world. We could acquire the balance of the 10,000,000,000 ounces of silver and no one would ever know the difference. No one, however, wants to have that done.

Here is the point as to gold. World exchange is based on gold. Therefore gold should be distributed throughout the world. Every nation should have its proportional share of gold, based upon its demand for gold, which means based upon its exchange of goods, its ability to manufacture and sell. So every nation should have its share of gold to back its currency. Our policy has depleted the other nations of their gold. We have acquired it and brought it to this country. We have $16,000,000,000 of the $26,000,000,000 of gold in our strongbox here in America. I was coming to that question on the chart in just a few moments. It is my contention that that policy is wrong; it is injurious; it really does us no good, and it does the rest of the world harm, because every nation when it buys goods must get a bill of exchange based upon gold, or, if it does not do that, it must carry on its trade by barter. If nations cannot get gold, they have to go on a barter basis. Germany, without much gold, is trading by barter throughout the length and breadth of the world. The nations that have no gold and can get no gold are forced to barter; they are forced to trade manufactured goods, for example, for cotton, for corn, for meat. How are nations that have no gold and do not produce it going to get it? We have a corner on the gold, so to speak. Gold is coming to us day by day. I will explain that in a few moments. I repeat, this policy is wrong. It does us no good and is ruining the world. The amendment which I shall propose after awhile, if adopted, would solve that problem.

We do not appreciate the economic power that this Nation has, and yet we are not using it. We have the power to fix the value of the dollar at any point we see proper in terms of property. Who is doing that? Is the Congress doing it? No; the Congress is not doing it; and even Senators will not come into the Chamber and listen when the proposal is under consideration. Who is doing it? Somebody is doing it.

There has not been a day since this Nation started 150 years ago when someone has not been managing our money. When we have a gold standard and every dollar in America is based upon gold, it is still a managed money. We can place the value of gold itself at any point we see proper in terms of property. I know this is technical, but I want it to go into the RECORD. Today, for illustration, a bushel of wheat is worth a gold dollar. We can by placing paper money in circulation make money more plentiful, make money cheaper, and raise the price of a bushel of wheat to $2. Does anybody doubt that?

So long as we can buy and sell gold at $35 an ounce, or any other price, we can increase the price level of our domestic commodities to any point we see proper. So that justifies my statement, if I am correct, that even if we have a gold standard, even if we should coin the $16,000,000,000 of gold that we have in the Treasury, and put each of those $16,000,000,000 in circulation, and keep them in circulation, we could still manage the value of our money and we could still fix the value of our property in terms of those dollars. We could do that by the amount of paper money we would place in circulation, by the amount of gold we would place in circulation, and by the amount we would take out of circulation.

The Republicans in 1920 said the Democrats raised prices by putting money in circulation. The Republicans in 1920, in the same platform, said "We will bring prices down by taking money out of circulation." They were correct. The Democrats did raise prices by putting money in circulation. They put $3,000,000,000 in circulation from 1913 to 1920 and prices went up. The Republicans said, "Turn the wicked Democrats out and put us into power and we will bring prices down, and do it by taking money out of circulation." The people sustained that viewpoint and elected a Republican President in 1920, and as soon as the Republican Party came into power they began to do that which they said they were going to do, namely, take money out of circulation. Someone may ask how did they get money out of circulation?

I will now recur to a statement I made about an hour ago. Here is a copy of a letter from the Federal Reserve Board sent to the Senate in response to a resolution submitted by the then Senator from Illinois, Mr. McCormick. The Federal Reserve Board told the Senate that they were going to reduce prices by stopping lending; by stopping the expansion of credit; and, second, by beginning to collect the loans which were outstanding. That means that the banks would make their borrowers pay, and then when the banks were paid by their borrowers, they sent the money to the Federal Reserve System and the money was taken out of circulation. That was power No. 2. The Federal Reserve Board was entirely honest, because in this letter they made a statement, from which I will read briefly:

> The Board feels assured that the banks of the country now realize the necessity of more conservatism in extending credits and of a reasonable reduction in the volume of credits now outstanding.

What does that mean? The Federal Reserve Board said to the Senate that the banks should not be so liberal with their credit; that they should commence collecting their loans. They had given notice to the banks to do that and the banks, of course, must follow the instructions of the Federal Reserve Board. So the banks in 1920 stopped making loans—not entirely, but they were not so liberal in making loans—the banks began to collect their loans, and as the money came into the banks, as the banks owed the Federal Reserve System a vast amount of money, the banks sent their money into the Federal Reserve bank, and for the first 18 months, as I have said many times, after this program was placed into operation the banks collected and sent to the Federal Reserve System $100,000,000 a month in money. How much credit was destroyed I cannot say; I do not have the records as to that but I have the record of greenbacks and gold and silver, and that is what I call money. A hundred million dollars a month from 1920 for the next 18 months was retired from circulation, and, as this money went out of circulation, prices began to fall. Wheat in my State fell from $2.40 a bushel to $1 a bushel, cotton in my State fell from 44 cents a pound to approximately 20 cents a pound, hogs fell, cattle fell, everything else fell, and the depression of 1921 was on. There were three powers the Federal Reserve Board said they would use to break down the high cost of living; they used the powers and did the job.

I will read another sentence from this report. Mr. W. P. G. Harding, the Governor of the Board, made the report. Speaking for the Board, Mr. Harding made the following statement:

> The whole country is suffering from inflation of prices with the consequent inflation of credit.

Mr. Harding told the country that the country was suffering from inflation of prices; in other words, that prices were

too high. They were too high because we had too much money in circulation; credits were too easy; credits were too liberal; there was too much credit. And he was right.

Then said Mr. Harding——

Mr. MINTON. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator from Indiana.

Mr. MINTON. Has the Senator examined the record to determine whether or not the action of the Federal Reserve Board in 1937 took money out of circulation?

Mr. THOMAS of Oklahoma. Yes; I shall come to that a little later.

Mr. MINTON. I may be here.

Mr. THOMAS of Oklahoma. But the Federal Reserve Board did in 1937 exactly what the Federal Reserve Board did in 1920, I will say to the Senator—I want to put all of that in the RECORD—and they bragged about it. In the report, which I have on my desk, of the Board of Governors of the Federal Reserve System, submitted for 1936 and 1937, as I shall show later, the Federal Reserve Board bragged about their action. They first reported that prices were going up, that business was getting good, that the banks were making loans, that we were about out of the depression, and they then became alarmed; and when they became alarmed they changed the trend of the falling dollar and increased prices to a rising dollar and falling prices; and they admit that they did it and tell how they did it; and I will place all of that in the RECORD. In other words, the Federal Reserve Board did in 1937 exactly what the Federal Reserve Board did in 1920. In 1920 the Federal Reserve Board brought down prices. In 1937 the Federal Reserve Board stopped prices going up and started them going back down again by exactly the same process.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. MURRAY. At the same time, is it not true that the prices of manufactured products all over the country rose; and is it not a fact that the high prices charged by the big manufacturing corporations of the country in 1937 contributed greatly to the recession?

Mr. THOMAS of Oklahoma. Yes; I am sure the Senator is correct in that statement, but I do not want to go into that phase of the matter for this reason: A very large number of manufactured goods are not controlled by supply and demand. They are controlled by the power of monopoly. For example, during this depression farm machinery has remained at about the same price, or has even gone up, when there was practically no demand for it. You could not buy a binder in the depression for less money than you could buy it for before the depression, or than you can buy it for now. So in the case of goods that are controlled by monopoly, they have the power to control the price, and they fix the price, and they maintain the price without regard to the law of supply and demand. If there is no demand, they do not manufacture; but if they sell, they make their profit.

I want to read another sentence from this report of the Federal Reserve Board. I will read again the last sentence:

> The whole country is suffering from inflation of prices, with the consequent inflation of credit. From reports made by the members of this conference, representing every section of the country, it is obvious that great sums are tied up in products which, if marketed, would relieve necessity and tend to reduce the price level.

So the Federal Reserve Board said, "If you follow out our program we will reduce the price level." Well, they followed the program, and the price level was reduced. There is an admission that in 1920 the Federal Reserve Board had the power to manage the money. There is an admission that if certain things were done the price level would be reduced. History shows that the things were done that they wanted done, and the price level came down.

So, from my viewpoint, our money has always been managed, from the beginning of the Government; and even were we on the gold standard, with gold in circulation, our money would still be subject to management. Those who have the gold might refuse to put it in circulation. Those who have the power to issue credits might refuse to issue the credits. Those who have the power to issue paper money might refuse to put out the money. So the persons—and it is all done by persons—at the head of our financial system, whoever they may be, have the power to fix the price level at any point they see proper.

In 1937 the price level was 113½. The dollar had lost its value from 167 cents down to 113½ cents. Prices were going up. As the dollar goes down in value, prices go up. So at that point the Federal Reserve Board members and others thought the dollar was going to get too cheap, and prices were going to get too high; so they checked that trend and started the dollar value in reverse ratio. They started the dollar back up again; so the dollar has increased in value since March 1937 from 113½ until last week it was worth 130.1. I contend that that is an impossibly valued dollar. So it is my contention that our money managers today have fixed this value for the dollar. They have maintained that value consistently now for several months, so it must be that the managers of our money think that is a proper value for the money.

The Senator from North Carolina [Mr. BAILEY] is not present. A little while ago he made the statement that wheat had gone up in value, I think, 15 or 17 cents during the past few weeks.

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

Mr. THOMAS of Oklahoma. Yes.

Mr. HATCH. I heard the statement made by the Senator from North Carolina. I desire to ask the Senator from Oklahoma if this is not correct:

Almost since August of last year wheat was practically at a stationary price until the month of May, when the crop scares were over in the Winter Wheat Belt of the country. During the period of crop scares, dry weather, wheat advanced approximately 10 cents a bushel. The rains came, and wheat has gone down in price this month until it is now almost where it was before the crop scares.

Mr. THOMAS of Oklahoma. The Senator is very likely correct. The same law of supply and demand controls the price of wheat that controls the price of money. A month ago the prospects were for a decreased amount of wheat production, and the price started to go up. Wheat went up to about 80 cents a bushel. Rains in the West have stimulated the hopes of the wheat growers that they are going to have more wheat than the forecast gave them a month ago; so, as the forecast is more favorable for the supply of wheat, the price of wheat has fallen, and yesterday on the exchange July wheat was worth only 70¾ cents. It has fallen approximately 10 cents a bushel in the past 3 or 4 weeks. So just the reverse of what was reported by the Senator from North Carolina has happened. A year ago wheat was worth 77 cents. Yesterday it was worth 70¾ cents.

While we are on the subject of the price level, I wish to place in the RECORD at this point the figures for the past several months. I said that the managers of our money have fixed $1.30 as the value of our dollar in terms of property. It is obvious that they have fixed that value, because that is where the dollar is, and they have the power to put it anywhere they see proper. So if they have the power, as they know they have, and if they place it somewhere, it is obvious that that is where they want it.

I have here a list of the different values of the dollar for different months and different weeks since 1937. In 1937 the dollar had fallen until on the 27th of March of that year the dollar had a value of 113.9 cents. On April 3 it had a value of 113.3 cents. On April 10 it had gone up to 113.8 cents. That was the time when all this scare came over the country that we were going into a boom. The headlines in the newspapers said that we were in the throes of inflation, that prices were going to get out of bounds, that the bondholders were going to lose all of their value

and the salaried people were going to lose all of their salaries because of the effects of cheapening the dollar; and at that time the managers of our money exercised the powers which they had. Those powers, briefly, are, first, the power to raise the reserve requirements. The Federal Reserve Board has the power to say what percentage of a bank's deposits shall be kept in reserve in the Federal Reserve banks of the several districts. I cannot give the exact percentage, but it is not material. At that time the banks were keeping only a small percentage of their money in reserve. The Federal Reserve Board had the power to say they should keep a larger amount and a still larger amount in reserve; and the Federal Reserve Board raised the reserve requirements, and forced the banks to carry more and more of their money on deposit in the Federal Reserve banks of their respective districts. As fast as this money went into reserve it went out of circulation from the standpoint of practicability; and as the reserve requirements were raised, that much more money was killed from day to day, until they raised the reserve requirements to the limit under the law.

In addition to that, for fear that money was becoming too plentiful and prices were going to go too high, the Federal Reserve Board and the managers of our money began to sterilize gold. As gold came to America from abroad—and I shall come to that later—instead of continuing the money value of the gold the managers of our money placed the gold in an inactive account. They buried it. They put it back into quartz, so to speak. It was not money any more. They took no credit for it as money. They killed the gold for the time being, and from that time on until later it was not money. That made money scarcer.

In addition to these two simple processes of raising the reserve requirements and of sterilizing the gold that came to this country, there was the psychology of statements. High officials made the statement that things were getting too high. High officials made the statement that everybody should get out of the stock market, which meant that stocks were going to go down instead of going up. The statement was that "If you want to make money in this stock market, go to selling instead of buying." That was the effect of it, and smart people who have connections with Wall Street know in advance as a rule what is going to happen. When they saw the reserve requirements being raised, when they saw gold being sterilized, and when they saw statements from high officials that prices were too high, what did they do? They knew what was going to happen. They began to sell. Stocks went down, prices went down, everything went down; and the recession came upon the country, wholly man made; yet Mr. Eccles, the head of the Federal Reserve System, says Congress is responsible for this recession.

I have here a news story headed—

Eccles blames Congress for economic slump, deficits, and debts.

When the facts are that when my speech is printed, if you read my speech you will find excerpts from Mr. Eccles' own report saying that the Federal Reserve Board did it. They raised the reserve requirement, they sterilized the gold, and it had the effect they wanted it to have. I will come to that later.

I said that in March 1937 we had the cheapest dollar we had had for years and the highest prices we had had for years. Then the managers of our money got busy, they stopped the falling trend of the dollar and started the trend back up. The dollar became cheapest in March 1937, and was down to $1.135, and the dollar has been going up ever since. From 1937 the dollar started going up. Last year, 1938, it was up to $1.27, and now it is $1.32.

By way of parentheses, I may state that the increase in the dollar value and the consequent decrease in prices changed about 10 or 11 senatorships, and 10 or 11 Senators who were here before are not here any longer. If the dollar trend keeps going up as it did under Mr. Hoover, the same thing that happened to Mr. Hoover will happen to more of us on this side who will have to stand for election within the next 2 years. If Mr. Hoover had listened, or had known, he could have served 4 years more as President, in my opinion. But no political party can sustain itself under the Hoover system of prices, no man can sustain himself who takes that viewpoint, in my judgment, unless he represents a constituency who will profit by falling prices and increased value of the dollar.

I wish to place in the RECORD at this point, if I may, a table showing a series of prices furnished me by the Department of Labor indicating the value of the dollar during each week from March 6, 1937, to June 10, 1939.

The PRESIDING OFFICER. Is there objection?

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

[U. S. Department of Labor, Bureau of Labor Statistics, Washington]

Purchasing power of the dollar, as measured in terms of all commodities at wholesale, by weeks, Mar. 6, 1937, through June 3, 1939—1926=$1

Week ended—		
	1937	
Mar.	6	$1.161
	13	1.147
	20	1.142
	27	1.139
Apr.	3	1.133
	10	1.138
	17	1.142
	24	1.143
May	1	1.144
	8	1.146
	15	1.151
	22	1.144
	29	1.144
June	5	1.148
	12	1.153
	19	1.156
	26	1.153
July	3	1.147
	10	1.140
	17	1.139
	24	1.143
	31	1.143
Aug.	7	1.144
	14	1.143
	21	1.146
	28	1.156
Sept.	4	1.157
	11	1.152
	18	1.144
	25	1.143
Oct.	2	1.151
	9	1.163
	16	1.174
	23	1.178
	30	1.191
Nov.	6	1.193
	13	1.202
	20	1.206
	27	1.220
Dec.	4	1.220
	11	1.221
	18	1.227
	25	1.232
	1938	
Jan.	1	1.235
	8	1.238
	15	1.235
	22	1.238
	29	1.245
Feb.	5	1.248
	12	1.256
	19	1.259
	26	1.256
Mar.	5	1.253
	12	1.253
	19	1.258
	26	1.263
Apr.	2	1.269
	9	1.274
	16	1.272
	23	1.272
	30	1.277
May	7	1.284
	14	1.285
	21	1.279
	28	1.280
June	4	1.287
	11	1.285
	18	1.276
	25	1.279
July	2	1.284
	9	1.277
	16	1.267
	23	1.271
	30	1.272

Purchasing power of the dollar, as measured in terms of all commodities at wholesale, by weeks, Mar. 6, 1937, through June 3, 1939—1926=$1—Continued

Week ended—		
Aug.	6	$1.276
	13	1.284
	20	1.292
	27	1.285
Sept.	3	1.285
	10	1.284
	17	1.277
	24	1.276
Oct.	1	1.282
	8	1.285
	15	1.287
	22	1.294
	29	1.289
Nov.	5	1.294
	12	1.292
	19	1.294
	26	1.294
Dec.	3	1.292
	10	1.297
	17	1.304
	24	1.305
	31	1.300
	1939	
Jan.	7	1.299
	14	1.302
	21	1.305
	28	1.304
Feb.	4	1.305
	11	1.305
	18	1.305
	25	1.302
Mar.	4	1.304
	11	1.299
	18	1.304
	25	1.305
Apr.	1	1.307
	8	1.318
	15	1.319
	22	1.316
	29	1.314
May	6	1.314
	13	1.309
	20	1.318
	27	1.319
June	3	1.321
	10	1.323

Mr. THOMAS of Oklahoma. Mr. President, I should like now, before I go to another chart, to talk for a moment about the bill as it passed the House. The bill before the Senate is very simple. It has but three provisions in it. The first provision requires the Secretary of the Treasury to report to the President and to the Congress his activities in handling the stabilization fund. Under the present law he reports only to the President, so the first section of the House bill merely modifies existing law by providing that the Secretary of the Treasury shall report to the Congress in addition to reporting to the President. I suppose no one is opposed to that; certainly I am not. I favor it. So I am for section 1.

I will skip section 2 for the moment. Section 3 provides that the power in the President's hands to further devalue the gold dollar shall be continued for 2 years. We gave the President power originally to cut the dollar in two, and to make two out of one. He merely used 40 percent of the power, so to speak, because he took only 40 percent out of the dollar. He has the power today to take a piece out of the dollar as large as that indicated by the diagram I hold in my hand. So on a former occasion we gave him power to take this much out of the dollar. He has not used that power. He can do it today, he can do it any time until the 30th day of this month. If Congress does not extend the power, when the 30th day of this month shall have gone the President will not have the power to further reduce the size and weight of the gold dollar. So section 3 of the bill would give the President power for 2 more years to still further reduce the size, and the value, so to speak, of the gold dollar.

If I had it in my power, I would take this chunk of gold out now and still further cheapen the gold dollar. But I am not the President. He sees it differently. I am not criticizing him for not doing it. He has a broader viewpoint of things than I could possibly have, he has better advisers than I could possibly have, he has more facilities for acquiring information than I have; and I never question the viewpoint of the President. I could not even question Mr. Hoover's viewpoint. He did not see things as I saw them, or I did not see things as he saw them. Some one might ask now, however, who is Mr. Hoover? I will let history answer that question.

Section 3 of the bill before the Senate proposes to extend in the President for 2 more years the power to clip from the dollar the amount of gold represented by the diagram in my hand. I want that power extended. If that should be done, the gold dollar would become smaller. If that should be done, the gold dollar would become cheaper. If that should be done, the prices of all world commodities would be increased about 20 percent overnight. But that is not all.

We have now 16 billions of dollars of gold in our strong box. If the President should clip the amount of gold from each dollar which I indicate on this rude chart, he could put that in a profit pile. Then, when he revalued this profit pile of gold, it would consist of 16,000,000,000 little chunks of the size of the one I hold in my hand, and he would have $2,900,000,000 more of profit. So, by taking that much gold from the gold dollar—and he can do it today—the President could make a profit for the Federal Treasury of $2,900,000,000, exactly as the amendment which we adopted in 1933 made a profit of $2,800,000,000 for the Government. If that should be done, it would give us a dollar one-half the size of the dollar we had for a hundred years.

Even if that should be done, however, the new-sized dollar would be worth more today in terms of property than was the old gold dollar of 1929. It is for that reason that I contend that that little excess should be taken from the gold dollar, because if it is done, it makes a profit to the Treasury of almost $3,000,000,000, and leaves us a gold dollar which will buy more property throughout the world, including the United States, than would the big dollar of a few years ago.

Someone might ask why that would follow. It is because the same economic law that governs the price of gold governs the price of everything else. As the gold comes to us from abroad it decreases the supply abroad. Today fifty-odd nations, comprising a billion eight hundred million people, have only ten billions of gold to back all of their currencies. We have the balance hoarded; we have sixteen billion hoarded, which cannot be used, cannot be had. That leaves only ten billions of gold to be scattered throughout the world to support the moneys and the credits and the trade of the balance of the world.

As this gold comes to us it makes gold scarcer abroad, so the more gold we get the less foreigners have, and the less they have the scarcer it becomes, and the law of supply and demand operates. The more gold comes to us the scarcer it is in foreign nations, the higher it goes in terms of property, and that is why the value of gold today is so high as measured in terms of property.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. ELLENDER. If we further devalue the gold dollar, will not that have a tendency to make more gold come into this country from abroad?

Mr. THOMAS of Oklahoma. The Senator is exactly right in his suggestion, and if I ever get to my chart I will explain the matter fully. The Senator is exactly correct. I think perhaps I should answer the question now, because the Senator may not be in the Chamber when I reach that point. As the gold comes to us from abroad, it makes gold scarcer in other countries and makes it worth more there in terms of their currency.

As the gold comes to this country, we do not coin it; it is taken out to Kentucky and placed in the Government strongbox at Fort Knox. So, as the gold comes to us, it does us no perceptible good, but it hurts and injures the balance of the world. I will come to that point on my chart.

Today we are paying $35 an ounce for gold. We have not bought a single ounce, as an outright purchase, but we have

acquired the gold and paid for it, which makes its acquisition take on the nature of a purchase. The gold comes to us, not because we go out and buy it, but foreigners buying our goods have to pay for those goods. Our tariff wall is so high that they cannot ship us goods to pay for what they get from us, and they have to ship us gold. Foreigners, in order to buy American goods, must pay us in gold; and if the balance of trade is in our favor, they must pay us the surplus in gold. So we pay them $35 an ounce for the gold, which is the market price for it, and they have to buy some of their goods from the United States. Therefore, one reason why the gold is coming into this country is that we afford a market for it. But that is not the main reason.

The foreigner can take his little chunk of gold, which is called an ounce, and get $35 for it. Then, with each of those dollars he can buy $1.32 worth of commodities. So he gets for his gold about $46 worth of commodities. That is why it is coming to this country. It is because of the high-valued dollar and low prices. They can convert the gold at about $45 or $46.

Mr. ELLENDER. If we further devalue the dollar, we will have more gold coming into this country, will we not?

Mr. THOMAS of Oklahoma. Exactly so, but I am proposing to correct that, and it must be corrected. We cannot go forward on this basis.

I call attention to the map on the wall. Eighteen billion dollars today is the cost of government, $10,000,000,000 the interest charges, $28,000,000,000 in those two items, and the people must toil and sweat each year to get that much money to meet the costs of government and the interest charges. That money must be raised. If it is not, the Government will have to borrow. So there are two fixed charges.

There are only two ways by which that can be corrected. We could refuse to make appropriations and cheapen government. We are not doing that, the States are not doing it, the cities are not doing it, the districts are not doing it. So the cost of government, instead of being reduced, is going up, and it will continue to go up. How are we ever to pay the cost, how are we to pay $18,000,000,000 to run the various governments—State, national, city, and district—and pay interest charges of $10,000,000,000? It is not being done now, and it cannot be done now, and if we are ever to pay the cost of government, if we are ever to balance our Budget, there are only two ways of doing it. One is to reduce the amount of the appropriations, which is not being done, and cannot be done.

The other is to increase the number of dollars in circulation, in order to make the dollar cheaper and to give the people greater buying power in terms of dollars, as I shall show in a moment.

I have here a chart. I did not make the chart. It may have been made by a W. P. A. worker. I am not sure. Senators can easily discern that I made some of these charts. This chart was made by a particular friend of a number of Senators. I may say in parentheses that he tried to defeat me for reelection last year. I do not quote his figures because of that fact; I quote them despite that fact. The chart is circulated by a gentleman named Frank E. Gannett, of the Times Union, Rochester, N. Y. Mr. Gannett is the head of probably the largest chain of newspapers in the world. He publishes newspapers everywhere. His writings go everywhere. His influence is very widespread.

This chart says:

As the dollar's buying power goes up farmers' and other basic producers' income goes down.

That is what I have been trying to say for 10 years. Finally Mr. Gannett has taken up this fight. I have copies of three speeches on this very question made by Mr. Gannett in the last few weeks, and I shall quote from them later.

On this chart Mr. Gannett shows the buying power of the dollar. The red line represents the purchasing power of the United States dollar. Senators will notice that from 1910 to 1933 we were on the gold standard. All our money was redeemable in gold and convertible into gold. Senators can see how crooked this line is. Sometimes the line shows that the dollar was worth more than 100 cents. Sometimes it was worth less than 100 cents. From 1910 to about 1916 the dollar had more than 100 cents' worth of buying power. From 1916 to 1921 the dollar had less than 100 cents' worth of buying power. When the dollar's buying power is below the 100-percent line Senators will find the income going up. As the dollar rose above the 100-percent line the income went down. For example, with the rising price level from 1910 to 1916 we found incomes of all kinds going up, and especially farm incomes. The farm income is represented in black. The shaded portions show other income. When the dollar was at its lowest point in terms of buying power, or when the dollar was the cheapest, the farm income was $16,900,000,000. That was in 1919. In 1918 the dollar was not quite that cheap. The income was only $15,000,000,000. So the record shows that as the dollar goes down in buying power income goes up in buying power.

Then from 1920 the income started up in buying power. It went from 64 to above the 100-percent line. Mr. Strong took possession at that time. Before that he was governor of the Federal Reserve Bank of New York. He managed our money on a gold standard from that time until the time of his death in 1928. When he passed from the scene there was no one to carry on. Special interests, working for their own private ends, took charge. Then the dollar value began to rise.

Here is the relation of dollar value to income. In 1916, 1917, 1918, 1919, and 1920 we had a cheap dollar, because we had many dollars in circulation, and with cheap money and many dollars in circulation we had the highest farm income and the highest producer income other than farm income. Then for years we had a stable valued dollar. From 1920 to 1928 the dollar was at 100 cents, as a rule. Sometimes it was 101 cents, sometimes 102 cents, sometimes it went down to 99 cents. But the dollar was sought to be on an even keel at 100 under Governor Strong's management. It was rather stable. As the result farmers' incomes were stabilized, producers incomes were stabilized.

In 1920 farm income was practically $9,000,000,000; in 1922 it was $10,000,000,000; in 1923 it was $11,000,000,000; in 1924 it was $11,300,000,000; in 1925 farm income was $12,000,000,000; in 1926 farm income dropped to $11,500,000,000; in 1927 farm income was $11,600,000,000; in 1928 farm income was $11,700,000,000; in 1929, when depression struck, farm income was $11,900,000,000.

Then when the dollar started up in 1929, as indicated by this chart, prices began to fall, and as the prices fell, income fell.

In 1930, the first year after the depression, farm income dropped from $11,900,000,000 to $9,500,000,000. In the next year farm income fell to $7,000,000,000. The next year it was $7,300,000,000.

In 1933, when the administration changed, and the amendment to make money more plentiful was adopted, farm income started to increase. In 1932 farm income increased to $5,300,000,000. In 1933 it increased from $5,300,000,000 to $6,400,000,000. Next year it increased to $7,300,000,000.

The next year it increased to $7,500,000,000.

As the value of the dollar went down under this administration the farm prices began to rise, and the income of the producers began to increase, until 1937, when the dollar had fallen to 113½ cents, farm income was $9,800,000,000.

Then the dollar value started up again. The recession of 1937 come on, and in my judgment, was managed and produced by design by the money managers. They started to put more value in the dollar, so the buying power of the dollar started to go up, and as the buying power of the dollar went up prices of all kinds started to go down. Farm income fell from $9,800,000,000 to $7,500,000,000. At the present time the buying power of the dollar is still going up. That is what I am trying to stop.

Mr. LUNDEEN. Mr. President, did I understand the Senator to say that we will have the graph to which he has referred, printed in the RECORD?

Mr. THOMAS of Oklahoma. No. Under the rules I cannot place these graphs in the RECORD.

Mr. LUNDEEN. I wish they could be placed in the RECORD, because I think they are eloquent in the way they present the facts. At a glance one gets what might take hours of reading to understand. I wish the Senator could have some change made in the rules.

Mr. THOMAS of Oklahoma. Mr. President, I am sorry the senior Senator from New York, the chairman of the Committee on Banking and Currency [Mr. WAGNER], is not present, because I have a chart circulated by groups in his State. The next chart is a duplicate of the first chart. This chart is circulated by the following groups in the State of New York, the State so ably represented by the senior Senator from New York [Mr. WAGNER]. It is prepared and circulated by the New York State Grange, New York State Horticultural Society, New York State Vegetable Growers' Association, New York State Federation of Home Bureaus, Cooperative G. L. F. Exchange, Inc., Dairymen's League Cooperative Association, Inc., and New York State Farm Bureau Federation.

This chart was prepared and circulated by that group coming from the State of New York. It is a duplicate of the first chart circulated by Mr. Gannett. I am not circulating his chart because I approve of all that Mr. Gannett has done, but I approve of his fight to get the dollar down and get prices up.

At the top of the chart is the following:

Why farmers are in the red.

Then, the crooked line represents the changing value of the dollar. In the period from 1922 to 1929 the line is rather straight. That shows the dollar at a stable and unchanging buying power. As I said a moment ago, it changed only a cent or two, above or below the line, from 1922 to 1929. That was the 100-percent level. We want to go back to the 1926 level. In the year 1926 the dollar had a buying power of 100 cents in every group of commodities. There was no variation. And because it so happens that in that year the dollar did have an unequaled buying power, as measured in terms of commodities, that gives us our ideal. For our standard we go back to that time when the dollar had a stable buying power of 100 cents as measured in terms of commodities.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BAILEY. The Senator has referred to 1926 as the ideal standard. How much money was in circulation at that time?

Mr. THOMAS of Oklahoma. I shall be glad to give the Senator that information. I do not have it at my fingertips.

Mr. BAILEY. Would not the Senator say it was about one and one-half billion to $2,000,000,000 less than it is now?

Mr. THOMAS of Oklahoma. That may be true.

Mr. BAILEY. Then, in the light of that fact, what becomes of the Senator's quantitative theory?

Mr. THOMAS of Oklahoma. Mr. President, as I said a moment ago, a good many things have had to do with the change of the value of our money. One is psychology. That has a great deal to do with the value of our money. If the President should come out today and say that prices are too low, and that they should be on the basis of the 1926 level, and if he were to make the further statement that, "I intend to use such powers as the administrative branch of the Government has to raise prices to the 1926 level" they would immediately start their rise. If they were encouraged by plenty of credit and plenty of money, they would go there. It is my contention that if we should place the value back to the 1926 level we could keep it there. Governor Strong kept it there for about 10 years. The Federal Reserve Board is keeping the present price level stable in terms of property at 130. It has varied only a cent or two in the past few years.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BAILEY. I should like to ask the Senator another question. On the map there appears to be a rise from $1.13 in 1937 to $1.32. What has the administration done?

Mr. THOMAS of Oklahoma. The Senator was not in the Chamber when I spent about 30 minutes in explaining the situation. I shall be glad to go over it again.

Mr. BAILEY. I should like to know what the administration did. I should like to know what its mistake was.

Mr. THOMAS of Oklahoma. If the Senator will read the RECORD tomorrow, he will find the explanation at least twice, or perhaps three times.

In 1933 we started to cheapen the dollar and to raise prices. That was our deliberate program. Otherwise, we would not have given authority to cut the dollar and put more money in circulation. We would not have gone into the silver program except to cheapen the dollar and raise prices. We did all these things; and to the extent that they were used, they worked successfully.

Mr. BAILEY. Notwithstanding the silver program——

Mr. THOMAS of Oklahoma. If the Senator will wait just a moment, I shall answer his question.

When we started to carry out the program we adopted in 1933, as fast as the program was carried out the value of the dollar began to vanish. It fell from $1.67 in February, 1933, to $1.13 in March of 1937; and during all the time that the dollar was losing its value, prices were increasing. Income began to increase.

Mr. BAILEY. What were we then doing that we are not now doing? That is my point.

Mr. THOMAS of Oklahoma. I shall come to that point in a moment. We placed more money in circulation from 1933 to 1937. One billion two hundred million silver certificates were placed in circulation.

Mr. BAILEY. But that money quickly went out of circulation.

Mr. THOMAS of Oklahoma. No; that silver money is still in circulation. If the Senator will wait just a moment, I will answer his question.

Mr. BAILEY. I want to get the facts. According to the Comptroller's report, the money now in circulation is at the highest point of all time, except in the bank panic of 1933, when conditions were extraordinary, and the circulation was accounted for by factors other than financial operations.

Mr. THOMAS of Oklahoma. I am not contending that it is humanly possible for the managers of money to fix the value of the dollar as minutely as we fix the length of our yardstick. I am not contending that it is humanly possible for the managers of our money to fix the value of the dollar as closely and as minutely as we fix the pound weight, the gallon measure, or the bushel measure. In my judgment, that cannot be done; but we can do something toward it. The value of the dollar has had something done to it. In 1933 we started out on a program. The program has worked. The dollar has lost part of its value and prices have gone up. Here is the record. The line shows the decreasing value of the dollar. It went from $1.67 in 1933 to $1.13½ on the 1st of April 1937. As the dollar fell in value, farm income went from $5,300,000,000 in 1932 to $9,800,000,000 in 1937, and there was a gradual increase in farm income. That meant that while the farmers raised less, they received more money for their products than they were receiving in 1933. They had more income. In addition to the farmers having more income on a rising scale, the people represented in the groups in shaded areas on the map received increasing income. That fact is indicated by the statement under the heading, "Income from other raw materials." The other industries include fisheries, lumber, coal, and the production of other raw products. So the producers of raw materials received higher prices.

Mr. BAILEY. I asked the Senator to explain what the administration is doing.

Mr. THOMAS of Oklahoma. I shall come to that point.

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

Mr. THOMAS of Oklahoma. I should like still further to answer the question of the Senator from North Carolina.

The dollar was losing its value in 1936 and prices were going up. As a result of that trend one party carried every State in the Nation, save two; and the party which did not

agree to the program lost every State in the Union, save two. That was the result of the state of mind of the people. The people's minds were made up, probably unconsciously, because of their condition. Their condition was becoming better. Their minds were more at ease. Farmers were receiving higher prices for farm products. Producers of other raw materials were receiving better prices for their products, and their income was being increased. That is the reason why the program of cheapening the dollar and raising prices in 1936 was almost unanimously approved.

The dollar kept losing value during the remainder of 1936 and the first part of 1937, until March 1937. Then it was that the bondholders and the big banks became scared for fear the dollar would lose too much value, to their detriment, and prices would go too high, to their detriment. I do not know what was done. I know the result. Influence was brought to bear upon the managers of our money and the managers of our money changed the trend.

Mr. BAILEY. The Senator refers to "the managers of our money." I should like to have him be specific. Does he refer to the Government or to Wall Street?

Mr. THOMAS of Oklahoma. Of course, Wall Street does nothing. It is the people who live in Wall Street who do things.

Mr. BAILEY. Was something done in Washington? Was it governmental action or was it something else?

Mr. THOMAS of Oklahoma. I shall require just so long to make this speech; and inasmuch as this question has been raised, I might just as well answer it now in detail.

I have shown that the dollar fell in value from 1933 to 1937. I have shown that, as the dollar fell, prices increased; and, as prices increased, farm income increased. As prices increased, the income of those who produced raw materials increased. Prices were going up and the dollar was going down.

Mr. Eccles, the head of the Federal Reserve Board, is quoted by a newspaper as stating that Congress brought about this condition. I shall state what Mr. Eccles says about it. I wish to read excerpts from the report of the Board of Governors of the Federal Reserve System. The statements are all signed by Mr. Eccles.

Economic conditions were improving. On page 3 of the annual report of the Board of Governors for 1936 we find the following:

> Progress in industry and trade was substantial in 1936.

I am now reading from the report of the Federal Reserve Board.

> Production of durable goods increased considerably, and output of nondurable products also showed growth, particularly in the latter half of the year.

The latter half of 1936.

> The increase in durable-goods production reflected purchases of equipment both by industry and by individuals, as well as further expansion in construction. There was a general rise in employment, and income in both urban and rural areas was considerably larger than in other recent years. Capital values increased during the year, and in the latter part of the year there was a general advance in commodity prices. Total national income rose to $63,800,000,000 for the year, as compared with $55,000,000,000 in 1935 and a low of $39,500,000,000 in 1932.

That was the condition as reported by Mr. Eccles, president of the board of managers of our money. Times were becoming good. Income had risen from $39,000,000,000 in 1932 to $63,800,000,000 in 1936.

On page 2 of the report we find the following, and I quote from Mr. Eccles:

> During 1936, however, business drew upon the banks and upon investors' funds to a considerably larger extent. Commercial loans to bank customers, after 3 years of little change, increased by $1,000,000,000; and securities issued by corporations to obtain new capital, as distinct from refunding issues, amounted to $1,200,000,000, or more than the aggregate for the previous 4 years combined.

Mr. Eccles said that the trend of rising prices and increased income caused $1,200,000,000 of new capital to be placed in circulation. That means expansion of bank loans through borrowing. The banks were beginning to make loans about that time. I do not blame the banks for not making loans at the present time. Banks will not now make loans except on bonds. Banks will not make loans to people who cannot make money.

Today there is no trouble in obtaining credit if one has credit. Who has credit? Bondholders have credit. Bondholders can go to banks and obtain money. But bondholders will not do so, because they know of no place to put the borrowed money where they can make money on it. So today the man who has credit will not use it. He sees no outlook for his credit. The man who has credit can obtain money, but he cannot find a place to put the money, so he is not using his credit. The man who does not have credit, of course, cannot use it. One cannot use something he does not have. Banks will not make loans today because those who wish to borrow have no credit; and no one has credit unless he can demonstrate to the bank that he can make money from the money he borrows, or that he has collateral which, rain or shine, can be sold to satisfy the debt. So the reason why banks are not making loans is because there is no profit in doing business today; and there is no profit in doing business today because the price level is so low that one cannot produce and pay costs of production.

I shall come to that question later, because our amendment affords a remedy.

I wish to read still further from the report of the Federal Reserve Board, since it has been brought into question. I shall come to the point in a moment, and I shall tell the Senate and the country how the Federal Reserve Board did the thing which I claim it did, and which it admits it did.

I ask unanimous consent to place in the RECORD without reading certain excerpts from the reports of the Board of Governors of the Federal Reserve Board for 1936 and 1937.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The excerpts referred to are as follows:

EXCERPTS FROM OFFICIAL REPORTS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

1. Economic conditions were improving. On page 3 of the Annual Report of the Board of Governors for 1936 we find the following:

"Progress in industry and trade was substantial in 1936. Production of durable goods increased considerably, and output of nondurable products also showed growth, particularly in the latter half of the year. The increase in durable-goods production reflected purchases of equipment both by industry and by individuals, as well as further expansion in construction. There was a general rise in employment, and income in both urban and rural areas was considerably larger than in other recent years. Capital values increased during the year, and in the latter part of the year there was a general advance in commodity prices. Total national income rose to $63,800,000,000 for the year, as compared with $55,000,000,000 in 1935 and a low of $39,500,000,000 in 1932."

On page 2 of said report we find the following:

"During 1936, however, business drew upon the banks and upon investors' funds to a considerably larger extent. Commercial loans to bank customers, after 3 years of little change, increased by $1,000,000,000, and securities issued by corporations to obtain new capital (as distinct from refunding issues) amounted to $1,200,000,000, or more than the aggregate for the previous 4 years combined."

On page 1 of the report for the year 1937 we find the following:

"At the opening of 1937 economic activity was increasing rapidly. The output of mines and factories, after a steady rise for 2 years, had reached the average level of 1929. Increased activity was manifested both in the industries producing goods for immediate consumption and in those producing durable goods. Capital expenditures by manufacturing industries were increasing rapidly, in line with output and profits. There was some revival in residential construction, which had dwindled to a very low level during the depression and was still far from normal. Employment was expanding and wage payments were rising even more rapidly as the result both of reduction in part-time employment and of increases in hourly wage rates. Increased farm income, a large volume of dividend disbursements, and larger wage payments resulted in an increase in retail and wholesale distributions. Prices of securities were at the highest level since the early part of the depression; yields on bonds, both Government and corporate, had reached exceptionally low levels, and capital issues of corporations were in the largest volume of the recovery years. Many commodity prices were rising rapidly. Advances were particularly pronounced in agricultural and other raw materials; prices of finished goods were also rising. Increased domestic demand, together with a considerable volume of foreign demand, contributed to the advance. A wave of buying was in progress. * * *

"Relative to bank loans and the expansion of deposit currency, the Board reports as follows from page 2: 'The total volume of bank deposits and currency continued to grow and at the beginning of 1937 was at the highest level in the country's history. Bank loans to trade and industry had increased considerably and were growing. New York City banks were reducing their holdings of Government securities, but total investments of banks had changed little in the last half of 1936. Idle funds in the hands of institutions and individual investors continued large, and long-term money rates were exceptionally low.' "

On page 3 of the 1937 report we find the following assertion:

"Currency outside of banks had increased by about $2,000,000,000 between 1930 and 1937."

With an upswing in business obviously the Board became alarmed as admitted in the report, as follows:

On page 2 of the 1937 report we find the following:

"The rate of advance in business activity was, in fact, so fast that there were evidences of unsound developments.

"There was a large increase in forward orders in anticipation of further price and wage increases, together with uncertainties regarding deliveries, partly due to labor disputes, and shortages were developing in plant and equipment and in some classes of skilled labor. Notwithstanding the fact that recovery was far from complete and that there was still a large amount of unemployment, boom conditions were developing in particular industries and boom psycholcgy began to be manifested."

The fact that the Board took action in the form of an increase in reserve requirements is evidence of the Board's expressed fear.

On page 1 of the 1936 report we find that the Board took action to check the upswing as follows:

"In July 1936 and again in January 1937 the Board of Governors took action to increase reserve requirements and thereby to eliminate a large part of the excess reserves that had accumulated. The combined effect of these two actions of the Board was to double the reserve requirements of member banks. Thus the power conferred upon the Board by the Banking Act of 1935, to increase reserve requirements for the purpose of preventing injurious credit expansion was fully utilized."

The Board reports that at approximately the same time the Treasury Department proceeded to sterilize gold:

"In December 1936 the United States Treasury inaugurated a policy of setting aside in an inactive stock all gold purchased subsequent to December 23, 1936, and thereby preventing the further acquisition of gold from increasing bank reserves. The Treasury and Federal Reserve measures taken together largely eliminated the basis of a potential credit expansion arising from the large movement of gold to this country which had begun in 1934 and had greatly expanded the credit base of the country."

On pages 2 and 3 of the 1937 report the Board reports that the Treasury Department joined in the program, which had the effect of curtailing and checking the return of prosperity as follows:

"In December the Unted States Treasury after consultation with the Board adopted a policy of placing new gold acquisitions in an inactive account, thus preventing further gold imports from adding to the reserves of member banks."

On page 3 of the 1937 report, in the face of improving economic conditions as reported in 1936 and during the first part of 1937, the Board reports further action obviously to curtail the rising prices and such action had the effect of bringing about the 1937 recession.

"In August 1936 the Board of Governors had raised reserve requirements for member banks by 50 percent in order to absorb a part of the $3,000,000,000 of reserves in excess of requirements held by member banks. Under the law the Board has the responsibility of changing reserve requirements in order to prevent injurious credit expansion or contraction, and the Board had acted to eliminate from the credit base a part of the redundant reserves accumulated through a large volume of gold imports. The Board's action was in the nature of a precautionary measure to prevent an uncontrollable expansion of credit in the future. The policy of maintaining easy money and credit conditions pursued by the System since the beginning of the depression continued to be in effect."

On page 3 of the 1936 report, relative to the raising of margin requirements, the Board reports as follows:

"The Board, therefore, in January and March 1936, took action to increase the margin requirements applicable to security loans made by brokers and dealers in securities and in March also made these requirements, as increased, applicable to loans made by banks on stocks for the purpose of purchasing or carrying stocks registered on national securities exchanges. By these measures the Board undertook to check the growing use of borrowed funds for speculation in securities, without limiting the supply or raising the cost of credit available for commercial, industrial, or agricultural purposes."

After reporting, first, that economic conditions were improving; and, second, that the Board became alarmed; and, third, that the Board took steps to check the rise in business activities, on page 8 of the 1937 report the Board reports a "turn in business situation" as follows:

"About the middle of March prices of stocks and of lower-grade corporate bonds began to decline from the high levels to which they had risen. Advance buying by industry and trade slackened, and early in April prices of commodities traded on organized exchanges began to decline. During the summer increases in crop production contributed to the declines in prices of cotton and grains, while livestock prices advanced. Industrial output continued large, however, reflecting to a considerable extent the filling of orders previously received. In the spring months there was a decline in offerings of securities for refunding purposes which had been in record volume in the early part of 1936 when business organizations, particularly the public utilities, were taking advantage of the prevailing low level of money rates to reduce the cost of their indebtedness."

On page 10 of the said 1937 report the Board reported further as follows:

"As a consequence of these developments industrial production declined at an exceptionally rapid rate, and the Board's index, which had averaged 116 in the first 8 months of the year, fell to 84 in December. There were also sharp declines in factory employment and pay rolls. Movement of goods over the railroads was reduced and, with costs at a higher level, the earning prospects and financial positions of many railroads were impaired. In the commodity markets prices of raw materials and semifinished products showed widespread rapid declines, and prices of finished goods, which had risen somewhat further during the summer, also decreased. In December prices of some raw materials continued to decline but others, including steel scrap and cotton, advanced. Reductions in incomes were reflected toward the end of the year in reduced consumer buying of automobiles, furniture, and other durable goods. Residential building, which earlier in the year had decreased as a consequence primarily of higher building costs, declined further in the autumn, as uncertainties arose regarding income prospects. At this time there were some reductions in building costs, but with business activity declining people were reluctant to build new houses or buy old ones."

Mr. THOMAS of Oklahoma. From the 1937 report it appears that times were improving. Things were becoming active. The picture was rosy. The Board said:

Currency outside the banks had increased by about $2,000,000,000 between 1930 and 1937.

That supports my contention.

The Board said times were getting better. Then they reported that the amount of currency in circulation had increased by $2,000,000,000 during that period. My conclusion is that placing the $2,000,000,000 in circulation was largely responsible for the better conditions. The Senator's contention is——

Mr. BAILEY rose.

Mr. THOMAS of Oklahoma. I know what the Senator is going to say. The Senator's contention is that better business brought this money into circulation.

Mr. BAILEY. Oh, no. I was going to ask the Senator how he reconciles that with the fact that there is more money in circulation now than there was then, and yet he says we were going too fast.

Mr. THOMAS of Oklahoma. I will come to that. The fact is that theoretically there is now about a billion dollars in circulation which is being retired. For example, we passed a law to retire all the gold certificates. As soon as one shows up it is retired. The fact that there are millions of dollars of such certificates out is evidence that they are in hiding or have been burned or destroyed. They are not in circulation in reality, but they are in circulation in theory.

Then we propose to retire the national-bank notes. At one time there was a billion dollars of national-bank notes in circulation, but we have been retiring the national-bank notes. As fast as one comes into public view and the bank sees it, it goes out of circulation. Yet about $200,000,000 of national-bank notes are still in hiding and in circulation according to the books. They are in circulation theoretically, but the moment they show in the light of day they go out of circulation, because they are being retired.

Mr. BAILEY. Does not something take their place so that the net circulation is not reduced?

Mr. THOMAS of Oklahoma. That might be true if currency was demanded for the money retired. If the Senator had a number of $20 gold pieces he was required to turn them in, and he either got currency or credit. If he had a bundle of gold certificates or a bundle of national-bank notes, he was required to turn those in. If he did, he got currency or credit, which was money. If currency was put out there would have been no change, but if credit was put out in exchange then that would cause no inflation in terms of prices. I will come to that a little later.

So the Federal Reserve Board reports that with the better times $2,000,000,000 of real money have been placed in circulation.

On page 2 of the report for 1937 we find the following:

The rate of advance in business activity was, in fact, so fast that there were evidences of unsound developments.

As the dollar fell in value, as prices began to rise, as banks began to make loans, as banks began to expand, the Federal Reserve Board said that business growing so rapidly times were getting good so fast, that there were evidences of unsound developments. That is an expression of their fear that we were going to have inflation, that prices were going to go too high, that too much money was going to be placed in circulation. I read further:

There was a large increase in forward orders in anticipation of further price and wage increases, together with uncertainties regarding deliveries, partly due to labor disputes, and shortages were developing in plant and equipment and in some classes of skilled labor. Notwithstanding the fact that recovery was far from complete and that there was still a large amount of unemployment, boom conditions were developing in particular industries and boom psychology began to be manifested.

The Federal Reserve Board, the manager of our money, says times were getting good; banks were making loans; we were going to have good times; but times might get so good that it would cause us much trouble. I read further:

In July 1936 and again in January 1937.

I read now from the report of Mr. Eccles, the man at the head of our board of money managers, the man who said that Congress was responsible for this depression. He was correct that times were getting better. Congress brought those better times about. They came about as a result of our program of cheapening the dollar and raising prices. The Board of Governors of the Federal Reserve System reported that our policy of cheapening the dollar and raising prices was bringing about the desired result.

I read further:

In July 1936 and again in January 1937 the Board of Governors took action to increase reserve requirements and thereby to eliminate a large part of the excess reserves that had accumulated.

They became scared; times were getting too good; and to check the increase in prosperity and check the increase in prices they stated exactly what they did. First, they raised the reserve requirements. Under our banking system the banks in the system must put a certain percentage of their deposits in the Federal Reserve banks as a reserve, so-called. So, as times were getting better, the Board became scared, and they took action to stop the increase in prices. First, in July 1936 and again in January 1937, they raised the reserve requirements. They required the national banks in North Carolina to keep more money in the Federal Reserve Bank in Richmond. They required the banks in my State to keep more money in reserve in the Federal Reserve Bank at Kansas City. When the Board raised the reserve requirements in effect they killed that much money which was covered into the Federal Reserve bank.

Mr. BAILEY. Mr. President, was not that the time when the President said in a press conference that some prices were getting too high? Did he not approve the action of the Federal Reserve Board?

Mr. THOMAS of Oklahoma. The newspapers did report the President as stating that some prices were getting too high, and I think he mentioned some classes of merchandise, and one class was the commodity which is known as copper. I think that was mentioned. Prices were getting too high. I do not know whether it was the President, but someone recommended that all Federal employees get out of the stock market. Anyone who understands what that means realizes that it was an invitation to sell stocks; sell what you have and sell what you do not have; make money on stock sales when stocks are going down.

Mr. BAILEY. It was something like a "tip."

Mr. THOMAS of Oklahoma. Yes, a "tip," so-called, and the smart boys took the tip and sold stocks and commodities and cleaned up just as much money as they had money to put up as a margin.

Mr. President, I have just read the statement of the Federal Reserve Board that they twice raised the reserve requirements of banks, which had the effect of killing that much money belonging to the banks, for the banks could not loan it any more.

The combined effect of these two actions—

Reading further from the report—

The combined effect of these two actions of the Board was to double the reserve requirements of member banks. Thus the power conferred upon the Board by the Banking Act of 1935 to increase reserve requirements for the purpose of preventing injurious credit expansion was fully realized.

Mr. PEPPER. Mr. President, I did not quite understand the Senator. He said that one action was to raise the reserve requirements. What was the other?

Mr. THOMAS of Oklahoma. The Board raised the reserve requirements twice. That is as far as I have gotten. The Board reports that at the time of the increase of prices they raised the reserve requirements twice, and by raising the reserve requirements they took from the banks money which the banks could have loaned and forced them to put that money in the Federal Reserve banks. They, therefore, took away from the banks the power to loan, which the Board considered might result in an injurious expansion of credit.

Mr. BAILEY. Mr. President, although they raised the reserve requirements twice, as the Senator has stated, it is my recollection that the banks still had $800,000,000 excess reserves, and the excess continued to rise until at present the excess reserves amount to $4,000,000,000. If an increase in the reserve requirements and a reduction in the excess reserves is the cause of our difficulty, how would the Senator explain the fact that the difficulties continue and appear to grow worse, notwithstanding the reserves have increased from $800,000,000 to $4,000,000,000?

Mr. THOMAS of Oklahoma. The fact is that from that day to this the Government has been borrowing and spending from nine to ten billion dollars a year. When the money thus borrowed is spent it goes into circulation; it goes into the banks, but the banks cannot loan it. What they do with it is to put it into their reserve account. That is the reason the reserves are going up, in my opinion.

Mr. BAILEY. Yes; but the value of the reserves is there, regardless of how it is derived. We still have a rising excess reserve.

Mr. THOMAS of Oklahoma. These reserves are not currency; they are partly banking money, credit money, deposit money, which is not the result of printing paper money or the coining of silver or the coining of gold.

Mr. President, I was asked a question just a moment ago by the distinguished Senator from North Carolina [Mr. BAILEY] as to what the board of managers did to stop the falling value of the dollar and to stop the increase in prices. I read from the report of the board of managers for our money, stating that, to begin with, they did two things. The two things were, first, to increase the amount of reserves in the member banks of our banking system. I will read the second thing they did. It is the third act, but the second kind of thing they did:

In December 1936 the United States Treasury inaugurated a policy of setting aside in an inactive stock all gold purchased subsequent to December 23, 1936, and thereby preventing the further acquisition of gold from increasing bank reserves. The Treasury and Federal Reserve measures taken together largely eliminated the basis of a potential credit expansion arising from the large movement of gold to this country which had begun in 1934 and had greatly expanded the credit base of the country.

They did three things. They raised the reserve requirement first. Then they raised the reserve requirement a second time. The third thing they did was to begin a policy to sterilize any gold that came to this country. They report that these three acts—two classes of activities—had the effect desired of destroying the possibility of having this dangerous credit expansion which they feared.

I will read further from the report:

In December the United States Treasury after consultation with the Board adopted a policy of placing new gold acquisitions in an inactive account, thus preventing further gold imports from adding to the reserves of member banks.

In this same report of 1937 the Board of Governors reported as follows:

In August 1936 the Board of Governors had raised reserve requirements for member banks by 50 percent in order to absorb a part of the $3,000,000,000 of reserves in excess of requirements held by member banks. Under the law the Board has the responsibility of changing reserve requirements in order to prevent injurious credit expansion or contraction, and the Board had acted to eliminate from the credit base a part of the redundant reserves accumulated through a large volume of gold imports. The Board's action was in the nature of a precautionary measure to prevent an uncontrollable expansion of credit in the future. The policy of maintaining easy money and credit conditions pursued by the System since the beginning of the depression continued to be in effect.

On page 3 of the 1936 report the Board reports as follows:

The Board, therefore, in January and March 1936, took action to increase the margin requirements applicable to security loans made by brokers and dealers in securities and in March also made these requirements, as increased, applicable to loans made by banks on stocks for the purpose of purchasing or carrying stocks registered on national securities exchanges. By these measures the Board undertook to check the growing use of borrowed funds for speculation in securities, without limiting the supply or raising the cost of credit available for commercial, industrial, or agricultural purposes.

Those are the four things that the Board reports it did. It raised the reserve requirement twice. Then it did the third thing, as reported by the Board, which was to raise the reserve requirement of those who deal in stocks and securities on the exchanges. That is the margin requirement. That was raised from 10 or 15 percent to, I think, about 45 percent. That was act number 3, as performed by the Board, to stop the dollar from becoming cheaper and prices from going up. I think that covers it. Raising the reserve requirements, sterilizing the gold, and raising the requirement with respect to those who deal in stocks and bonds on the securities exchanges by raising the margins.

Then they report the effect of these acts; and I propose to tell what the effects were, and I shall quote from the record of the Board as signed by Mr. Eccles, who claims that the Congress brought on this depression. He tells what he did. He tells, first, how he became scared. He tells what he was afraid of. He tells what he did then to stop the dollar from becoming cheaper and stop prices from going up. Now he reports the effect of the things he said he did to accomplish the end he wanted to be accomplished.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BAILEY. The Senator said those four things that were done by the Federal Reserve Board were responsible for arresting the decline in the purchasing power of the dollar in 1937. One was the reduction of the excess reserves, but at the present time the excess reserves are higher than ever. They are $4,000,000,000. Another was the sterilization of gold. That has been corrected.

That being so, my question is pointed to the explanation of the rise from 113 cents to 132 cents since those transactions were had, notwithstanding the great increase in excess reserves and the correction with respect to the sterilization of gold. I want to know what is being done now to give us this rise in the curve?

Mr. THOMAS of Oklahoma. I shall come to that, Mr. President, in due course in my speech. I must answer the question submitted by the Senator sometime ago. He wanted to know what had been done and who did it, and I am proceeding to tell him.

Mr. President, as the result of the policies of the Federal Reserve Board, even before April 1937 the following things happened as reported by the Board itself. I read:

About the middle of March prices of stocks and of lower-grade corporate bonds began to decline from the high levels to which they had risen.

That is about the middle of March 1937. That is the time they were operating on the dollar. That is the time they had raised the reserve requirements, or just after that time. That was just after the time that they had sterilized the gold, and just after the time they had raised the reserve requirements as to margins, and after the time that the officials had served notice on the country that prices were going up too high. The Board reported about the moment stocks and lower-grade corporate bonds began to decline:

Advance buying by industry and trade slackened, and early in April prices of commodities traded on organized exchanges began to decline. During the summer increases in crop production contributed to the declines in prices of cotton and grains, while livestock prices advanced. Industrial output continued large, however, reflecting to a considerable extent the filling of orders previously received. In the spring months there was a decline in offerings of securities for refunding purposes which had been in record volume in the early part of 1936 when business organizations, particularly the public utilities, were taking advantage of the prevailing low level of money rates to reduce the cost of their indebtedness.

That is the report of the Board of Governors. They did specific things to accomplish a specific end, and they reported that the things they did brought about the end they desired. They reported exactly what was done as the result of the policies placed in force by the Federal Reserve Board.

I read further from the 1937 report:

As a consequence of these developments industrial production declined at an exceptionally rapid rate, and the Board's index, which had averaged 116 in the first 8 months of the year, fell to 84 in December. There were also sharp declines in factory employment and pay rolls. Movement of goods over the railroads was reduced and, with costs at a higher level, the earning prospects and financial positions of many railroads were impaired. In the commodity markets prices of raw materials and semifinished products showed widespread rapid declines, and prices of finished goods, which had risen somewhat further during the summer, also decreased. In December prices of some raw materials continued to decline but others, including steel scrap and cotton, advanced. Reductions in incomes were reflected toward the end of the year in reduced consumer buying of automobiles, furniture, and other durable goods. Residential building, which earlier in the year had decreased as a consequence primarily of higher building costs, declined further in the autumn, as uncertainties arose regarding income prospects. At this time there were some reduction in building costs, but with business activity declining people were reluctant to build new houses or buy old ones.

Mr. President, here is a complete record submitted by the Federal Reserve Board itself. The Board is the manager of America's money. It is not a Federal board. It is a private board. The salaries of the members of the Board are not paid by the United States Treasury. They are paid by the banks.

Mr. BAILEY. Mr. President, may I ask the Senator how the members of the Board are appointed?

Mr. THOMAS of Oklahoma. The members of the Board are appointed by the President and confirmed by the Senate. That is true, and everyone knows it. However, their salaries are not paid by the Federal Government. Their salaries are paid from a fund levied and raised as an assessment upon the member banks of the Federal Reserve System. So these men are working for their masters. Their masters are the ones who pay them. They are paid by the banks. The members are working for the banks, and they are seeing to it that nothing is done with their permission that is going to hurt the banks. What they do and what they want done are things that help the banks. Otherwise, they would not be on the Board. The banks have a way of getting rid of undesirable members of the Board when they want to get rid of them. When they get on the Board a man who is satisfactory, they keep him there.

When the Federal Reserve Board was created in 1913, friends of the producers of America were placed in positions on the Board. The administration was friendly to the people of the Nation. In 1913 the administration was friendly to the producers, the laboring people, and the small business concerns; and men were placed on the Board at that time to carry out that viewpoint and to help those classes. Gradually those members were eliminated from the Board; and more recently the members placed on the Board

have a different viewpoint. They are not working for the debtors. They are not working for the producers. They are working for the bondholders and the big banks, as is obvious from their own reports.

Mr. President, the Board said that times were improving, but the Board thought they were improving too fast; so the improvement was stopped. A check was placed upon improved conditions, and the Board told us exactly how it was done. Then the Board reported the results of the check.

The index line verifies the report submitted by the members of the Federal Reserve Board. Today the dollar is worth $1.32. It is true that we now have more so-called money in circulation than we had before. We have placed in circulation $30,000,000,000 of bank deposits.

Bank-deposit money represents credit money, or debt. It is the kind of money a citizen can go to the bank and create by signing a note and having the cashier of the bank take his bankbook and place on his bankbook the date and the amount of the loan, $1,000, or whatever it is. By that simple act the citizen can create $1,000 of bank-deposit money. If he does not draw the money out of the bank, but leaves it overnight, when the books are balanced that night they show $1,000 more money in the bank than there was in the morning, before the bank was opened. No money was placed in the bank, not a copper cent; but $1,000 of bank deposits, credit money, went on the books. As a result, we have the banks full of that kind of money. Today the banks have something like $55,000,000,000 on deposit. That figure may not be accurate. However, when the banks' books are balanced tonight, the books of all the banks in America will not show that they have in their vaults $1,000,000,000 of money that one can see or spend with a stranger.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BANKHEAD. Has the Senator any figures to show the percentage of deposits represented by interest-bearing notes? Notes are given to the bank, and the amount is deposited, and that bank money is on interest against the note. Can the Senator tell us how much of the total deposits represent interest-bearing obligations?

Mr. THOMAS of Oklahoma. I have not that information. This field is so large that one could talk during the entire session and not cover all the details. I in no sense undertake to go too greatly into detail. Perhaps I am doing so too much anyway. Nevertheless, it seems that it must be done.

Mr. President, Congress is responsible for the financial conditions which exist today. I wish that statement to go home. Congress is responsible for whatever we have in this Nation in the way of economic conditions. Six years ago Congress adopted a policy of trying to increase prices to bring the country out of the depression; and to the extent that the policy was carried out, conditions improved. As the dollar came down, prices went up. As prices went up, times improved. They improved so far that some persons thought they were improving too far and too fast, and the brakes were put on. Not only were the brakes put on, but the trend was changed. The trend was turned. The dollar started to take on more value. As the dollar goes up in value, prices go down, as is shown by the chart. As the dollar increases in value, income goes down. Income is made up of prices. So today we have a dollar worth 132 cents.

The Constitution says that the Congress shall regulate the value of money. It does not mention the dollar. We did not have the dollar when the Constitution was written. When the Constitution was written we had no monetary system. We had no paper money except foreign money and Continental money printed by the Colonies. We had no dollar. It is true that we had the Spanish milled dollar. The Spanish milled dollar was in circulation in the early days of the Republic. Before we organized our present form of government we had Thirteen Colonies. Each Colony had its own system of money. When trouble came to the Colonies and the Colonies had to act in unison, the first thing they did was to adopt a common currency. They all agreed that the currency would have to be something that would circulate in all the Colonies and be acceptable in all the Colonies, so they adopted the Spanish milled dollar.

Mr. TOBEY. And issued paper money against it.

Mr. THOMAS of Oklahoma. The Senator suggests that the Colonies issued paper money against it. I am not so sure about that, but I take his statement. The Colonies adopted the Spanish milled dollar, and the Spanish milled dollar became the unit of currency among all the Colonies.

The Spanish milled dollar contained exactly 371¼ grains of pure silver besides the alloy. Later, when we adopted our monetary system after we became a nation, we adopted the dollar as the unit of our currency. It is significant that the silver dollar was the first unit of American currency. When the Congress away back yonder adopted a monetary system it made the silver dollar the basic unit. It provided for gold; but gold was secondary, and the silver dollar came first. Later Congress provided for the coinage of silver dollars. It placed so many grains in the gold dollar and so many grains in the silver dollar and provided that they should circulate on a parity. From the beginning of the Government until around 1873 gold and silver dollars circulated throughout the country on a parity.

Mr. President, I stated a moment ago that the Congress is responsible for our economic conditions. No other tribunal in America save the Congress has the power to handle the money question. The Congress has not acted. We have by default permitted private agencies to take control of the regulation and adjustment of the value of our money. As I stated a moment ago, at the present time the dollar has a value in terms of property of 132 cents. Let me show the effect of that value.

I exhibit to the Senate another W. P. A. drawing. At the top of the chart we have the wording "Cost of government in 1937." I use this chart only to impress the figures upon Senators who are listening to me.

In 1937 local government—district, school, township, city, and county government—cost $6,310,000,000. That includes all the districts, all the counties, and all the cities. It cost all those small units of government the sum of $6,310,000,000 to carry on their governments during the year 1937. It cost all the States $3,152,000,000 to carry on State governments in the 48 States in 1937. It cost $8,281,000,000 to carry on the expenses of the Federal Government. So the conference board and other authorities that deal with statistics report that it cost us in 1937 a total of $17,743,000,000 to pay the expenses of National, State, county and city governments.

Referring to the map on the wall, all the States west of the Mississippi River did not produce that year that sum of money. The total income of all the States located west of the Mississippi River was not sufficient in 1937 to pay the cost of government in the United States.

On the map on the wall Senators can see that on each State is given the amount of income produced that year that went to make up in part the total national income of something in excess of $67,000,000,000. At this time, with a still more valuable dollar than we had then, the costs of government have gone up so that they are higher today than they were in 1937, and it now takes the total income of more States than are located west of the Mississippi to pay the one item of cost of government.

The figures are written over the map of each State. For example, California had an income in 1937 of $4,420,000,000; my State of Oklahoma had $810,000,000; that is, we contributed that much to the national income; our people made that much money in 1937. The great State of Texas had an income of $2,510,000,000. That means that the millions of Texans together made that much income. The State of Oregon made $900,000,000 last year; Washington, $500,000,000; Nevada, $80,000,000.

Mr. TOBEY. Mr. President, I inquire, why are the North Atlantic States left out of the calculation?

Mr. THOMAS of Oklahoma. I will come to that in just a moment. This map is exhibited for two purposes: First,

to show the terrific cost of government, and I use the map to demonstrate that fact. I will come to the Senator's question in just a moment.

It is estimated, or rather it is proven, that the dollar has a value of 132 cents. Therefore, to pay each one of the $17,000,000,000 the people of the United States must produce goods to the value of 132 cents in order to get a dollar. They cannot pay this enormous cost of government of $17,000,000,000 on the average dollar value of 1929; they cannot pay this cost of government on the average dollar value of 1926; but they must produce goods and sell them to the extent of 132 cents in order to get $1.

What is government costing the people of the United States? What is it costing them in property, which is what we buy things with? With what do the two and a half million people in my State of Oklahoma pay their taxes? We pay them with corn, with cotton, with wheat, with livestock, with oil; and we must produce and sell 132 cents' worth of corn or cotton or livestock in order to get a dollar with which to pay our share of the Federal expense. So we cannot say that people are being taxed today merely to the extent of $17,000,000,000; that is not correct; they are being taxed the value of each of those $17,000,000,000. Each dollar is worth 132 cents. Multiply $17,743,000,000 by $1.32 and what figure results? It is an astounding fact that it costs the people of the United States in 1937 the sum of $23,420,000,000 in property to get the $17,000,000,000 with which to pay their taxes. Does anybody wonder why the people are not paying their taxes? Can any one dispute my figures? They are indisputable, and yet here in the Senate on the most important question that could possibly confront the United States, fewer than 10 Senators are present. Yet the absent Senators and those here present are responsible in part for requiring the people of the United States to produce and sell $23,000,000,000 worth of property in order to get $17,000,000,000 with which to pay their taxes.

Mr. President, I am not responsible for that condition; I am a Member of the Senate, but that is not being done with my consent. I have used many hours on the floor of the Senate trying to change our present policy, but results speak louder than my words.

Mr. President, I have just made the statement that the United States Senate is responsible in part for levying tribute upon the American people to the extent of over $6,000,000,000 that is unnecessary. I would not say it is illegal, but it is dishonest. The people have no recourse; the people have to pay these taxes, and they have to pay them with the goods they produce. The people do not make the money; the people toil; they produce raw products and finished products and exchange those products for dollars; and the United States Senate and the other House of Congress are requiring the people of America to produce 132 cents worth of goods to be exchanged for a dollar with which to meet their taxes.

As a conclusion on that subject the United States Senate, in part, shares the responsibility of forcing people to produce the difference between $17,000,000,000 and $23,000,000,000. That is done unjustly, not illegally. The people are laboring under a heavy load of debt.

I exhibit a second chart to the Senate. This chart contains the following words "Cost of interest." Of course no one can tell accurately the amount of debt in the United States; it is impossible to arrive even at an accurate estimate of the amount of debt; but, from the best figures I can get, the public debt is $60,000,000,000; the national debt about $40,000,000,000, and the debt of the States, counties, and cities about $20,000,000,000. That may not be accurate, but for my purposes it serves; for my purposes it is immaterial whether or not it is accurate. The total amount of debt is made up of two items, public debt $60,000,000,000 and the interest on the public debt, which is paid in taxes. So a portion of the $17,000,000,000 which the people pay in taxes goes to pay the interest on this public indebtedness.

The best estimate I have is that the total amount of private indebtedness is about $200,000,000,000. If my estimates are correct, that the public debts are $60,000,000,000 and private debts $200,000,000,000, then, the people must pay, in addition to their taxes, the interest on the private debts.

Of course, if a citizen has no private debts he pays none of the interest on the $200,000,000,000, but there is hardly a citizen in that category; there may be some who are out of debt, but not very many. However, the corporations, the banks, the railroads, the farmers, the home owners, and what not, owe private debts, and it is estimated by the Twentieth Century Fund, the best authority I have, that the total indebtedness is something like $260,000,000,000, of which private debts constitute $200,000,000,000. At 5 percent the total interest bill on the $200,000,000,000 each year—if that estimate is correct, or if it is approximately correct, and even if it is not approximately correct, the principle is the same—requires all the income of all the States east of the Mississippi River and south of the Ohio. That is what is required to pay the one item of interest.

By glancing at the map two items of expense are noted, Government and taxes, charges which cannot be avoided. Here is $17,000,000,000 of Government indebtedness and $10,000,000,000 for interest. This is the way that works out: The interest on the public debt is paid in taxes, that is, for the $17,000,000,000; interest on the private debt, at 5 percent, equals $10,000,000,000. The dollar value in property is 132 cents; the cost of interest to the people is not $10,000,000,000 but $13,200,000,000. So the Congress, including the Senate, is responsible for forcing those in debt not only to pay 5-percent interest, if that is the legal rate, but for forcing them to pay an excess amount above 5 percent, represented by 32 cents on each of those dollars. In other words, the people under this system, over their protest and without their knowledge, because they do not understand this matter, are forced to liquidate their interest indebtedness not with $10,000,000,000, but it costs them $13,200,000,000 in property to pay the one item of interest.

Mr. TOBEY. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator from New Hampshire.

Mr. TOBEY. The Senator made a statement that people do not understand the matter. Is not that the secret of the whole thing? Once the masses of this country knew they were paying this tax indirectly and realized what the real burden was, there would be articulation and we in Congress would hear from them. Is not that true?

Mr. THOMAS of Oklahoma. If the people knew what the Senate was doing, if they knew the facts, they would demand and secure relief.

Mr. President, in dollars it takes $17,000,000,000 to pay expenses of government; in dollars it takes $10,000,000,000 to pay the interest; that is $27,000,000,000 in dollars that it takes. How much property does it take? I will add the cost of government in property and the cost of interest in property and see what that amount is.

Costs of government and interest: It takes $17,743,000,000 to pay costs of government. It costs $10,000,000,000 to pay interest. Those two sums make $27,743,000,000. But the people cannot pay that amount in property. They must produce property of the value of 132 cents, and sell it, to get one dollar. So to get exactly the correct amount we must add the $23,000,000,000 in property which government costs the people to the $13,000,000,000 in property which it costs them to pay the interest. That makes the total cost in property to the people of America for two items of government, taxes and interest, $36,000,000,000; and yet Senators wonder what the trouble is!

Congress is attempting to force the people of America to produce and dispose of $36,000,000,000 worth of their property each year to pay just two items of expense—first, taxes; second, interest. The people are not doing it. They cannot do it. They never will do it. What is the remedy? I shall come to that later.

The national income in 1937 was only $67,500,000,000. It cost $36,000,000,000 to pay taxes. What does that leave?

It leaves the total free income that which is derived from the States in the northeastern part of the United States. Those States are Wisconsin, Illinois, Indiana, Ohio, Michigan, Pennsylvania, Delaware, New Jersey, New York, Rhode Island, Connecticut, Massachusetts, Vermont, New Hampshire, and Maine. The income from those States is all the free income we have. It takes all the balance of the income to pay just two items, taxes and interest.

Is it any wonder that we are still in the depression? Is it any wonder that the people are not paying their taxes? Is it any wonder that budgets are not being balanced? Is it any wonder that there is so much unemployment?

Mr. President, I exhibit to the Senate another chart, showing the effect of a $1.32 dollar. Having this high-valued dollar—a dollar of 132 cents—increased the taxes on the people, in terms of property, to the extent of $5,677,000,000. The failure of Congress to adjust the value of the dollar to 100 cents, where it should be, has levied upon the people a tribute to the extent of $5,677,000,000 that should not be levied against them. The people should be able to pay their taxes with 100-cent dollars. They should be able to pay their taxes, as indicated on the map, with $17,000,000,000. Instead of that, the policy of Congress—because we do not do a thing about it—forces the people to pay a subsidy in the sum of over $5,000,000,000 in taxes. It forces the people to pay a subsidy of over $3,000,000,000 on interest.

At the present time the national debt is estimated to be about $40,000,000,000. In terms of property that debt is $12,000,000,000 more. So the national debt today in terms of dollars is $40,000,000,000. In terms of property it is over $52,000,000,000.

We force on private debts an excess of $26,000,000,000. The people, in order to pay their private debts, if they should liquidate them tomorrow, would have to give $26,000,000,000 in property in addition to the dollars they should have to pay.

The value in property of the total massed debts, estimated at $260,000,000,000, is $343,000,000,000. I wonder how the people can ever pay $343,000,000,000 of indebtedness; yet that is what it means today, measured in property, and that is all the people have to pay it with. That is the reason why debts are not being paid. That is the reason why taxes are not being paid. That is the reason why interest is not being paid. That is the reason why we have unemployment. That is the reason why conditions are still bad.

According to this chart, the total massed debts of America are not $260,000,000,000. They are that amount in dollars, but in property those massed debts are valued at $343,000,000,000. The increase of 32 cents in the value of the dollar makes an increased value of $83,000,000,000. If the people should pay those debts tomorrow, they would have to pay them with property. It would take $83,000,000,000 more in property to get the necessary amount of dollars to pay the debts than it would take if we reduced the value of the dollar to 100 cents, where it should be.

I now have another chart. On this chart I find the following language:

Effect of dollar value upon national income.

I show on this map the value of the dollar in terms of property for each year beginning with 1929.

In 1929 the dollar had a value of 104 cents. In the year 1929, with a dollar value of 104 cents, the national income was $81,000,000,000. That was a dollar valued just slightly more than 100 cents. It was just at the end of Mr. Strong's reign, just at the time that he had passed on, and no one was carrying on his policies, and at the time that the special interests had not gotten too far along with their program. In 1929 the dollar had a value of 104 cents; and with a dollar of that value the national income was $81,000,000,000.

When Governor Strong died, the dollar began to advance in value to serve the special interests; and by 1930 the dollar had a value of 115 cents. In other words, the dollar rose in property in that year 11 cents in value. So in 1930, instead of having an $81,000,000,000 income, as the dollar went up, prices went down; so the national income fell from $81,000,000,000 to $68,000,000,000.

Mr. TOBEY. That analogy does not hold in the 1933 illustration.

Mr. THOMAS of Oklahoma. I shall come to that in just a moment.

In 1931 the dollar rose in value to 137 cents, and with the 137-cent value we had only $53,000,000,000 income in 1931.

In 1932 the dollar took on still more value. It had a value that year of an average of 154 cents. With a value of 154 cents, the national income was only $40,000,000,000.

In 1933 the dollar had a value of 151 cents. The trend had been changed. In the early spring of 1933 we adopted the amendment which provided for cheapening the dollar; and as the dollar fell, prices began to go up. The trend was changed. So when the dollar lost value from 154 cents to 151 cents, of course prices changed. In 1932, with the dollar valued at 154 cents, the national income was $40,000,000,000. In 1933, with the dollar valued at 151 cents, the national income increased to $42,000,000,000.

In 1934, with the dollar valued at 133 cents, the national income was $50,000,000,000.

In 1935, with the dollar valued at 125 cents, the national income was $55,000,000,000.

In 1936, with the dollar valued at 123 cents, the national income was $63,000,000,000.

In 1937, with the dollar valued at 115 cents, the national income was $69,000,000,000.

The point I am making is that as the dollar goes up in value the national income comes down, and that is demonstrated by the figures I have just placed before the Senate on this chart.

During 1937—that was when the Federal Reserve Board decided that times were getting too good, that prices were going too high, so they changed the trend—during 1937 the dollar increased in value from 113 cents at its lowest point, the average for the year being 115 cents, to 127 cents; so the national income fell. In 1937, with an average 115-cent dollar, the national income was $69,000,000,000. The next year, 1938, with the increased value of the dollar, 127 cents, the national income fell to $64,000,000,000.

I have not the national income for 1939. The value of the dollar at the present time is 132 cents. If the same value is maintained until the end of the year, it will show an average of around 132 cents. I cannot say what the national income will be for this year; but if the dollar goes up, the income should go down.

I am using these figures simply to show that national income is controlled by dollar value.

Farm income, also, is controlled by dollar value, as I shall show on the next chart. The next chart shows the effect of dollar value upon farm income. The same thing is shown regarding farm income that is shown regarding national income.

In 1929, with a dollar value of 104 cents, we had a $10,000,000,000 income for the farmer.

In 1930, with a 115-cent dollar value, farm income fell to $8,000,000,000.

In 1931, with a 137-cent-value dollar, farm income fell to $5,000,000,000.

In 1932, with a 154-cent dollar, farm income fell to $4,000,000,000.

In 1933, with a 151-cent dollar, farm income fell to $4,000,000,000.

I have left off the hundreds of millions. Sometimes they amounted almost to another billion, which could have been added, but I did not show that.

In 1934, with a dollar value of 133 cents, farm income was $5,000,000,000.

In 1935, with a 125-cent dollar value, farm income was $6,000,000,000.

In 1936, with a 123-cent dollar value, farm income was $7,000,000,000.

In 1937, with a 115-cent dollar value, farm income was $8,000,000,000.

In 1938, with a 127-cent dollar value, farm income was $7,000,000,000.

The figures for this year, 1939, of course, I do not have. They are not known as yet.

The thing I am trying to prove is that farm income is governed entirely by the value of the dollar, and the figures tend to prove that statement.

The next chart which I call to the attention of the Senate is marked "Effect of Dollar Value on Common and Preferred Stocks." The effect is exactly the same on national income, on farm income, on common stocks, and on preferred stocks, as shown by this diagram.

In 1930, with a 115-cent dollar, common stocks were valued at $66,000,000,000. Those are the ones listed on the main exchanges. The preferred stocks that year were valued at $8,000,000,000.

In 1931, with a dollar of increased value, 137 cents, common stocks fell to $35,000,000,000 in value, as marked on the boards of the exchanges, and preferred stocks fell to $6,000,000,000.

In 1932, with a 154-cent dollar, common stocks fell to $13,000,000,000 in value, and preferred stocks fell to $3,000,000,000 in value.

In 1933, with a 151-cent dollar, common stocks advanced to $27,000,000,000, and preferred stocks advanced to $4,000,000,000.

In 1934, with a 133-cent dollar, common stocks were valued at $28,000,000,000, and preferred stocks at $5,000,000,000.

In 1935, with a dollar value of $1.25, common stocks advanced to twenty-nine billion and preferred stock still remained at five billion. I do not show the hundreds of millions.

In 1936, the last year for which I have figures, with the dollar value at $1.23, common stocks had increased from thirteen billion in 1932 to forty billion in 1936, and preferred stock had increased in value to six billion.

So the same effect we find the dollar value having on farm income we find it having on the national income, and on the value of common stock and preferred stock, and of course that goes on down to the personal income of the individual.

Now I come to answer the question of why gold has come into the United States. We have gold in this country to the value of more than $16,000,000,000. I have before me a sheet from the Treasury dated June 19. This official statement shows that on that date we had gold to the value of $16,047,977,095.03. It shows that at that time we had gold, which we valued at $35 an ounce, to the amount of 458,513,631.3 ounces.

This gold has come into the country at a rapid rate, and it seems that some people at least do not know why the gold has come into the United States. It is as simple as that 2 and 2 make 4, and I want to place my interpretation in the RECORD.

One ounce of gold is worth $35. Each dollar is worth $1.32 in property. Hence 1 ounce of gold is worth in property 35 times $1.32. When we make the multiplication, we find that an ounce of gold is worth in property $46.20.

Mr. President, foreigners can take their gold and exchange their gold for American dollars on the basis of $35 for an ounce of gold. Then they can exchange each dollar of the $35 for $1.32 worth of property. So a foreigner can bring his ounce of gold to America and take back home some $46.20 worth of property.

Mr. President, that is why the gold is coming to America. It is because foreigners can get more property for their gold in America than anywhere else in the world, and until we cheapen the dollar in terms of property, gold will continue to come to America; and as the gold comes here it becomes scarcer in other lands, and as it becomes scarcer in other lands it becomes dearer in other lands, and as it becomes dearer in other lands its goes up in value in terms of property.

The flow of gold into this country can be stopped in one of two ways. First, the price of gold per ounce can be reduced; but if we reduce the price of gold per ounce, we bring on deflation. If we reduce the price of gold per ounce, we bring on still lower prices, and no one is in favor of more deflation, unless it be the miser bondholder. So the only practical way to keep gold from coming to this country is to cheapen the dollar in terms of property.

If we can take out of the dollar even the excess, take out the 32 cents, then $35 will be worth $35 in property. If we can cheapen the dollar by taking 32 cents out of the dollar, then we will reduce the price to the farmer back to $35 in terms of property. That would to a large extent stop gold from coming to America. If the gold keeps on coming here and the gold supply of the world is depleted, gold still going higher and higher and higher, deflation will result. That accounts for the hard times throughout the world. To meet that condition other nations are constantly decreasing the amount of gold in their monetary unit.

I should like to place in the RECORD at this point the proof of my statement. We devalued the gold dollar by reducing its weight on the last day of January 1934. I think the Presidential proclamation was issued on that date.

On the 31st day of January the amount of gold in a gold dollar was fixed at 15 5/21 grains of gold. Since that time other nations have cheapened their money.

The following table shows the value of the monetary units of the various countries on February 1, 1934, and May 23, 1938:

	Feb. 1, 1934	Monday, May 23, 1938
Pound sterling	$5.0175	$4.94⅞
French franc	.0641⅜	.0277
Swiss franc	.3165	.2278½
Dutch guilder	.6560	.5518
Swedish krone	.2586	.2552¼
Norwegian krone	.2520	.2487½
Danish krone	.2242	.2209
Italian lira	.0852	.0525¼
Belgian belga	.2275	.1683½
Argentine peso	.3400	.2625
Brazilian milreis	.0862	.0590
Japanese yen	.2970	.2883
Chinese yuan dollar	.3362	.2285
Indian rupee	.3750	.3693
Mexican peso	.2785	.2200
Hong Kong dollar	.3750	.3077

So it is demonstrated that since we have fixed the definite content of our dollar at 15 5/21 grains, practically every other nation in the world has still further depreciated its currency in terms of gold. Yet we have not depreciated our currency since it was fixed on January 31, 1934.

The Gold Reserve Act was approved by the President on the 30th day of January 1934, and the Gold Reserve Act provided that the President should not put more gold in the dollar than 60 cents worth; that is practically what it was. In other words, he could not put more gold in the dollar, and under the present law the President, and no one else, save the Congress, has any power to add weight to the gold dollar. It now weighs 15 5/21 grains of gold nine-tenths fine. That is fixed by law, because the law gives the President the power to do it by proclamation, and he did it by proclamation, which now has the force and effect of law. There is no power outside of the Congress that can add the fraction of a gram of gold to the gold dollar.

The President can still further cheapen the gold dollar by taking about 2½ grains out of the gold dollar.

Mr. TOBEY. Does the Senator feel that the Congress should give the President power further to deflate the dollar, as is provided in the legislation now pending before us?

Mr. THOMAS of Oklahoma. From my point of view, I am always looking for results. I did not want to give anyone power to do anything about our money at any time. From my viewpoint, Congress should have exercised any power it had over money, and should not have delegated the power to anyone. But in 1933 I was confronted with a practical proposition. I had to get votes to have an amendment adopted, and in order to get votes to have the amendment adopted, I had to prepare the proposed legislation in such shape as to get the votes. The Members of Congress knew so little

about the money question, and they would not take my word, and I could not ask them to, since they were not sure I was correct, and they did not want to take my recommendation and pass a mandatory law. But the Congress was willing to permit of the passage of a discretionary law, giving power to the President to devalue the dollar if the President saw fit to do so. I had to accept that situation in order to get any results whatever. We could not have a mandatory bill passed. I doubt if there has been a time since when we could have passed a mandatory bill over the objections of the Federal Reserve Board and the Secretary of the Treasury, whoever they or he may have been.

Mr. President, I submitted an amendment to the measure a few days ago, proposing that the Congress further devalue the gold dollar, but I could not get any support for that amendment. I could find but few Senators who would support me in that position. I could find but few Senators who would vote that Congress should do the thing itself, or to accomplish by direct legislation a result which the President has the power to accomplish by an act of his. Senators are willing to extend the power, but they are not willing to exercise that power.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TOBEY. Is not the first step to take away the power, and then to consider the exercising of it? Are there not two steps for us to take? If we made a mistake in 1933 in giving up the power, and giving it to the President, and we realize it now, we should have the conviction and in the American manner say, "Halt, enough. We will stand by our institutions. You as President of the United States will exercise your functions. We as the Congress will take care of the fixing of the value and the coinage of money."

Mr. THOMAS of Oklahoma. Mr. President, I started my political life a long time ago—to be exact in November of 1907. That is a long time ago. During that time I have served 13 years in my own State senate, 4 years in the House of Representatives, and I am now in my thirteenth year in this body. The first thing I learned was that in order to get bills passed you had to have votes. I learned that in order to get votes you had to compromise. If you could not get all you wanted, get what you could. If you could not get anything, make the best of it, but keep up the fight if you are sure you are right.

So in 1933, when we had this amendment up for consideration, we got the legislation up in the best shape we could to obtain sufficient votes to pass it. If I had my way about it, I would proced to devalue the gold dollar by taking away this excess value—I call it excess value—of the difference between 12.9 grains of gold and $15\frac{5}{21}$ grains of gold, but I could find no one willing to join me in that activity. Numerous Senators told me that if that was in the bill they would have to vote against it.

Following my policy, developed by many years of experience, I reintroduced the amendment and left out that section, because I did not want to lose any votes by having it in, and I was convinced I could not get any votes by leaving it in. So it is out.

The question now is, Shall we give the President the power still further to devalue the gold dollar? That is in the House bill. That is not in my amendment. That issue will be settled by the vote on the Adams amendment; and if the Adams amendment prevails, the power is killed at the end of this fiscal year, June 30. If the Adams amendment fails, then the power will probably be continued in the President for 2 more years. That is not an issue so far as I am concerned. If I had my way about it I would take that gold out of the dollar; I would make the dollar cheaper in terms of gold; I would make a profit for the Treasury of $2,900,000,000, which, added to the profits under my other amendment of $2,800,000,000, would make a total profit of nearly $6,000,000,000 as the result of two acts sponsored by me. I am not so hopeful that that will be done.

But should the President exercise his power and still further devalue the gold dollar to the extent permitted under the present law, he could make for the Treasury, merely by signing his name, a profit of $2,900,000,000, and at the same time cheapen the dollar in terms of gold and cheapen the dollar in terms of property, especially of world commodities.

Mr. TOBEY. Mr. President, I appreciate what the Senator has said, and I also have had a little legislative experience. I know that compromise often has to be put into effect in order to get even approximately what we want to get. However, the point I make is that sometimes the compromise price is too high a price to pay. The Congress in this case back in 1933 surrendered willy-nilly to the President the power to fix the value of money and the coinage thereof. Now is the chance to come back to the American way, to the American procedure. Is the Senator willing to go along with me on that and vote for the Adams amendment?

Mr. THOMAS of Oklahoma. I shall vote to exercise the power. I discovered a long time ago that only one fight can be waged at a time.

Mr. TOBEY. That is why I think we should go clean through in this matter and regain the power, and then take up the other matter.

Mr. THOMAS of Oklahoma. I have no question whatever that the distinguished Senator and I would have no disagreement on the proposition.

At the present time even the size gold dollar we have is a cheaper dollar than the domestic dollar, and if we should now further devalue the gold dollar, and if we take no step to cheapen the domestic dollar, the disparity would be greater, and in place of the new dollar being worth a dollar and thirty-two cents, I do not know what it would be worth.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WAGNER. So far as I can learn the attitude of Senators, those who are absolutely opposed under any circumstances to the devaluation of the gold content of the dollar, now say that the President should not now have the power delegated to him.

Mr. TOBEY. I do not think that fairly represents the attitude of the Senators here. I think divers opinions are held by Senators.

Mr. WAGNER. Well, will the Senator vote now for the devaluation of the gold content of the dollar?

Mr. THOMAS of Oklahoma. Mr. President, I think I had better not permit that question to be asked. I do not want it to appear in my address. Will the Senator withdraw his question? That matter would stir up a controversy which I do not think should be had in my time.

Mr. WAGNER. I withdraw the question and will ask it at another time.

Mr. THOMAS of Oklahoma. Mr. President, I will now show, if I may, that prices are lower and the condition of the producer is worse than his condition was in 1929, when we had a dollar value in gold at $1.04.

In 1929 one could buy 11.4 pounds of bread for a dollar. On February 15, 1939, one could buy 12½ pounds of bread for the same dollar. So bread is cheaper now than it was in 1929, which means that the people who produce bread do not get so much for it as they did in 1929.

Senators may say, "That is fine for the consumer." If we were looking only to the consumer that would be fine, but how about the folks who produce the wheat that goes into the bread?

At the same time, February 15, 1929, a dollar would buy 2.1 pounds of coffee. That is approximately 50 cents a pound. In 1939 it will now buy 4.4 pounds, or at 25 cents a pound. So coffee is cheaper in terms of dollars now than it was in 1929.

Take butter, for example. On February 15, 1929, a dollar would buy 1.7 pounds of butter. That is about 50 cents a pound. On February 15, 1939, a dollar would buy 3 pounds of butter. About 33⅓ cents a pound. Butter is now worth half what it was in 1929. I am trying to show that although we cut the dollar almost in half it still buys more today than it did in 1929.

Take eggs, for example. On February 15, 1929, a dollar would buy 1.9 dozens of eggs. That is about 55 cents a dozen. On February 15, 1939, a dollar would buy about 3.3 dozens, or at about the rate of 30 cents a dozen.

Take plate beef. On February 15, 1929, a dollar would buy 4.8 pounds of plate beef. That is the kind that is served for human food. That is not quite 25 cents a pound. On February 15, 1939, a dollar would buy 6.4 pounds of plate beef, or about 16 cents a pound. So a man who produces cattle gets his proportionate part of 16 cents today, when in 1929 he received 25 cents for his beef.

The general purchasing power of the dollar on February 15, 1929, was not so great as the purchasing power of the dollar today. If we consider the dollar in 1929 as having a 100 percent purchasing value, the dollar in 1933 had a $1.70 purchasing value, in 1930, $1.30 purchasing value, and this year, on February 15, it had $1.33 purchasing value.

These figures show that although we are in a depression, we are trying to get out, to work out, with lower prices than we had when the depression struck in October 1929.

Mr. President, the House bill, as I said, covers but three points. The first section covers the point of forcing the Secretary of the Treasury to report to the Congress, in addition to reporting to the President of the United States. I think everyone agrees about that. So there is no controversy over section No. 1.

Section No. 2 proposes to continue the stabilization fund. Section No. 3 proposes to extend the power further to devalue the dollar.

One issue, over the devaluation of the dollar, will be settled when the vote on the Adams amendment is had. Then that issue will be settled. If the Adams amendment is agreed to the President's power will be terminated on the 30th day of June of this year still further to reduce the gold content of the dollar.

If the Adams amendment is defeated, and the House bill becomes the law, the power in the President still further to devalue the gold dollar will be extended to June 30, 1941, 2 years hence. So that issue is out of the way. At least it is not in my discussion.

The Senator from Nevada [Mr. McCarran] and myself have introduced an amendment to section 2 of the bill. Section 2 of the bill proposes to extend the stabilization fund. The stabilization fund contains $2,000,000,000. This fund in gold was given to the Secretary of the Treasury to be used in stabilizing the dollar in terms of gold, not in terms of property. Two billion dollars was placed in that fund in gold; and during all these turbulent years, when the exchange has fluctuated, the Secretary has not used in excess of $200,000,000. I do not know how much he has used. He has made no public report. We do not know whether he has used all of $200,000,000 or $100,000,000 or $50,000,000. In any event he has not used in excess of $200,000,000. While I do not know, it is my belief that he has the $200,000,000 practically intact, if not with a profit. So while he has used $200,000,000 in this way or that, he still has the $200,000,000 for further use.

It is my contention that the stabilization fund is a necessary thing for the Secretary of the Treasury to have. Other nations provide their national banks with a stabilization fund, and it is my judgment that this nation should provide our Secretary of the Treasury with a stabilization fund. I think it should be ample to take care of all demands which may be upon the fund to stabilize American currency throughout the world; but I do not believe it is necessary to continue $2,000,000,000 in the stabilization fund. The Secretary has used not to exceed $200,000,000, and there is the further prospect that there will not be a greater demand in the future for the use of the fund than there has been in the past. So it occurs to me that if we give the Secretary one and a half times the amount he has used, such a fund would be ample. The fund would be $500,000,000.

So the amendment that the junior Senator from Nevada [Mr. McCarran] and myself have proposed to section 2 is to extend the stabilization fund to the extent of $500,000,000, not for 2 years, but indefinitely. If that is not enough, and I can be shown that it is not enough, I should not hesitate to make it $600,000,000, or $1,000,000,000. However, the fact is that the Secretary has used not in excess of $200,000,000. If we should place in the fund $300,000,000 more than he has ever used, it occurs to me that that amount would be ample to serve every need a stabilization fund should serve. So our amendment provides that we shall continue the stabilization fund, not in the sum of $2,000,000,000, but in the sum of $500,000,000.

Our amendment then starts on new ground. It is very simple. It proposes that we take the balance in the stabilization fund, in the sum of one and a half billion dollars, and put it back in the Treasury in a special reserve fund. It is now in the Treasury. It is proposed to earmark one and a half billion dollars, not for the stabilization fund, but for a special reserve fund.

The Treasury Department today has free gold to the value of more than $500,000,000. The free gold, with no claim against it, for months has lain inactive, no use being made of it. The amendment provides that we shall take $500,000,000 of the free gold and place it in the special reserve fund. The $500,000,000 taken from the free gold in the Treasury, added to the one and a half billion taken from the stabilization fund, provides a fund of $2,000,000,000 to be placed in a special reserve fund in the Treasury.

The amendment directs the Secretary of the Treasury to issue a form of currency against the $2,000,000,000. The proposed currency would be gold certificates, backed 100 percent by gold. So if gold is good money, gold certificates backed 100 percent by gold would be just as good as gold. So the amendment proposes to create a class of money which is gold, or as good as gold, to the extent of $2,000,000,000 of gold which is not now used, and directs the Secretary to pay out $2,000,000,000 in currency in meeting maturing obligations.

We shall have to borrow three or four billion dollars during the coming year. If the gold is not used, we must sell bonds and pay interest on those bonds to raise four or five billion dollars. The plan suggested would make use of $2,000,000,000 of gold which we now have. We could issue currency against it. We should not have to borrow the $2,000,000,000. We could use the gold instead. That is benefit No. 1 which will come from the suggested program.

As to benefit No. 2, by placing the certificates in circulation we shall make money more plentiful. By "money" I mean real money. To the extent that money is made more plentiful, money becomes cheaper; and to the extent that money becomes cheaper, property values are increased.

So this simple little amendment does two things in which every Senator should be interested. It uses the money we now have to pay maturing obligations, parity payments to the farmers, relief-cost bills, and other bills of our Government. If the money is not used in that way, bills mature every few days, and the Treasury can take the certificates and pay off maturing obligations which accumulate against the Treasury.

The benefit I am especially speaking for is to use the bill to reduce the value of the dollar from 132 cents to 100 cents. I am not sure that $2,000,000,000 would do it. It might not require $1,000,000,000 to do it. It might not require $500,000,000. If the amendment of the Senator from Nevada and myself should be adopted and the program suggested should be followed, I doubt if we should have to put a dollar of the new currency into circulation. I think psychology would do the job. I think the power and the program and the direction to decrease the dollar value would accomplish the purpose, because the amendment provides in section 1 that when the value of the dollar is reduced to 100 cents, no further additional money shall be placed in circulation, and the value of the dollar shall be kept at 100 cents as nearly as is humanly possible.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. HOLMAN. It would be the Senator's purpose, however, to put the $2,000,000,000 in circulation just as rapidly as possible in the natural course of Federal business?

Mr. THOMAS of Oklahoma. I should not want to say "as rapidly as possible." I do not think it is healthy to increase prices too fast.

Mr. HOLMAN. Then there would be a management of the dollar value?

Mr. THOMAS of Oklahoma. Absolutely. In section 1 of the amendment we give to the Federal Reserve Board and to the Treasury Department a mandate to proceed to use their powers and to use the money in such a way as to reduce the value of the dollar to 100 cents. The amendment does not direct them to do it in a day or a month, but to start on that trend. If 6 months or a year are required to do it, all right.

Then they are directed to use their powers over reserves, over sterilizing gold, and over increasing circulation to take the excess value out of the dollar; and when the dollar comes down to 100 cents in terms of property, they are directed to check the fall at that point and use their powers to keep the value of the dollar at 100 cents. Governor Strong kept it at 100 cents for 7 or 8 years. For months it has been kept at 130 cents. If Governor Strong could keep the value of the dollar at 100 cents, and if the Federal Reserve Board can keep the value of the dollar at 130 cents, so we can just as easily put it down to 100 cents and keep it there. The members of the Federal Reserve Board know that. Why do they not do it? They do not want to do it. Their bosses would not be served by that sort of action. Their bosses, the men who pay their salaries, want scarce money, high-valued money, and low prices.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TOBEY. The Senator refers to "their bosses." Can the Senator imagine that they exist entirely ex parte from the President of the United States?

Mr. THOMAS of Oklahoma. I will leave the distinguished Senator——

Mr. TOBEY. Does not the Senator imagine that they hear their master's voice at times?

Mr. THOMAS of Oklahoma. I will leave the distinguished Senator to place his own construction upon my language.

Mr. TOBEY. I have placed it.

Mr. THOMAS of Oklahoma. I now wish to refer to my last chart, dealing with the kinds and amount of money in circulation.

When the present administration came into power 6 years ago we had more than 6,000 kinds of money in circulation. Every one agreed that too many kinds of money were in circulation. At that time we had in circulation gold certificates and gold pieces; we had silver dollars and silver certificates; we had Treasury notes of 1890 in circulation to the amount of more than $1,000,000. They are still in circulation. At that time we had United States notes in circulation; we had Federal Reserve notes, and Federal Reserve bank notes. We had more than 6,000 kinds of national bank notes in circulation. Every national bank could issue its own currency, with a picture of the bank on the face of it, and signed by the president and the cashier. So at that time we had more than 6,000 kinds of money in circulation in the United States.

It was the declared policy—and I think the proper one—to lessen the number of kinds of money in circulation. As a result of that policy we took out of circulation gold certificates. We took out of circulation Federal Reserve bank notes. We took out of circulation national bank notes. At the present time we have comparatively few kinds of money in circulation.

On the chart before me I have noted the kinds of money now in circulation. We have silver dollars in circulation. There are only 41,000,000 silver dollars in circulation throughout the entire United States. We have silver certificates in circulation to the amount of $1,700,000,000. We have in circulation subsidiary silver—halves, quarters, and dimes—to the value of $354,000,000. We have in circulation minor coins, nickels and pennies, to the value of $151,000,000. We have in circulation United States notes, Treasury notes—so-called greenbacks—to the amount of $254,000,000. We have Federal Reserve notes to the total amount of $4,426,000,000. That is the only kind of money we have in circulation which actually circulates.

The kinds of money which are still in circulation are set forth in the statement; but all forms do not circulate. Gold certificates to the amount of $72,000,000 are still "in circulation." They were called in, but they have not come in. They are still out. Some of them have been destroyed. Some are being hoarded. Some are in foreign countries. The moment one shows up, it is retired; but many are still out.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. FRAZIER. The $72,000,000 of gold certificates date back for a long time, do they not? It is a question of how many are destroyed or are otherwise out of existence.

Mr. THOMAS of Oklahoma. Since the beginning of the policy of issuing gold certificates, when a gold certificate was issued it went into circulation; it was presumed that it circulated constantly; and the records show that there have been $72,000,000 of gold certificates issued and never retired; they are still out some place. They may be burned, they may be hoarded, they may be at the bottom of the ocean.

The Treasury notes of 1890 are being retired. There are only $1,167,000 still in circulation. The moment one of those notes comes to light it likewise is retired, but it is carried on the statement as being money in circulation.

Of Federal Reserve bank notes there are $26,000,000 still in circulation which are out some place. We do not know where they are.

Of national bank notes $191,000,000 are still in circulation.

Those four items make a total of $290,000,000. The Treasury Department carries that $290,000,000 as money in circulation. It is some place, if not destroyed, and, if destroyed, of course, it is still some place in another form.

Mr. WILEY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Oklahoma yield to the Senator from Wisconsin?

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. I think it would be very illuminating if the Senator could tell us what is back of the silver certificates in silver, what is back of the United States notes, and what is back of the Federal Reserve notes, so that the people of this country may know in what way their currency is secured.

Mr. THOMAS of Oklahoma. I shall be very glad to do that. There are 41,000,000 standard silver dollars in circulation. Each silver dollar weighs 371¼ grains of silver, with a certain amount of alloy. Older people remember having seen some silver dollars; younger people do not remember ever having seen a silver dollar. If one should go to New York and throw a silver dollar on the counter of a restaurant to pay for a meal or a package of cigarettes, the cashier would look at it first to see whether or not it was safe to pick it up.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. FRAZIER. I am one of the old-fashioned kind who carries silver dollars. I got the one I hold in my hand the other day at the disbursing office. It is new from the Treasury, but the date on it is 1884. There are 500,000,000 of these silver dollars in the United States Treasury at the present time, according to the statement issued by the Treasury Department, and $41,000,000 of them are in circulation. I do not know whether or not it makes a silver certificate any better because it has a silver dollar back of it in the vault of the United States Treasury. I do not think the average citizen cares whether there is a silver dollar back of a silver certificate or whether a United States note has either gold or silver back of it.

Mr. THOMAS of Oklahoma. The statement made by the Senator from North Dakota, of course, is exactly correct. I will place in the RECORD at this point the figures given by

the Treasury Department of date April 30, 1939. On that date there were in the Treasury 547,078,920 standard silver dollars. That was the number of dollars the Treasury had coined and either placed in circulation or had in its vaults. Of that sum the Treasury held $502,000,000—I will not give the thousands—and the balance of those silver dollars, $41,000,000, were in circulation throughout the country, that is, they are supposed to be in circulation. Some of them are in circulation in the West. In the Western States people know what a silver dollar is; but here in the East give a cashier a silver dollar and the first thing he will do is to take it to the manager, if he does not call the police, and ask the manager what it is.

So we have 41,000,000 silver dollars in circulation. Those dollars are stamped a dollar, and they circulate as the value of a dollar, but, intrinsically, the silver in the silver dollar is worth less than 42 cents. Less than an ounce of silver, or some 35 cents worth of silver, will coin one of these dollars. There is one hundred one-hundred-and-twenty-ninths of an ounce of silver in this dollar. So, if an ounce of silver is worth 42 cents, then the silver in this dollar is worth one hundred one-hundred-and-twenty-ninths of 42 cents, which would be less than 42 cents. So, intrinsically, the $41,000,000 of silver dollars are not worth their face in silver, but they are worth their face in currency and in circulation. There is nothing back of them at all; they are merely silver dollars.

Silver certificates are different. Formerly silver certificates were redeemable in silver dollars. That is not true today, as per the printing on the certificate. The wording has been changed so that today a silver certificate is redeemable in a dollar in silver.

In other words, if you take a silver certificate to the Treasury, and if the Treasury makes good its promise, it will weigh out one dollar's worth of silver at 42 cents an ounce or at some other figure that may be placed on it by the Treasury. It might prefer to pay from silver taken from domestic miners, in which event it would pay at the rate of 64 cents an ounce, but the world price of silver is 42 cents an ounce. So if they should weigh out a dollar's worth of silver on the basis of the world price they would give in excess of 2 ounces of silver, because 2 ounces are worth only 84 cents. So they would have to give over 3 ounces of silver. So these certificates are not now based upon a fraction of a dollar's worth of silver; they are based upon a full dollar's worth of silver. The Treasury has a policy of issuing money on a basis of 129 cents; but, at the same time, they carry the surplus silver against which no money is issued. That makes enough silver in the Treasury to back each of these certificates full value on its face in terms of gold. In other words, the Treasury has in its vaults $1,700,000,000 worth of silver as measured in gold.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. FRAZIER. Of course, so long as the 502,000,000 silver dollars in the Treasury last it will pay out silver dollars instead of silver in redemption of silver certificates.

Mr. THOMAS of Oklahoma. I thank the Senator for his statement. Therefore, silver certificates today are the only class of money in circulation that have real value. Back of such money is the silver dollar—that is, its silver content—which is worth less than 40 cents, but a silver certificate has also back of it a dollar's worth of silver measured in gold.

Mr. WILEY. Mr. President, how is the world price of silver established?

Mr. THOMAS of Oklahoma. The United States has fixed the price for silver. We fix the price for silver at different levels at different times. Since the silver program started we increased the price of silver until we got it up to about 80 cents an ounce. Then the Treasury decided it did not want to pay that much. So it commenced dropping the price until the price is now fixed around 42 cents an ounce. The Treasury has fixed the price for world silver and has maintained that price since the silver-purchase act was passed, as I recall, in 1934. The only price silver has in this country is the price we pay for it.

Mr. WILEY. Is that about 64 cents an ounce?

Mr. THOMAS of Oklahoma. No; it is 42 cents an ounce. We pay 64 cents to the miners of silver in America. For example, about 11 States produce more or less silver. In those States which produce silver the miners and companies that produce it turn it over to the Treasury on the basis of 64 and a fraction cents per ounce.

That is not all the silver we have in circulation. The Treasury has printed silver certificates to the amount of $1,000,000,000. The Treasury has placed those certificates with the Federal Reserve banks. The Federal Reserve banks have all those certificates but the Federal Reserve banks will not permit those certificates to go into circulation. The Federal Reserve banks had on April 30, 1939, $255,208,836 of silver certificates which they would not place in circulation. The Federal Reserve banks do not want to put this money into circulation because it would make money more plentiful and cheaper, and the Federal Reserve Board is against that policy. It gets back to my whole argument over the management of money.

Subsidiary silver includes half dollars, quarters, and dimes. That is not supposed to have intrinsic value, especially minor coins such as nickels and pennies.

United States notes are in circulation to the extent of $254,000,000. There is some silver back of those notes and some gold back of them, but there is not full value back of them. There is no place in the Treasury where one can go and put his hands on sufficient gold and silver to redeem the United States notes, dollar for dollar, in either gold or silver.

We have plenty of gold and silver there that might be used for that purpose, but there is no gold or silver that is earmarked for that purpose. There is about one-half enough earmarked gold in the Treasury to back these certificates. They are backed in the main by the property of all the people and the ability of the Government to tax to raise money. The Federal Reserve notes are backed at least 35 percent by gold, and in the absence of gold they are backed by gold certificates. When the Federal Reserve banks turn over gold to the Treasury, they receive gold certificates, as they are required to do under the law; and they have gold certificates as a backing for the Federal Reserve notes. The law requires 35 percent of the Federal Reserve certificates to be backed by gold. The other 65 percent may be in any form of liquid assets. It may be in the form of United States bonds. It may be in the form of the note of a merchant or of a cattleman that is held to be rediscountable. So for this money in the amount of $4,426,000,000, there is at least 35 percent of gold backing in the Federal Reserve System. There may be more, but there is at least that much. The balance of that money is backed by what the Treasury chooses to call liquid assets in the form of maturing notes, short-time notes in the main, the kind of notes that banks will take and create credit upon, the kind of notes the banks can rediscount at the Federal Reserve bank in their districts.

Mr. WILEY. Mr. President——

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. In view of the fact that there is so much public misapprehension of that very term, "Federal Reserve notes," I should like to get the Senator's opinion as to the validity of those notes, and the kind of paper that they really are.

Mr. THOMAS of Oklahoma. Mr. President, I should not care to go into that phase of the matter.

Mr. WILEY. I merely ask the Senator's opinion.

Mr. THOMAS of Oklahoma. I think the Federal Reserve notes are absolutely good. I think they are sound. I think they are the best notes in the world, as notes go. I think they are just as good as gold. If gold is good for money, these Federal Reserve notes are good for money, because 35 percent of them is backed by gold, and the balance of the value is represented by what is known as a liquid asset, which might mean a bale of cotton that can be sold any day for a certain amount of money; it might

mean a fat steer that can be sold any day for a certain amount of money, or a fat hog that can be sold any day for a certain amount of money, or a stock of merchandise that can be sold any day for a certain amount of money. Of course, too, banks do not accept notes for the full value of the collateral. They accept them only for a certain percentage of the value of the collateral. So the value back of these notes, as represented by collateral, is just as good as gold.

Mr. WILEY. Mr. President, there is not any suggestion in what the Senator has said that the use of those notes is a result of manipulation by any money power; is there?

Mr. THOMAS of Oklahoma. The Federal Reserve System, of course, makes its money by making loans. The Federal Reserve System has to loan money in order to make money; and since the Federal Reserve System has been created it has made enough money to build the finest chain of bank buildings in the world, starting at New York and going clear down the line.

Mr. TOBEY. Starting at Boston.

Mr. THOMAS of Oklahoma. Wherever they have built banks—I do not know all the towns—they have built the finest buildings in the world, and they have been paid for out of the interest on the money the Federal Reserve banks have loaned. In addition to building these bank palaces for the Federal Reserve banks in the main they have built subpalaces, district Federal Reserve banks. There is one in my capital city of Oklahoma City, a fine building. In addition to making enough money to construct all those buildings, the Federal Reserve banks have made enough money to pay many thousands of employees their salaries all this time. In addition to constructing buildings and paying the salaries of all these employees all this time, they have created a reserve that now represents most of the gold that we have in this country. The Federal Reserve System has gold certificates, or can get gold certificates, for almost all the gold the Treasury holds; that is $16,000,000,000 worth. So their System has been such a good money maker that the Federal Reserve banks have made all this money since 1913.

I think that completely answers the question that the Senator asked.

Mr. HOLMAN. Mr. President, does the Senator mean that the Federal Reserve Banks have made the money for private persons, not for the Government?

Mr. THOMAS of Oklahoma. The Senator is exactly right. There was a time, when the Federal Reserve bill was first enacted into law, when a certain percentage of the profits of the System went to the Government; but the banks so managed the matter that there were no excess profits. They used the profit in constructing these buildings and in paying fancy salaries. A man in private employment of a bank would get a certain salary. The moment his services were transferred to the Federal Reserve Bank his salary was increased to double, five times, ten times, sometimes twenty times what he received in private employment. That was done in order to use up these funds, and not permit them to get into the Treasury. Only recently a law was slipped through Congress repealing that provision, so that now there is no provision of law whereby any part of the profits of the Federal Reserve System go into the Federal Treasury. All the profits the Federal Reserve banks make under existing law go to the private coffers of those who own and operate the Federal Reserve System.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. FRAZIER. Is it not true that all the Federal Reserve banks pay for these Federal Reserve notes is the cost to the Government of the paper and the printing of the notes? It cost seven-tenths of 1 cent per bill, whether it is a one-dollar bill or a ten-thousand-dollar bill, to have it printed. The cost of the paper and the printing is all it costs the Federal Reserve System to obtain those Federal Reserve notes, is it not?

Mr. THOMAS of Oklahoma. The Senator's statement is correct. The Treasury Department buys the paper. All of the paper is prepared by a special mill located in one of the New England States—Massachusetts. This mill makes all of the paper. It is a special grade of paper, made out of special material, and contains, woven into the paper, tiny threads colored blue and green and red. The threads in the paper are intended to give the paper strength. It is a good policy, and I approve the policy of permitting only one concern to make this paper.

So the paper is made by this one concern and sold to the Treasury. The Treasury then takes the paper to the Bureau of Engraving and Printing, and there the paper is printed into bills of various denominations, and the paper then is taken to the drying room and dried and aged. Green paper is not thought to be good for circulation purposes. It has to be aged before it is considered to be usable. In that particular it is like other commodities that need to be aged before they are of the greatest value.

After the paper has been run through the presses of the Bureau of Engraving and Printing, and has been seasoned and dried and aged, it is then furnished to the Federal Reserve banks at cost. The Federal Reserve banks can buy a billion dollars of paper at what it costs to buy the paper and to print it, and that is all they pay for it. That is all the expense they are put to in acquiring all of the money they have—exactly what it costs. Of course this money is no good to the Federal Reserve System unless they can loan it, so it is their plan and their policy to loan the money. The moment they can loan the money it begins to draw interest, and that is how the Federal Reserve System makes its money.

This money, we might say, is not the property of the Federal Reserve System. Senators may construe that statement in any way they wish, but that is exactly how the matter is handled.

Mr. President, there are only a few Senators here, but I hope we shall get a clearer conception of this money bill. There is only one section of the House bill that is in dispute so far as I am concerned, and that is the section which has to do with the stabilization fund. I am in favor of continuing the stabilization fund, not in the sum of $2,000,000,000 but in the sum of $500,000,000. Then I am in favor of taking the excess of a billion and a half dollars and putting it in a special fund with $500,000,000 of free gold and issuing currency against it, and putting it in circulation, to do two things, as I have stated. One is to avoid the necessity of borrowing. The second is to reduce the value of the dollar.

This bill provides a mandate to the Board of Governors of the Federal Reserve System to reduce the value of the dollar to 100 cents and keep it there. It contains another provision. It provides that the silver certificates and the new gold certificates shall be kept in constant circulation.

During the War between the States the Treasury ran out of gold and ran out of silver. The Treasury had to have money to pay the Northern soldiers' salaries and to pay their expenses. They did not have gold and did not have silver; so the Government, as represented by the Northern States here in Washington, had to have money. They did not have any gold, and could not get it. They did not have any silver, and could not get that. They could have borrowed by paying about 100-percent interest, but President Lincoln did not think that would be good policy; so President Lincoln recommended to Congress that Congress give him authority to issue Treasury notes, Treasury promises to pay. Congress passed the bill, and the Lincoln administration printed these United States notes. They are still in circulation. If you have a number of bills in your pocket, you will probably find among them an old Lincoln greenback which was printed away back in the days of the War between the States. They have been kept up to date. As they have worn out they have been renewed. If you have in your pocket a United States note, it is a Treasury note, a Lincoln green-

back, or, rather, it is a descendant of the original Lincoln greenbacks. They have been carried down to date, kept up to date. They have been reduced in size, and you have one or more of them in your pocket if you have half a dozen bills or so.

After the war was over, and times began to improve, and the country got back on its feet again, and taxes began to be paid, the administration began to retire the Lincoln greenbacks, and as they paid off the greenbacks they were taken out of circulation and canceled. As they were canceled, money became scarcer, and as money became scarcer, money became dearer. As money became dearer, prices began to fall, and the Congress then was wise enough to know what to do. The Congress passed a law providing that no more of the greenbacks should be retired. The present Congress would not do that sort of thing, judging from its past activities, but the Congress back yonder, about 1878, passed a bill preventing the retirement of a single additional dollar of greenbacks issued to finance the War between the States. Not only did they pass a law to stop retiring the greenbacks, but they passed a law requiring the Treasury Department to keep the greenbacks in circulation. That law was approved on May 31, 1878. It is a very short, and I think I ought to read it.

This is found in United States Statutes at Large, volume 20, Forty-fifth Congress, page 87, chapter 146:

An act to forbid the further retirement of United States legal-tender notes

Be it enacted, etc., That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation: *Provided*, That nothing herein shall prohibit the cancelation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law.

There is another evidence of the correctness of my contention that prices are controlled by the quantity of money in circulation, and not by the quantity of credit money, deposit money. Years ago Congress had enough knowledge about money to know that when money was made scarce, money was made dear, and that when money was made dear, prices were lowered. So they stopped the cancelation of the greenbacks, and as a result of that law, which has never been repealed, we have these notes still in circulation. There are quite a number of these notes which should be in circulation, and I will place the statistics in the RECORD at this point.

When the Congress passed this law there were in circulation United States notes to the value of $346,068,016. The Federal Reserve System, which has control of the circulation of our money, has hoarded of these United States notes the sum of $89,575,009, and to the extent that they have a single one of those notes hoarded, the management of the Federal Reserve System is violating this law, because the law provides it shall not be legal to hoard the notes; that they shall be reissued and kept in circulation. They are not in circulation; they are in the vaults of the Federal Reserve banks somewhere in the United States.

Mr. President, this amendment, which will come up after the Adams amendment is voted on, provides for the following things. It gives an order by the Congress to the Federal Reserve Board and the Secretary of the Treasury to reduce the value of the dollar to 100 cents, and to keep its value at that figure. If the dollar should fall below the value of 100 cents, as measured in terms of property, they are commanded to take steps to bring the value of the dollar back to the 100 cents. If it goes above 100 cents, they are commanded to take the excess out of the dollar. They are commanded to do the same thing Governor Strong did for 8 years, from 1921 to 1929. They are commanded to do the same thing they are doing now, except on a different basis. They are now stabilizing the value of the dollar at $1.32. The amendment commands them to reduce its value to 100 cents and to stabilize it at that point.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. I was out of the Chamber, unfortunately, a great deal of the time while the Senator was speaking, so I should like to get his last statement clarified by asking a question. The Senator means that the amendment provides that the Federal Reserve banks should feed money into the current of our money in this country, or take out, as the situation demands. Is that correct?

Mr. THOMAS of Oklahoma. Actual money.

Mr. WILEY. Actual money, and by that the Senator means either silver certificates or gold certificates, or silver or gold coin?

Mr. THOMAS of Oklahoma. Exactly so.

Mr. WILEY. The Senator's theory is that by feeding in or taking out, the value of the dollar can be fixed around 100 cents?

Mr. THOMAS of Oklahoma. Exactly so. It has been done in the past, and it can be done again.

Mr. WILEY. I wonder whether the Senator's conclusion may not be only partially correct. In other words, for everything in life there may be a good many causes. The Senator's suggested cause may be one cause, but may there not be other causes for the fluctuations up or down?

Mr. THOMAS of Oklahoma. It is my view that the Senator is correct in his statement. There are many things which would react on the value of the dollar. There might be influences from abroad which would affect it. We might not control them, but we might be able to meet them. If something is being done to make the dollar cheaper, we could make it scarcer, and so raise the value. We have the power to checkmate anything that is done against our dollar.

The Federal Reserve law itself provides for open-market operations for a specific purpose. Open-market operations means that the Federal Reserve System can go into the open market and buy United States bonds and pay for those bonds with Federal Reserve notes. That is a means of placing money in circulation and making it more plentiful. If the dollar should start to go off, open-market operations would be available to the Federal Reserve System, under which they could put money into circulation. On the other hand, under the open-market operations they can sell bonds—and they have a whole list of bonds, billions of dollars' worth—and they can take money out of circulation. It is like a sponge; they can squeeze the sponge if it is full of water to start with—and they are full of money—and put the water in a bucket, or they can draw more water back into the sponge.

Mr. President, if I can, I want to make it perfectly clear to those present what the issue involved in the amendment is. If they do not read it, of course, they will never know, and if they do not hear it discussed, they will never know. Some of us can be advised.

The amendment we shall offer at the proper time is an amendment to section 2 of the bill as it passed the House. Section 2 of the bill is the provision which proposes to extend the power over the stabilization fund for 2 years. Our amendment has only a few provisions in it.

One provision is for a mandate to the managers of our money to fix the value of the dollar at 100 cents, and to keep it there.

Mandate No. 2 is an order to keep gold and silver certificates which may be issued in constant circulation. The law requires that greenbacks be kept in circulation. We merely apply to silver certificates and gold certificates which may be placed in circulation the same principle the law of 1878 applied to greenbacks. That is nothing new, and it should be done. That gives us a certain amount of permanent money.

When we look at the chart showing the kinds of money we have, we see only a very few kinds of permanent money shown. The standard silver dollars are permanent money; they cannot be retired or destroyed. Silver certificates are permanent money. Subsidiary money is permanent, minor coin is permanent, and the law has made United States notes permanent. But Federal Reserve notes are not permanent. As demand exists for loans, the Federal Reserve System expands the amount of its notes, and as the demand decreases, the notes are retired. So Federal Reserve notes are not a permanent form of money; they are a temporary form of money.

We might have five billion of those notes in circulation now, and in a month from now might have only three billion in circulation. They are put into circulation as the demand exists for loans; they are taken out of circulation as the loans are paid. So Federal Reserve notes are not permanent money.

The amendment, if enacted, will create $2,000,000,000 of new permanent money to go along with our silver certificates. They will go into circulation, and they are to be kept in circulation by a law which the amendment provides.

Mr. WILEY. Mr. President, I do not desire to interrupt the Senator too much——

Mr. THOMAS of Oklahoma. I am glad to have the Senator interrupt.

Mr. WILEY. I think the Senator has done a fine work in certain directions, but I notice in the amendment there is a proviso that we shall pay $1.04 an ounce for all silver newly mined in the United States. I do not wish to ask the Senator to go into that, but I am wondering whether that very provision may not weaken his position in the Senate.

Mr. THOMAS of Oklahoma. Let me say to the Senator from Wisconsin that under parliamentary law any Senator can have any proposal divided, can ask that any amendment which carries two proposals, two separate issues, be divided, and when the request is made, it has to be granted. The amendment to which I have referred does carry two or three different proposals, and if any Senator desires to have a vote on the mandate, we can have a vote on that, and if any Senator desires to have a vote on a proposal to take part of the stabilization fund and issue money against it, we can vote on that section by itself. The amendment carries a section or two relating to silver. That is sponsored by the Senators from the silver States, I admit, and while the bill recites that in the future the Government shall pay $1.04 for silver mined in this country, I am not complaining about that myself. It is a subsidy.

But the United States is now giving every bondholder a subsidy of 32 cents. Every bondholder, every holder of fixed investments, every man who collects a dollar gets a dollar with 32 cents of excess value in it. So, when the Congress insists upon paying the bondholding class a direct subsidy, a gratuity of 32 cents on each dollar, I cannot see how we can complain very much at paying a subsidy to the men who go down into the ground and dig out a little silver.

I am for the silver program. It is helping people in the silver States, I will admit; I admit it is giving them a subsidy. But the tariff is a subsidy. The United States is in favor of paying a subsidy in the form of tariff. The tariff gives the manufacturer a higher price for the things he produces, and that is nothing in the world but a subsidy.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. WILEY. What is the value of the silver mined in this country?

Mr. THOMAS of Oklahoma. I do not know.

Mr. WILEY. Can the Senator tell us approximately?

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

Mr. THOMAS of Oklahoma. I yield.

Mr. BARKLEY. During the first 5 months of the present year the Treasury, under the program which has been in force for some time, purchased approximately thirty-nine or forty million dollars' worth of silver.

Mr. WILEY. Domestic silver?

Mr. BARKLEY. Yes. It purchased about $60,000,000 worth of foreign silver. The total amount of silver purchased in this country is not as great as the quantity the Treasury has been buying from other countries.

Mr. WAGNER. I may add that last year, during the entire year, the Government spent $43,000,000 for the purchase of domestically mined silver.

Mr. THOMAS of Oklahoma. Answering the question of the distinguished Senator from Wisconsin, last year we printed paper to the value of $43,000,000 on its face, and traded that much printed paper for $43,000,000 of silver. We issued no bonds to buy this silver. We simply ran the paper through the printing press to the value of $43,000,000, and traded the printed paper for the silver, put the silver in our strongbox, and put the paper in circulation, because it went into circulation when it was put out for that silver. A part of that was a subsidy, a gratuity, but we had to pay 42 cents for it if we bought it in the world market. That part of the $43,000,000 that was paid as subsidy to the silver miners can be figured out. It is not nearly as much as we paid the manufacturing interests by way of the tariff. It does not compare to the subsidies Congress permitted to be paid to the holders of the bonds because of the excess value in the dollar. So if Senators would join me in reducing some of these tariff rates, which I think should be reduced, and in reducing the value of the dollar, as I think it should be reduced, we might be able to cut off the subsidy on silver. So long as we permit the tariff to stand and give a subsidy in the form of a high tariff to manufacturers, so long as we give a subsidy to the holders of bonds, then I cannot understand why anyone would complain very much at paying a small subsidy to those who produce silver, which supports a large part of the population of 11 States.

Mr. President, that is about all I wish to present this afternoon. The Senators from the silver States will justify, if it can be justified, the silver provision of this amendment.

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

Mr. THOMAS of Oklahoma. I yield.

Mr. TOBEY. With reference to the increase in price of silver, as I understand it—and I may be wrong, and if so, I shall be glad to have the Senator correct me—the price of silver in 1933 was about 26 cents.

Mr. THOMAS of Oklahoma. It was much lower than it is now.

Mr. TOBEY. I think that is correct.

Mr. THOMAS of Oklahoma. Yes; it was as low as 25 cents an ounce at one time.

Mr. TOBEY. And it is about 45 cents now.

Mr. THOMAS of Oklahoma. Between 42 and 43 cents now.

Mr. TOBEY. With that difference in the price of silver in mind, what is the difference in the price paid to the miners and laborers in the mines over what it was under the 26-cent basis, the basis being 45 cents now?

Mr. THOMAS of Oklahoma. I will have to defer to the silver Senators, so-called, to answer that inquiry. I shall have to ask the Senator to wait until they begin to justify the silver section of this amendment. I do not live in a silver-producing State. I never saw a silver mine, and I do not know and cannot answer what the Senator has asked. I am sorry I cannot answer the question, but I simply do not know.

Mr. PITTMAN. Mr. President, I do not wish to interrupt the speech of the Senator from Oklahoma, because I intend to discuss the domestic-silver question myself; but if the Senator desires to have one of these questions answered, I shall be glad to do so.

Mr. TOBEY. I shall ask the Senator the question when he takes the floor in regard to that matter.

Mr. PITTMAN. Very well.

Mr. THOMAS of Oklahoma. I wish to make very clear to those present that the amendment which the junior Senator from Nevada [Mr. McCARRAN] and I will introduce at the proper time makes no change in section 1 of the House bill. It makes no change in section 3 of the House bill. So far as we are concerned those issues are settled. It does modify

section 2 of the House bill, and I think that it is justified, and I think that the amendment, when it is offered and discussed, will justify itself.

I ask to have printed in the RECORD at this point an article written by Mr. Frank Gannett very recently and published in the American Agriculturist.

The PRESIDING OFFICER (Mr. NEELY in the chair). Without objection, it is so ordered.

The article referred to is as follows:

[From the American Agriculturist of June 10, 1939]

HOW BIG IS A DOLLAR?—WHAT IT WILL BUY IS THE BEST MEASURE—A DEFINITE AMOUNT OF GOLD IS THE POOREST

(By Frank E. Gannett)

A few generations ago three-fourths of our population were farmers. Even today almost one-half of our people live on farms or in small communities. Their income depends upon prices received for farm produce.

When the farmer, the miner, and the lumberman receive good prices they are able to buy. Industry then booms, workers get wages. As farm prices fall, industry lags.

Since 1929 farmers have been in the worst depression in history. More than one and one-half million farmers have lost their homes, their life savings. Prices were so low they could not buy what they needed for home and farm.

To prevent such a drop in prices we need more stable prices for raw materials, a dollar that will buy the same average quantity of wheat, wool, cotton, meat—today, tomorrow, next year, 100 years hence. Though no gold dollars are now coined, our dollar is tied to gold, Congress and the President declaring it to contain or be equivalent to a certain number of grains of gold. But gold, like any other single commodity, fluctuates in value according to the law of supply and demand. Hence our dollar is unstable, and prices go up and down as the value of gold rises or falls.

Why did the discovery of gold in California cause a great rise in prices? A bushel of wheat brought more gold. The wheat wasn't worth any more. It didn't feed any more people, but the gold which measured its value was increased in volume and so cheapened that the wheat brought in exchange its proportionate share of more gold.

Why did the panicky hoarding of gold following 1929 cause a fall in prices? A bushel of wheat had really the same value. It would feed just as many people, but the available gold by which its market value, its price, was measured, was less in volume and the bushel of wheat brought in exchange its proportionate share of that smaller volume—hence a lower price. Yet through all these changes, a bushel of wheat brought in exchange about the same quantity of wool, cotton, corn, meat.

I spent my early years on a farm and so know what has happened to the farmer. As I drive through the country I am appalled by the change.

Last year I wrote 59,000 leaders of cooperatives, farm bureaus, and officers of granges. The replies tell the story.

Mr. Simon, secretary of a Western farm bureau, says: "In my township, 8 out of 46 farm homes have been abandoned since 1929, and more will be abandoned within the next 3 or 4 years."

The secretary of a grange in North Carolina writes: "A fair chance for everybody is all farmers ask. If we could have living conditions even of the poorest town people our boys would stay here, even if hours are long and work hard. We carry water 200 yards because we have no money to drill a well through rock. Yet we love farm life. It gives us freedom, peace, contentment found nowhere else."

The wife of a farmer near Gainesville, N. Y., writes: "I pray America will awaken to the farmers' plight soon enough to save our homes, our farms, and our families."

General Wood, president of Sears, Roebuck, speaking to the American Farm Bureau Federation, showed that while farmers' gross income fell from twelve billions to five billions, his company's sales to farmers dropped from two hundred and forty millions to one hundred millions. This meant loss of profits, shorter hours, reduced wages, lay-offs, and, finally, unemployment for tens of thousands.

Because of my interest in the studies of this price problem started by Dr. George F. Warren at Cornell University, I had a chart prepared which I shall be glad to send to anyone. It is based on the figures of the Department of Agriculture and the National Industrial Conference Board. It shows that, step by step, as gold demand rises and the buying power of the dollar goes up, farmers' prices and income go down. It shows that farmers and basic producers during the 10 depression years since 1929 have lost $50,000,000,000 of normal income. This loss of purchasing power to one class in 10 years exceeded our gigantic national debt by $10,000,000,000.

This purchasing power destroyed by a derangement in our money is holding this Nation down. Before city business can give full employment, with jobs for all and opportunity for youth, farmers' buying power must be restored. Without this, free enterprise will cease.

Farmers know the facts. But city people also should heed. Ten million men, more than 26 percent of all gainfully employed, work on farms. Yet, after deducting cost of fertilizer, implements, taxes, these owners and hired workers have remaining an average of only $500 a year. Deducting the food consumed on the farm, counted as money, only $1.30 a day in cash wages remains for the average farm owner and his hired man, and nothing for interest on $50,000,000,000 invested in farms. Nothing for the unpaid labor of 22,000,000 farm women and children.

No subsidies from the Treasury can make good a yearly shortage of $5,000,000,000 resulting from low farm prices. Restore prices to a fair level and farmers will get four to six times more than the total benefit payments of the New Deal.

Britain, wisest in the world in money matters, and the 20 other nations which base their money on the British pound, recognize the importance of maintaining commodity prices. Instead of restricting production, they help their farmers by controlling the amount of gold the pound sterling represents. The price of gold in London changes almost daily. Australia, New Zealand, Denmark, Finland, and 15 other nations basing their money on the pound sterling, have lessened the amount of gold in their currencies. So it is that they get no more gold, but in their money they get 30 percent higher prices for their products than the American farmers do. As a result, while we plowed under cotton, losing world markets, Brazil increased cotton production fourfold. Argentina posted signs, "Farmers, your day of opportunity is here. Grow more wheat, grow more cotton."

The governments of these nations, working with Britain, prevent wide fluctuation in their measure of value caused by changes in the value of gold. These nations having a stabilized currency, enjoy high employment, high building activity, generally balanced budgets, with no such mounting debt as threatens us with bankruptcy.

There is nothing new or untried in this monetary system. Twenty-one nations with a population of 600,000,000, some with 10 years' experience, have shown the way. We need only to place the right men in charge to put it in effect here.

Of all groups in the United States, the farm organizations began in 1926 to demand the managed-currency policy which Britain, wisest banking nation, has used as the foundation stone of recovery for herself and 20 other nations.

The renewed demand for an equally safe and honest dollar is spreading here. Recently Vermont's Legislature, supported by Governor Aiken and Arthur Packard, State Farm Bureau Federation leader, asked Congress to study managed currency as a means of restoring farm prices. Should not we in New York State do the same?

Raising farm prices 67 percent by money management in 1933 increased the cost of living only 3 percent, but brought greatest increase in employment and pay rolls this country had ever experienced.

Mr. THOMAS of Oklahoma. Mr. President, I ask to have printed in the RECORD at this point a resolution adopted by all the major farm organizations in the United States. In justification thereof I wish to say that every farm organization in the United States, every organization which even purports to represent the farmers, is in favor of the program as I have been trying to explain it this afternoon. These farm organizations—the National Grange, the American Farm Bureau Federation, the Farmers' Union, and the cooperatives North, East, South, and West—are all in favor of a cheapened dollar. They are in favor of reducing the value of that dollar to the 1926 level, and they are in favor of stabilizing the value of the dollar at the 1926 level.

I desire to have placed in the RECORD at this point the resolutions adopted by this conference of representatives of these farm groups.

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

RESOLUTIONS ON MONETARY POLICY ADOPTED BY THE NATIONAL AGRICULTURAL CONFERENCE IN WASHINGTON, JANUARY 17, 1936

The following organizations comprise the National Agricultural Conference:

The National Grange, representing 35 State, 1,000 county, and 8,000 community granges, with 800,000 members.

American Farm Bureau Federation, representing 37 State and 1,800 county farm bureaus and 300,000 farm families.

National Cooperative Council, representing 3,500 farmers' cooperatives, with more than 1,000,000 members, cooperatively marketing grain, cotton, wool, dairy products, livestock, poultry, citrus and deciduous fruits, vegetables, nuts, etc., and including farmers' cooperative purchasing organizations.

Farmers' National Grain Corporation, largest cooperative grain-marketing organization, having 250,000 affiliated stockholders and 250,000 additional patrons, supplying grain to 2,000 elevators in all important grain-raising States.

National Farmers' Union, representing local and county units, with 300,000 members in 26 States. (The Farmers' Union joined the National Agricultural Conference after action had been taken on this resolution.)

PREAMBLE

American agriculture, while demanding a monetary policy fair to debtors, has at no time favored a policy unfair to creditors. We have denounced unfair inflation as well as unjust deflation. We have repeatedly insisted upon monetary policies looking only to restoring price levels so that debtors will pay and creditors will receive the same real values, the same purchasing power, that

creditors lent and debtors borrowed. And to promote justice and honesty between debtor and creditor, we further insist upon a permanent monetary policy which will stabilize price levels and thereby prevent farmers from having to pay with 30-cent wheat and 5-cent cotton debts incurred on a basis of $2 wheat and 25-cent cotton, or vice versa.

To this end the conference unanimously adopts the following resolution:

"That the desire and objective of the National Agricultural Conference is that our monetary system be so revised and currency and credit so managed as to establish and maintain the dollar with a constant purchasing power, preserving the equity of contracts between debtor and creditor, and avoiding the dangers and losses that are inevitably involved in excessive and uncontrolled inflation or deflation. To accomplish this, be it further

"*Resolved*, That there be established a 'monetary authority' (by whatever name called);

"That this monetary authority be, as largely as possible, nonpartisan and nonpolitical;

"That their tenure of office be of such length as to protect this body from sudden change;

"That the members, through pensions or otherwise, be adequately provided for throughout life; and

"That this 'authority' be directed by definite mandate from Congress, under that section of the Constitution which directs Congress to 'coin money and regulate the value thereof,' to establish and maintain a unit of value (the dollar) with a constant purchasing power; a monetary currency regulated on an index of basic commodities on their world price, considering gold and silver as commodities, and dealing with them in terms of their market value.

"That Congress vest in this 'authority' the power to control price adjustments through monetary action by means of (a) repricing of gold; (b) regulating the value of the dollar; (c) declaring the gold content of the dollar; (d) regulating the issuance and volume of currency; (e) and such other powers over money and credit as Congress may see fit to give to it for the accomplishment of the congressional mandate, always reserving, however, to Congress at designated periods the right of review and direction of the operation under this mandate.

"We recommend that Congress consider placing in their mandate to such 'authority' the requirement that they bring about basic commodity price adjustment to the 1926 level or to the level of the average of that period from 1922 to 1929, whichever in the judgment of Congress is more fair.

"We recommend that this 'authority' be given a reasonable length of time to attain this result, and that when such price level is attained that the powers vested in this authority be used in such a manner as to maintain such price level within a reasonable range—for example, 5 percent—to the end that the purchasing power of the dollar may remain constant."

Mr. THOMAS of Oklahoma. Mr. President, I also ask to have printed in the RECORD a statement by Sir Charles Morgan Webb on the subject England's Currency Road to Prosperity.

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

ENGLAND'S CURRENCY ROAD TO PROSPERITY

(By Sir Charles Morgan Webb)

I should like to talk to you for a few moments about the English pound, or, as it is sometimes called, the pound sterling. The dollar has had an exciting career for the past 7 years. But for sheer thrills and excitement, the story of the pound sterling since 1914, is quite worth the telling.

Driven off the gold standard by the outbreak of the World War, the English pound saved itself during the War by anchoring to the dollar. The connection was broken when peace was declared, and the pound became a paper money, not held at a fixed ratio to gold.

Strangely enough, this paper pound suited British industry. Recovery from the devastation of war proceeded rapidly, and unemployment declined in 1924 to an extremely low level. Never were the prospects of permanent prosperity for Britain greater than in 1924.

But this did not suit the leaders of international finance. They worked through Mr. Montagu Norman, governor of the Bank of England, to force Britain back on to a gold standard. Mr. Winston Churchill, then Chancellor of the Exchequer, in a speech delivered in Parliament in April 1932, exposed, in language of extreme bitterness, the forces to which he was subjected in order to obtain his consent to the return of Britain to a gold standard.

British industry protested strongly when it was realized that a return to a gold standard was contemplated. The Federation of British Industries told a government committee that a return to gold would mean:

A serious dislocation of trade, an increase in unemployment, a severe fall in prices, a disastrous check to British export trade, an increase in the burden of indebtedness.

But the committee was a committee of bankers and would not listen. The pound was put on a fixed price of gold in April 1925.

Immediately on the return to a gold standard, the prophecies of the Federation of British Industries were fulfilled. Trade was dislocated. Unemployment increased. The prices of raw materials fell to unremunerative levels. British exports fell. An epidemic of strikes and labor troubles arose, culminating in the general national strike of 1926, the most serious labor upheaval in British history.

But the Bank of England was inexorable. Britain was on gold, and would stay on gold, despite all that was happening to industry. I will tell you in Mr. Montagu Norman's own words what happened to Britain while she was under the domination of international finance. He testified to the Macmillan commission, another Government committee, in 1930, as follows:

"We are subject to whatever conditions may dominate the international condition.

"Over the last period of years the international system has undoubtedly been the predominant consideration.

"During the last 5 years there has been no period when we have not had to face difficulties due to the international position.

"Especially over the last 5 years so far as the international position is concerned, we have been continuously under the harrow."

That is the effect of the dominance of international finance upon industry, explained in plain, clear language by the chief high priest of international finance, Mr. Montagu Norman. That is how it acted in Britain from 1925 to 1931. That is how it acts in every country whose money is based on a fixed price of gold.

I am speaking to you as a citizen of a country that descended deeply into the valley of humiliation. The citizens of the United States have never known that deadly, sinking feeling, that sensation of utter collapse, which attacked every Englishman when it was known that the Bank of England was reduced to its last gold sovereign. Even in the spring of 1933 when banks were crashing right and left, you had the knowledge that there was about $4,000,000,000 worth of gold behind your dollar. In September 1931, there was not a single ounce of gold behind the pound.

Britain did not go off gold. Gold ran away from Britain. With hundreds of millions of sterling bills of exchange payable in gold, held by the merchants of every country in the world, the Bank of England found herself with coffers emptied of gold. British export trade fell to less than half its former value. The pound dropped in gold value like a lump of lead as from 20 to 12.

What was Britain to do? The gold backing of the pound had vanished. After licking her wounds for a few months, and convincing herself, against the weight of evidence, that she was not really dead, Britain decided to set up business again on a reconstituted paper pound. It had to be reconstituted because there was no gold backing to set it upon its old gold basis.

With true British instinct, the reconstitution of the pound was effected, not in London, not by a committee of bankers, but in Ottawa by a committee of businessmen. The new pound first saw the light in 1932 in an atmosphere where the pound was practically unknown, and where the dollar was supreme.

With sublime assurance, considering that the amount of gold at Britain's disposal was negligible, this committee of businessmen at Ottawa boldly proclaimed that what the world wanted to restore international trade, was an abundance of international money at the lowest possible rates of interest. They invited the nations of the world to cooperate; and Britain immediately lowered her bank rate of 2 percent, and placed at the disposal of international trade a superabundance of money at the lowest rate of discount that had ever been known.

This money placed at the world's disposal was paper money—sterling bills of exchange. But international money, unbacked by gold was unthinkable. "Were these sterling bills convertible into gold?" eagerly inquired the merchants of every nation.

"Oh, yes," replied Britain, "they are freely convertible into gold, but as we had a rather unfortunate experience last year, and are compelled to reopen business with a very small stock of gold, we are going to make a trifling change in our business methods. Sterling bills will be freely convertible into gold, but at the world market price of gold, not at a fixed price. For that matter, bills in any other currencies—dollars, francs, marks, lire, krona, yen—will all be convertible into gold in London, each at their appropriate market price. The Bank of England's gold reserve, small as it is, will be freely available to all comers from all nations."

The bankers of the world gravely shook their heads. International finance raised an indignant protest. "Why, that's degrading gold into a commodity; you're going to sell gold over the counter like a pair of shoes or a pound of butter. You will destroy the prestige of gold and make it absolutely unsuitable to be the basis of sound money."

But the merchants of 21 nations responded to the Ottawa invitation and said, "We're on! We've tried gold as a fetish, and it has let us down. Let's give it a trial as a commodity."

Nobody was more astonished at the rapid and widespread response to the invitation issued from Ottawa than the members of the Ottawa Conference themselves. All that they had intended to do was to provide a stop-gap monetary system to carry on till the World Economic Conference, due to be held in London the following year. But 21 nations said that they did not want to wait till next year. For 7 years the international currency had been disappearing year by year. Here was a promise that it should be provided in abundance.

They snapped at the opportunity. They voluntarily formed themselves into a sterling group. They conducted their international trade with sterling and not with gold. The fixed price of gold was abandoned and gold was allowed to rise to its natural value. Immediately, as if by magic, the trade and industry of those 21 nations began to recover. From a steady descent into trade

depression they proceeded with one accord with the managed currency along the road to prosperity.

The objectives of the monetary policy of the sterling group have been proclaimed in the British Empire currency declaration as being—

1. The restoration of the normal activity of industry and employment.

2. Remunerative prices for farmers and for the producers of basic commodities.

3. Equity between debtor and creditor.

When, on my first day in New York, I explained these objectives to a few leading businessmen who had given me a hearty welcome, one of them replied:

"But that is sheer utopianism. That is crying for the moon. That is attempting a short cut to the millennium."

Exactly. Utopia! Why not? In the world of production mankind has arrived at the gates of Utopia. Wealth for all is available as soon as it can be efficiently distributed. What is preventing the peoples of the world from entering into their heritage?

An obsolete and inefficient system of money has kept and is keeping the gates closed. Britain has glimpsed a monetary system which will enable the gates to be opened and the superabundance of wealth we are now able to produce to be distributed to the welfare of mankind.

The millennium! Why not? The short cut to the millennium for the farmer, in the shape of profitable prices for his produce, is long, long overdue. Britain has opened up that short cut for the farmers of all the nations in the sterling group.

"Crying for the moon." Yes; it is undoubtedly crying for the moon to attempt to achieve equity between debtor and creditor as long as the value of the money on which debts are recorded is continually being distorted by the fluctuating value of gold. Equity between debtor and creditor can only be achieved by a currency managed with the objective of keeping a stable price level.

What is this new monetary standard inspired by the vision of securing the welfare of mankind? Does its name matter? What's in a name? Is it a gold standard, a commodity standard, a price-index standard, a rubber standard? In one respect it is a more golden standard than that of the United States. In Britain gold is free. Britain has only $1,000,000,000 worth of gold, as compared with $10,000,000,000 in the United States. Yet nobody can buy gold for free use in the United States at the fixed price of $35 to the ounce and anybody can buy gold in Britain's free gold market at the market price.

Which is the best dollar? The dollar at a fixed gold price, which mocks you by refusing to let you have gold at any price? Or the dollar at the market price of gold, which gives commerce and industry free access to unlimited stores of gold?

Which dollar brings gold into the closest contact with industry, commerce, and agriculture? The dollar at a fixed gold price, which buries gold deeply in the vaults of the Treasury and segregates it from any living contact with national life? Or the dollar at the market price of gold, which brings it out of those vaults into the light of day and permits it to measure its value against the value of every other commodity?

Which dollar is the most stable? The dollar at a fixed gold price, whose buying power ranges from A to Z in accordance with the capricious whims of international finance? Or the dollar at the market price of gold, whose buying power will remain constant day in, day out; year in, year out; century in, century out?

England has answered these questions for the pound sterling. It is for you to answer them for the dollar.

Mr. THOMAS of Oklahoma. Mr. President, I wish to thank Senators for their presence and attention to what I have been saying during the several hours I have taken in discussing what I conceive to be one of the most important subjects which can come before the Congress.

THE REVENUE—REPORT OF THE COMMITTEE ON FINANCE

During the delivery of the speech of Mr. THOMAS of Oklahoma,

Mr. HARRISON. Mr. President, if the Senator will permit an interruption at this point, from the Committee on Finance I report back, with amendments, the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, and I submit a report (No. 648) thereon.

If the Senator will permit me, I ask unanimous consent that tomorrow, after the convening of the Senate, if the consideration of the bill now before the Senate is not finished, it be temporarily laid aside, and that the revenue bill be taken up for consideration.

The PRESIDING OFFICER (Mr. HOLMAN in the chair). Is there objection?

Mr. THOMAS of Oklahoma. Mr. President, may the inquiry be repeated, please? My attention was diverted. What is the request?

Mr. HARRISON. The Senator is familiar with the fact that we have to pass the revenue bill by a certain time in order that it may go to conference, and it must be signed by the 30th of June; so I have submitted a unanimous-consent request that if the pending bill is not out of the way by noon tomorrow, it be temporarily laid aside, and that the revenue bill be taken up for consideration.

The PRESIDING OFFICER. Is there objection?

Mr. NEELY. Mr. President, reserving the right to object, I improve this opportunity to make a brief statement concerning S. 280, a bill to prohibit and to prevent the trade practices known as compulsory block booking and blind selling in the leasing of motion-picture films in interstate and foreign commerce.

Last week I gave notice that at the earliest appropriate hour after the convening of the Senate today I should move to proceed to the consideration of this measure. In the present parliamentary situation it would obviously be futile to urge the substitution of a new order of business. The importance of the matter to which the distinguished Senator from Mississippi [Mr. HARRISON] has referred is manifest. Although I am eager for the passage of Senate bill 280 at the earliest possible moment, I shall nevertheless refrain from attempting to interfere with emergency legislation.

Therefore, I do not object to the unanimous-consent request of the Senator from Mississippi, but I again give notice that at the earliest favorable moment I shall move the Senate to proceed to the consideration of the so-called moving-picture bill.

The PRESIDING OFFICER. Without objection——

Mr. AUSTIN. Mr. President, I inquire what the request is.

The PRESIDING OFFICER. The request is that at the convening of the Senate tomorrow, if the present debate shall not have been concluded, the Senate take up for consideration the revenue bill reported by the Senator from Mississippi [Mr. HARRISON].

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

Mr. HARRISON. Mr. President, I am acting through the patience of my good friend from Oklahoma. I merely wanted to secure unanimous consent that if the matter which is now being considered is not finished by tomorrow, I may be privileged to take up the revenue bill. The Senator from Vermont is familiar with the fact that the revenue bill has to be considered quickly and go to conference and be signed by the 30th of June. If it provokes any discussion, I prefer not to make the request at this time.

Mr. AUSTIN. So far as I am concerned, it will not provoke discussion; but I feel bound to call for a quorum.

Mr. HARRISON. I should prefer to withdraw the request, in view of the fact that I am acting in the time of the Senator from Oklahoma. So I withdraw the request for unanimous consent.

Mr. BARKLEY. Mr. President, will the Senator from Oklahoma yield to me at that point? May I have the attention of the Senator from Mississippi?

Mr. THOMAS of Oklahoma. I yield.

Mr. BARKLEY. In view of the fact that the Senator from Mississippi has withdrawn his unanimous-consent request, it probably would be wise to advise the Senate that under the same circumstances, if the consideration of this bill shall not have been concluded, the Senator will move tomorrow at the assembling of the Senate to proceed with the consideration of the revenue bill.

Mr. HARRISON. That was my intention; and after the conclusion of the address of the Senator from Oklahoma I expected to renew the request. I am sure the Senator from Vermont has no objection to the request.

Mr. AUSTIN. No, Mr. President.

Mr. HARRISON. But I do not desire to take the time of the Senator from Oklahoma, who is making this very illuminating speech.

Mr. McCARRAN. Mr. President, am I to understand that it is proposed to set aside the pending bill?

Mr. HARRISON. No; I was merely making a unanimous-consent request.

Mr. McCARRAN. If the Senator moves to set aside the pending bill, we may be able to assist him.

Mr. HARRISON. I do not desire to interfere with the program that has been mapped out. I feel that we shall be able to unravel this situation.

Mr. McCARRAN. We do not know any program that has been mapped out. Perhaps the Senator from Mississippi can assist us.

Mr. HARRISON. I only want to have the revenue bill taken up and gotten out of the way, so that we can send it to conference as soon as possible.

Mr. AUSTIN. Mr. President, I would not have my position interpreted as an objection to the request of the Senator from Mississippi.

Mr. HARRISON. I understand. I thank the Senator from Oklahoma.

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

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nevada for that purpose?

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

Mr. THOMAS of Oklahoma. Mr. President, I believe I have the floor.

The PRESIDING OFFICER. The Senator from Oklahoma has the floor.

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

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nevada for the purpose of suggesting the absence of a quorum?

Mr. THOMAS of Oklahoma. Mr. President, I am not trying to take up any time unnecessarily. I want to complete what I have to say. It will take some time for me to do it. I want to accommodate the Senate in the transaction of necessary business. I desire to yield at the proper times to any Senator who has necessary business to be transacted.

Mr. HARRISON subsequently said: Mr. President, it would be useless to make a request for unanimous consent that the Senate proceed to the consideration of the revenue bill tomorrow at noon, for the reason that a Senator who is not opposed to the revenue bill prefers that a motion be made. So tomorrow at noon, on the convening of the Senate, I shall make a motion that the Senate proceed to the consideration of the revenue bill.

AGRICULTURAL DEPARTMENT APPROPRIATIONS—CONFERENCE REPORT

Mr. RUSSELL. Mr. President——

Mr. THOMAS of Oklahoma. I yield to the Senator from Georgia.

Mr. RUSSELL submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5269) making appropriations for the Department of Agriculture and for the Farm Credit Administration for the fiscal year ending June 30, 1940, and for other purposes, 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 amendments numbered 1, 3, 5, 6, 7, 9, 14, 15, 28, 39, 41, 42, 54, 59, 63, 76, 81, 98, 104, 120, 129, 134, 139, 144, 150, 151, 152, and 154.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 4, 10, 11, 12, 13, 18, 35, 36, 37, 40, 43, 47, 48, 51, 53, 58, 60, 64, 66, 67, 70, 71, 74, 79, 80, 87, 93, 96, 102, 103, 109, 112, 113, 117, 126, 131, 140, 143, 145, 149, and 153; and agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment, as follows: In line 13 of the matter inserted by said amendment strike out the word "Appropriation" and insert in lieu thereof the word "Adjustment"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$6,848,750"; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$7,093,485"; and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$65,000"; and the Senate agree to the same.

Amendment numbered 22: That the House recede from its disagreement to the amendment of the Senate numbered 22, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$560,170"; and the Senate agree to the same.

Amendment numbered 23: That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$77,898"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$928,314"; and the Senate agree to the same.

Amendment numbered 25: That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$692,816"; and the Senate agree to the same.

Amendment numbered 29: That the House recede from its disagreement to the amendment of the Senate numbered 29, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$3,500,000"; and the Senate agree to the same.

Amendment numbered 30: That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$6,172,870"; and the Senate agree to the same.

Amendment numbered 31: That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$722,719"; and the Senate agree to the same.

Amendment numbered 34: That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$802,880"; and the Senate agree to the same.

Amendment numbered 38: That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$8,300,000"; and the Senate agree to the same.

Amendment numbered 44: That the House recede from its disagreement to the amendment of the Senate numbered 44, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$16,663,712"; and the Senate agree to the same.

Amendment numbered 45: That the House recede from its disagreement to the amendment of the Senate numbered 45, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$16,663,712"; and the Senate agree to the same.

Amendment numbered 46: That the House recede from its disagreement to the amendment of the Senate numbered 46, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$100,000"; and the Senate agree to the same.

Amendment numbered 49: That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$551,121"; and the Senate agree to the same.

Amendment numbered 50: That the House recede from its disagreement to the amendment of the Senate numbered 50, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$313,450"; and the Senate agree to the same.

Amendment numbered 52: That the House recede from its disagreement to the amendment of the Senate numbered 52, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$1,348,982"; and the Senate agree to the same.

Amendment numbered 55: That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$330,000"; and the Senate agree to the same.

Amendment numbered 56: That the House recede from its disagreement to the amendment of the Senate numbered 56, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$5,183,009"; and the Senate agree to the same.

Amendment numbered 57: That the House recede from its disagreement to the amendment of the Senate numbered 57, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$1,761,950"; and the Senate agree to the same.

Amendment numbered 62: That the House recede from its disagreement to the amendment of the Senate numbered 62, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$613,403"; and the Senate agree to the same.

Amendment numbered 65: That the House recede from its disagreement to the amendment of the Senate numbered 65, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$664,181"; and the Senate agree to the same.

Amendment numbered 68: That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$14,923,466"; and the Senate agree to the same.

Amendment numbered 69: That the House recede from its disagreement to the amendment of the Senate numbered 69, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$859,659"; and the Senate agree to the same.

Amendment numbered 72: That the House recede from its disagreement to the amendment of the Senate numbered 72, and

agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$2,200,000"; and the Senate agree to the same.

Amendment numbered 73: That the House recede from its disagreement to the amendment of the Senate numbered 73, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$54,800"; and the Senate agree to the same.

Amendment numbered 75: That the House recede from its disagreement to the amendment of the Senate numbered 75, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$3,000,000"; and the Senate agree to the same.

Amendment numbered 77: That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$20,294,466"; and the Senate agree to the same.

Amendment numbered 78: That the House recede from its disagreement to the amendment of the Senate numbered 78, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$61,628"; and the Senate agree to the same.

Amendment numbered 82: That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$349,469"; and the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$89,400"; and the Senate agree to the same.

Amendment numbered 84: That the House recede from its disagreement to the amendment of the Senate numbered 84, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$225,000"; and the Senate agree to the same.

Amendment numbered 85: That the House recede from its disagreement to the amendment of the Senate numbered 85, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$1,379,369"; and the Senate agree to the same.

Amendment numbered 86: That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$895,500"; and the Senate agree to the same.

Amendment numbered 94: That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$175,000"; and the Senate agree to the same.

Amendment numbered 99: That the House recede from its disagreement to the amendment of the Senate numbered 99, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$154,790"; and the Senate agree to the same.

Amendment numbered 100: That the House recede from its disagreement to the amendment of the Senate numbered 100, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$67,518"; and the Senate agree to the same.

Amendment numbered 101: That the House recede from its disagreement to the amendment of the Senate numbered 101, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$134,984"; and the Senate agree to the same.

Amendment numbered 106: That the House recede from its disagreement to the amendment of the Senate numbered 106, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$879,986"; and the Senate agree to the same.

Amendment numbered 107: That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$40,900"; and the Senate agree to the same.

Amendment numbered 108: That the House recede from its disagreement to the amendment of the Senate numbered 108, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$700,000"; and the Senate agree to the same.

Amendment numbered 110: That the House recede from its disagreement to the amendment of the Senate numbered 110, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$630,000"; and the Senate agree to the same.

Amendment numbered 111: That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$2,368,691"; and the Senate agree to the same.

Amendment numbered 118: That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$431,470"; and the Senate agree to the same.

Amendment numbered 119: That the House recede from its disagreement to the amendment of the Senate numbered 119, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$747,510"; and the Senate agree to the same.

Amendment numbered 121: That the House recede from its disagreement to the amendment of the Senate numbered 121, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$459,000"; and the Senate agree to the same.

Amendment numbered 122: That the House recede from its disagreement to the amendment of the Senate numbered 122, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$425,000"; and the Senate agree to the same.

Amendment numbered 123: That the House recede from its disagreement to the amendment of the Senate numbered 123, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$1,138,302"; and the Senate agree to the same.

Amendment numbered 124: That the House recede from its disagreement to the amendment of the Senate numbered 124, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$155,000"; and the Senate agree to the same.

Amendment numbered 125: That the House recede from its disagreement to the amendment of the Senate numbered 125, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$20,000"; and the Senate agree to the same.

Amendment numbered 127: That the House recede from its disagreement to the amendment of the Senate numbered 127, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$475,000"; and the Senate agree to the same.

Amendment numbered 128: That the House recede from its disagreement to the amendment of the Senate numbered 128, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$495,000"; and the Senate agree to the same.

Amendment numbered 130: That the House recede from its disagreement to the amendment of the Senate numbered 130, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$400,000"; and the Senate agree to the same.

Amendment numbered 132: That the House recede from its disagreement to the amendment of the Senate numbered 132, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$6,078,888"; and the Senate agree to the same.

Amendment numbered 133: That the House recede from its disagreement to the amendment of the Senate numbered 133, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$1,564,733"; and the Senate agree to the same.

Amendment numbered 135: That the House recede from its disagreement to the amendment of the Senate numbered 135, and agree to the same with an amendment, as follows: In lieu of the sum named in said amendment insert "$30,094"; and the Senate agree to the same.

Amendment numbered 136: That the House recede from its disagreement to the amendment of the Senate numbered 136, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$193,180"; and the Senate agree to the same.

Amendment numbered 137: That the House recede from its disagreement to the amendment of the Senate numbered 137, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$2,741,138"; and the Senate agree to the same.

Amendment numbered 138: That the House recede from its disagreement to the amendment of the Senate numbered 138, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$826,158"; and the Senate agree to the same.

Amendment numbered 157: That the House recede from its disagreement to the amendment of the Senate numbered 157, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "$3,650,000"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 19, 21, 26, 27, 32, 33, 61, 88, 89, 90, 91, 92, 95, 97, 105, 114, 115, 116, 141, 142, 146, 147, 148, 155, 156, and 158.

RICHARD B. RUSSELL,
CARL HAYDEN,
M. E. TYDINGS,
J. H. BANKHEAD,
GERALD P. NYE,
Managers on the part of the Senate.

CLARENCE CANNON,
M. C. TARVER,
Managers on the part of the House.

Mr. RUSSELL. Mr. President, I desire to have the conference report acted upon at this time. I regard it as being very important that the report, which does not dispose of all the Senate amendments, be acted on this afternoon, inasmuch as time has been allotted by the House tomorrow for the consideration of the conference report. Under the rules of the Congress, the House having requested a conference, it is necessary for the Senate to act first upon the report; and any delay on the part of the Senate in acting on the report will delay a vote by the House on the Senate amendments, which were carried back for that purpose by the conferees.

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

Mr. WAGNER. Mr. President——

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

The PRESIDING OFFICER. Does the Senator from Nevada object to the presentation of a privileged matter?

Mr. McCARRAN. I am not objecting to anything. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

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

Adams	Davis	La Follette	Reynolds
Andrews	Donahey	Lee	Russell
Ashurst	Ellender	Logan	Schwartz
Austin	Frazier	Lucas	Schwellenbach
Bailey	George	Lundeen	Shipstead
Bankhead	Gerry	McCarran	Slattery
Barbour	Gillette	McKellar	Smathers
Barkley	Green	Maloney	Taft
Bilbo	Guffey	Mead	Thomas, Okla.
Bone	Gurney	Miller	Tobey
Borah	Harrison	Minton	Townsend
Bridges	Hatch	Murray	Truman
Brown	Hayden	Neely	Tydings
Bulow	Herring	Norris	Vandenberg
Burke	Hill	Nye	Van Nuys
Byrd	Holman	O'Mahoney	Wagner
Capper	Holt	Overton	Walsh
Chavez	Hughes	Pepper	Wheeler
Clark, Idaho	Johnson, Calif.	Pittman	White
Clark, Mo.	Johnson, Colo.	Radcliffe	Wiley
Danaher	King	Reed	

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

Mr. RUSSELL. I move that the Senate agree to the report.

Mr. LA FOLLETTE. Mr. President, I should like to ask the Senator from Georgia whether this partial report contains any action by the conference on parity payments and section 32.

Mr. RUSSELL. The Senate amendment of $225,000,000 for parity payments is embraced in the conference report. The Senate amendment was accepted by the House conferees after long negotiation.

The House conferees stated that under the rules of the House they could not accept the amendment relating to section 32, the amendment appropriating $113,000,000. The conferees on the part of the House have taken that amendment back to the House, and will urge its adoption in the House.

Mr. TAFT. What was done about the appropriation for the purchase of forest land?

Mr. RUSSELL. The Senate conferees were compelled to relinquish some of the Senate amendment increasing the funds available for the purchase of forest land. The Senate voted for an appropriation of $5,000,000, the House had voted $2,000,000, the conference report fixes $3,000,000 as the sum to be available for the next fiscal year for the purchase of forest land.

Mr. BARKLEY. Mr. President, one of the questions I had intended to ask the Senator related to that item. I would like to ask the Senator also the result of the conference on the amendment increasing by $75,000 the appropriation for the rating of tobacco.

Mr. RUSSELL. The House figure in the tobacco-inspection item was $375,000, which was the amount of the Budget estimate. The Senate figure, the amount carried in the amendment offered by the Senator from Kentucky, which the Senate adopted, was $525,000. The conference report presents a compromise in the sum of $425,000, which is $50,000 above the current appropriation, and $50,000 above the Budget estimate. I might state to the Senator from Kentucky that the Senate conferees found it exceedingly difficult to bring back any increase whatever in the item, in spite of long discussion in the conference.

Mr. BARKLEY. I realize the task which confronted the conferees and I appreciate the increase in the appropriation. I cannot help expressing my regret, however, and I am sure the Senator from Georgia shares the regret, that we could not get the entire amount.

Mr. RUSSELL. I share the Senator's regret, and did all I could to get the Senate amendment concurred in, but I really believe that in view of all the difficulties with which we were confronted, we have done very well on that item.

Mr. GEORGE. Mr. President, I should like to ask my colleague as to the item of $113,000,000 to supplement the funds provided by section 32. That is to go back to the House for a vote?

Mr. RUSSELL. It is to be voted on separately in the House.

Mr. GEORGE. As a separate vote?

Mr. RUSSELL. As a separate vote. I might say for the information of my colleague and other Senators interested, that the House conferees suggested an amendment pertaining to cotton, which the Senate conferees finally agreed to recommend favorably to the Senate when and if the House adopts the Senate amendment. This amendment provides that at least 50 percent of any funds which might be allocated to cotton by the Secretary of Agriculture shall be used under the provisions of subdivisions 2 and 5 of section 32, which means that the appropriations should only be expended for the purpose of dealing with cotton for domestic consumption.

Mr. GEORGE. Will the vote in the House come upon that amendment as modified by the conference agreement?

Mr. RUSSELL. The chairman of the House conferees has agreed, as I understand it, to make a motion in the House, when the section 32 appropriation is presented, that the House recede with an amendment, being the amendment I have just outlined, but containing the full amount of the appropriation as adopted by the Senate of $113,000,000.

Mr. GEORGE. Mr. President, I have no objection to the conference report, but I ask unanimous consent to have inserted in the RECORD a very illuminating statement by Mr. W. T. Winn, of Greenville, Miss., entitled "After the Export Subsidy, the Deluge." I should like to have this go in the RECORD as a part of my remarks.

The PRESIDING OFFICER. Is there objection?

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

"THE VOICE OF COTTON IS AS SOFT AS ITS LINT AND AS LOW AS ITS PRICE"—A COTTON FARMER—AFTER THE EXPORT SUBSIDY, THE DELUGE!

What is an export subsidy?

It is a gift, grant, gratuity, known as subsidy, given some one person, firm, or corporation outside of the continental United States. Such gift is in the form of lowered prices on cotton. The recipients of an export subsidy would be the nations of the world which purchase American cotton.

Who pays it?

The American taxpayer. It is proposed to be paid from the funds of the United States Treasury and funds received from custom receipts.

Can the loan cotton be used for an export subsidy?

Under the present law none of the loan cotton can be sold for less than the amount of the loan, carrying charges including adjustment payments. Even if the Government forecloses and takes title to all of the loan cotton it must sell it for such a high price that an export subsidy on it would be prohibitive. An export subsidy on cotton must then be placed on the 1939 crop.

How will a subsidy on the 1939 crop operate?

Cotton exports for the 1938–39 season will amount to about three and one-half million bales, or two million bales less than 1937–38 season, and over three million bales less than 1936–37 season; the mills of the world have been drawing on American stocks of cotton. Being unable to buy any of the loan cotton it is evident that the mills outside of the United States need our cotton and will import at least four million bales from the 1939 crop without any consideration or without an export subsidy. If the 1939 crop is permitted to move in the free channels of trade, there is a possibility of America exporting five million bales. The Department of Agriculture proposes by an export subsidy to export six million bales. If 2 cents a pound or $10 a bale is the amount of the subsidy on six million bales this would amount to $60,000,000. Assuming that four million bales will move anyway, the cost to American people would be $60,000,000 to export an additional two million bales, or $30 a bale, 6 cents a pound subsidy. Assuming that five million bales of cotton would move in the ordinary course of trade, then the $60,000,000 subsidy or 2 cents a pound on six million bales will be tantamount to paying a bonus of $60 a bale or 12 cents a pound on one million bales.

Who will be the beneficiary of an export subsidy?

Not the American people. The large importers of American cotton have been Germany, Italy, and Japan. The workmen and laborer in Italy can buy his overalls on the basis of 6-cent cotton. The American laborer on the basis of 8 cents per pound.

Who is for an export subsidy on cotton?

It was first announced by the President of the United States. The National Federated Farm Bureau then promoted it. Mr. Wallace is sustaining the President's plan. Mr. Romeo Short, a rice grower and president of the Federated Farm Bureau of Arkansas, has publicly advocated it in the South.

Who is against it?

Mr. Wallace, at Fort Worth, in September 1938 in substance stated that if used on a large scale for any length of time an export subsidy on cotton would bring on a world price war and would be self-defeating, and that while there was justification for an export subsidy on wheat there was no excuse for such on cotton.

On December 16, when a large part of 1938 crop had moved into the loan, in a press release Mr. Wallace stated:

"Turning to alternative plans proposed for agricultural improvement, the Secretary shows that many of them have limited application already in the existing program. For example, with minor crops and to a certain extent with wheat, the Government diverts supplies into foreign trade at prices lower than the domestic price level. Export diversion and the two-price export system on a large scale," says Secretary Wallace, "would involve the abandonment of our present integrated method of acreage allotments, soil conservation, marketing quotas, and price-adjustment payments. Ten or fifteen years ago the plan might have worked. The thought then was that an inexhaustible and complacent foreign market would allow goods to be dumped on it indefinitely. There is no basis for entertaining that thought now * * *.

"Plans that called immediately for greatly increased agricultural exports could not succeed. Importing countries would raise their tariffs or would exclude unwanted supplies through quotas and embargoes. World prices would fall. Prices in the United States would have to be fixed at high levels so that the farmer could break even. There would be loud protests from the consumers. Unlimited export dumping, with losses charged to the domestic consumer, is simply not practicable. If tried as a complete substitute for the present farm program, the results within a year or two would be disastrous both for agriculture and the other groups in the Nation whose welfare is bound up with that of agriculture."

The one man in America who should have more knowledge on international trade than anyone else is Dr. Francis B. Sayre, Assistant Secretary of State in charge of Reciprocal Trade Agreements, who has negotiated the various reciprocal-trade agreements with many nations of the world. On May 5, in an address before the National Council of American Importers in New York, Dr. Sayre stated:

"The lengthening shadow of international lawlessness across the world makes it imperative for us to weigh carefully our national policies. It makes it imperative to choose the kind of policies which make for peace and which constitute the kind of foundations upon which alone peace can rest. Today, from this viewpoint, I want to consider with you some of the problems which lie before us in the determination of our own national commercial policy.

"In the field of commercial relations, no less than in the field of political relations, nations must choose between two widely diverging and conflicting policies. On the one hand, in spite of the inescapable fact of the present-day vital interdependence of national economies, a nation may either ignore or seek to overcome this fact, and follow an economic policy based upon isolationism or upon a narrow nationalism. On the other hand, a nation recognizing the undeniable advantages that come from the international exchange of goods, may adopt an economic policy based upon a broad liberalism and the furtherance of international trade. The choice between these two alternative policies will have profound and far-reaching consequences not only in the nation itself but in the world at large.

"I do not mean that at the outset nations deliberately commit themselves wholly to either the one or the other of these two extremes. Indeed, national policies are seldom altogether black or altogether white. They are marked with grays and many subtle overtones. Nevertheless, once having launched into the current of economic nationalism nations frequently are swept far beyond the placid waters into which they originally launched, and as a result may become deeply committed to practices which at the outset they never dreamed of adopting.

"The policy of economic nationalism in the present-day world has certain fairly definite earmarks. If a nation sets out to become economically self-sufficient unto itself or through reduced exports is forced along that road, it is evident that measures must be taken severely to restrict its imports. However, as imports are more and more drastically cut, it becomes increasingly difficult to sell exports, since, as everyone knows, trade is a two-way process, and the sale of exports is necessarily dependent upon the purchase of imports.

"The inability to sell exports in foreign markets results either in diminished output and consequently unemployment or in piling up huge surpluses which glut domestic markets and depress prices, not only for the surpluses formerly exported but for the entire crop or output.

"The further the nation is carried in its loss of export markets the more acute becomes the problem of diminished production or burdensome surpluses.

"To relieve these problems nations launch into various forms of restriction and control of domestic production. This becomes all the more intense as nations seek to stimulate and build up industries and enterprises to produce such goods as were formerly imported. Sooner or later the Government must assume a life and death control not only over all the commodities which come into the country and go out of the country, but also over the conduct of domestic business and private industry as well.

"To achieve these ends strict forms of foreign trade control have to be adopted. It may be that these will take the form of import licenses, of control of the movements of gold and foreign exchange, of quota restrictions, of Government business monopolies of one kind or another, or combinations of some or all.

"The burden of unsalable surpluses also leads to artificial methods in order to force exports onto world markets. This may be attempted through various forms of currency manipulations, including devaluation, through trade arrangements forced by stronger nations upon weaker ones or by various forms of international dumping. One of the most common forms of dumping is the payment by the Government of export subsidies so as to enable its goods to undersell in world markets the naturally lower-priced goods of its competitors. The adoption of export subsidies frequently necessitates additional import restrictions either in the form of tariff walls or quotas to prevent the goods thus dumped and selling abroad at lower prices than at home from being brought back into the home market.

"As the struggle to sell exports in world markets becomes more and more intense, nations launch into practices known as 'bilateralistic balancing.' In simplest form this means the insistence that each nation with which the country trades buy as much from it as it buys from the other nation. Thus are born clearing agreements and compensation agreements, frequently involving governmental sequestration and control of funds payable by one country's citizens to those of another. A country whose imports from another exceed its exports to the other by such an agreement is in a position to force the other to spend part or all of the proceeds from its export balance in the purchase of the former country's goods. Compensation and clearing agreements are for the most part highly unsatisfactory. Experience has usually shown them to result in formidable administrative difficulties and burdens and diminished trade.

"With bilateralistic balancing goes trading in exclusive preferences and the discard of the policy of equality of treatment embodied in the most-favored-nation policy. Exclusive preferences granted to one nation mean discriminations against every other nation, and discriminations involve retaliations and counterdiscriminations. Trading in exclusive preferences thus means constantly rising trade barriers, arbitrary and uneconomic diversions of trade and shifting of trade channels, unceasing and mounting economic conflict.

"With the increasing difficulties of selling exports is apt to come severe and crippling shortages of foreign exchange; and as the control over foreign exchange increases and tightens, blocked currencies are apt to result. Blocked currencies entail an infinite degree of bureaucracy and red tape; and to avoid the tangles and almost insuperable difficulties of buying and selling in countries with highly restricted or blocked currencies, resort is had to primitive barter—the exchange of goods for goods without the use of money. Obviously barter tragically restricts the nation's ability to buy and sell in the cheapest markets.

"With the pushing of self-sufficiency to further and further limits, Government control over domestic trade and domestic industry grows tighter and tighter, since domestic industries are dependent for many of their necessary raw materials and their markets upon foreign trade. Sooner or later the Government must control and ultimately fix domestic prices; it must undertake to control and regulate capital outlays and expenditures; it must assume a degree of regimentation and strait-jacketing of business and industry which denies economic freedom and initiative such as we know in this country and which is in utter conflict with the most fundamental principles of human liberty upon which our Nation was founded."

Dr. Sayre confirmed Mr. Wallace's position at the end of his speech with this statement:

"Export subsidies may temporarily increase certain kinds of exports, but in the long run they constitute a giving away of the Nation's assets—often at less than cost—at the expense of the taxpayers."

On May 25, at the world-trade dinner in New York City (1 day prior to Secretary Wallace's announcement in Little Rock) Secretary Hopkins laid down these principles (from the Memphis Commercial Appeal):

" 'Reviewing recent changes in the environment within which foreign trade is carried on.' Secretary Hopkins ventured the belief that 'simple economic motives in foreign trade are today too often subordinated to the political objectives which dominate the policies of certain countries.'

"Recognizing the difficulty in getting 'a correct perspective of our international trade position,' Mr. Hopkins admitted that 'some are even beginning to question the wisdom of the policies we are pursuing,' and that they are being 'impressed by the plausible character of barter deals, export subsidies, and other artificial trade schemes resorted to by certain countries.'

"The Secretary of Commerce said that submission to such artificial schemes was simply 'making a virtue out of necessity,' and that such methods cannot be justified as the 'best basis for foreign

trade.' He warned however, that 'economic circumstances and political ambitions determine national policies.'

"Mr. Hopkins revealed that 'a recent Department of Commerce study found that over 70 percent in value of all world commerce is still being carried on by countries operating on a predominantly open and competitive basis," and that we should take a lesson from the fact that producers and traders in such countries prefer the methods which our more normal position leaves us free to follow, and have said so.

"Mr. Hopkins holds that 'even though we find that exceptional methods of foreign trade have made inroads on some markets * * * that does not mean we would abandon our own ways for those distasteful to us.' He sums up the most-favored-nation policy as being one 'which is simply that of granting and expecting equality of competitive opportunity in each other's markets.' and that by following such policies, 'we call into play the best American tradition of "fair field and no favor."' Furthermore, in so doing, 'we are placing our influence on the side of peaceful accommodation rather than to forceful pressure as the sound and desirable basis of international relations.'

"These views of the Secretary of Commerce can only be construed as a scathing indictment of the administration's current proposal to embark on a program of price cutting by the payment of export subsidies, a practice that will only invite reprisals and influence retaliation that will disturb existing reciprocal-trade agreements.

"It is unfortunate that Cabinet Officers Hull and Hopkins cannot convince their colleague in charge of agriculture as to the peril presented by a program of cotton export subsidies."

These two able assistants to President Roosevelt condemn the general principle of export subsidy. A definite plan known as the Bankhead bill for an export subsidy on cotton was presented to the Senate in the middle of May, and the Senate rejected the policy by a vote of 37 to 36.

Hon. Oscar Johnston, the recognized authority on the cotton program of the South in an address in Memphis, Tenn., on April 28, condemns the principle as "a mere stopgap or expedient," and that it will give effect to the often used charge that the Government plan was "a plan of paucity to promote prosperity." Mr. Johnston, in no uncertain terms, stated the export subsidy would be an abandonment in part at least of our reciprocal trade agreement policy.

Mr. Creekmore, of the American Cotton Cooperative Association, Jackson, Miss., in an interview, opposed the export subsidy.

So far as can be determined no farmer or producer organization in the Cotton Belt has publicly proclaimed allegiance to this policy. The Cotton Shippers Association and the National Warehouse Association of the South have both opposed an export subsidy on cotton. The Oil Mills or Crushers Association, and the Ginners Association have offered no defense of the export subsidy. The plan did not originate with any of the thinking cotton interests. It must have been conceived north of the Mason-Dixon Line, born in the United States Capitol, and is being nourished in its infancy by the Secretary of Agriculture and the Federated Farm Bureau. The idea should mature in the laps of the Germans, the Italians, and the Japanese, the aggressor nations who need raw materials cheap.

How does an export subsidy on cotton affect our political and international policy?

In Chicago in 1937 our President delivered his quarantine speech, in which he stated that war could be won without bullets. It was assumed from his declaration that the United States could put economic pressure on the aggressor nations. Our great President, by his courageous intervention, helped to prevent a world war last September. When Germany broke her Munich pledge and trampled Czechoslovakia under her feet in March, the President fired his first economic bullet as a result of his Chicago speech. He caused to be placed a 25-percent increased tax on German imports into America under the Countervailing Duties Act. The theory behind this act is to place a penalty on any nation which subsidizes its exports. Germany subsidizes all of its exports, and that was the basis of the President's acts.

The basis of the reciprocal-trade agreement with England and other nations is to permit America to expand her international trade; to continue the furtherances of individual initiative, individual freedom of trade, and individual courage. It is distinguished from a nationalistic policy of regimentation, the policy adopted by the Fascist states, Italy, Germany, and Japan. The trade policy in America has been based on economic freedom, and this policy is in utter conflict with the policy of regimentation and strait jacketing as Germany is enmeshed in. Therefore, the political effect in America of an export subsidy is to have all national foreign policies thrown into confusion. Secretary of State Hull's reciprocal-trade agreements must necessarily be abandoned. Our good-neighbor policy with Brazil will be jeopardized. Brazil, of necessity, will compete with any export subsidy America places on cotton. England will protect Egypt and India by having these countries place a larger subsidy on all of their exports of cotton than America does.

The international effect will be to produce a world price war against our friends, Brazil, India, and Egypt, all producers and exporters of cotton. The effect will be to give Germany and Italy cheap cotton to manufacture uniforms and explosives for the German and Italian soldiers and guns.

One artificial barrier to international trade produces others. The Department of Agriculture can never announce its plan. If it announces 1 cent subsidy, Brazil and Egypt might put 2 cents subsidy on their cotton. If we announce a 2-cent subsidy, India and Russia can subsidize with 3 cents per pound.

Where will the end be?

This is what Secretary Wallace and Secretary Hopkins meant in predicting that an export subsidy will cause a world price war and be self-defeating.

A tariff will of necessity have to be increased on the import of cotton into America because cotton exported with a subsidy to England could be brought back to America and sold under the domestic price, not only on our cotton but on all items containing much cotton.

The textile industry of America could not compete with the textiles of the world. Therefore would not an export subsidy have to be placed on that part of our textiles which are exported to compete with the world?

Dr. Sayre is eminently correct when he states that an export subsidy leads to bartering, a primitive form of trade relation between nations. Thus, whenever America abandons its free policy of internation trade and barters, the fine distribution system which has been built up in this country may be destroyed overnight. In discussing the proposed barter of American cotton for rubber and tin the London Times of May 17 ridicules the idea and indicates that if it would enter into a barter agreement its action would be regarded as being in part a contribution to the solution of one of America's big problems rather than a plain business transaction.

The objections are offered to the general principles of an export subsidy on cotton. The Department of Agriculture cannot and will not announce its plan. It averages 25 cents a bushel subsidy on 85,000,000 bushels of wheat. The price in some instances must have been much higher. No telling what amount of subsidy would have to be paid on cotton.

As an alternative I urge that all money available for cotton export subsidy be diverted to a special adjusted payment on the 1939 crop, sufficient to keep it out of a loan so that cotton can move in the free channels of trade.

W. T. WYNN, *Greenville, Miss.*

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

DRAFTING OF CAPITAL IN CASE OF WAR

Mr. LEE. Mr. President, some time ago the British Parliament passed a law providing for the drafting of manpower in case of war. Just now, according to a news item which I hold in my hand, they are considering legislation to take the profit out of war. I ask unanimous consent to have this very short news item inserted in the RECORD as a part of my remarks.

The PRESIDING OFFICER. Is there objection?

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

TO TAKE PROFIT OUT OF WAR

LONDON, June 20.—The British Government, which recently conscripted a portion of the country's manpower for possible wartime service, took a major step today toward conscription of wealth for the same purpose by announcing 60 percent excess-profits duty on all firms "substantially engaged" on rearmament contracts whose annual turn-over in that respect exceeds £200,000 (about $940,000).

As a measure intended to "take the profit out of war," the new tax, to be known as the armaments profits duty, empowers Leslie Burgin, minister-designate of supply, to declare which firms are liable to the tax.

The tax will be in force for 3 years, as of March 31, last. It may be extended if the Government's huge rearmament program has not been completed in that period.

EXTENSION OF PUBLIC HEALTH FACILITIES TO ACTIVE OFFICERS OF FOREIGN SERVICE—CONFERENCE REPORT

Mr. PITTMAN submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3537) to extend the facilities of the United States Public Health Service to active officers of the Foreign Service of the United States, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows:

In lieu of the language contained in section 3 of the Senate amendment insert the following:

"SEC. 3. Any officer or American employee of the foreign service of any department or unit of the United States Government suffering from illness or disability not the direct result of foreign service and any dependent member of the family of any such officer or American employee suffering from illness or disability when such dependent has resided with the officer or American employee on foreign station and if such illness or disability in

any case covered by this section is not the result of vicious habits, intemperance, or misconduct on his part, the cause of such illness for the purpose hereof to be determined by the United States Public Health Service, may be furnished medical and dental treatment and hospitalization (in the case of a dependent member of a family if suitable accommodations are available) by the United States Public Health Service at any of its regularly established relief stations and hospitals at a cost to the officer or employee concerned in accordance with rates established by regulations of the Surgeon General and applicable to pay patients from other branches of the Government service under similar circumstances. Collections by the United States Public Health Service on this account shall be credited to the appropriation applicable to the operation of marine hospitals and relief stations."

And the Senate agree to the same.

KEY PITTMAN,
WALTER F. GEORGE,
WM. E. BORAH,
Managers on the part of the Senate.

SOL BLOOM,
LUTHER A. JOHNSON.
HAMILTON FISH,
Managers on the part of the House.

Mr. PITTMAN. I ask for the immediate consideration of the report.

The PRESIDING OFFICER. Is there objection?

There being no objection, the Senate proceeded to consider the report.

Mr. PITTMAN. The only amendments that changed the measure at all were administrative amendments which were recommended by the Public Health Service and were agreed on unanimously by the conferees on the part of both Houses. The House conferees agreed to an amendment to accomplish that purpose.

I move the adoption of the conference report.

The report was agreed to.

STABILIZATION FUND AND WEIGHT OF THE DOLLAR

After the conclusion of the speech of Mr. THOMAS of Oklahoma,

The Senate resumed the consideration of the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

Mr. WILEY. Mr. President, I do not wish to delay the adjournment of the Senate, but I have a statement which will take about 10 to 12 minutes to make, which I should like to contribute at this time, provided the majority leader has no objection.

Mr. BARKLEY. I have no objection.

Mr. WILEY. Mr. President, I wish personally to express to the distinguished Senator from Oklahoma my own appreciation for what was to me not only a brilliant effort, but quite an illuminating study of the subject under discussion. No matter how we feel, we must admit that there is a large group of people in this, the United States, looking for more light on that subject. I am not going into detail in the discussion of the question. I wish to say that as I understand the resolutions to which Senator THOMAS referred, which have come from the farmers of this country, while the farmers would like to see the dollar brought to the point where it will buy a dollar's worth of merchandise, they do not want the gold or silver content of that dollar cheapened so that we may go through some of the experiences that other countries, yes, that even our own country, has gone through in times past.

Recently, in one of the great weeklies in this country, there appeared an article which related itself to the subject Idle Men and Idle Money. In that article is rather stressed the significant conclusion that the people of this country were fearful. Someone asks: "Fearful of what?" And the writer answered, "Fearful of Government." What did he mean by that? He meant fearful of what we are doing here in Washington, fearful of the steps we may take, fearful of consequences that will come from wrong thinking and wrong acting.

It was stated that business was and is increasingly aware that Government is gradually taking over the functions of private enterprise, and that Government is accomplishing this by three methods—undue regulation, Government competition, and the policy of spend and spend, tax and tax.

Today, Mr. President, I want to comment on another fact and I say this with the greatest deference. I think that one of the other factors in this country that is contributing to our inability to get back on our feet and go places, is not only the fear of government, but the fear that we are cheapening and tinkering with our money, to the point where it, too, will go the way of other moneys in other lands.

Fifty years from now when the historian writes about this period, using the perspective that he then will have, writing calmly and without bias or prejudice, he undoubtedly will say, first, that one of the outstanding phenomena of the period in which we live was the break-down in national morale, initiative, and the spirit of adventure in America. He will say that America had the money, the manpower, the greatest industrial machine in the world, and the greatest natural demand, and yet America lay down and did not go places. The economic machine was bogged down.

Secondly, the historian will undoubtedly say that one of the primary causes was too much government in the picture; and as another cause he will say that tinkering with the money of America added to the insecurity of that period.

Thirdly, the historian will say that irrespective of the Government in Washington feeding its millions through various channels of the economic order, another cause was that the people themselves had lost confidence in the leadership, feeling that the leadership possessed showmanship and humanitarianism, but lacked practicality and the power to give direction and confidence.

I wish to say to the Senator who just spoke [Mr. THOMAS of Oklahoma] that perhaps in his comment today he has shown us a little direction in relation to some things that we should consider. Let us talk about money. This is the time when we talk more about it and have less of it than at any other time in decades. We know that today it is possible for the President to devalue the dollar so that inflation—and I say that advisedly—may result.

I should like to point out certain historic precedents which indicate the menace in the present governmental efforts. Just what does inflation mean? Most of us can remember that in 1923 Germany used a fabulous number of ciphers in its authorization of marks—in fact, there were five hundred and eighteen millions of billions of marks. I have on another occasion heard the distinguished Senator from Utah [Mr. KING] tell us about that situation, so I shall not delve further into that subject. It would have been cheaper for Germany to have taken a sheet of paper representing the entire German mortgage debt of $8,000,000,000, and used it to light a cigar in place of buying a box of matches. Every one of the German property mortgages could have been paid off for less than one American cent. Remember that that inflation came when the German Government needed money, when it was spending beyond its means, just as our Goverment is now doing.

This is not a new story. Away back in 415 B. C. one of the notorious playboys—playboy statesmen, if you please—of that period succeeded in debasing the Athenian coin to finance a war. Money became cheap, wages dropped, and prices boomed. Then came poverty and pillage. There is a lesson to be learned from that historic example. It is the same lesson we should have learned when we were financing the World War. In these troubled times it is a good idea to remember that inflation always accompanies war, and that inflation is only a step when we entrust too much power to the Executive.

I wish to repeat that statement. Inflation is only a step when we entrust too much power to the Executive. That statement is just as true today as it was 5 centuries before the birth of Christ, when the returning Roman legions forced a Roman inflation which robbed the world of money for six centuries. By A. D. 300 the Roman coin was so debased that the equivalent of about 216 American dollars was required to buy a pound of steak.

Let me state another interesting thing about inflation. The Emperor Diocletian took advantage of the opportunity to fix prices and to adjust wages and hours. We know there were many codes in those days, and we know the kind of N. R. A. the Emperor Diocletian set up. That situation sounds suspiciously like 1930, does it not? The content of the metal moneys was cut, and prices soared so much that a house which once cost about $500 would carry a mortgage for something like $1,000,000. At that rate it can readily be believed that the disintegration of the Empire did not require long. By the sixth century the entire known world was back on a barter basis.

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

Mr. WILEY. I yield.

Mr. LEE. Of course, the Senator fears inflation, as every reasonable person would under certain conditions. Does the Senator not also fear deflation to the same extent? As my colleague [Mr. THOMAS] has pointed out, at the present time the dollar is deflated to the point of 32 cents on the dollar. Is not such deflation just as hurtful as inflating the dollar?

Mr. WILEY. I will answer that question by saying to the distinguished Senator that my idea at present is that we must do everything to stop the American citizen from being more fearful about leadership, to the end that leadership itself will arise and show the way out of the morass in which we are.

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

Mr. WILEY. I wish to answer the question specifically. As I said a few minutes ago, I was greatly interested in the discussion by the distinguished Senator from Oklahoma [Mr. THOMAS] who talked to us today. I was interested in that particular part of his discussion wherein he stated that he felt that the feeding of good money into the economic current of the Nation could be used to stablize prices. I was particularly interested in that point; but I feel definitely that it would be a step backward further to devalue the coins in this country, silver or gold, more from a phychological standpoint than from the standpoint of the coins themselves, because people are beginning to say, "If you take a nip out of the coin, you are debasing it." Then we take another nip, and pretty soon people will not have confidence in the Government or in the paper of the Government. Finally, we shall tumble over a Niagara.

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

Mr. WILEY. I yield.

Mr. LEE. If the dollar is today worth $1.32 in terms of commodities that we produce, and we should by law bring the dollar back to 100 cents, would we not be reflating the currency rather than inflating? Inflation would not begin until we had passed the 100-cent mark, would it?

Mr. WILEY. I think there is something to that argument; but again we come to the question of definition, about which the philosopher speaks. As the Senator from Utah [Mr. KING] said the other day, the definition of a reactionary or a liberal depends upon the perspective of the one who is giving the definition. I agree that we want to bring the dollar back to a value of 100 cents; but, as the distinguished Senator from Oklahoma [Mr. THOMAS] said today, there are other causes. We should not make the mistake of seeing an effect and thinking that only one cause contributed to it.

As we think over the problem we must remember that in the United States the Government now really owns all the present and future gold reserves of the Nation and can virtually determine their currency value at its own discretion. That is a kind of state capitalism; and it is just as old as Hammurabi, who wrote a code centuries ago to show us how it was done. This administration has developed nothing new. Hammurabi told the story years ago.

It is well for us to remember that today our Government at Washington can destroy or reduce the real value of all money savings in this country by a single stroke of the pen. Years ago we had a 100-cent dollar. Today, as was shown, we have a 59-cent dollar. Tomorrow it may be a 50-cent dollar. It is difficult to build confidence in that way. All the professorial knowledge and dignity of learned men everywhere will not get rid of the common sense in the breasts of the common people, who want an honest currency, something upon which they can depend.

However, by some peculiar characteristic of human nature, it is apparently difficult for us to learn from the experience of others. When the world finally abandoned the barter system about which I was speaking a few moments ago it immediately fell again into the old ways of inflation. It will be remembered that Marco Polo, who visited at the court of the Kublai Kahn, wrote about the frenzied inflation he saw in the court of that squat, fiery-eyed Mongol murderer.

A classic example of inflation with which we are all familiar is France. Every school child knows the story of how the French Government defaulted 56 times in a period of 200 years. Probably an all-time high was hit in 1795, when 7,000,000,000 French paper bills were sky-rocketed to something like 45,000,000,000. By February 18, 1796, they were stacking the bills in piles and burning them in the public squares in Paris.

It cannot happen here? Just keep on taking a bite out of the coin of the realm every time you think you need some money, and you will find out that eventually you will be stacking it, and when you stack it you are running into trouble.

Now, let us not get the impression that our country was, or is, immune from inflation. Why, we issued $2,000,000' worth of bills of credit within 1 week after the Battle of Bunker Hill. Within 4 years that issue had mushroomed to nearly a quarter of a billion dollars. That was the time when a dollar bill fluctuated between 2 and 3 cents in value. That was American money at one time. Nowadays, probably, the Senate would shake its head in holy horror at the idea of repudiating any part of our ever-mounting public debt. That is just what the Congress did in the fall of 1779. Just the same, 5 months later it provided for redemption at the rate of 40 paper dollars for 1 silver dollar. That is what the Congress did in 1779. That was repudiation with a vengeance—97 percent.

Of course this meant that the average citizen did not want to accept any of this money. I understand from a recent book that in Rhode Island there actually was an incident in which a landlord dashed frantically down the street with a tenant chasing after him with the rent money. It is claimed that Samuel Adams paid something like $2,000 for a new suit and hat, and it was not long after that when shoes were selling for $5,000 a pair. That would be a hardship on some of our dapper Senators today, with their $10,000 salaries.

There are other illustrations of inflation, but these are sufficient to prove our points:

First. That our financial experimentation is not new. In 305 A. D. the Emperor Diocletian resorted to many of the same expedients that we resort to today. So did Constantine; and in 1260 A. D. so did Kublai Khan. They, too, gave a centralized government control of the reserves. They, too, had the power of unlimited taxation of individual and corporate surplus incomes, capital gains and inheritances; any they, too, controlled the credit resources of the country.

Second. That inflation, pillage, and poverty resulted more readily when financial power was strongly centralized.

Third. That financial extremes invariably accompany a war. Probably the corollary to that idea is that in order to keep our Nation out of any great world conflict we should, in shaping our neutrality policies, do everything possible to keep America on an even keel socially and economically. That means that we should do nothing to rock the boat—that in neutrality legislation we should do nothing to crack American markets wide open with skyrocketing prices. I say this advisedly. You will notice that I am not referring to any nation or group of nations. I am thinking in terms of America, and I am saying to you that in terms of conditions "over there" it might happen. Let us see that we do not crack American markets wide open with skyrocketing prices.

Fourth. That inflation almost invariably follows a disproportionate public debt. Right there, the people of this country should realize that when we get into a position

where we owe, and keep on owing, and go in debt, and keep on going in debt, and we do not get anywhere within striking distance of balancing our Budget, we are following a law of human conduct which has been established, that invariably a disproportionate public debt is followed by inflation.

Yes; there are many things that we can learn from history. Today, for example, the Government has complete control and part ownership of the banking system and credit resources of the Nation. That is nothing new.

The great Grecian orator Pericles discussed these same problems on a promontory near the Hill of Mars, where, 500 years later, St. Paul spoke.

Pericles spoke for a government loan, and whooped it up for a congressional roll call. The bill passed, and national debt rolled up to new heights. Inflation followed then, just as it is likely to do today. There was one difference, however. The Greeks of the fifth century pre-Christian era paid 6 percent instead of jamming the vaults with government bonds.

Whenever there have been autocratic governments, the people have been forced to underwrite enormous government expenditures; have been forced to take a large share of government obligations, whether they liked it or not.

That statement still holds good. Our people today have a tremendous involuntary financial stake in the Government. I say "involuntary" because the average man who puts his capital to work in insurance or banks labors under the delusion that he does not have an immediate financial stake in the Government. Actually, of course, the banks and the insurance companies have put a large portion of their deposits into Government bonds.

What does that mean? It means that the average man—the man who is not a Government worker, the man who receives no Government relief, no subsidies, no assistance of any sort—it means that this free American finds that even his financial independence is at stake.

Where once the financial success of the Government was dependent on the prosperity of the average man, the average man now begins to find that his prosperity is dependent on the Government; and that, my dear Senator HATCH, is a danger signal. You did not get that one, but think it over. This growing dependence on government and on Washington is wholly alien to generations of Americans who stood on their own feet.

Oh, I know this is called "reactionary," but it is not. It is just a little horse sense, as Mr. Dooley says, that is pretty hard to find. It has been a gradual change—so gradual that we have hardly noticed it. Remember, my friends, that this dependency paves the way for an autocratic centralized government in which the people can become the slaves instead of the masters.

We are today gravely concerned with European problems. We are worried about foreign "isms" and what they are going to do to America. I believe that the greatest menace to this country comes, not from over there, but from over here.

This is not an indictment of any man or of any party. As a plain statement of the facts no man can deny, however, that the cloven hoof of government is more in evidence in Washington today than it ever has been before during peacetime. We have been so shell-shocked by the protracted depression that we have not realized that free enterprise is now just a fiction.

We realize that government is undergoing a change—that we are now in a kind of hazy socialized "no-man's land" where the employees and dependents of government claim a fifth of everything the average American can produce. The figures shown here today corroborated that statement. They showed, as I remember, that we were paying in government and overhead and in interest something like $27,000,000,000 a year. I think our national income is only about $54,000,000,000 this year, and the interest load and the Government overhead were shown to be $27,000,000,000.

What can we do about this? First of all, we can turn our eyes away from foreign "isms" and arrest the development of any American "ism" that comes around. We can stop giving the people to the Government and begin giving the Government back to the people.

We can begin tapering off from profligate spending, and thus anticipate the inflationary handwriting on the wall.

I know that Republicans are accused, when we say "profligate spending," of claiming that everything that is being done in the name of government is profligate. That is not correct; that is not the claim of thinking Republicans or thinking Democrats. It is conceded that if the Republicans should come into power in 1940 they could not stop spending, they would have to keep on spending, but under that leadership it could be hoped that direction and guidance would come so that the economy of America would be awakened, to the end that 11,000,000 unemployed could get jobs, factories could begin running, and demands for goods be met, and then that we could taper off Government spending.

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

Mr. WILEY. Gladly.

Mr. LEE. Will my affable friend, the distinguished Senator from Wisconsin, offer us something more definite than just the negative statements he has been making about our getting back to such a position that jobs can be given to the 11,000,000 unemployed?

Mr. WILEY. I shall be very glad, if I may have the opportunity, to make that contribution extemporaneously at the end of these two pages of prepared manuscript. I have already said that we should begin tapering off. We can take free enterprise, big and small—and I hope the Senator from Oklahoma is listening—from the lethal gas chamber of Government regulation and Government competition.

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

Mr. WILEY. Certainly.

Mr. HATCH. I presume the Senator is referring to some existing laws passed during this administration.

Mr. WILEY. Some; yes.

Mr. HATCH. What are they?

Mr. WILEY. I am referring to many other things. I will try to answer both the questions for the distinguished Senator.

Mr. HATCH. I want to know what gas chamber the Senator is discussing which must be removed. For instance, would it be the Securities and Exchange Act?

Mr. WILEY. Will the Senator permit me to follow my course in answering the question?

Mr. HATCH. Certainly; the Senator has the floor, and he may follow any course he desires to follow.

Mr. WILEY. I thank the Senator. I shall repeat my last sentence. Apparently it got under the skin of some on the other side. We can take free enterprise, big and small, from the lethal gas chamber of Government regulation and Government competition. I agree with one speaker who recently said that we must take business and industry from its knees and put it on its toes.

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

Mr. WILEY. Certainly.

Mr. LEE. That is a very fine figure, but I wonder whether the Senator at the end of his prepared statement will name the specific Government agencies which he has in mind. This indefinite, general language is fine, but would the Senator repeal, for instance, the C. C. C. camp legislation? Would the Senator repeal the social-security legislation? Is the Senator prepared to vote against all W. P. A. appropriations? Will not the Senator give us some definite and specific example of what the Senator has in mind when he refers to "lethal chambers," and the Government on its knees and business on its toes, and tell us what businesss will do to give employment to the unemployed, and name specifically the legislation which the Senator wants us to repeal?

Mr. WILEY. I thank the Senator for repeating his former question, and I claim the right to return to the few pages remaining. While I may not guarantee to answer the Senator satisfactorily, I shall, of course, be very glad to attempt to.

We can slash some of the tentacles from an octopus government and narrow Government activities to its vital and legitimate functions. Are there any questions on that?

Mr. BARKLEY. Is the Senator going to name the identical tentacles he would slash?

Mr. WILEY. The Senator wants a bill of particulars?

Mr. BARKLEY. It would be helpful.

Mr. WILEY. Would the Senator want me to produce it this evening?

Mr. BARKLEY. So far as I am concerned I will give the Senator all the time he wants to, to produce a bill of particulars and identify and specify the tentacles he is going to slash off this octopus.

Mr. WILEY. I certainly feel very much gratified to know that I got under the skin of the majority leader. [Laughter.]

Mr. BARKLEY arose.

Mr. WILEY. Or was it his hide?

Mr. BARKLEY. The Senator may flatter himself that he got under my skin, but I am not going to let him stay there. [Laughter.]

Mr. WILEY. I assure the Senator that what I said was more of a pleasantry than anything else, of course. If there is any one whose friendship I have appreciated since I came to the Senate it is the distinguished majority leader, whose courtesy and well-balanced mind have certainly received my esteem on many occasions I have seen the Senator rise, and, though in a dilemma, pick himself up and go forth with perspective and vision. How is that? [Laughter.]

Mr. BARKLEY. I thank the Senator.

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

Mr. WILEY. I very happily yield to the distinguished Senator from West Virginia.

Mr. NEELY. I wish to inquire whether the eminent Senator is now expressing an obligation of courtesy or nominating a candidate for President.

Mr. WILEY. Let me express my thought so that the papers of the country might have it. I cannot step into the Democratic convention and nominate the distinguished majority leader for President, unless the Democrats will change the rules of the convention. If they will, I shall be glad to step in and do my part. Is the Senator satisfied with that answer?

Mr. NEELY. I am satisfied so far as the Senator has gone, but I hope he will be a little more specific in his expression of approval and intention to support whomsoever the Democratic convention may see fit to nominate.

Mr. WILEY. Does the Senator mean that I should say a good word for all the Democrats in this Chamber? Well, they have all been very gentlemanly to me, and I appreciate their courtesy.

Mr. BARKLEY. Will the Senator amplify a little more and tell us what he means by "this lethal chamber"?

Mr. WILEY. The Senator is not so dumb that he does not know what that means. That means gas. [Laughter.]

Mr. BARKLEY. The Senator is not reducing the amount of gas in production here, by any means. [Laughter.]

Mr. WILEY. I agree. I have had so many distinguished examples here of gas production that I am sure I have learned a little in the 6 months I have been a Member of the Senate.

Mr. President, as has been said, we can stop talking about men in uniforms and try to put them back in overalls.

We can stop aiming our taxation program at the national wealth and aim it at our national income—increasing the same.

We can look at the agricultural program realistically. We can stop trying to reestablish business prosperity by artificially and temporarily pegging agricultural purchasing power. We can revise the order by generating a little steam for business and agriculture, which will, in turn, create further demands and better prices for agriculture.

We can scrap a farm doctrine of scarcity that has been unsound from the Biblical days, when grain was stored in the fat years for the leans years ahead. We can look for new uses, new outlets, and new products for the farm-production facilities of the country. We can work for a more diversified agriculture and a foreign-trade policy which has some desirable long-time implications for agriculture. We can scrap the asinine inconsistency of a program that curtails our farmer, while we import in mounting quantities. We can stop making America a proving ground for theories which were false thousands of years before the birth of Christ.

Mr. President, Government in the last 6 years has not done the job. From the low point in the depression in 1932 to the early part of 1938, in the United Kingdom, the national income stepped up 101 percent. During the same time, ours increased only 49 percent. In England, during that time, taxes increased 11 percent. In this country during the same period taxes were jerked up 193 percent. Charity, like economy, begins at home.

I urge that a bureaucratic government be once again made the servant, and that government be given back to the people, and we stop throwing monkey wrenches into our economic and governmental machinery.

Mr. HATCH. Mr. President, will the Senator yield now?

Mr. WILEY. I yield.

Mr. HATCH. Has the Senator concluded the two pages he mentioned?

Mr. WILEY. Yes.

Mr. HATCH. Does the Senator propose to give us the benefit of his extemporaneous remarks, wherein he is going to produce a bill of particulars, and specify?

Mr. WILEY. Will the Senator be kind enough to repeat his question?

Mr. HATCH. It really was not a question; I merely wanted to remind the Senator that, as I understood him, when he was interrupted, especially by the Senator from Oklahoma [Mr. LEE], the Senator from Wisconsin stated that when he concluded with the two pages of prepared manuscript which he was reading he would then extemporaneously reply to the Senator from Oklahoma and give specific instances of things he would do to take us out of this gas chamber, or whatever it was.

Mr. WILEY. I think what provoked the Senators on the other side was this language:

> We can take free enterprise, big and small, from the lethal-gas chamber of Government regulation and Government competition. I agree with one speaker who recently said that we must take business and industry from its knees and put it on its toes.

I stated that at the end of my prepared remarks I would be glad to give the distinguished Senator the benefit of a statement of what I believed would be a curative for the situation in the United States as I see it.

We have manpower in this country, have we not? We have in the banks of the country, as was stated today, $4,000,000,000 of idle money with no place to go. We have in this country today the greatest unsatisfied demand for goods the world has ever known, estimated by one authority at $35,000,000,000. We have in this country today the greatest industrial plant on the globe. Even Germany's efficiency today does not compare with the great manufacturing units of ours, which are not producing and giving jobs and which are not filling the demand. We have the men, we have the money, we have the demand, we have the plants to produce. Why do we not "go to town?" There is the question in substance.

Senators, listen. Back in 1932 the Democrats of this Nation framed a beautiful program in which their party candidate for President flew to Chicago and on the convention platform in Chicago he agreed that the Democratic platform set forth the needs of this Nation. In other words, he agreed with the Democratic Party's medicine doctors that the platform provided the way out of our difficulties, and during the first 6 months of the present administration the Democratic Party followed through. The administration started in a wonderful way to balance the Budget. The administration begat in the people of this country a feeling of confidence. And when that magnetic voice of your President said, "The only thing we have to fear is fear itself," he spoke words of confidence and cheer which warmed the hearts of the people of America. We believed in him, Republicans and Democrats. Everyone did. For a period of 6 months afterward, at every press conference, according to Mark Sullivan, whenever the newspapermen asked the President what the program was, he said, "Look at our platform." And ever since those 6 months

you have broken every pledge of the platform. You have not balanced the Budget. You have not started the wheels of industry. You have not cut the taxes, as you said you were going to. You have not taken your own medicine. With what result?

I am not speaking in a personal manner now. I am saying to you that in this country today—and I am answering the question that was asked me now—the trouble with America is the existence of that same fear which the President said he realized existed, and which he would cure. That fear means just this. The people simply do not have confidence in your leadership. They do like the magnetism of this man. They do like his courage. But in 7 years of activity he has demonstrated that his leadership does not produce results. That was demonstrated in my State, as I illustrated here on a previous occasion, when a former Democrat, a contractor, said that in 1936 he was voting Democratic again because the President had not had time enough. In 1938 he said, "No; I am voting Republican." I asked him "Why?" He answered, "Mr. WILEY, if you gave me $5,000 with which to build a house, and you went away and in 2 months returned and I had been out on a hell of a jag, and spent the money, and had not even dug the basement, what would you do to me?" I said, "I would fire you." He said, "That is what we are going to do with this leadership."

It is the same thing that was demonstrated by the Senator who had the floor today, when he showed that you have not demonstrated results that you wish you could produce.

The question may be asked, What is needed? It is a leadership which will beget confidence in the people, which will cure the existing fear, whose program will be certain and definite, who will start the people on the way, so tomorrow this Nation will know where it is going. Not a leadership which vacillates and changes every day, so the farmers, the bankers, the merchants, the businessmen do not know where we are going tomorrow.

No; we need a leadership which will beget confidence and courage and will give direction. That is what is needed. Perhaps I have not answered the Senator's question, but I have tried to tell how I feel about the matter.

What I had read, and concerning which I asked the question, was this:

> We can take free enterprise, big and small, from the lethal-gas chamber of Government regulation and Government competition.

Mr. President, Senators know what I mean by "Government regulation." That is plain to everyone. One of the great things to be done under this leadership is to instruct that little fellow as to who is doing the regulating; that when the businessman comes to him, this little fellow is not the master. He is the servant of this businessman. He is the servant of industry. He is the servant of these other folks. But in 6 or 7 years there had been built up in this country a bureaucracy—a bureaucracy which one of your own Democrats, who said he had been in Russia, said that even Stalin spoke of as an octopus. That octopus, if it were efficient, if it were constructive, if it were going about the business of being helpful, would do something. But instead of that it has become the master. That is part of this regulation that has to be cut out.

The other phrase is "Government competition." Senators know what I mean by that. There is nothing that the Government has gone into in the last 6 or 7 years that has not taken the heart out of everyone who is competing with Government. Why? Government generally gets the use of money free. Government has the open way. Government shoves aside, so that the result is, as some of the best economists have said, that there is not a capital segment of this country, including insurance and banking business, and everything else that has not been impaired, with a consequent loss in capital structure running into hundreds of millions of dollars.

Senators know what I mean by that expression "Government competition." It is a generality, of course; but it is felt deep down in the hearts of the people of the country that Government competition has become rotten, and is injurious to the general welfare and to the future of this country.

Perhaps I have said enough.

I thank the Senate for its attention.

Mr. HATCH. Mr. President——

Mr. WILEY. Does the Senator want the floor?

Mr. HATCH. I desire the floor for a few minutes.

Mr. WILEY. Does the Senator desire to ask a question?

Mr. HATCH. No. I beg the pardon of the majority leader. The Senator from Wisconsin has made a very able address. However, all those making such addresses in this day and time on the other side of the Chamber and throughout the country at large have failed—miserably failed, Mr. President—to put their fingers on any specific thing, but deal in generalities, their words and phrases being absolutely meaningless.

Even though the hour is late, I do not propose to sit and listen to such criticism and broadcast condemnation of a great President and a great leader without raising my voice in reply. Rather than attempt a long speech at this time, I shall content myself with reading an appraisal of the Roosevelt administration made by one who is not a politician or a Member of Congress, but who sat in the Press Gallery and watched affairs as they have progressed since March 4, 1933, under the leadership of Franklin D. Roosevelt. It is not altogether a favorable article, but it is a fair and impartial appraisal. I respectfully request the attention of the Senator from Wisconsin [Mr. WILEY]. The article is by Raymond Clapper and is entitled "Personal Memo on Roosevelt." I read:

> It's been a long, hard fight, these 6 years since Roosevelt stood on the east steps of the Capitol on a bleak day and took over guidance of a nation that had suffered a complete nervous break-down.

The Senator from Wisconsin speaks of lack of confidence today. He speaks of fear today. Look back to that day in March 1933.

> I sat in the press section that day dictating a running description of that first inaugural. Just a few moments earlier I had finished writing the advance lead on the inaugural message.
>
> During the 6 years intervening I have seen the New Deal unfold in its early glory of great promise. I have reported its long struggle with powerfully hostile forces, seen and unseen, economic and human. I have seen it severely set back by the sudden recession in the fall of 1937. More recently I have seen its morale disintegrate until now even many Democrats themselves foresee repudiation at the next election and are anticipating a Republican President in 1941.
>
> Through all of this time I have seen Roosevelt, sometimes up, sometimes down, now striking with the daring of genius, and again blundering into appalling errors which needlessly undermined the great work he was trying to do, playing cruelly into the hands of his enemies.
>
> Roosevelt is the fifth President whose activities I have reported. None has been perfect, certainly not Roosevelt. Yet to me he stands as a giant of our time—

And the Senator from Wisconsin asks for leadership.

Mr. WILEY. Asks for what?

Mr. HATCH. Leadership. The Senator says that leadership is what the country needs; yet to this impartial observer Roosevelt stands as a giant of our time—

> for the mark of a great man is not an absence of weaknesses, but an abundance of strength. And with it one great gift to the country in these times—his buoyant, good-humored confidence that on March 4, 1933, turned national despair into national courage overnight.

If I may interpolate, a courage restored March 4, 1933, and which still exists today, despite comments such as the Senator from Wisconsin has made today.

> For that gift alone the Nation should be eternally grateful.
>
> I am convinced that Roosevelt's own resilient, inspiring personality has to an incalculable degree sustained the morale of the American people, and that it has much to do now with the fact that, although unemployment and the agricultural problem still present discouraging problems, the American people are not licked, but have their tails up over the dashboard. Imagine, if you can, what would be the mood of the American people today with a sourpuss, hand-wringing defeatist in the White House.
>
> Roosevelt is so close to winning that it would be a most appalling national tragedy if he should fail now. Measures which he has established to improve our democracy would be endangered, perhaps

wiped out, on the ground that no reform is worth keeping if the country cannot prosper under it—and there's sense to that attitude.

But he doesn't need to fail. In and out of the Government the best-informed persons are certain that conditions contain all of the makings of real recovery.

I wish the majority leader would not interrupt the Senator from Wisconsin. I want the Senator from Wisconsin to hear this. I think it will be good for his soul.

Mr. BARKLEY. I apologize to the Senator. I was commenting on some new parliamentary expressions we have injected into the debate.

Mr. HATCH. The Senator from Kentucky was not thinking of the expression, "tails over the dashboard"? I am sure he understands it perfectly.

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

Mr. HATCH. I yield.

Mr. WILEY. I shall be very happy to have the Senator read the last paragraph.

Mr. HATCH. I shall read it all.

Mr. WILEY. I know the distinguished Senator wants to do my soul good; but I should like to see the country done good.

Mr. HATCH. All right; just listen:

But he doesn't need to fail. In and out of the Government the best-informed persons are certain that conditions contain all of the makings of real recovery. All that is needed is a push from Roosevelt, action that will give to the capitalist and managerial group the same confidence that a large remainder of the population has—or certainly did have—in what he is trying to do.

That is the surest way to save the essential reforms that have been introduced.

This is what I wanted to direct the attention of the Senator from Wisconsin to. He is talking about things that have been done, and he has not been at all specific; but listen to this:

During a remarkably brief period Roosevelt's drive has given us Federal protection for collective bargaining—

Would the Senator from Wisconsin repeal that? No; he would not—

stock market and securities regulation—

Are those the regulations that the Senator wants to repeal? Certainly not.

minimum-wage and maximum-hour protection, social-security legislation, and development of hydroelectric power, which is working an economic revolution in a backward section of the country.

The Senator from Wisconsin does not suggest the repeal of any law which this administration has fostered. I did not hear him suggest any such thing in his remarks.

Mr. WILEY. Mr. President——

Mr. HATCH. I yield.

Mr. WILEY. Apparently my impromptu remarks have been misunderstood in some respects. I meant not in any degree to be disrespectful to the President of the United States.

Let me say that in 1933, when the President was inaugurated, I listened in to that magnificent speech, and I felt the same thrill that the rest of America felt when he said, "The only thing we have to fear is fear itself." But in answer to many of the inquiries of the distinguished Senator from New Mexico, let me say that a man who is hired to do a job and is given 7 years in which to do it is expected to do something when we spend $60,000,000,000.

We expected that the situation in which the President found the country would be remedied, because he and your party said you had the remedy. I say to you that a large percentage of the people now are waking up to the fact that you have not done the job you were hired to do—and which you said you could do. You made some contribution with the people's money; you did; and with the magnificent showmanship that you put forth you did for a time, even as the great circus man Barnum did, fool the public. Now, however, they are waking up to a realization that you cannot carry on in this way; that you cannot keep on spending yourselves further and further into debt, and thus get yourselves out of the hole; or, as I have said before, you cannot dig yourself out of a hole by digging deeper to the extent of four or five billion dollars this year. The people are beginning to realize that what should be done has not been done; and the thing I meant to say a little while ago was that the economic machine has not gotten on the main highway again under your leadership. It is sinking deeper and deeper into the mire under the guiding hand of your political and economic philosophy. In spite of our giving you all the gas you wanted, some $60,000,000,000, you still have 11,000,000 unemployed. You have spent $22,000,000,000 more than you took in. You still have a discouraged and a beaten people, but, thank God, not a people whose morale is entirely gone; it is only dormant. My idea was that we will give you credit for carrying on part of the way and doing the best you know how to do; but you have gone as far as you can, and you have not done the job with the tools we gave you with which to do it.

Mr. BARKLEY. Mr. President, will the Senator from New Mexico inquire of the Senator from Wisconsin who it was that got this machine off the highway in the beginning?

Mr. HATCH. Mr. President, I ask permission at this time to include in the RECORD the entire article to which I have referred.

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

The article is as follows:

[From the Washington Daily News]

SIX YEARS OF F. D.

(By Raymond Clapper)

Personal memo on Roosevelt:

It's been a long, hard fight, these 6 years since Roosevelt stood on the east steps of the Capitol, on a bleak day, and took over guidance of a nation that had suffered a complete nervous breakdown. I sat in the press section that day, dictating a running description of that first inaugural. Just a few moments earlier I had finished writing the advance lead on the inaugural message.

During the 6 years intervening I have seen the New Deal unfold in its early glory of great promise. I have reported its long struggle with powerfully hostile forces, seen and unseen, economic and human. I have seen it severely set back by the sudden recession in the fall of 1937. More recently I have seen its morale disintegrate until now even many Democrats themselves foresee repudiation at the next election and are anticipating a Republican President in 1941.

Through all of this time I have seen Roosevelt, sometimes up, sometimes down, now striking with the daring of genius, and again blundering into appalling errors which needlessly undermined the great work he was trying to do, playing cruelly into the hands of his enemies.

Roosevelt is the fifth President whose activities I have reported. None has been perfect, certainly not Roosevelt. Yet to me he stands as a giant of our time, for the mark of a great man is not an absence of weaknesses but an abundance of strength. And with it one great gift to the country in these times—his buoyant, good-humored confidence that on March 4, 1933, turned national despair into national courage overnight. For that gift alone the Nation should be eternally grateful.

I am convinced that Roosevelt's own resilient, inspiring personality has to an incalculable degree sustained the morale of the American people, and that it has much to do now with the fact that although unemployment and the agricultural problem still present discouraging problems, the American people are not licked but have their tails up over the dashboard. Imagine, if you can, what would be the mood of the American people today with a sour-puss hand-wringing defeatist in the White House.

Roosevelt is so close to winning that it would be a most appalling national tragedy if he should fail now. Measures which he has established to improve our democracy would be endangered, perhaps wiped out, on the ground that no reform is worth keeping if the country cannot prosper under it—and there's sense to that attitude.

But he doesn't need to fail. In and out of the Government the best-informed persons are certain that conditions contain all of the makings of real recovery. All that is needed is a push from Roosevelt, action that will give to the capitalist and managerial group the same confidence that a large remainder of the population has—or certainly did have—in what he is trying to do.

That is the surest way to save the essential reforms that have been introduced. During a remarkably brief period, Roosevelt's drive has given us Federal protection for collective bargaining, stock-market and securities regulation, minimum-wage and maximum-hour protection, social-security legislation, and development of hydroelectric power which is working an economic revolution in a backward section of the country.

Now is the time to digest these reforms, to adjust their functioning, and above all to bring back into the American team the private entrepreneur group which in the long run is the most potent economic sparkplug in a private capitalist system. Roosevelt will prove his own worst enemy if he fails to take this last step toward consolidating his monumental work.

I once described Roosevelt as a living symbol of democracy who is trying to subdue the ugly facts of society to some more rational scheme of things, who wants to bring about in his time a world which shall venture some few paces on into the vistas of hope which science and man's ingenuity have opened to us.

He has the stuff to make the grade, more of it than anybody I have seen in the White House, and I hope he makes it.

Mr. HATCH. Mr. President, I do not want to take further time, but I desire to ask the Senator from Wisconsin this question: He says we spent $60,000,000,000. Is the country worth $60,000,000,000?

Mr. WILEY. That begs the question. Have you done the job?

Mr. HATCH. Is your country worth $60,000,000,000?

Mr. WILEY. I say to the Senator, that begs the question. You promised to cure the patient, and the patient is running a terrible fever.

Mr. HATCH. Is your democracy worth $60,000,000,000?

Mr. WILEY. I say, the Senator begs the question.

Mr. HATCH. The Senator from Wisconsin refuses to answer—why, I do not know, because this country is worth $60,000,000,000 to me. This form of government is worth $60,000,000,000 if we can measure democracy in this country in terms of dollars and cents.

What I am saying to the Senator from Wisconsin is that throughout the years of Republican administration prior to March 4, 1933, America was gone. Every institution that you prized most highly, and about which you talked so loudly, was down in the depths. Free government itself was hanging in the balance in this country on March 4, 1933. Franklin D. Roosevelt and the Democratic Party saved the country, and saved free government here. There is not any argument on that point, and, regardless of what the Senator thinks, I think it is worth $60,000,000,000 or any other sum. When the Senator stands on the floor of the United States Senate and says it is not, and says it has all been wrong and must be corrected, let him put his finger on what is wrong and what he would do to correct it.

Mr. WILEY. Mr. President, the distinguished Senator has now, I think, fallen to the level to which he claims I fell in being prejudiced or biased. Even his great President recognizes that the so-called financial debacle in 1929–32 was not the result of the actions of the Republican Party or any other party. It was the result of world conditions.

The President has so stated in his speeches of late, especially after we had another "recession" for which you people would not claim any credit.

I mean to call no names or indulge in personalities. The issue is bigger than that.

However, the people are awake as never before. They remember the beautiful promises made and they are awake to the lack of performance. They remember the lack of cooperation given the Republican President in time of national distress after 1929 by your party and the "paintbrush methods" used by your party during the campaign of 1932. "Chickens will come home to roost."

ANSWERING THE SENATOR'S QUESTION

Is this country worth $60,000,000,000? Well, if you think you can measure this country in terms of dollars, that is a new Democratic policy. We Republicans do not believe that you can. You have built everything on a money consideration. Perhaps that is why you have failed. We think this country is greater than all the dollars and all the money wealth you can add together. We are trying to see that the real values of democracy obtain and live; I mean the morale of a people; the great dynamic values of the Bill of Rights and they are some of the things that are now imperiled; that now are being jeopardized, by pursuing some of these economic and political policies that have gotten us nowhere except up blind alleys.

The hour is late. I shall be glad to continue this argument at another time.

Mr. BARKLEY. Mr. President, in this connection it may be interesting to call attention to some figures showing the percentage of government expenditures in this country in proportion to total income from 1890 down to 1938, including all expenditures of government, Federal, State, and local.

In 1890 the amount represented 8.2 percent of the total realized income of the people. That percentage of expenditure out of total income increased until 1932, the last year of Mr. Hoover's administration, when it amounted to 37.1 percent of the total income of the American people.

From 1932 to 1937, inclusive, the percentage decreased from 36.1 percent to 31.2 percent under the administration of Mr. Roosevelt. That represents the total percentage of all governmental expenditures, Federal, State, and local, in comparison to total income. The percentage for 1938 was 35 percent even, which was 1.1 percent less than the percentage for 1932, notwithstanding all that is complained of in regard to the expenditure of Federal money out of the Treasury of the United States for recovery purposes.

The total income of the American people dropped in 1938, probably very largely because of the drastic curtailment of Federal expenditures. Although the total amount of money expended by all government declined from $17,150,000,000 in 1937 to $16,600,000,000 in 1938, because of the drop in national income, the percentage of all government expenditures for that year was 35 percent of the total realized income.

So, notwithstanding all this terrific onslaught against the Federal Government for its expenditures, when we consider the amount of money spent in this country for all sorts of government, it has declined in proportion to income since the year 1932 and since the 4th of March 1933.

I ask unanimous consent to have printed at this point in the RECORD the table to which I have referred, taken from the New York Mirror of the 16th day of June 1939, showing the percentage each year from 1890 to 1938, inclusive.

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

The table is as follows:

WHEN HOOVER TOPPED F. D.

United States Government spent bigger share of national income in 1932, Hoover's last year, than any year since.

Total Government expenditures compared with realized private national income

Year	Government expenditures [1]	National income [2]	Percent
1890	$855,000,000	$10,400,000,000	8.2
1903	1,570,000,000	17,691,000,000	8.9
1913	2,919,000,000	28,391,000,000	10.3
1923	8,918,000,000	57,213,000,000	15.6
1928	11,077,000,000	65,653,000,000	16.9
1929	11,709,000,000	68,872,000,000	17.0
1930	12,037,000,000	61,968,000,000	19.4
1931	12,479,000,000	50,066,000,000	24.9
1932	13,417,000,000	37,132,000,000	36.1
1933	12,232,000,000	35,074,000,000	34.9
1934	14,449,000,000	40,205,000,000	35.9
1935	14,931,000,000	44,037,000,000	33.9
1936	17,047,000,000	49,852,000,000	34.2
1937	17,150,000,000	54,959,000,000	31.2
1938	16,600,000,000	47,468,000,000	35.0

[1] Aggregate of Federal, State, and local governments.
[2] Estimates of the National Industrial Conference Board.

Believe it or not, in 1932, before the New Deal started on its spending spree, Federal, State, and local governments spent 36.1 percent of the realized private national income. The highest proportion since then was 35.0 percent in 1938. Charts reprinted from the special New York issue, honoring the King's visit, of the London Times.

APPROPRIATIONS FOR CIVIL FUNCTIONS OF THE WAR DEPARTMENT

The PRESIDENT pro tempore laid before the Senate a message from the House of Representatives announcing its action on certain amendments of the Senate to House bill 6260, which was read, as follows:

IN THE HOUSE OF REPRESENTATIVES,
June 20, 1939.

Resolved, That the House recede from its disagreement to the amendments of the Senate numbered 5 and 7 to the bill (H. R. 6260) making appropriations for the fiscal year ending June 30, 1940, for civil functions administered by the War Department, and for other purposes, and concur therein; and

That the House recede from its disagreement to the amendment of the Senate numbered 6 to said bill and concur therein with an amendment, as follows:

In lieu of the matter inserted by said amendment, insert a colon and *"Provided further*, That the conditions of local cooperation for the Memphis, Tenn., flood-control project, authorized by the Flood Control Act approved August 28, 1937, shall be so modified (without increasing the total estimated construction cost of the project) that the cost of providing pumping stations and outlet works for interior drainage shall be borne by the United States, all in accordance with the plans to be approved by the Chief of Engineers."

Mr. THOMAS of Oklahoma. Mr. President, the House agreed to the Senate action with an amendment to one item of the Senate. This item had to do with the authorization for the construction of a flood-control project at Memphis. The plan for the construction of the project has been somewhat changed, and the amendment placed in the bill by the House, to which we are asked to agree, provides that the total cost under the present plan cannot be greater than the cost of the construction of the project under the old plan. I move that the Senate concur in the amendment of the House to the amendment of the Senate numbered 6.

The motion was agreed to.

OKIE MAY FEGLEY

The PRESIDENT pro tempore laid before the Senate the action of the House of Representatives disagreeing to the amendment of the Senate to the bill (H. R. 875) for the relief of Okie May Fegley, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. LOGAN. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. ELLENDER, Mr. SCHWARTZ, and Mr. TOWNSEND conferees on the part of the Senate.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting two nominations of district judges, which were referred to the Committee on the Judiciary.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The PRESIDENT pro tempore (Mr. PITTMAN), as chairman of the Committee on Foreign Relations, from that committee reported favorably, without reservation, Executive B, Seventy-fourth Congress, second session, a general treaty between the United States of America and the Republic of Panama, signed at Washington on March 2, 1936, and submitted a report (Exec. Rept. No. 5) thereon.

Mr. WHEELER, from the Committee on Interstate Commerce, reported favorably the nomination of Leland Olds, of New York, to be a member of the Federal Power Commission for the term expiring June 22, 1944.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nomination of sundry postmasters.

The PRESIDENT pro tempore. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will proceed to state the nominations on the calendar.

THE JUDICIARY

The legislative clerk read the nomination of William S. Boyle, of Nevada, to be United States attorney for the district of Nevada, which had been adversely reported.

Mr. BARKLEY. Let the first nomination go over.

The PRESIDENT pro tempore. The nomination will be passed over.

LIBRARY OF CONGRESS

The legislative clerk read the nomination of Archibald MacLeish to be Librarian of Congress.

Mr. AUSTIN. Mr. President, I suppose that nomination goes over under the rule, does it not?

Mr. BARKLEY. No; it does not go over under the rule.

Mr. AUSTIN. Then I suggest that it go over.

The PRESIDENT pro tempore. Is there objection?

Mr. BARKLEY. If there is any good reason why it should go over——

Mr. AUSTIN. Oh, yes; there is very good reason. In the first place, we have arrived at the time of day when I feel sure it would be quite impossible to get a quorum within a reasonable time; and we certainly would not consider this nomination without a quorum call, for I think every Senator knows that it will require long and careful consideration and debate.

Mr. BARKLEY. Of course, I have not any desire to precipitate a long or even a careful debate on the nomination at this hour.

Mr. AUSTIN. I think it would be much more fruitful than some of the debate we have been conducting during the past hour or two.

Mr. BARKLEY. I am not willing to cast any aspersion on the able speech of the Senator from Wisconsin. [Laughter.]

Mr. AUSTIN. I was not referring to the speech of the Senator from Wisconsin.

Mr. BARKLEY. Let the nomination go over.

The PRESIDENT pro tempore. The nomination will be passed over.

COLLECTOR OF CUSTOMS

The legislative clerk read the nomination of James L. Travers to be collector of customs for customs collection district No. 36, with headquarters at Duluth, Minn.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

DEPARTMENT OF THE NAVY

The legislative clerk read the nomination of Rear Admiral Harold R. Stark to be Chief of Naval Operations with the rank of admiral.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters be confirmed en bloc.

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

IN THE NAVY

The legislative clerk proceeded to read sundry nominations in the Navy.

Mr. BARKLEY. I make the same request regarding nominations in the Navy.

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

That concludes the calendar.

ADJOURNMENT

Mr. BARKLEY. As in legislative session, I move that the Senate adjourn.

The motion was agreed to; and (at 5 o'clock and 50 minutes p. m.) the Senate adjourned until tomorrow, Thursday, June 22, 1939, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate June 21 (legislative day of June 15), 1939

UNITED STATES DISTRICT JUDGES

F. Ryan Duffy, of Wisconsin, to be United States district judge for the eastern district of Wisconsin, vice Hon. Ferdinand A. Geiger, retired.

Martin I. Welsh to be United States district judge for the northern district of California, to fill a position created by the act of Congress of May 31, 1938.

CONFIRMATIONS

Executive nominations confirmed by the Senate June 21 (legislative day of June 15), 1939

COLLECTOR OF CUSTOMS

James L. Travers to be collector of customs for customs collection district No. 36, with headquarters at Duluth, Minn.

APPOINTMENT IN THE NAVY

Rear Admiral Harold R. Stark to be Chief of Naval Operations with the rank of admiral.

PROMOTIONS IN THE NAVY

TO BE CAPTAIN

Wadleigh Capehart.

TO BE COMMANDERS

Miles P. Duval
Daniel M. McGurl
Giles E. Short
Staley H. Gambrill

TO BE LIEUTENANT COMMANDERS

John P. Cromwell
Forrest Close
Preston V. Mercer
Robert Goldthwaite
Jack B. Williams
Wilkie H. Brereton
William M. Cole
Hallsted L. Hopping
Maurice M. Bradley
Lester K. Rice
Stephen G. Barchet
William P. Tammany
Shirley Y. Cutler
Rae E. Arison
Bob O. Mathews
Ephraim R. McLean, Jr.
Walter V. R. Vieweg
Richard F. Stout
Willford M. Hyman
Bernard L. Austin
Joseph M. P. Wright
John N. Opie, 3d.
Aurelius B. Vosseller
Clifford A. Fines
Albert Handly
Frank W. MacDonald
Warren W. Harvey
Edward W. Rawlins
Gordon M. Stoddard
Willis E. Cleaves

TO BE ASSISTANT NAVAL CONSTRUCTORS

Howard Z. Senif
William F. Petrovic
James A. Brown
Dale F. Pinkerton
Frederic A. Chenault
James H. Terry, Jr.
John B. Rawlings
Henry A. Arnold

TO BE ASSISTANT CIVIL ENGINEERS

Clement E. Langlois
James A. Coddington
Kenneth C. Lovell

POSTMASTERS

ILLINOIS

Ralph McLaughlin, Baylis.
Anthony J. Lagod, Blue Island.
Frank W. Clark, Brimfield.
Claude H. Rendleman, Cobden.
Louis J. Albrecht, Dolton.
George A. Wall, Elizabethtown.
Charles H. Greenwood, Flora.
George H. Henken, Germantown.
Fred C. Hall, Griggsville.
Glenn M. Poorman, Humboldt.
George G. Vaughan, Hurst.
Floyd E. Keller, Jonesboro.
Frank J. Zipprich, Kampsville.
Clair T. Carney, Marengo.
Fred D. Hatter, Millstadt.
Leslie J. Smith, Mount Auburn.
Wales S. Stamper, Olympia Fields.
Amiel J. Toelle, Orland Park.
Earl McVicker, Oswego.
Margaret Bradbury, Perry.
Hallie Weir, Pleasant Hill.
John S. Browning, Royalton.
Burleigh A. Murray, Sesser.
Aaron McLain Akin, Thompsonville.

MISSISSIPPI

Mary A. Morris, Coahoma.
Jefferson D. Fogg, Hernando.
Charles P. Mallett, Laurel.
Lee D. Fulmer, Lumberton.

NEBRASKA

Naomi G. Fackler, Burwell.

NEW JERSEY

Edwin Case, Flemington.
Mary Alice Mahony, Haworth.
Margaret Dualsky, Montvale.
James H. Norman, Newfoundland.

OREGON

Frank DeSouza, Medford.
Alonzo I. Hodges, Merrill.
Frederick B. Hollister, North Bend.
Ralph B. Bennett, The Dalles.

HOUSE OF REPRESENTATIVES

WEDNESDAY, JUNE 21, 1939

The House met at 12 o'clock noon.

Dr. G. Ellis Williams, district superintendent of the Washington district of the Methodist Church, Washington, D. C., offered the following prayer:

O God, our refuge and strength, who orderest all things in heaven and earth, look down in mercy upon us as a nation. We seek Thy forgiveness wherein we have strayed from the path of rectitude and duty. Let Thy favor rest upon Thy servants, our President, the Congress, and all who are in authority. Give unto them the spirit of wisdom and understanding; so dominate them that law and order, justice and peace may abide everywhere.

Make our Nation strong and great in the favor of God, and so bless us that we may become a blessing to all nations. We ask it in the name of Christ our Saviour. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate further insists upon its amendments Nos. 1, 14, and 15 to the bill H. R. 5427, entitled "An act making appropriations for the Labor Department for the fiscal year ending June 30, 1940, and for other purposes," disagreed to by the House; requests a further conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. McKellar, Mr. Russell, Mr. McCarran, Mr. Bankhead, Mr. Lodge, and Mr. Bridges to be the conferees on the part of the Senate.

PERMISSION TO ADDRESS THE HOUSE

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

[Mr. Robertson addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mr. Robertson asked and was given permission to revise and extend his remarks and to include therein certain tables.

Mr. Leavy and Mr. Fulmer asked and were given permission to extend their remarks in the Record.

Mr. THOMAS of New Jersey. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include therein a radio address made by me.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. GRISWOLD. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include certain letters in regard to water transportation.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. ANGELL. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

[Mr. ANGELL addressed the House. His remarks appear in the Appendix.]

Mr. ANGELL asked and was given permission to extend his remarks and to include certain tables and short quotations.

EXTENSION OF REMARKS

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent that I may extend the remarks I expect to make in the Committee of the Whole on the supplemental military appropriation bill and to include certain cost estimates from Dr. Clark B. Millikan and a letter signed by five aircraft manufacturers.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. SCHIFFLER. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein a copy of a letter received from the Honorable Carl Bachmann, a former Member of the House, by the Honorable HAMILTON FISH.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. IZAC. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein certain editorials on neutrality.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ALLEN of Pennsylvania. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

SUPPLEMENTAL MILITARY ESTABLISHMENT APPROPRIATION BILL, 1940

Mr. SNYDER. 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. 6791) making additional appropriations for the Military Establishment for the fiscal year ending June 30, 1940, and for other purposes; and pending that, I ask the gentleman from New Jersey [Mr. POWERS] whether we can agree upon the time for general debate? I suggest that we take 3 hours for general debate and confine the debate to the bill. Is that satisfactory?

Mr. POWERS. Mr. Speaker, I have requests for an hour and a half of time, debate to be confined to the bill. If no further requests come to me, of course, the gentleman's suggestion will be satisfactory. I am wondering, if someone else wants some time on my side of the House, what I would do about it.

Mr. SNYDER. I have not requests for all of my time, and I would be glad to give some of it to the gentleman from New Jersey.

Mr. POWERS. I suggest to the gentleman—and I know it is a rather unusual suggestion—that he give me 2 hours of time and take 1 hour himself.

Mr. SNYDER. I would be very glad, Mr. Speaker, to give the gentleman 1 hour and 45 minutes.

Mr. POWERS. That will be satisfactory.

The SPEAKER. The gentleman from Pennsylvania moves 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. 6791. Pending that, he asks unanimous consent that general debate, to be confined to the bill, be limited to 3 hours, 1 hour and 15 minutes of which to be controlled by himself and an hour and 45 minutes of the time to be controlled by the gentleman from New Jersey. Is there objection?

Mr. RICH. Mr. Speaker, I reserve the right to object to ask the gentleman a question about the $50,000,000 item for airplanes. That is an item that might have been omitted from the War Department appropriation bill. I would ask if there are any other items for war that might have been omitted from these appropriation bills by the administration because of the fact that we have now made within this year the greatest preparation for war that we have ever made in the history of the Nation.

Mr. SNYDER. I would just reverse the statement of the gentleman and say that we have made the greatest preparations for continuous peace that we have ever made in this country for the last half century.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The SPEAKER. The question is on the motion of the gentleman from Pennsylvania 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. 6791.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 6791, with Mr. BLAND in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. SNYDER. Mr. Chairman, I yield 20 minutes to myself. This bill represents the last installment of the defense program advocated by the President in his message of last January 12.

A part of that program did not require legislation, and those parts were taken care of in the regular appropriation bill for 1940 and in the second deficiency bill, 1939.

The other phases needed legislation, wholly or in part, and all were held in abeyance until such legislation was enacted. The authorization act was approved April 3, 1939.

Heretofore, as a part of the program, we have provided $30,494,012 in cash and $19,505,988 in contractual authority for the procurement of airplanes, 565, and we have provided $69,738,988 in cash and $46,801,000 in contractual authority for so-called critical items and seacoast defense projects. That makes a total of $100,232,299 in cash and $66,306,988 in contractual authority, or a grand total of $166,539,287.

The bill now before you involves three propositions, namely, educational orders, Air Corps expansion, and expansion of the garrison in the Panama Canal Zone. I shall take up each one separately. The three together call for a cash appropriation of $239,002,500 and contractual authority of $74,497,500. We have not disturbed the contractual authority, but as to the cash amount we have effected a net reduction of $16,804,453.

EDUCATIONAL ORDERS

I shall take up the educational order proposition first. The recently enacted defense legislation authorizes an appropriation of $34,500,000 for the 3 fiscal years 1939, 1940, and 1941, and $2,000,000 per annum for each of the next succeeding 4 fiscal years. We had before us an estimate of $32,500,000, all to be made available at once. Under a former act $2,000,000 was provided for the current fiscal year and the recently enacted War Department appropriation bill for 1940 includes another $2,000,000. Therefore $4,000,000 already has been made available of the $34,500,000 authorized to be appropriated for 1939, 1940, and 1941. That leaves $30,500,000, and we decided that we would not recommend the appropriation of that entire amount at one time. By allowing $14,250,000 now, which we are proposing, there will be available during 1940, including the money in the regular bill, $16,250,000. The appropriation of the remaining $16,250,000 we felt should go over for consideration next year.

This money is used for educating or training commercial establishments in the production of items which the Government arsenals would be incapable of producing or fabricating in sufficient quantities in event of national emergency.

AIR CORPS EXPANSION

The major proposition before us is one designed to bring the airplane strength of the Army up to 5,500 serviceable airplanes. The authorized strength is 6,000 airplanes. Prior to this year the objective had been 2,320 planes. The present proposal calls for 2,290 planes for the Regular Army and 177 planes for the National Guard, a total of 2,467. That number, plus the 784 planes provided for in the regular War Department bill, will give us approximately 5,500 planes by the end of June 1941.

The Army says that of the 5,500 planes, it will not have in operation more than 3,337 planes. The other 2,163 will be held inactive to replace planes undergoing overhaul, and, in the event of an emergency, to fill casualty gaps until industry can get into full swing.

I may say that a restudy of our defense requirements, which takes into account all possible enemy approaches and the effective range of aircraft, calls for the establishment of a new base in Puerto Rico and in Alaska, of larger establishments in Panama and Hawaii, and of new bases in the northeastern and southeastern areas of the United States. These needs are responsible for going beyond the former 2,320 objective.

Of course, additional planes mean additional personnel, and the two mean extensive additional ground accommodations, not alone at the proposed new establishments but at existing establishments, which will be expanded to the extent practicable without creating congestion in the air for operating planes based on such establishments.

For the program in its entirety the Budget asks for a cash appropriation of $185,440,000 and contractual authority of $64,560,000—$250,000,000 all told. With the $50,000,000 already provided, that would carry out fully the President's recommendation in his defense message.

The amount for planes alone is $120,000,000. The amount for housing and Air Corps technical construction is $62,000,000. The amount for personnel is $15,691,000, and the remainder covers a multitude of collateral expenses. The amount for construction will not pay the whole cost. We are advised that it will need to be supplemented by about $23,000,000. Neither will the construction money provide permanent barracks at all places nor housing for all the planes. Except in Alaska, Hawaii, and the Canal Zone, and small barracks at two new depots, all barracks construction will be of a temporary character. It is not the plan at any time to provide housing for all planes because of their metal construction.

The incidental personnel expansion calls for 31,256 additional enlisted men, 311 additional officers, and 140 Reserve officers on extended active duty. Additional Regular and Reserve flying officers will need to be provided later as the new operating planes become available. This demand will be met very largely by expanding flying-cadet training, which will necessitate the employment of civilian aviation training schools. Civilian schools also will have to be depended upon, in part, to train enlisted men as mechanics and radiomen.

I think that presents to you the salient features of the Air Corps proposal.

Now, I want to say to you that the subcommittee was not a unit on going along with the program in its entirety. There was a divided opinion that procurement should be deferred of the number of planes which would be in excess of the operating number until some future time. Frankly I was against that course. However, we have brought to you a compromise arrangement.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. SNYDER. Yes.

Mrs. ROGERS of Massachusetts. Have the sites been selected for the huge airports to be established all over the country? I have a very fine site at Fort Devens, in my district, which has a great many advantages.

Mr. SNYDER. Mr. Chairman, I anticipated the gentlewoman was going to ask some such question, and I am very glad to give her the opportunity to do so. The War Department informs me that they have not been selected.

Mrs. ROGERS of Massachusetts. I hope the gentleman will realize what a fine site that is and use his influence.

Mr. SNYDER. I have visited Fort Devens and I acknowledge that you have a very splendid site there.

Of the additional 2,290 planes for the Regular Army, 1,007 of them, we have been told, will be needed to balance the force of planes to be operated; that is, have a proper type distribution. Merely the difference, or 1,283 planes, would be placed in the nonoperating category. We are proposing, therefore, to provide for the procurement of 1,007 planes unconditionally, and, as to the 1,283, we make their procurement conditional upon the President deciding that all or any part of them are needed in the interests of national defense. You will find the provision on page 10 of the bill, commencing in line 11. Should the President decide that all or any portion of the 1,283 planes are needed, the money and contractual authority are in the bill for their procurement.

Mr. POWERS. Mr. Chairman, will the gentleman yield?

Mr. SNYDER. Yes.

Mr. POWERS. The gentleman says that we are providing money for 1,283 planes in reserve, and that it will be within the discretion of the President to spend those funds when he thinks an emergency arises.

Mr. SNYDER. Yes.

Mr. POWERS. But the committee report definitely states that the committee questions the wisdom of proceeding with the immediate procurement of at least 1,283 planes. If the committee questions the wisdom of that procedure, why should we supply the money in this bill? Why not cut the entire program down by 1,283 planes and then go ahead and use the planes that we are buying now?

Mr. SNYDER. I might say to the gentleman from New Jersey that one good reason for leaving the money in the bill would be that a military need or emergency might arise for the additional 1,283 planes, and Congress might not be in session, and the President would have authority to go ahead and order the planes constructed.

Mr. POWERS. The gentleman certainly does not see any immediate emergency?

Mr. SNYDER. I cannot say. World conditions do not look good to me.

Mr. POWERS. Oh, the gentleman cannot believe that.

Mr. SNYDER. Oh, yes. They look as bad to me today as at any time during the last 3 years.

Mr. POWERS. I do not know where the gentleman is looking, but if the gentleman will really examine the situation he will find that our internal situation is far worse than anything we can expect from the outside. Now, the gentleman certainly is not telling the Committee that we ought to provide money for 1,283 planes to have in reserve, when the gentleman knows that planes become obsolete and obsolescent very quickly. I cannot understand it. Now, who appeared before our committee, who told us there is any immediate emergency? I think this entire thing is nothing but a bubble, and I think the bubble has broken. I may say to the gentleman about national defense, "What crimes have been committed in thy name." [Applause.]

Mr. SNYDER. It is my opinion that the proposition of putting the procurement of these planes in the hands of the President is a very safe and sane one.

Mr. TABER. Will the gentleman yield for a question?

Mr. SNYDER. I yield.

Mr. TABER. Does not the gentleman feel that it is up to the Congress to do the appropriating, and that we should not appropriate until the time comes somewhere near using the money? It seems to me that when the need for appropriating is so slight that we feel we must provide that a certain amount of money should be available, with the President exercising some discretion, that the Congress might very well wait a few months, as long as Congress is still in session, and exercise the discretion itself? What does the gentleman think about that?

Mr. SNYDER. My thought is that it is altogether appropriate that we should appropriate this money and leave its expenditure at the discretion of the President.

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. SNYDER. I yield.

Mr. TERRY. Is it not also true that by giving authorizations now, in addition to the appropriations, we save money, as is so ardently desired by the gentlemen on the other side, by letting the contracts now, and in that way reduce the cost of these planes and other materials?

Mr. SNYDER. That is right.

Mr. CASE of South Dakota. Will the gentleman yield?

Mr. SNYDER. I should prefer not to at this time.

As to having a surplus of planes, that is, a surplus over operating planes, let me say that we provide a surplus of every kind of military equipment in excess of that which would be used by the regular forces of the best types available at the time of procurement irrespective of what foreign governments might be using. We pursued that course as recently as the last deficiency bill, approved the 2d of last month, in which $110,000,000 was carried to buy a variety of so-called critical items which it would take us a long time to get should an emergency arise. If that course were not followed we should find ourselves, in the event of emergency, with no equipment for the additional personnel which would be immediately recruited. We have military equipment in the development stage all the time and the same is true of airplanes. If we should wait for something better on the horizon we never would have a reasonable quantity of equipment of any kind actually on hand. If we are going to fold our hands and wait for everything that looks promising in the drawing-board stage or the wind-tunnel model stage, we shall always have a paper air force. It is because a waiting policy with respect to airplanes has been pursued in the past that neither the Army nor the Navy has ever been in possession of the full number of airplanes authorized for each service.

If our military experts tell us that we need to have on hand 5,500 planes to insure a reasonable initial measure of air defense, personally, in this day and age, when, as the President said in his message, "There is a new range and speed to offense," I should hesitate to proceed contrary to such advice. Every military expert from the Chief of Staff down who appeared before the committee endorsed this 5,500-plane program. The greatest civil pilot of all time, Col. Charles A. Lindbergh, has endorsed it.

However, as I have previously indicated, we leave to the President the determination of whether or not the full number shall be ordered now or sometime between now and June 30, 1940.

I am not disposed to give much weight to the contention that immediate orders would result in production of planes inferior to comparable types being built abroad. I have great faith in our National Advisory Committee for Aeronautics and in our aeronautical engineers identified with industry and with the armed services, and no one can say before orders for these planes are placed or their fabrication actually commences that an improvement, a change of one kind or another, or the introduction of some new feature will not mean a product the equal of or superior to any comparable plane in use or being built abroad.

During the course of his testimony Mr. Secretary Woodring stated to the committee:

> I do not believe we are going to have obsolete planes. During the period of production, continuous improvements in the design of planes and in equipment will be incorporated by the manufacturers through the medium of change orders. As a result, I believe every advantage will be taken to keep production in step with current improvements.

I should also like to quote from the testimony of General Arnold, the Chief of the Army Air Corps, bearing upon delayed production. General Arnold said:

> All we have to do is to have pursuit planes that are faster than any bombers that might be brought against us. If we have pursuit planes that are fast enough to go against bombers that may be brought against us, then we have accomplished our purpose. In Europe they have a different proposition. There it is pursuit against pursuit. We are building up a defensive force with ships that are much better than their bombers.

The General, I submit, makes a very forceful and persuasive point there and it ties in with Mr. Woodring's statement to the committee that—

> The program is a measure of preparedness against any eventuality, a well-rounded defense program that permits America to speak with authority for peace and should be authorized and started immediately.

Now, I wish to say to you that while this program is going forward we shall not be marking time upon research, both applied and fundamental. The latter may not help this particular program, but the former is being availed of every day. We have added $2,000,000 to the aviation estimate for experimental and research activities. The estimate includes $3,000,000, and $5,000,000 was carried in the regular bill for 1940. The total availability, therefore, will be $10,000,000. In addition to that the Navy will have $9,000,000 next year, and, of course, the industry itself spends large amounts upon research and development. The airplane manufacturing companies spent well over $12,000,000 in their own research plants during the fiscal year 1938.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. SNYDER. Mr. Chairman, I yield myself 10 additional minutes.

EXPANSION OF PANAMA GARRISON

Mr. Chairman, the third and final project has to do with manning our coast artillery weapons in Panama. We have been building up our seacoast defenses on the Isthmus, fixed and mobile; we have provided ammunition storage facilities, and have provided for the ammunition, and now we are asked to provide a part of the manpower.

General Craig told us that Panama "is the keystone in the defense of the Western Hemisphere and must be made impregnable," and yet we have less than half of the manpower in Panama to man the defenses under the cognizance of coast artillery.

The estimate calls for increasing the present coast artillery garrison by 6,400 enlisted men, which carries with it an increase of 960 men in other branches. This would allow a minimum manning detail of one relief only.

Of course, the proposition calls for the provision of additional quarters at existing and new posts, which makes the initial expense quite large. The housing cost is a matter of $23,400,000. The personnel will not be recruited until late in the fiscal year; so the cost for and on account of personnel during 1940 will run around $3,600,000. The normal annual total cost has been estimated to be $8,324,267.

Seacoast fortifications, fixed and mobile, for defense against surface craft, occupy an important place in defense plans. Neither the fleet nor air forces may be relied upon for a full measure of protection. The presence of effective weapons at strategic places ashore affords defense from sea attack in the absence of the fleet or units thereof and during the prevalence of weather of a nature in which aircraft are of little or no value. Their presence, also, frees mobile land, sea, and air forces for the performance of their regular missions. Such weapons, however, have no value if not kept in condition and manned by skilled gun crews.

You may hear it argued that these guns are useless because they have never been fired. The purpose of building up our national defense, whether it be seacoast guns, infantry, air, Navy, or other elements, is to make it highly improbable that any of them ever will be used. I believe it has been that thought, more than any other consideration, which has made the Congress so thoroughly responsive to the defense measures of the present administration. It is that thought and solely that thought which leads me to urge you to support the bill which we present. [Applause.]

In conclusion, Mr. Chairman, I wish to say to the Committee that in weighing all of the evidence bearing upon this entire program—first the earlier appropriation of $50,000,000 for the procurement of 565 airplanes, then the $110,000,000

for "critical" items of equipment, and now this last increment of the entire program, one is forced to the conclusion that the entire program is essential and should be provided in its entirety in the interest of a well-ordered and balanced program of military defense preparation. [Applause.]

[Here the gavel fell.]

Mr. POWERS. Mr. Chairman, I yield 40 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, duty sometimes imposes upon us unpleasant tasks. It is such an unpleasant task that I have to perform this afternoon. I believe in adequate national defense. As some of you know, I served 27 months during the World War, including 23 months in France and in Germany. I was one of 2,000,000 men who were sent to France totally unprepared and with absolutely no training as a soldier. No one realizes better than I the need for adequate national defense.

However, I maintain that this bill does not provide for adequate national defense. I want to discuss it fairly and frankly and call to the attention of the House certain objections which I believe are vital. This bill was not carefully planned. It was not based upon a careful examination of the requirements of this country. The most amazing thing about it is that the President determined first how much he was going to spend and then asked the War Department how they were going to spend it.

BUDGET FIGURES NOT BASED UPON WAR DEPARTMENT ESTIMATES

I was amazed to learn that the recommendation of the President to spend $525,000,000—of which approximately $210,000,000, now increased to $383,000,000, was to be spent at once—was approved by the Budget Director and sent to Congress by the President before the War Department had approved one item.

In commenting upon the fact that the total cash outlay of this program in 1940 would be more than $383,000,000, or $173,000,000 more than the President said he would request for expenditure prior to the close of the fiscal year in 1940, Chairman SNYDER, of the subcommittee, asked General Craig:

> There must be a reason for such a wide disparity between the original estimated expenditure figures and the amounts subsequently determined upon. The President's $210,000,000 must have been based upon figures supplied to him by the War Department. Will you indicate the break-down of the figures supplied by the War Department which were used in arriving at that amount?

To the amazement and surprise of everyone on the committee, General Craig, the Chief of Staff, answered, in part:

> The statement as to the predicted withdrawals from the Treasury in the fiscal year 1940 was presumably based upon a tentative estimate by the Bureau of the Budget.

Then he added:

> Prior to the submission of the President's message no data as to rates of expenditure were submitted by the War Department.

Mr. SNYDER then asked General Craig:

> The War Department did not submit estimates to the Bureau of the Budget for the $210,000,000?

General Craig answered:

> To the best of my knowledge, they did not, sir.

The War Department could furnish no such break-down.

The following testimony was given before the committee, but was deleted and not included in the printed testimony:

> Mr. COLLINS. Where did the President get the figure of $210,000,000 that is going to be expended this fiscal year?
> General CRAIG. I do not know, sir.
> Mr. COLLINS. He did not get it from you?
> Colonel LOUGHRY. I surmise that it was the estimate of the Bureau of the Budget, because we furnished no figures.
> Mr. COLLINS. Who gave the estimate to the Bureau of the Budget?
> General CRAIG. The War Department did not.

This is the most amazing testimony given before the congressional Appropriations Subcommittee in my experience. Heretofore the estimates of the Budget Bureau submitted to the Appropriations Committee were first justified by the Department asking for the appropriation before submitted to Congress. The amounts recommended were based upon the minimum needs of the Department asking for the appropriation. Heretofore the War Department has always justified before the Budget Director the need for each item, with a specific statement as to what each dollar would be spent for, before it was approved by the Budget Director. We are here apparently adopting a new policy—a W. P. A. policy of spending. The President tells Congress that "the survey indicates that approximately $450,000,000 should be allocated for the new needs of the Army," without determining what those needs are. He tells the War Department, in effect:

> We are going to spend $450,000,000 on the Army. You allocate it.

The statement of General Craig that the War Department did not submit estimates to the Bureau of the Budget for the first $210,000,000, nor for the $383,000,000—in fact, for any part of the appropriation—is not conducive to the wise expenditure of Federal moneys.

On February 8, 1938, Major General Westover, then Chief of the Air Corps, testified before our committee—page 418—as follows:

> The present Army Air Corps program is a result of such careful analysis and represents the decision of a well integrated and representative group of leaders called together by the President for the sole purpose of inquiring into our aerial defense measures from the standpoint of organization, personnel, and matériel, and to make recommendations concerning those factors. The completion of this program is set for June 30, 1940, and all efforts during the past several years have been directed toward that end.

There was no such careful analysis by the War Department prior to the approval by the Budget Bureau.

Again, he said:

> The completion of our program will result in a balanced force which should give the Nation a feeling of security as far as the mission of the air arm is concerned, and will give that arm a feeling of readiness to accomplish that mission should the occasion arise.

I am satisfied from the testimony that when General Westover made that statement, he had all the information as to German progress in aviation that the War Department had at the time of the Munich Conference in September.

Also, on February 8, 1938, General Westover told us—using his own language—that "2,320 planes would be adequate for our National Defense."

The testimony further shows that in June 1938—3 months later—the War Department had plans, according to General Arnold's statement, for 12,000 planes, later he said 10,000 planes, and the record finally said 7,000 planes.

I questioned General Arnold, the Secretary of War, and every officer I could to learn just what had transpired between February and June that made the War Department change their statement so drastically and claim that in June we needed not 2,320 planes but 10,000 planes to adequately defend ourselves from foreign aggression. I received no satisfactory reply. The only thing that I could see that transpired between those two dates was the enactment of a law authorizing more than $1,000,000,000 for naval construction. It is a significant fact that this bill was signed by the President on May 17, 1938, and in June the War Department was making plans for some 7,000 to 12,000 planes. This all occurred 3 months before the conference at Munich, resulting in the rape of Czechoslovakia. The conference at Munich in September, together with propaganda broadcast throughout the country, created a psychology of fear throughout this country, and in the language of General Arnold in a statement to me off the record, "the psychological time had arrived for putting across this program."

PROPAGANDA

The American people received their first information as to the need of an augmented National Defense after the Munich Conference between England, France, and Germany in September of last year. I have never seen such a mass of propaganda sent out to the American people as has been broadcast in various ways since that conference. Congress and the American people have been led to believe that Germany had carefully concealed and camouflaged her airplane factories; that no one knew anything about them. Newspapers and radios pointed to the dejected look on Daladier's and Chamberlain's face when pictures of the conference

were published as evidence that England and France were surprised at the so-called tremendous air force Germany claimed to have.

We were informed that there was danger of Germany attacking this country; that they could come to South America, establish a base there and from there attack the Panama Canal. They even suggested that they might have some base in the vicinity of Cuba and Mexico.

Every time the question of national defense was about to come up in Congress or before a congressional committee some piece of propaganda would be on the front page of newspapers. The day this committee reported the bill out front pages of American papers carried stories of Hitler sending planes over to this country. Active and retired officers of the War Department and Reserve officers wrote stories of the need of the program and the danger of attack from Europe. Even the Chief of the Air Force, General Arnold himself, wrote an article for the American Legion on the subject.

Whoever is responsible for this propaganda has been able to build up a war psychology and a psychology of fear, the result of which was demonstrated by the Orson Welles play over the radio portraying an attack from Mars. A war psychology of this type is dangerous and is responsible for that hysterical condition of the public mind which causes demands to be made upon Congress and the President that we enter a European war, should there be one.

There is no justification for such propaganda. As I stated in January of this year, there is as much chance for an air attack from Europe at the present time as there is from an attack from Mars.

England, France, and the United States knew prior to Munich just what Germany was doing in the construction of planes. Germany's air force was not sprung as a surprise at Munich, as propagandists would have us believe. Colonel Lindbergh testified before our committee, off the record, that he went through the German airplane factories in 1936, 1937, and 1938. He testified that he had with him a military attaché from the American Embassy in Berlin. I asked him whether anyone tried to stop him, and he said "No." I asked him whether any effort was made to conceal anything, and his reply again was "No." He went where he wanted to go and saw what he wanted to see; in fact, he actually flew a German Messeschmidt plane. He testified that on one occasion an aviation expert from France's Army was with him.

While I realize the fact that our military attachés are not always the most efficient and while I realize the fact that the first qualification of a military attaché of an American Embassy is that he must have a rich wife to finance his social activities, I cannot bring myself to believe that such military attachés were so inefficient and so neglectful of their duties as not to give this important military information to the War Department which they received when accompanying Colonel Lindbergh. Either the War Department had the information as to the strength of the German Air Force in 1936, 1937, and 1938 or somebody in the War Department ought to be court-martialed for neglect of duty.

Colonel Lindbergh testified before our committee that Germany and Italy were building short-range bombers intended to carry quick loads of bombs to London or Paris, and that they were not building long-range bombers. I want to emphasize his statement that while a bomber might accidentally come over here, there is absolutely no chance of any air raids being made at the present time from across the Atlantic by a European power.

General Arnold testified at the regular hearings that there was not a bomber built that could go over 800 miles, locate its target, deliver its load, and return. He changed that testimony to 1,200 miles and later to 1,100 miles, but the radius provided for in our air bases is a maximum of 1,000 miles. After Munich and all the propaganda that followed it came the President's message in January, demanding this tremendous national-defense program. We were told that there was an emergency; that we were in danger of attack from Europe; that Germany might get a base in South America and attack the Panama Canal, and even a base near Mexico. A year ago when the big naval bill was passed, the psychology of fear of a Japanese war was used; now it is an attack from Germany. However, those in command of the Army knew there was no emergency. If there was an emergency, Mr. Chairman, why was it that on January 30, 1939—nearly 5 months after the Munich Conference—the War Department had authorization to contract for and the funds with which to build 907 planes, and had this authorization and funds for 17 to 19 months without taking one step to build them? The fact is that there was no emergency. It was simply a campaign of fear; in fact, General Arnold testified that this program was not based upon an emergency and that we had nothing to fear from an attack from abroad.

Major General Strong, Chief of the War Plans Division of the General Staff, in referring to Panama, used the following language:

> The reason is—if an emergency existed, if there was an immediate threat of war, we would send men down there and put them in tents.

In other words there was no emergency.

BILL WILL NOT PUT IDLE FACTORIES TO WORK

The President in his message to Congress on "national defense" on January 12, 1939, stated that one of the primary objectives was to put idle airplane factories to work so that in case of emergency, such factories could be utilized at once in the production of planes. In doing so, he used the following language:

> I suggest that $50,000,000 of the $300,000,000 for airplanes be made immediately available in order to correct the present lag in aircraft production due to idle plants.

This bill will not accomplish this objective. General Arnold in his testimony before the committee, testified (p. 25) that under the present competitive bidding system, there was no assurance that the idle factories will be put into operation.

On the contrary—

He said—

> there would be an extreme overloading on some, requiring two or three shifts per day, while others may remain practically idle for the whole or a part of the 2-year period.

In answer to a question by the chairman of our subcommittee as to whether this program would be of any help to plants which have little or no business, General Arnold replied that some of them may get business, but some of them obviously are not going to get business from this program. He said there were certain idle factories now, as far as Government business was concerned, because of their inability to compete with the engineering forces of others.

I wish to emphasize his statement that the factories that have the money are the ones that are going to get the business. You are going to have this sort of a condition so long as you have the competitive system of bidding, and only by changing the competitive system of awarding contracts to a system of negotiation by the War Department can you expect to put these idle factories at work.

General Arnold's testimony further shows—page 48—that out of the first 571 planes the War Department purchased recently, including, I believe, 442 out of the $50,000,000 appropriation contained in the regular War Department bill, 524 planes of the P-40 type were placed with the Curtiss-Wright Co., while the remainder of 57 planes were given to 4 other companies. If anyone expects that this program is going to increase our industrial capacity to produce planes, they are going to be badly disappointed. A few of the larger companies, like Boeing, Curtiss-Wright, and Martin Cos., are going to get the business, and the others are going to be left out in the cold, because it is obvious that the smaller companies cannot compete with the larger companies in either the research work or in the construction on a competitive basis.

UNBALANCED PROGRAM

My idea of a balanced program is to replace on the average of one-fifth to one-sixth of the air force each year. Let us assume for the sake of argument that we had an air force of 5,500. My idea is to rebuild 1,100 planes each year. In

this way we would always have one-fifth of our air force modern and up to date; one-fifth of the planes 1 year old, 2 years old, and so on. Under this plan we would keep our airplane factories building planes on an even basis, which means economy and efficiency. It would keep our research facilities operating in full force at all times, with one-fifth of the planes modern at all times.

When the present program is completed, according to the testimony of General Arnold, there will have been delivered between July 1, 1938, and July 1, 1941, 4,400 out of 5,500 planes—page 50—leaving only 1,100 planes which would be 4 or 5 years old. When July 1, 1943, comes around we would have 4,400 planes out of 5,500 which would be from 2 to 3 years old and only 1,100 planes which would be modern and up to date. It would therefore be necessary to balance the program and to keep it balanced; to build at least 1,100 planes each a year in 1942 and 1943; in fact, General Arnold said he would ask for 800 planes. This bill does not provide for a balanced program.

THIS PROGRAM PROVIDES FOR FROM 75 PERCENT TO 85 PERCENT RESERVE PLANES

The War Department has come before the committee with a new formula for figuring reserve planes. Heretofore we have always had 12½ percent of reserve planes. The proposal is to build 5,500 planes—3,300 in operation and 2,200 reserves. Up until now, when we figured reserve or spare engines or planes, we took the total number of engines and added 50 percent. For instance, if a certain number of planes had 400 engines and we wanted 50 percent spare engines, we added 50 percent to the 400 and allowed for a total of 600. General Arnold admitted this practice. He also admitted that under this same plan, if we had 3,300 planes in operation and wanted 50 percent reserve, we would add 50 percent of 3,300, or 1,650 planes, making a total of 4,950. Two thousand two hundred planes constitute a 66⅔-percent reserve, because it would replace 66⅔ percent of the operating planes. However, the program does not provide for spare planes for heavy bombers; neither does it provide for spares for advanced training or a number of other types of planes. The fact is that when we take into consideration the planes they actually do provide spares for we will have between 75 percent and 100 percent reserve planes. No one suggested the need for an excess of 50 percent.

MANUFACTURE OF PLANES

In case of war, we could manufacture from 2,500 to 3,000 military planes the first year and probably more. General Arnold testified that we could probably manufacture 2,500 to 3,000 planes the first year, and 7,000 or 8,000 the second year.

Colonel Jouett, president of the Aeronautical Chamber of Commerce of the United States, testified that the airplane factories of the United States could manufacture up to 1,000 planes a month. When I asked him how long before they could turn out 1,000 planes a month, he answered:

Before we could turn out 1,000 planes a month, even with the present planes, it would be 7 or 8 months.

He further testified that they had built during the first 10 months of 1938, 3,325 both commercial and military airplanes; that the big majority of them were military planes, and that 60 percent of the production was bought by foreign countries. By using overtime, they could step up this production considerably. We are now manufacturing planes at the rate of 4,000 a year, 60 percent military.

There is no need for a 75-percent or even a 50-percent reserve air force that will become obsolete every 2 to 4 years.

LIFE OF A PLANE

In the regular hearings before the committee, General Arnold testified as follows (p. 303) in answer to my question as to the life of the various types of planes, including pursuit planes:

The 300-mile pursuit plane of yesterday is almost obsolete today. We believe as a result of changes in design, methods of construction, and materials that from now on until the next few years the life of the pursuit plane will not be much more than 2 years; 4 years at the maximum.

Then he commented upon the fact that a bombing plane has a life of from 4 to 6 years, and maybe as much as 8 years, and then note the following testimony:

Mr. ENGEL. On the average, you would consider the life of all the planes to be about 5 years?

General ARNOLD. We figure at present somewhere between 5 and 6 years as the average life; yes.

Mr. ENGEL. That means it would require an appropriation of 20 percent of the construction cost of the entire air force a year to keep it up?

General ARNOLD. That is approximately correct; yes.

Throughout the regular hearings General Arnold testified that because of the tremendous progress made in the development of speed we could not expect the life of pursuit planes to be much more than 2 years. During the hearings on this bill he tried to tell us that a pursuit plane 4 years old was not obsolete. However, he qualified that statement as follows—pages 51–52:

Mr. ENGEL. Are there any pursuit planes that you have now that are 4 years old that are not obsolete as compared with other planes in foreign countries, taking into consideration the statement that pursuit planes are the most important planes we have?

General ARNOLD. We have some pursuit planes that are more than 4 years old right now.

Mr. ENGEL. Are they obsolete or obsolescent?

General ARNOLD. As far as we are concerned they are obsolete.

Again—

Mr. ENGEL. I was under the impression that you testified at the hearings on the regular appropriation bill that 2 years was the average life.

General ARNOLD. We do not know definitely, but for the purposes of the estimate we have to put down some number of years.

RESEARCH AND DEVELOPMENT PROGRAM

Everyone who testified before our committee emphasized "research and development." Colonel Lindbergh, in his testimony before the committee, part of which is published and part of which is not, placed research and development first and construction second; quality first and quantity second. He testified that we were from 3 to 5 years behind Germany and the European countries in research and development.

Colonel Lindbergh testified:

A few years ago we led the world in both military and commercial aviation, but during the past 5 years the lead in military aviation has been taken away from us, so that today we stand far from the top.

Again—

It is true that Europe leads us by a large margin in military aviation.

Again—

In the field of applied and basic research I feel that it will probably take us from 3 to 5 years to regain our leading position. In order to do that we must concentrate on the problems involved and push ahead as fast as we can, because we are definitely behind.

Again—

We are not behind in quality as applied to workmanship and equipment, but we are behind in quality as applied to the performance of military aircraft.

Germany has five research laboratories. We have one and expect to have two.

Again Colonel Lindbergh said:

Our geographical position does not necessitate the maintenance of a huge air fleet ready to enter war on a moment's notice. We can gain strength by devoting more attention to the quality of our Air Corps than to the number of aircraft it contains. The problems of European countries are entirely different. In Europe it is necessary to maintain facilities for the production of large reserves of military planes. Over here we are not subject to serious attack from the air in the present stage of aviation; and, in any event, we still have the advantage of distance from any great air power.

Again, he said:

Most important of all to us is the matter of quality, and there we should be ahead of any other country, because of the advantage of our natural position. We are the most fortunate country in the world in this respect. That is why I feel it is so important to develop our applied and fundamental research.

He further said:

I do not believe it is either practicable or advisable for this country to attempt to compete with Europe in the quantity production of military aircraft under present conditions.

While it is true that he said 5,500 planes were not too many, it is equally true that he is a member of the War Department and was their witness, and could not very well have said anything else. He was not questioned as to the fact that we would have 8,500 instead of 5,500 planes.

General Arnold testified that—

We cannot maintain pace with the performance of the other air forces if we do not have research facilities.

He testified that—

The only types of aircraft that we have which are definitely superior to foreign types are our heavy bombers or flying fortresses (p. 26).

Incidentally, Colonel Lindbergh told us the foreign countries are not manufacturing heavy bombers.

Despite all this testimony as to the need for research this bill appropriates $10,000,000 for that purpose out of a total program of $450,000,000, or just 50 percent of the amount General Arnold asked for.

PERSONNEL

This augmented air force will require a personnel of 45,000 enlisted men and 4,663 officers. The Appropriations Act of 1940 provided for 13,106 commissioned officers and 165,000 enlisted men for the entire Army, including the air force. This means that when the augmented air force is in full force and operation, it will contain a force of enlisted men that will equal more than one-third of the enlisted men and more than 30 percent of the officers. When we add the fact that flying pay increases 50 percent you will find that nearly 50 percent of the Army pay will go to the air service.

COST

General Arnold testified that this air program would cost $230,000,000 a year to operate, maintain, and replace 5,500 planes—3,300 in the air and 2,200 in reserve. I think before we are through we will find it will cost close to one-half as much to operate the air force as it is costing us now to operate the Regular Army. When you add to this tremendous cost the cost of operating, maintaining, and replacing 3,000 naval planes we will find that the combined Army-Navy air force will cost more than a half billion dollars annually and more than the entire Army cost heretofore, including its aviation section.

SPEED OF PLANES

Everyone knows or should know that the pursuit plane is the spearhead of offense and defense. The pursuit plane goes over the enemy lines to obtain information as to enemy trenches, enemy artillery, emplacements, machine guns, fortifications, and so forth. The pursuit plane is expected to drive off enemy planes attempting to obtain similar information. The pursuit plane protects bombers—light and heavy. Aviators inform me that even a 10-mile differential in speed with everything else equal means defeat for the slower plane and death to its pilot. A 10-mile differential enables a scouting plane to get away from a slower pursuit squadron and it enables a pursuit squadron to overtake a slower scouting plane.

In questioning General Arnold, I took each type of plane that we would have when this program is completed on July 1, 1941, and put down the maximum number of miles per hour for such plane. I then asked General Arnold the type of plane Germany has which is comparable to each particular type we have, and the speed of the type of plane Germany has. I was amazed to learn that when the last plane will be delivered on July 1, 1941, which is the date given by General Arnold, we would not have a pursuit plane that would come within 60 miles an hour of the pursuit planes that Germany is building now.

On July 1, 1941, we will not have one plane that will come within 145 miles an hour of planes we expect built in 1943, if we reach our research objective.

Colonel Lindbergh also gave us the speed of pursuit planes in Germany, which was in accord with General Arnold's testimony, and when Colonel Lindbergh was asked how he knew how fast these German planes were able to travel, he answered that he had flown a German Messerschmidt.

General Arnold further testified that—

Light bombers and medium bombers contemplated for procurement during 1940 are comparable in speed to similar classes of bombers which have been produced in quantity for some time.

I presume in Europe.

However, it is known that experimental types are now under development abroad with speeds exceeding the types now being produced in quantity—

General Arnold said.

In testifying off the record, General Arnold was asked:

If we were so far behind England, Germany, and France in airplane construction, why was it that France came over here to buy some of our military planes?

General Arnold replied that in the emergency France was in, they were ready to buy anything. This testimony was given off the record. In other words, it was only in an emergency that France and England were justified in buying the planes that we had. Are we placing ourselves into a position that we are building anything just to have planes despite the fact that there is no emergency.

On January 30, 1939, General Arnold testified as follows:

Mr. SNYDER. You mentioned delivery delays in your general statement and mentioned in a general way the reasons. It seems to me, General, that before we talk about a 6,000 airplane program, or as many as 565 above the 2,320 total, we would better be bending all of our energies toward speeding up the delivery of the 906 airplanes for which either funds or contractual authority has been available for from 17 to 19 months.

General ARNOLD. I agree with that, although up to the time of the President's message, there was no reason for expediting production. We could take delays, and we accepted delays in order to take advantage of later developments in our production program. It did not make any difference whether we were 6 months or a year behind time, because we did not have the personnel with which to operate the planes anyway, and if we got a few more or less airplanes nobody was concerned.

Again, he testified:

We were waiting until we had the superchargers and a certain type of gasoline pump improved to such an extent that the airplane would give us greatly increased performance (B-17). The supercharger and gasoline pump may not be perfected for another 6 months or a year, and we cannot wait any longer. It is necessary to have the airplanes now. So we have put in the old pump and the two-stage supercharger, instead of the turbo supercharger and given them the go ahead, and they will produce them very quickly. Now we are asking for quantity, and then we were asking for quality.

In other words, Mr. Chairman, this is a frank confession that we are building obsolete planes because we want quantity now instead of quality. Colonel Lindbergh said we should have quality first, then quantity. I maintain that this is absolutely outrageous, to build planes which they frankly confess are obsolete, as the testimony shows that even with our latest developments we are from 3 to 5 years behind European countries. How far behind will we be with these planes in 1941 when completed?

Again, prior to the President's program we had a 12½-percent reserve. If a 50- or 60-percent reserve is necessary now, it was necessary then. Despite the fact that they had funds or contractual authority to purchase 907 airplanes, and had the funds and authority for 17 to 19 months, they took no action. If we require 50 or 75 percent spare planes now, why did they not build these 907 planes and use them as spares, despite the fact that they did not have the personnel with which to operate them?

EDUCATIONAL ORDERS

Everyone concedes that Germany has attained its present air and military power by using to the limit the industrial power within Germany. The War Department program providing for educational orders under the supervision of the Assistant Secretary of War, Mr. Johnson, was intended to mobilize and make available in case of emergency the tremendous industrial power in this country.

To me, the mobilization of the industrial power in case of emergency is the most important part of the program of the President. The plan calls for tools and dies and jigs to manufacture war material in quantities required during wartime. Because of the inability to manufacture such material in quantity required, we were compelled to use the

Enfield rifle and the 75- and 155-millimeter cannon and to discard our Springfield rifle and our 3- and 6-inch cannon.

Only by industrial mobilization and educational orders can we hope, in case of war, to manufacture and supply an army of any size with the arms and ammunition required in wartime. Again, to me, this is the most important part of the entire program. If this bill is passed we will find not only that we are not putting our idle airplane factories at work and that a few large factories are going to get fat contracts, but we will learn that the committee in this bill has cut the educational orders more than 50 percent. The excuse of the committee was that the appropriation for this item was for 2 years, and they allowed for 1 year only. The entire construction program covers a period of 2 years, including the airplane construction. This is the only item in the bill which was cut 50 percent.

I submit that if it is wise and good legislation to appropriate at this time money for a 2-year program on airplanes and other materials, then it is also wise to appropriate for 2 years on the educational orders program. As a matter of fact, unless the War Department can be assured of a second-year appropriation they are going to be seriously handicapped in carrying out this educational orders program.

[Here the gavel fell.]

Mr. KERR. Mr. Chairman, I yield the gentleman 1 minute more in order that I may ask him a question, if the gentleman will yield.

Mr. ENGEL. I yield.

Mr. KERR. In view of the statement made by the gentleman in the beginning of his speech, which was a most excellent one, that he is in favor of national defense, may I ask him if he opposes this program for national defense?

Mr. ENGEL. I am not opposed to the air-base program or the building of the air bases; I am not opposed to the 3,300 planes as the initial force. I am opposed to putting 2,200 planes in reserve when those planes are obsolete.

[Here the gavel fell.]

Mr. KERR. Mr. Chairman, I yield the gentleman another minute to let him complete his answer.

Mr. ENGEL. I am opposed to building these 5,500 planes, or 4,400 in 3 years.

Mr. TERRY. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. Yes.

Mr. TERRY. In view of the fact that the gentleman has quoted Colonel Lindbergh with approval and seems to rely on what he states, I want to call his attention to page 290 of the hearings, in which Colonel Lindbergh said:

> Colonel LINDBERGH. I do not believe it is either practicable or advisable for this country to attempt to compete with Europe in the quantity production of military aircraft under present conditions. On the other hand, we should certainly increase the strength of our Air Corps, and I believe the present plans are very conservative in this respect.

Colonel Lindbergh was referring to the bill that is before us.

Mr. ENGEL. Ah, Lindbergh had not seen the bill, and Lindbergh emphasized quality first and quantity second, while the War Department emphasizes quantity first and quality second.

[Here the gavel fell.]

Mr. POWERS. Mr. Chairman, I yield the gentleman an additional minute for the purpose of asking him a question, or, rather, to reply to the statement of the gentleman from Arkansas [Mr. TERRY]. Certainly, Colonel Lindbergh testified that; but Colonel Lindbergh was brought down here by General Arnold as a proponent of this program. Do you mean to tell me that Colonel Lindbergh, after being brought down here by General Arnold, would say "no" to this program? Read his testimony and you will find out that he states we are far, far behind in technical construction compared with foreign countries and that we are far below them.

Mr. TERRY. Does the gentleman think that giving Colonel Lindbergh a ride down to Washington would purchase his opinion?

Mr. POWERS. Why, certainly not. No one can purchase his opinion. I am surprised at the gentleman's question.

[Here the gavel fell.]

Mr. POWERS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Chairman, the gentleman from Michigan [Mr. ENGEL] has made a very able and compelling speech to the House. As far as I am concerned, in the few minutes I have, I want to endorse everything he said to the effect that we should not build all our airplanes this year. A large part of this money ought to go for research and experimentation, and we should see to it that we have the fastest, most modern, and the best-equipped fighting planes in the world.

It is claimed that the planes we build now will be obsolete in 2 years. I submit, regardless of party affiliation, or inferences to the contrary, that no nation has the faintest idea at the present time of attacking the United States of America. I do not know of any nation that has the capacity to attack the United States of America if they wanted to. Therefore, why all this hysteria to rush in and build these planes this year, when this money ought to go to research and experimentation in order to have the modern planes available a few years from now when we may need them, because we cannot foresee what may happen 4 or 5 years from now.

I rose to make a statement in these few moments to the effect that I hope some Member of the Congress will offer an amendment to establish a Negro training camp for pilots. I happened to have served with colored soldiers during the war, colored men of America, who served in our Army forces and in our uniform. They faced the same enemy and they were shot by the same bullets. Naturally they require the same training. If we actually believe in adequate national defense, it must be for the defense of all our people, including ten or twelve million colored people in this country, and it should be on an equal basis, on a democratic basis. Therefore, I submit that we should have a provision in this bill setting aside a certain sum of money, say $1,000,000, to establish and maintain an adequate training school for Negro pilots in our country and to prepare them for the next war as an essential part of our national-defense program.

This is consistent, because when we enlist colored troops, or conscript them, we conscript them into colored regiments, and they fight as colored regiments. Therefore, in order to facilitate their training and efficiency, in order to provide adequate training for colored soldiers, an equal training for these soldiers and officers for any future war, and for adequate national defense, I hope some Member of Congress will offer this amendment and that both sides will support it.

Mr. ENGEL. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. ENGEL. I am informed that 10 percent of the population of the country is Negro. It would be absurd not to utilize that 10 percent of manpower to the fullest extent.

Mr. FISH. I quite agree with the gentleman, and we should use them in all branches of our service, not merely infantry, but artillery, air crops, engineers, and all of the rest, and on an equal basis with all others.

Mr. POWERS. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. POWERS. I also served with colored troops overseas, and I hope that one of these training schools will be designated definitely as a school for training colored people.

Mr. FISH. I am glad to have the gentleman say that, and I hope that he will offer such an amendment.

Mr. DWORSHAK. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. DWORSHAK. The gentleman has referred to preparations for the next war. Does the gentleman feel it is inevitable that we shall be dragged into some future war?

Mr. FISH. I do not believe, as President Roosevelt contends, that it is inevitable that we shall be dragged into

another foreign war. I know of no reason why the United States should ever go to war again, unless we are attacked, and I know of no nation that is thinking of attacking us, but am making this suggestion as an important phase of our national defense program.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. POWERS. Mr. Chairman, I yield 20 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, in the brief time allotted me I want to present a very important and quite technical subject. My discussion will refer to that section of this bill which is concerned with experimental orders to industry with special reference to the aircraft industry, and that section appropriating money for the purchase of airplanes for the Army Air Corps.

I feel that I am qualified to speak on this subject as one of the principal airplane-manufacturing plants, that of the Lockheed Aircraft Corporation, located in Burbank, Calif., is in my district, as is the principal airplane experimental and testing laboratory of the west coast, the Guggenheim Aeronautics Laboratory in the California Institute of Technology located in my home city, Pasadena, Calif.

Mr. POWERS. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. Yes.

Mr. POWERS. Is not the gentleman further qualified by being a retired officer of the Engineer Corps?

Mr. HINSHAW. I am a former officer of the Corps of Engineers of the Regular Army; yes.

When being questioned on the subject of research in his testimony before the Appropriations Committee, General Arnold, Chief of the Air Corps, said, on page 31 of the printed hearings:

> There are three types of research: The basic type done by the National Advisory Committee for Aeronautics, the applied military research done at Wright Field or at the Naval Air Station at Philadelphia, and the applied production research which is generally done by the manufacturer and the civilian institutions. There is no sharp line between them; they all overlap a little.

Then, under questioning by the gentleman from Arkansas [Mr. TERRY], General Arnold developed the idea that he did not approve of spreading the Army's own basic research program among the several universities across the country. With this idea I am in accord, at least so far as our Army and Navy themselves are concerned.

However, as I read his testimony, it appears that General Arnold does not have a very high opinion of the work done by the universities having aeronautical research facilities, for he says, on page 33:

> The main objection to that would be that institutions such as Carnegie Tech, the University of Michigan, California Tech, the University of California, the University of Washington, or the Massachusetts Institute of Technology, all of which have certain facilities for certain kinds of research, are in general used more in connection with production research, or applied production research, than in basic or fundamental research. The basic or fundamental research is done by the man who sits by himself and plays with a thing until he breaks through some sort of veil surrounding it. Then again the funds provided for the financing of universities are used for giving instruction to classes. The work is done by classes. For instance, if you take a design that comes out of the Curtiss Co., they may send it to the University of Michigan, and they say to the University of Michigan, "What can you do with this design in order to adapt it to production purposes?" That, in general, is the way it simmers down. While they do some basic research work, in general they do not.

Now, it is to that subject as it is intimately related to the sections of this bill already referred to that I want to address myself.

First, of the three catagories of research named by General Arnold I shall eliminate number two, the applied military research, as that is a specialized subject properly done at Wright Field or the Naval Air Station at Philadelphia. That is really a special division of applied research and I, therefore, divide research into but two classifications, namely, basic and applied.

Basic research is concerned with fundamental problems not associated with any specific aircraft design, while applied research deals with questions arising in the development of a particular design for a particular purpose.

The fundamental tool for experimental applied research in aerodynamics is the wind tunnel and it seems very certain that the wind tunnel's importance in this connection will increase rather than diminish in the future. It, therefore, appears that an immediate consequence of any considerable expansion program for our Air Corps will be the necessity for an increase in the wind-tunnel facilities available for applied research.

To those who may not have seen a wind tunnel, may I explain that it is a large tube, say 10 or 12 feet in diameter, returning on itself, which contains one or more high-speed fans or air propellers that drive the air through the tube at very high velocity. Models of whole airplanes or parts of airplanes are suspended in the stream of air and measurements are recorded on sensitive instruments which to the aeronautical engineer tell the story of how the prototype of the model will act when built and placed in service and operated at air speeds similar to those attained in the wind tunnel.

The importance of wind-tunnel testing of models and parts of airplanes cannot be too strongly emphasized. It can readily be seen that in this way many "bugs" can be taken out of aircraft designs and improvements made in models and parts which will not only promote safety in the completed plane, but vastly increase its performance. To start out and build a plane directly from drafting-board plans would be the height of folly because many of such planes would be wrecked and their pilots killed before the corrections could finally be made. Also, it would be expensive to make the corrections on completed planes and would vastly increase the time necessary to develop the proper characteristics of planes.

So this is the value of applied research. Changes in models can be made quickly and at comparatively small expense between tests in the wind tunnel, "bugs" removed and improvements made which result in manufacturing in quantity lagging behind basic research by perhaps 2 years instead of 4 or 5 years or more.

Now, let me come down to cases. I can only speak for my own section of the country as that is familiar ground.

At the present time about 50 percent of all the airplane building of this country is conducted in a relatively small region in southern California. Practically all of the wind-tunnel testing for the manufacturers in this area has been done in the 10-foot wind tunnel of the Guggenheim Aeronautics Laboratory at the California Institute of Technology in Pasadena, Calif. When their laboratory was built in 1928 it was planned to divide the use of it about equally between basic research and applied research or industrial testing. But in the past several years the demands of the industry have been so overwhelming that it has been necessary to operate the wind tunnel 15 to 16 hours per day, employing two shifts of research workers. Eighty-four percent of the time has been used in industrial testing, leaving 16 percent of the time for basic research.

In the 8 years of its operation to date 138 reports have been prepared covering separate investigations for manufacturers on 50 complete models. Of these 138 reports 60 percent dealt with military or naval plane models and 40 percent with commercial aircraft. These investigations were conducted for 18 different companies, the five major manufacturers accounting for a large majority of the tests. The pressure of work has lately been so great that the testing facilities have usually been reserved for 2 to 3 months in advance.

The major manufacturers just mentioned, and for whom nearly all of their testing is done in this laboratory, are: Douglas Aircraft Co., Santa Monica, Calif.; Lockheed Aircraft Corporation, Burbank, Calif.; North American Aviation, Inc., Inglewood, Calif.; Vultee Aircraft Division of Aviation Manufacturing Corporation, Los Angeles, Calif.; Consolidated Aircraft Corporation, San Diego, Calif.

This group employs nearly 15,000 mechanics and builds about 50 percent of all the aircraft made in the United States.

Now, why tell you all this? The reference to the pending bill is apparent as probably 50 percent of the planes built under this appropriation will be tested in model form in the Guggenheim Aeronautics Laboratory in Pasadena. But the fact of greatest importance is that the air speed in the wind tunnel is only 200 miles per hour. It was built at a time when higher sustained air speeds were only dreamed of. It is hoped that some of the planes contemplated in this bill will reach a speed of 400 miles per hour and perhaps 600 or more at high altitudes. How can models be tested for those high speeds? I understand that a 400-mile-per-hour tunnel is now being completed at Langley Field and in which it is anticipated that basic research is to be conducted. Another is being designed for Wright Field, and incidentally by the head of the aeronautics department of California Tech in Pasadena and head of the Guggenheim Aeronautics Laboratory. But these tunnels are to be for basic research and applied military research.

As General Arnold said in the second quotation read, "The basic or fundamental research is done by the man who sits by himself and plays with a thing until he breaks through some sort of veil surrounding it." Basic research and applied research do not mix very well. In our laboratory in Pasadena they do all the testing that is presented, and if there is available time left over they engage in basic research—catch as catch can—but this is not conducive to sustained advances in basic research. They do it that way in Pasadena because the industry is there and its needs are highly important.

Now, let me speak a moment about wind tunnels and their location in reference to the industry. It is highly important that these testing facilities be located near the several centers of the industry, because, first, there is the time element involved in transportation of models. In the course of tests models may be returned to the factory several times for changes to be made.

Secondly, there is the necessity that they be located within a reasonably short distance from the office of the engineering staff of the manufacturer for the obvious reason that members of the staff need to be in and out of both the laboratory and their designing rooms while tests are in progress.

Thirdly, there is the considerable element of cost involved both in saving delay and in transportation of models and engineering staff. Then there are other important factors that affect the proper location of an applied research laboratory. One of these is the subject of electrical energy. It requires 8,000 horsepower of electrical energy to operate a 400-mile-per-hour wind tunnel. This is enough power for a city of 30,000 people. Unused power available in that quantity is hard to find in the United States. We have it available in Pasadena.

But most important of all is a trained staff of technical aeronautics research specialists available at all times to conduct tests, compute the results, and consult with the engineers of the manufacturers.

The organization which has been developed in the Guggenheim Aeronautics Laboratory of the California Institute of Technology in Pasadena is the result of long experience. The industrial testing is under the direction of one of the members of the institute staff, whose applied research activities are considered as separate from his academic duties. He is assisted by two other members of the academic staff who are part-time members of the wind-tunnel group. Then there are three permanent technical assistants and certain mechanical aides.

Most of the actual running of the tunnel is done by post-graduate students in aeronautics, all of American citizenship. All members of the group are pledged to secrecy regarding industrial testing and are required to have no affiliation with any aircraft company.

It is of interest to note that since 1930 only 141 degrees have been awarded by the California Institute of Technology for post-graduate work in aeronautics. Under the large expansion program contemplated in aeronautics one of the vital problems will be the adequate training of a sufficient number of engineers to do the work, and it is felt that the training received in wind-tunnel testing will be invaluable to these young engineers in their later work.

Someone may ask the question, Why do not the manufacturers run their own wind tunnels? The answer is obvious. A 400-mile wind tunnel costs a million dollars and requires a staff to run it. A technical institution can do the work better and much cheaper.

In conclusion, Mr. Chairman, this program for expansion of our air fleet is either going to be seriously retarded by the lack of high-speed wind tunnels in this country or the planes built will not be adequately tested in model form before being built. Perhaps it is expected that they will be built from prototypes already developed and which will be comparatively obsolete by the time they are in the Army hangars 2 years from now.

While it seems that it is always necessary to replace planes in service, and it is now necessary for national defense to increase the number of planes in our air force, I believe that we are looking at this thing from the wrong end. The first thing we need is research and testing facilities to work the "bugs" out of high-speed planes. If we do not have this research and testing there are going to be a lot of crack-ups, dead pilots, and wrecked airplanes.

Germany has been referred to here as one of our competitors in this air race. Germany has five wind tunnels capable of testing planes up to 400 miles per hour at sea-level air pressure and 600 miles per hour at the reduced pressure of high altitudes.

We have one at Langley Field, another on the draughting board by now for Wright Field. These are for basic research. We have not a single 400 miles per hour wind tunnel in the United States for industrial testing and nothing but a 200-mile tunnel available for the half of the industry that is located in southern California.

I cannot offer an amendment to this bill that can be defended against a point of order which would appropriate funds for the building of three or four wind tunnels for the combined purpose of basic and applied research at technical institutions as I find that there is no specific authorization for such purposes. But I hope to introduce an authorization bill shortly and join with you in urging its early passage. [Applause.]

Mr. Chairman, the following proposal is suggested as solving one of the problems raised by any considerable expansion in the United States air forces. This proposal has been prepared by Dr. Clark B. Millikan, a prominent aeronautical engineer and a member of the staff of the California Institute of Technology. This proposal, multiplied by the number of institutions fitted for applied aeronautical research, and in proper locations throughout the United States, should receive the earliest possible attention of our Government officials and the appropriate committees of the Congress:

(1) To establish, as a national defense measure, an aerodynamical applied research laboratory at the California Institute of Technology under the direction of one or more of the departments of the United States Government, such as the War Department, the Navy Department, and the Civil Aeronautics Authority.

(2) The primary purpose of this laboratory would be to carry out tests for manufacturers engaged in producing airplanes for the Government.

(3) The chief element in the laboratory would be a very modern wind tunnel, whose characteristics would be such as to permit the investigation of the major aerodynamic problems which can be expected to arise in the near future.

(4) The laboratory would work in close cooperation with the N. A. C. A., Wright Field, and the other governmental research agencies concerned with aeronautics.

(5) The details of organization and administration need not be discussed in this preliminary memorandum. It should, however, be pointed out that a somewhat similar cooperative arrangement between the California Institute and the United States Department of Agriculture has been carried on very successfully during

the past 2 years in connection with the latter's "Cooperative Laboratory, Soil Conservation Service, California Institute of Technology."

The approximate characteristics of the wind tunnel which is suggested as satisfying the anticipated requirements are as follows:

Type: Single return, closed working section, capable of compression up to 4 atmospheres or evacuation to one-quarter atmosphere, circular cross section throughout.

Dimensions: Working section diameter, 12 feet; working section length, 18 feet; contraction ratio, 4; over-all length, 135 feet; fan diameter, 18 feet.

Construction: Welded ½-inch steel plate, water cooling on surface and vanes.

Power: Two 4,000-horsepower A. C. motors driving oppositely rotating propeller type fans with adjustable pitch blades. The motors are designed for short period operation at 50 percent overload.

Approximate performance (with motors operating at 50 percent overload of their rated power): Maximum speed at one-fourth atmosphere pressure, 630 miles per hour; maximum speed at one atmosphere pressure, 415 miles per hour; maximum speed at four atmospheres pressure, 260 miles per hour; maximum Reynolds Number at four atmospheres pressure with aspect ratio six model and moderate tunnel wall corrections, 16.5 by 10^6.

A preliminary analysis leads to the following estimate of the probable costs of the wind tunnel, the necessary associated equipment, and the building required to house them:

Tunnel structure, electric drive, cooling system	$420,000
Installation cost of power supply system to eliminate minimum power charge [1]	84,000
Balance systems, shop facilities, associated research equipment	165,000
Building (heating, ventilating, furniture)	200,000
Operating cost during 1 year calibration period before revenue can be expected	85,000
Total	954,000

[1] Based on a very favorable proposal made by the power bureau of the city of Pasadena, which eliminates an annual minimum power charge of approximately $78,000.

Break-down of preliminary construction cost estimate, Feb. 1, 1939

Wind-tunnel shell	$70,000
Corners and vanes	20,000
Tunnel and motor foundations	30,000
Tunnel and motor cooling systems	35,000
Transformers, motors, and speed regulating equipment	$200,000
Motor mounts	10,000
Motor fairings	10,000
Propellers and controllable-pitch hubs	25,000
Compressor	20,000
Total, tunnel structure, propulsive, compressing, and cooling systems	420,000
Power-supply system installation	84,000
2 rigging and balance systems (including mechanical data reduction and curve-plotting equipment)	90,000
Shop and model-building facilities	40,000
Model handling equipment	5,000
Additional research equipment	30,000
Total, balance, shop, and auxiliary equipment	165,000
Building, heating, ventilation, furniture	200,000
Operating cost during 1-year calibration period	85,000
Grand total	954,000

Operating budget for proposed 12-foot, high-speed, variable-density wind tunnel at the California Institute of Technology

[See following for data used in arriving at this budget]

[Based on 250 working days per year and a 16-hour working day with two shifts of workers]

Personnel:	
Part-time services of California Institute staff	$6,000
Managing engineer (full time)	3,600
2 supervisors (full time at $2,400)	4,800
4 technicians (full time, wind tunnel operators and model experts, at $2,000)	8,000
Operating assistants and computers (postgraduate aeronautical students, equivalent to six full-time men, at $1,400)	8,400
1 machinist	2,000
1 electrician	2,000
1 clerk (secretary and stenographer)	1,200
Total personnel	36,000

Operating budget for proposed 12-foot, high-speed, variable-density wind tunnel at the California Institute of Technology—Con.

Maintenance:	
Maintenance of wind tunnel, including insurance for propeller damage	10,000
Shop supplies, electrical and other apparatus repairs and replacement, miscellaneous materials	10,000
Total maintenance	20,000
Power: 20,000 kilowatt-hours per day,[1] 250 working days, 5 by 10^6 kilowatt-hours per year, at $0.0085	42,500
Total power, personnel, maintenance	98,500
Contingencies	1,500
Annual operating budget	100,000

[1] This is based on the assumption that three-fourths of the tunnel's time would be occupied with atmospheric pressure tests at a "standard" operating speed of 250 miles per hour, corresponding to a power consumption of 2,500 horsepower—1,860 kilowatts. Of this 12 hours of tunnel time, 5½ hours are assumed to be actual running time. This gives 10,000 kilowatt-hours. The other one-fourth of the tunnel time is assumed to be occupied with special tests involving full, overload power and often requiring compression or evacuation. Of these 4 hours, 1 hour is assumed to be actual running time at full 10,000 kilowatts. These assumptions are believed to be conservative in that they furnish an estimated maximum average power consumption.

Revenue data on existing Galcit 10-foot tunnel, Dec. 1, 1938

[The testing unit is the "run" normally consisting of a set of observations on a single model configuration at one air speed, measurements being made at 15 to 20 values of 1 parameter (usually angle of attack or angle of yaw) covering the flying range]

Yearly income (last 2½ years)	$32,000
Cost per run (last 6 years)	$22
Runs per year (last 2½ years)	1,450
Average costs of complete investigations (not including model cost):	
4-engined airplanes, 5 (commercial and military)[1]	$8,000
2-engined airplanes, 16 (commercial and military)	2,700
1-engined airplanes, 7 (1 commercial and 6 military)	2,000

[1] Two of these five models are still undergoing tests from time to time, although the prototype airplanes are already flying.

Estimated revenue data on proposed 12-foot high-speed tunnel

Runs per year	2,000
(Obtained by multiplying the present number of annual runs by 16/14 x 1.2, where the first factor represents the increase in the number of working hours per day from the present 14, and the second takes account of the fact that 15 to 20 percent of the 10-foot tunnel's time has been occupied with basic, nonindustrial research.)	
Average charge per run	$45
(Possible for airplanes built on Government contract with wind-tunnel costs included in contract price.)	
Average annual commercial revenue	$90,000
Deficit (annual)	$10,000
Total	$100,000

The above assumes:

(1) A 40-percent expansion in the use of the tunnel.

(2) A 100-percent increase in the cost per run.

Assuming that the number of runs for a complete investigation would remain approximately unaltered, the estimated average costs for such investigations would then be:

4-engined airplanes (see note on these models, p. 2)	$16,000
2-engined airplanes	5,500
1-engined airplanes	4,000

If these estimates are correct the laboratory could in 1 year carry out complete investigations on about 5½ four-engined airplanes, 16 two-engined airplanes, or 22 single-engined airplanes.

Mr. Chairman, the following statement which has been signed by the heads of the five principal aircraft manufacturing companies speaks for itself:

The question of governmental support for aeronautical research on the Pacific coast is currently under active discussion in Washington. It seems highly desirable, in view of the confused legislative situation, that the major aircraft manufacturers in southern California come to a unanimous agreement as to the program which they feel should be supported. The following recommendation prepared with this in mind is endorsed by the Consolidated, Douglas, Lockheed, North American, and Vultee companies:

(1) The most urgent and pressing need at the moment is for an enlargement and modernization of the wind-tunnel testing

facilities available to the manufacturers for use in connection with individual design projects. These facilities should be as close as possible to the factories and should be under the immediate direction of a staff which has had wide experience with this specialized type of testing. In view of the necessity for extreme flexibility and rapid changes in schedule a normal governmental laboratory is not well adapted to this type of work. The California Institute of Technology has for the past several years been engaged in such industrial research with facilities which have now become entirely inadequate. It is, therefore, recommended that Government support be furnished so as to expand these facilities in substantially the manner outlined in the California Institute of Technology proposal of December 1938. A satisfactory and feasible method of carrying this out might be to have the necessary funds voted by Congress to the N. A. C. A. with the understanding that the latter would allocate them to the project in question. The resulting applied research laboratory at the California institute could then be operated under the general supervision of an administrative committee of the N. A. C. A., set up for this and other supervisory and correlative activities. This project could also be included in a more comprehensive plan in which several such applied research laboratories would be established throughout the country where the demand was indicated, all of these laboratories being under the supervision of the administrative committee of the N. A. C. A.

(2) Additional basic research facilities of the type now existing at Langley Field are also needed on the Pacific coast. These could be most effectively utilized in the form of an N. A. C. A. laboratory like that contemplated in the Sunnyvale proposal, but not necessarily there. Some such expansion of the N. A. C. A.'s research activities on the Pacific coast should, therefore, also be supported. Such a Pacific coast N. A. C. A. laboratory should not, however, be thought of as supplanting or eliminating the immediate and very pressing need for an applied research laboratory of the type discussed in the paragraph above.

J. H. KINDELBERGER.
DONALD W. DOUGLAS.
ROBERT E. GROSS.
R. H. FLEET.
R. W. MILLAR.

Mr. POWERS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. ANDREWS].

Mr. ANDREWS. Mr. Chairman, my comments on this bill will be general, and I should like to repeat what has been said on the floor of the House earlier in this session during the consideration of the authorization bill for this program—that is, that I have been impressed all along by the fact that what we really need, and what would be of the greatest constructive assistance to the War Department, is the adoption by Congress of a more or less permanent year-by-year policy and particularly insofar as the purchase and construction of airplanes is concerned. I believe the situation in which we find ourselves today is largely our own fault, and the fault of previous Congresses, and the lack of a fixed general policy under which the War Department has suffered for 10 or 15 years by subsisting on "skimmed milk," so to speak, which makes it necessary to purchase a large number of airplanes at the present time. I cannot help but feel that our willingness to go all of the way and provide a total of 5,500 or 6,000 planes at the present time is due largely to the fact that we realize our shortcomings in the past and that in our desire to build up quickly we are overlooking the most important consideration of obsolescence. Insofar as the War Department and the Air Corps is concerned, we cannot blame them for requesting the number of planes referred to, for they are only human. They know it would be a better and a more intelligent way to purchase over a period deferring some contracts until later, but from past experience with Congresses, there being no set program or policy to be depended on from year to year, they are obliged to ask for all of these planes now when it is reasonable for them to expect to get them.

It is only natural, therefore, that you find the airplane manufacturing companies, who are the beneficiaries of our policy, strongly in favor today of receiving orders for all of these planes at the present time.

I want to quote from certain sections of the remarks of Colonel Lindbergh before the subcommittee, in which he stated:

I feel that we have a great natural advantage in the United States, and that consists of being able to place a large portion of our military reserve in the quality of our aircraft. Our geographical position does not necessitate the maintenance of a huge air fleet ready to enter war on a moment's notice. We can gain strength by devoting more attention to the quality of our Air Corps than to the number of aircraft it contains. The problems of European countries are entirely different. In Europe it is necessary to maintain facilities for the production of large reserves of military planes. Over here we are not subject to serious attack from the air in the present stage of aviation; and, in any event, we still have the advantage of distance from any great air power.

Most important of all to us is the matter of quality, and there we should be ahead of any other country because of the advantage of our natural position. We are the most fortunate country in the world in this respect. That is why I feel it is so important to develop our applied and fundamental research and to regain the leading position we once held.

I am not going to argue or haggle over whether we get the last 500 or 600 or 700 or even 1,000 planes now, but we should in the next session of this Congress enact a sound and fixed program for year-to-year purchases. I do favor increasing the appropriation for research beyond that which is covered in the current fiscal bill for the War Department, and I believe by deferring some contracts we should leave ourselves free to take advantage, in our contracting for some of these planes, of the developments which we might reasonably expect from the comparatively large sums we are going to expend for experimental research this year.

I shall therefore favor an amendment deferring our contracts for at least a portion of the planes for which we are to contract.

I yield back the balance of my time.

Mr. SNYDER. Mr. Chairman, I yield 12 minutes to the gentleman from Kansas [Mr. HOUSTON].

Mr. HOUSTON. Mr. Chairman, it is my intention to outline briefly the urgent need, as I now see it, for the 5,500 airplanes authorized for the Army Air Corps and provided for in part by the supplemental military appropriation bill for 1940, H. R. 6791. This bill provides, among other things, for the procurement of airplanes, together with related equipment and services, to be an accomplished fact sometime during the fiscal year 1941, which begins 1 year from the coming July 1.

A study of the hearings before the subcommittee shows it to be unwise to stagger or delay the procurement of these airplanes. It is clearly evident that the aircraft manufacturing industry can produce them more cheaply if given quantity orders which will permit much of the work to be done by effective tooling and long-range planning that will be of inestimable value to the Air Corps in fulfilling our national-defense program.

The hearings conclusively show there must be a reserve supply of aircraft ready in the event this country is attacked. It must be ever remembered and clearly understood that this Air Corps expansion program is for defensive purposes only.

Evidence so far obtainable on the recent operations in the Far East and in Spain indicate that aircraft losses amounted to approximately 50 percent per month. World War figures show, as stated by Colonel Gorrell in his testimony before the subcommittee of the Committee on Appropriations, that the life of a pursuit plane at the front was about 30 days, day bombardment and observation about 60 days, and night bombardment about 90 days. We may, therefore, expect that 50 percent or more of the pursuit planes herein provided for and to be used in our tactical squadrons will have been used up by the end of the first month. It is possible that our bombardment may have a longer life. Reserve aircraft provided for in this act will help to fill the gap, but there still remains, because of the modesty of the program under consideration, a gap between the airplanes available at the end of 60 days and the production programs now possible in our aircraft industry.

There has been much comment on the possibility of building obsolete aircraft. Experts say an air force will always be from 50 to 60 percent obsolescent. If a nation waited until it could build only the latest models, it would never have an air force, because of the rapidity of improvements in design. No nation which waited for the very latest developments would, therefore, ever be prepared to produce aircraft in any sizable quantity consistent with an emergency. Aircraft design and manufacturing is a continuing process, requiring research, engineering, and manufacturing skill beyond the ordinary.

Colonel Lindbergh, after a survey of aviation in Europe and the United States, reports Europe leads us by a large margin in military aviation and qualifies this general statement in the following manner:

> We are not behind in quality as applied to workmanship and equipment, but we are behind in quality as applied to the performance of military aircraft. In quantity, however, we are not in a position of being able to produce in this country on a peacetime basis as much as is now being produced in Europe. The production of military aircraft in Europe today is far ahead of the present production in the United States.

Colonel Lindbergh further states that:

> Our geographical position does not necessitate the maintenance of a huge air fleet ready to enter war at a moment's notice. We can gain strength—

Says he—

> by devoting more attention to the quality of our Air Corps than to the number of aircraft it contains.

I was much interested in this reference to quality and numbers for I wanted to know if the 5,500-airplane program was in excess of Colonel Lindbergh's estimate. I got in personal touch with the Colonel and learned directly from him that 5,500 airplanes accounted for in the authorization bill and provided for in the bill now before us is a very modest program and entirely in line with his testimony, which says:

> We should certainly increase the strength of our Air Corps and I believe the present plans are very conservative in this respect.

Colonel Gorrell, chief of staff of the aviation section of the American Expeditionary Force, testified that the American Army Air Force in its initial activities was a failure in the Mexican Expedition of 1916 and in the World War of 1917.

Within 2 months after the Pershing expedition entered Mexico in 1916, every plane was out of commission and two troops of our cavalry were massacred at Carrizal because there was not a single reserve airplane. This provides our first example of inadequate aviation preparation.

The World War building program was based upon an air force of 4,500 American planes on the Western Front, but America did not get up to the required monthly production rate until the armistice was signed, 18 months after we entered the war—our second example of inadequate aviation preparation.

The best analogy of our attitude toward the time element required for building an air force was recently presented to me by a friend who said that the American people are mail-order minded and expect delivery of everything from an ax to an airplane after filling out an order and attaching the required remittance. This cannot be applied to aircraft built under the rigid specifications and requirements of our War Department, and I do not want my son or your son flying military missions in any but the best equipment, built and maintained under the most rigid specifications and requirements. Manufacturing plants must have time and money for research and planning, and they must have orders of reasonable size to plan and tool for our national defense requirements.

Most of the primary training planes built for our Army Air Corps during the past 4 years have come from a factory in my district. One hundred and thirty of these training planes have been built during the past 4 years, of which the largest order was for 50 units which provides but an infinitely small measure of the experience and tooling equipment necessary to build the five or six thousand training planes that would be required within 12 months after any emergency occurred.

We should also develop and increase the number of our research facilities. The testimony to which I have previously referred shows that we are now from 3 to 5 years behind Germany and other European countries in our research program. The logical place for these increased research facilities would be on the west coast and the central or intermountain region. Two additional facilities would adequately supplement the work now being done at Langley Field—at least for the present.

I deplore the necessity of appropriating apparently large sums of money for what some will call instruments of death and destruction, but world conditions force us to spend for defense. The state of political tension throughout the world and the augmentation of armament by all world powers make it necessary for our Army Air Corps to have a strong and balanced combat force with sufficient reserves for effective and sustained operation. The major portion of this force will be stationed within the continental limits of the United States for defense of our land and coastal frontiers, and I hope this Congress will move with all possible speed toward the accomplishment of this program and thereby add materially to the security of our Nation. Equip and plan our Army for defense, our Navy for defense, and our Air Corps for defense—a balanced defense to the end that American liberties, American freedom, and American institutions and ideals shall be, will be, and can be preserved and perpetuated for our sons and daughters and others to follow. We must be prepared to defend these inalienable rights of every American, and I am convinced, as I hope you are, that the Air Corps as defined and provided for in this bill constitutes an adequate measure of well-proportioned air defense, a defense consistent with our position and responsibility for world affairs as they exist today. [Applause.]

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. HOUSTON. I yield to the distinguished gentleman from Oklahoma.

Mr. MASSINGALE. I would like to ask the gentleman if his idea is not to the effect that with the facilities provided by Congress for additional personnel, the training of these young men, there would be no danger of obsolescence if these planes mentioned in the bill are provided for by Congress?

Mr. HOUSTON. I think the gentleman is absolutely right. May I say that the planes we are producing in this country may be a little slower than some of those produced in European countries, but the planes provided for in this bill, when delivered, will be faster, more modern, and up to date than anything that the foreign powers are producing today. [Applause.]

[Here the gavel fell.]

Mr. ALEXANDER. Mr. Chairman, I make the point of order that there is not a quorum present.

The CHAIRMAN. The Chair will count. After counting.. Seventy-five Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, when the following Members failed to answer to their names:

[Roll No. 99]

Arnold	Douglas	Hendricks	Shannon
Barton	Duncan	Johnson, Lyndon	Smith, Ill.
Bolton	Eaton, Calif.	Kelly	Somers, N. Y.
Boykin	Eaton, N. J.	McReynolds	Starnes, Ala.
Buck	Evans	Martin, Colo.	Stearns, N. H.
Buckley, N. Y.	Faddis	May	Sumners, Tex.
Byron	Fay	Mitchell	Sweeney
Carlson	Fitzpatrick	Murdock, Ariz.	Taylor, Colo.
Cartwright	Folger	Norrell	Weaver
Casey, Mass.	Gibbs	O'Brien	White, Idaho
Cluett	Gifford	Rockefeller	White, Ohio
Curley	Green	Sabath	Whittington
Dies	Hartley	Sasscer	
Dingell	Healey	Schwert	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BLAND, 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. 6791), making additional appropriations for the Military Establishment for the fiscal year ending June 30, 1940, and for other purposes, and finding itself without a quorum, he had directed the roll to be called, when 375 Members answered to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. POWERS. Mr. Chairman, I yield 4 minutes to the gentleman from Massachusetts [Mr. TINKHAM].

Mr. TINKHAM. Mr. Chairman, with unanimous consent I desire to proceed out of order to make a statement I recently made to the press.

The CHAIRMAN. The gentleman from Massachusetts asks unanimous consent to proceed out of order for 4 minutes. Is there objection?

There was no objection.

Mr. TINKHAM. Mr. Chairman, Secretary of State Hull, in conformity with his 6-year-old foreign policy, under the specious disguise of pretended neutrality, would again sacrifice American interests to the interests of Great Britain. He is now demanding the repeal of the wise and salutary provision in the Neutrality Act which places an embargo on the exportation of arms and ammunition to belligerents in time of war. Removal of this embargo in essence is unneutral. It is intended to and in fact would favor Great Britain, who controls the seas. It means that in the impending conflict in Europe the United States would sell arms and ammunition to only one side. This action, the sale of arms and ammunition, was the first long step taken by the United States toward our involvement in the World War in 1917. If permitted again it may well once more involve the United States in a European war.

Secretary Hull professes to be for world peace, yet he would have the United States furnish arms and ammunition for a bloody slaughter of the human race.

He is continually making claims to be an idealist and a humanitarian, but while preaching a doctrine of peace he is in reality designedly moving toward the involvement of this country in the next war in Europe on the side of Great Britain.

Repeatedly he has intervened politically and has been unneutral both in Europe and in Asia.

Every move that he has made during the last 6 years he has defended by saying that it was in accordance with our traditional policy. The truth of the matter is that nothing he has done has been in conformity with our traditional foreign policy of strict neutrality. It has been contrary to that policy.

His record and his public addresses reveal him as opposing at every turn and in every possible way a policy of genuine neutrality for this country. His constant assault upon this policy is his Machiavellian use of the word "isolation" to discredit those who would have the United States maintain a policy of genuine neutrality.

As Secretary Hull is well aware, the only isolation that advocates of strict neutrality demand is isolation from foreign wars. The whole course of Secretary Hull shows him to be opposed to that salutary policy.

Mr. POWERS. Mr. Charman, I yield myself such time as I may desire.

Mr. Chairman, I am about to introduce a resolution and I would like to read a part of the resolution which will be dropped in the hopper in a few moments:

Mr. POWERS, of New Jersey, submitted the following resolution; which was referred to the Committee on Rules

RESOLUTION

Resolved, That the Speaker of the House of Representatives be, and he is hereby, authorized to appoint a select committee of seven Members of the House to be known as the Select Committee on National Defense. A vacancy in the committee shall not affect the power of the remaining Members to execute the functions of the committee and shall be filled in the same manner as the original appointment.

SEC. 2. It shall be the duty of the committee to make a study of the state of military and naval preparedness upon the basis of appropriations heretofore provided, the adequacy or inadequacy of such state of preparedness, the degree of coordination which obtains between the Army and Navy in shaping programs and policies and the relationship of the augmentation of the programs of both services authorized in acts approved subsequent to May 16, 1938, and the possibility of any curtailment of existing programs or projected programs under existing law or in immediate contemplation.

The committee shall report to the House of Representatives, on or before January 1, 1940, the results of its study, together with such recommendations as it deems desirable.

SEC. 3. The committee is authorized to sit and act prior to January 1, 1940, at such times and places within the United States, 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, and to take such testimony, as it deems necessary.

Mr. Chairman, I shall not read the balance of the resolution because it is the usual type of resolution. I am introducing this resolution at this particular time because I think the bill we have before us indicates as nothing before has ever done the need for complete overhauling of our national-defense program. [Applause.]

Mr. Chairman, for 7 years I have been a member of the Appropriations subcommittee handling the War Department bill. For 7 years I have tried to do a decent, an honest, and a patriotic job; and for 7 years I have agreed to some fairly bad War Department appropriation bills, but I cannot agree to this one today.

Mr. Chairman, as you look over the records of expenditures for the Army and the Navy from 1933 until the fiscal year 1940 you will be amazed. The comparison is set out in the following table:

Appropriations

	War	Navy
1933	$304, 961, 492	$347, 152, 220. 89
1934	277, 050, 381	324, 755, 626. 68
1935	280, 848, 897	314, 567, 433. 52
1936	355, 523, 020	496, 572, 848. 78
1937	388, 244, 859	597, 567, 939. 89
1938	417, 185, 029	535, 172, 626. 98
1939	462, 063, 710	623, 559, 252. 30
1940	578, 528, 111	773, 049, 151. 00

CONTRACTUAL AUTHORITY TO BE MET BY APPROPRIATIONS FOR 1941

Army:	
Prior bills	$87, 006, 988
Pending bill	70, 497, 500
	157, 504, 488
Navy	50, 708, 050

The War Department appropriations from 1933 to 1940 have jumped from $277,000,000 to almost $600,000,000. The Navy Department appropriations have jumped from around $300,000,000 to almost $800,000,000. Thus our annual appropriations this year comprise a sum well over a billion dollars. We have appropriated for the Army $578,000,000 and for the Navy $773,000,000. We have contract authorizations on the prior Army bill of $87,000,000 and on this bill of $70,000,000, making a tentative contract authorization for the War Department of $157,000,000. There is a $50,000,000 contract authorization for the Navy. At the rate we are going now, Mr. Chairman, we shall have to appropriate, beginning next year, almost $2,000,000,000 a year to maintain our Army and Navy; and I claim this country cannot afford a $2,000,000,000 War and Navy appropriation bill unless there is an actual emergency—and there is none now.

In the President's program, recommended in his national-defense message of January 12 of this year, he asked a total appropriation of $342,000,000. Of this amount he stated that approximately $210,000,000 would be withdrawn from the Treasury during 1940—bear this in mind. The fact is that if this pending bill is passed as reported there will have been made available in cash $367,000,000 as a part of the contractual authority, and that amount exceeds by $157,000,000 what the President indicated would be needed.

I call attention to section 202 of the Budget and Accounting Act.

Section 202 (a) of the Budget and Accounting Act provides:

If the estimated receipts for the ensuing fiscal year contained in the Budget, on the basis of laws existing at the time the Budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year contained in the Budget, the President, in the Budget, shall make recommendations to Congress for new taxes, loans, or other appropriate action to meet the estimated deficiency.

Section 203 (b) provides:

Whenever such supplemental or deficiency estimates reach an aggregate which, if they had been contained in the Budget, would have required the President to make a recommendation under subdivision (a) of section 202, he shall thereupon make such recommendation.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield.

Mr. REED of New York. I am very much interested in what the gentleman is saying. Do the figures the gentleman is giving, the possible $2,000,000,000 a year, contemplate this increase in the program we are talking about here?

Mr. POWERS. Yes; they do.

Mr. REED of New York. What about the cost of personnel after this program is once put in operation?

Mr. POWERS. That is included in what I estimate to be a $2,000,000,000 expenditure for the Army and the Navy yearly.

Mr. REED of New York. That is what I wanted to know.

Mr. POWERS. It seems to me, Mr. Chairman, that very few Members realize what the recurring items are in these bills. It seems to me we are not looking sufficiently to the future. This is merely the result of a war bubble which came about a few weeks ago but which personally I think has been very much deflated. I believe this bill was occasioned by a certain hysteria that went over the country, but I believe that hysteria has now subsided.

My colleague the gentleman from Michigan [Mr. ENGEL] pointed out the amazing fact that the War Department knew absolutely nothing about these expenditures until they were sent down from the Budget. Then the War Department had to develop them. It probably seems odd to some of the Members of the House that I should get up here and blast a so-called national-defense appropriation, and I say "so-called" very advisedly, because I do not believe this entire appropriation is necessary.

Mr. Chairman, I am not against the purchase of 5,500 planes if and when needed, or if and when our experimentation and research has reached a point where we are at least on a par with foreign nations.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield.

Mr. REED of New York. I should like to ask the gentleman a rather pointed and personal question—perhaps not a personal question, but at least a pointed one. Is it the gentleman's opinion that after these planes are built they will be modern or more or less obsolete?

Mr. POWERS. Mr. Chairman, let me say to my good friend from New York that in my opinion the moment these planes are delivered they will be obsolescent. There will not be a plane in the United States Air Force, with the exception of the four-motored bombers, our flying fortresses, that will be comparable in performance to European planes of the present day. And that is the program you are asked to provide for in this bill.

Mr. ENGEL. Will the gentleman yield?

Mr. POWERS. I yield to the gentleman from Michigan.

Mr. ENGEL. When General Arnold was asked why the European countries and France were buying American planes, if our planes were inferior, he answered that France was buying anything in the emergency they were in over there at Munich. In other words, we are going to do what France is doing, and we have no emergency, yet we are buying anything in the way of planes.

Mr. POWERS. That is absolutely correct.

Mr. Chairman, I am going to mention the name of General Craig; I am going to mention the name of General Arnold; I am going to mention the name of Colonel Lindbergh as I proceed, but I want no one here to think I am criticizing these three gentlemen. If you think it is criticism, consider it constructive criticism, please. I have the highest regard for Gen. Malin Craig. I believe one of the tragedies of the Army retirement system is that General Craig must retire within a very few months, because he has reached the age of 64. I know of no officer in the United States Army who has rendered more patriotic, who has rendered a finer, who has rendered a greater, service than Gen. Malin Craig. I think the American people should give him a vote of thanks for the splendid work he has done as Chief of Staff and as an Army officer. [Applause.]

By the same token, Mr. Chairman, General Arnold, I believe, is the finest Chief of Air Corps we have ever had. General Arnold happens to be a personal friend of mine, not a political friend, but one I have known for a great many years. I knew him long before I ever came to Washington. General Arnold has put real pep into the Air Corps, and before he is through, if permitted to have his way, will give us the finest air corps in the world. [Applause.]

Mr. Chairman, Colonel Lindbergh is one of the outstanding Americans of today. He has offered his services to the War Department and is rendering a fine, conscientious, helpful, and patriotic service. I may say that Colonel Lindbergh, who formerly lived in my district, is also a good friend of mine. Anything I say pertaining to Colonel Lindbergh, General Arnold, or General Craig is not said in a critical way.

First, I would like to open the record and read what one of the distinguished members of our committee said about General Craig as our hearings were closing. I am referring to my good colleague the gentleman from Mississippi [Mr. COLLINS], a gentleman who, I believe, knows more about the War Department appropriations than many of the rest of us who are on the floor today. The gentleman from Mississippi [Mr. COLLINS], stated as follows:

Mr. Chairman, I just want to make this statement before we conclude. It is purely personal, but it is for the record. I want to say this to General Craig: I am one of those human beings who has not always, on all occasions, seen eye to eye with officers in the Army, and particularly the higher-ranking officers, but as to you I want to say from the bottom of my heart that I think you are a fine gentleman, an able Army officer who has always displayed a determination to give to this country an effective Military Establishment, and, above all, I consider you the most forward-thinking Chief of Staff that I have ever had the privilege to know.

Mr. POWERS. I think you are voicing the sentiments of the entire committee, Mr. COLLINS.

General CRAIG. I appreciate your remarks more than you will ever know, Mr. COLLINS.

Then there is a statement by the gentleman from Pennsylvania [Mr. SNYDER], who also complimented General Craig. So, when I mention General Craig, General Arnold, or Colonel Lindbergh, I want you to understand my motives are entirely constructive.

You are going to probably hear the next speaker tell you that not one witness appeared before our committee to tell us that 5,500 planes were not necessary. They are going to tell you that every witness, including General Craig, General Arnold, and Colonel Lindbergh, told you this program is necessary; but let me call your attention to this fact: Is there any gentleman in this room who is so naive as to believe General Craig would come before the War Department appropriations to justify a Budget estimate and then tell us it was not necessary? Is there any gentleman in this room so naive as to believe that General Arnold, the Chief of the Air Corps, who was told to come down and justify a program of 5,500 planes, would appear before our committee and say, "Gentlemen, they are not necessary"? Is there anyone in this room so naive as to believe Colonel Lindbergh, who was brought down here by General Arnold, would appear before our committee and say, "Gentlemen, 5,500 planes are not necessary"? No; they would not say that. But by searching through their testimony and looking back over it I can tell

you a few things they did say which were, to me, highly indicative.

Colonel Lindbergh very definitely stated that we are far behind European countries on technical construction. He definitely stated we should spend more money on research and experimentation; that we should get our airplane motors to the point where their performance was as good, if not better, than the performance of those of foreign countries.

General Arnold brought certain documents and presented them to the committee. He explained to us the plan of the Air Corps. When he finished I asked him: "General Arnold, how many planes will that take?" He said: "Mr. POWERS, 3,300 planes."

Mr. Chairman, there is not a word in this entire testimony nor a word in the entire hearings that tells you and proves to you that we must have 5,500 planes now. My point is that an economy wave is bound to come, and when it comes we are going to find ourselves with a top-heavy Army, with a top-heavy Navy, and we will be forced to start to economize. I am telling you the Army is sitting down to one of the grandest feasts it ever had. It is going to fill up—but it will need another meal pretty soon. When it does, and when this economy wave hits, then the Army is going to find out how foolish it was to come in and advocate a program such as this.

I want to read a question I asked the Secretary of War and I want also to read his answer in part to prove that even this important member of the Cabinet agrees with me that some day this economy wave is going to hit.

I said this to Secretary Woodring:

Mr. POWERS. The point I make is that I should take some of this money and instead of buying 5,500 planes, I should buy 3,300 planes, with a 12½-percent reserve, and use some of the money for research and development.

Secretary WOODRING. I think the plan ought to call for both, an airplane strength of 5,500 planes and increased funds for experimentation and development.

Mr. POWERS. I am also worrying as to just where we are going on this whole program. Before we are through we are going to have a $2,000,000,000 Army and Navy appropriation. There are many recurring items and recurring expenditures, and when this economy wave hits us I do not know what we are going to do.

Secretary Woodring said—and this is important:

It is going to hit.

And, gentlemen, when it does hit you will be sorry for having voted for such appropriations as this.

Mr. Chairman, I believe my time is growing short. In closing, let me say this: I am going to offer certain amendments to this bill. There will be a series of four amendments. They are all related, so at the time I offer them I am going to ask unanimous consent that they be considered as one amendment. I intend to offer amendments to reduce this program for actual purchase from 5,500 planes to 4,217; in other words, I am going to try to take 1,283 planes out of the program. These 1,283 are the planes that are to be held in reserve, the planes we are appropriating for but not actually buying unless there is a national emergency.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a question?

Mr. POWERS. I yield to the gentleman from Michigan.

Mr. DONDERO. How much in money will the 1,283 planes represent?

Mr. POWERS. Counting the actual cost of the planes, the contractual authority, the ordnance equipment, and the Signal Corps equipment, I should say about $37,000,000.

Mr. DONDERO. How much is the total for the airplanes?

Mr. POWERS. The total is $120,000,000. I am attempting to reduce this amount by $37,000,000 by offering my amendment to eliminate these 1,283 planes. By doing this you are not injuring the Air Corps, you are not injuring the cause of national defense.

I know how that term has been tossed around. As I said earlier in the day, "National defense, what crimes have been committed in thy name!" I am not injuring the national defense by this move, and when I say that I am talking to you as one who has vivid recollections of what service in France meant. When I tell you I want to cut this program by 1,283 planes I am not doing a thing to the Air Corps program, I am not hampering it, I am not tying their hands. I am giving them far more than they say they actually need, which is 3,300 planes. Even though we cut this program by 1,283 planes, we will still have 880 planes in reserve. Nothing is being hurt, but you are going to save a lot of money. I believe it is almost time we take that into consideration.

Mr. Chairman, I could go on and on and on about this subject, but I realize my time is drawing to a close. Now, if any gentlemen would like to ask me questions, if I have time to answer, I shall be pleased to yield.

Mr. HINSHAW. How are we going to be able to train pilots enough to run all these planes by the time they are delivered?

Mr. POWERS. We are not. The whole program is cockeyed. That is why I introduced my resolution to investigate the whole subject of national defense, so we will know just where we are going and why.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield to the gentleman from Missouri.

Mr. SHORT. If we purchase immediately planes up to the number of 5,500, is there not grave danger of these planes being obsolete by the time they are completed?

Mr. POWERS. They will be obsolescent when they are delivered.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. What will become of these obsolete ships?

Mr. POWERS. We have a lot of new terms these days. There is now a rotating reserve. A rotating reserve is a lot of planes that just stand on the ground where the elements hit them. I suppose these obsolescent planes would either be classed as the rotating reserve or given some other new name that might be manufactured in the meantime to take care of it.

Mr. SHORT. Perhaps they will rust, as many of the ships that were constructed during the World War rusted in the navy yards.

Mr. THORKELSON. Is it not a fact we are now delivering planes to Russia that are able to go 300 or 350 miles an hour?

Mr. POWERS. I have no idea what planes we are delivering to Russia. I have no idea what speeds those planes might have.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield to the gentleman from Nebraska.

Mr. STEFAN. Did I correctly understand the gentleman to say that the planes for which we are appropriating money today will be obsolete when they are delivered?

Mr. POWERS. No; they are going to be obsolescent when they are delivered. They are obsolescent now, for the simple reason the testimony we have taken from these various witnesses shows there is not a plane, with the exception of the four-motored bomber, the flying fortress, that compares in speed or performance with any plane now being manufactured in Europe. Nothing we are now manufacturing or buying will compare with them.

Mr. STEFAN. Why are we appropriating money today to buy obsolete planes?

Mr. POWERS. The answer to that is probably, "How high is up?"

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield to the gentleman from South Dakota.

Mr. CASE of South Dakota. Has the gentleman considered offering the resolution, which he announced he was submitting today for general introduction, as a limitation on this particular bill, making the submission of the findings of that select committee necessary before these appropriations shall be available?

Mr. POWERS. No; I have not considered that and I do not believe it would be feasible or advisable.

Mr. ENGEL. Mr. Chairman, will the gentleman yield?

Mr. POWERS. Yes; I yield.

Mr. ENGEL. I want to call the gentleman's attention to the testimony on page 61 of the record where there is discussion of the fact that a few large companies are going to get the big contracts and the small companies are going to be left out in the cold. Our good friend, the gentleman from Arkansas [Mr. TERRY], said:

Mr. TERRY. To him that hath shall be given, and from him that hath not shall be taken away even that which he seemeth to have.

General ARNOLD. That is it.

Mr. ENGEL. So there is not enough gravy, if I can use that term——

Mr. COLLINS. That is a good word.

Mr. ENGEL (continuing). To go all around.

General ARNOLD. Not under this competitive method.

Mr. STEFAN. I would like to ask the gentleman from Michigan a question, if the gentleman from New Jersey will yield to me for that purpose.

Mr. POWERS. I yield to the gentleman.

Mr. STEFAN. I would like to ask the gentleman from Michigan whether he is intimating that the planes are going to be built by some airplane monopoly and that there will really be no employment given.

Mr. ENGEL. Colonel Jouett, president of the Aeronautical Chamber of Commerce of America, placed in the record the names of 35 manufacturing concerns manufacturing airplanes in the United States, and out of the first 570 planes ordered the Curtiss-Wright Co. got 523 and the balance of 57 were scattered among 5 other companies, leaving the other, approximately, 30 companies out in the cold.

Mr. STEFAN. Then it would be safe to assume that the building of most of these planes will go into the hands of some monopoly?

Mr. ENGEL. General Arnold said you could not do otherwise under the present competitive system.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield.

Mr. HINSHAW. Has the gentleman brought out in the course of his discussion that when planes are ordered in excess of 200 in quantity the cost is not very materially reduced after the 200 figure, and that the best orders that the Army has ever placed have been those for 200 plus 100 optional and another 100 optional, and so forth.

Mr. POWERS. I thank the gentleman for that contribution.

Mr. SEGER. Mr. Chairman, if the gentleman from New Jersey will yield, I would like to ask the gentleman from Michigan a question.

Mr. POWERS. I yield to the gentleman from Michigan for that purpose.

Mr. SEGER. Did the gentleman from Michigan state that the Wright Aeronautics Co. got an order?

Mr. ENGEL. The Curtiss-Wright Co.

Mr. MILLER. Mr. Chairman, will the gentleman from New Jersey yield so that I may ask the gentleman from Michigan a question?

Mr. POWERS. I yield to the gentleman.

Mr. MILLER. Does the gentleman from Michigan feel that on this national-defense program—and I am assuming this is national defense and this equipment is for defensive purposes—the contract should be let where it would make for the most employment or where we would get the best possible planes and get them right now?

Mr. ENGEL. I agree with the President's message that we should handle this emergency program in a way so as to put as many idle factories at work as we can, so that in case of an emergency we will have productive capacity as well as efficient planes. I insist we should have quality first and quantity second.

Mr. POWERS. Mr. Chairman, I yield back the balance of my time.

Mr. SNYDER. Mr. Chairman, I yield 20 minutes to the gentleman from Arkansas [Mr. TERRY].

Mr. TERRY. Mr. Chairman, this bill covers a number of items in addition to the airplane expansion program, and I take it from the fact that gentlemen on the opposite side have not raised any issue against the other items that they approve of them and are confining their objections to the airplane expansion program.

It has been said, Mr. Chairman, that the United States has no fixed foreign policy in reference to our European or Asiatic policy. That may or may not be true. Our policy in reference to the Philippines is in a state of change at this time. Personally I do not know just what our policy is in regard to the Asiatic problem, but we do know what our policy is as to the Western Hemisphere. It has been stated by those in high authority—and it has not been disputed—that the fixed policy of this country is to uphold the Monroe Doctrine, and that in upholding the Monroe Doctrine we would defend the entire Western Hemisphere, including Canada, Central America, and South America. A bill was introduced in the Appropriations Committee last week extending the Monroe Doctrine. Some of our good friends wanted to take over a part of the South Pole area and extend the Monroe Doctrine to that. I thought that was going a little far, but we have agreed that the United States will defend the Western Hemisphere.

Mr. JOHNSON of Oklahoma. Mr. Chairman, will the gentleman yield?

Mr. TERRY. Yes.

Mr. JOHNSON of Oklahoma. Then I assume from what the gentleman says that he does not feel it is absolutely an emergency to expend $340,000 at this time to send somebody to the South Pole to find out whether or not the pole needs painting.

Mr. TERRY. I do not.

Mr. Chairman, as a part of the doctrine of upholding the Monroe Doctrine we have come to the question of what is an adequate air force in this country.

Several years ago we felt that an air force of 1,800 planes was adequate. Afterward we considered that that was inadequate, and then appointed what is known as the Baker Board to tell us what would be an adequate air force. The Baker Board a number of years ago said that 2,320 planes would be an adequate air force. We have at this time on hand, I am informed, about 1,900 planes. We have just come up to what many years ago was considered an adequate air force. We have never come up to what the Baker Board considered was an adequate air force, namely, 2,320 planes, and we will not come up to what the Baker Board considered adequate for 2 years to come. After last September and the peace of Munich, the people of the United States became aware of the fact that the United States is inadequately protected as to the air. The people of the whole Nation, as has been demonstrated by the Gallup poll, realize that this country at this time, and for 2 years hence, at least, is inadequately protected. Gentlemen in the opposition have said that the program that is presented to you is a trumped-up program, one with no authority behind it, one that has not the real approval of the War Department, one that has not the real sanction of the administration, but that it is a hodge-podge, haphazard program that is thrown into your laps today to swallow, whether you like it or not. On January 12, when the President sent his national-defense message to the Congress, he said, in reference to the air force, as follows:

In the case of the Army, information from other nations leads us to believe that there must be a complete revision of our estimates for aircraft. The Baker Board report of a few years ago is completely out of date. No responsible officer advocates building our air forces up to the total either of planes on hand or of productive capacity equal to the forces of certain other nations. We are thinking in the terms of necessary defenses and the conclusion is inevitable that our existing forces are so utterly inadequate that they must be immediately strengthened.

It is proposed that $300,000,000 be appropriated for the purchase of several types of airplanes for the Army. This should provide a minimum increase of 3,000 planes, but it is hoped that orders placed

on such a large scale will materially reduce the unit cost and actually provide many more planes.

Military aviation is increasing today at an unprecedented and alarming rate. Increased range, increased speed, increased capacity of airplanes abroad have changed our requirements for defensive aviation.

Mr. Chairman, acting on this recommendation of January 12, 1939, the Military Affairs Committee, the legislative committee, went fully into this matter and had long and extensive hearings, heard witnesses on all sides, and as a deliberate result of those hearings, brought out a bill authorizing the purchase of 6,000 planes. Mr. Chairman, that was not a hodge-podge, haphazard action on the part of the Military Affairs Committee, but was taken after due and deliberate consideration and was passed in this House by an almost unanimous vote.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. TERRY. No. I shall yield at the conclusion of my statement.

How can it be said, Mr. Chairman, that this is a haphazard, hodge-podge program? Some of the gentlemen on this subcommittee, as has been stated on this floor today, were in the war and had military experience. I was in the Army a short period of time. I did not stay long enough or go high enough to cause me to have any fixed opinions on military matters. I am willing to take the testimony of these men who have spent years in the service, and those men, though in civil life, who have given this question years of study.

Is this a hodge-podge program? Colonel Lindbergh, as has been pointed out, said that it is not. He said on page 290 of the hearings:

I believe the present plans are very conservative in this respect.

He had been asked as to whether or not this was a proper program. Colonel Lindbergh, in addition to that, said he was in favor of research. He said we should give ourselves an adequate force and that we should then go into research and spend an adequate sum on it, so that we can keep up with, if not go ahead of, the foreign nations. That is also the testimony of Colonel Gorrell, on page 299. He was a member of the Baker board. He is one of those who, more than 5 years ago, said that 2,320 planes was an adequate air force, yet, although a member of that board, he says that the present program is not too much.

I quote from the testimony:

Mr. COLLINS. We have estimates calling for the building of 2,467 planes in order to be prepared for continued peace, as I would put it. Is that an excessive number?

Mr. BOLTON. In addition to what the Baker board requires?

Mr. SNYDER. Five thousand five hundred planes.

Mr. BOLTON. All told; Yes.

Colonel GORRELL. I would say, in view of world conditions, in view of the theory of hemisphere defense, that that number is not exorbitant. Some day you will provide for a larger number.

Mr. POWERS. Right there, do you know that the Air Corps intends to keep 2,163 of them in reserve?

Colonel GORRELL. I think they ought to keep some reasonable quantity in reserve.

Mr. POWERS. They intend to keep 2,163 in reserve, and that is 40 percent.

Colonel GORRELL. We used, during our activity in Europe, a principle of 50 percent reserve and sometimes 100 percent. You must remember that the Air Corps is like the Navy—what you have on the day hostilities begin is probably all that you are going to have in the first year of war. And, remember, war may not be declared. These days wars start without notice.

Now, Mr. Chairman, reference has been made to the fact that twenty-three-hundred-and-some planes is an entirely excessive reserve. That is about 40 percent, as compared with 60 percent on the active line. It has been stated, and is the common understanding, that at least 12½ percent of the planes are in the shops under repair at any given time. That is taken from the 40 percent of those in reserve. That leaves about 27½ percent of the reserve planes which are ready to take the air on a moment's notice. So instead of having 40 percent in reserve, the actual truth is that we only have 27½ percent.

Now, my friends say, "We will go along with this program if there is an emergency." They say, "If you can point out that there is an emergency, we will go along with you." Then when General Craig says:

I cannot tell you on what day an emergency will come; I cannot tell you on what day the lightning will strike, but we should have an adequate force against the day of the emergency.

Then my friends of the opposition say, "If he says he does not know when the emergency will be, then there is not any emergency, and there will not be any emergency." They say, "Therefore, we are against this because he does not guarantee us that we will have the emergency."

Mr. THORKELSON. Mr. Chairman, will the gentleman yield?

Mr. TERRY. No; not now.

Mr. MOTT. May I inquire if the gentleman intends to yield before he concludes his remarks?

Mr. TERRY. I will yield when I have finished my statement.

Now, Mr. Chairman, what we are trying to do today is to give the United States what the military men, what the civilians who have been long in aviation, and what the Military Affairs Committee of this House have told us is a proper air-defense program. We cannot say when we are going to have that emergency. We do not know what new world conditions will come tonight or next week that will make it essential for America to be adequately prepared.

Look at the headlines of the papers today. Notice the growing tension in the East. We do not know when those warring countries in the East will start something which will involve a world conflagration. We read in the papers today that in Europe there is feverish activity on the part of the Nazi to prepare new lines of fortification on the Polish front. We were told yesterday by the second in command in Germany that Poland must give in. We were told that Danzig must come home to the Reich. While we are not primarily concerned in those things and do not wish to become involved, the conflagration, once started, may sweep across the seas. We do not know what the future will have in store for our country.

[Here the gavel fell.]

Mr. SNYDER. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. TERRY. Mr. Chairman, I ask this Committee, in view of what has been told you by the experts and the citizens of this country who are interested in aviation, to stand by your committee. The reduction covered by the amendment will unbalance the program that has been given us by the administration and by the strong legislative committee of this House.

Mr. McDOWELL. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield.

Mr. McDOWELL. The gentleman from Arkansas has exhibited considerable alarm over the pending emergency. Will the gentleman tell us whom we are going to fight?

Mr. TERRY. We have heard that question a good many times. We cannot say whom we are going to fight, nor can we say whom we are going to fight. All we can do, Mr. Chairman, is to give the United States a reasonable amount of preparedness. We are not trying to match plane for plane with the powers in Europe, we are not trying to match their production, we are asking for only what is an adequate and reasonable number of planes.

We have been told that in case of emergency, should actual combat come, the destruction of planes would be appalling. It has been testified by men who were on the western front that the loss of airplanes is about 90 percent, that planes are shot down, that engines go haywire, that trouble develops in various ways to force planes out of the combat line. I think that when an emergency does come we should be prepared not only with a first line of combat planes but with a reasonable reserve that can go into action immediately. [Applause.]

[Here the gavel fell.]

The Clerk read as follows:

Be it enacted, etc., That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Military Establishment for the fiscal year ending June 30, 1940, and for other purposes, namely:

SALARIES, WAR DEPARTMENT

For compensation for temporary personal services in the District of Columbia, fiscal year 1940, as follows:

Office of Secretary of War, $28,923.
Office of Chief of Staff, $21,505.
Adjutant General's Office, $97,942.
Office of the Judge Advocate General, $9,967.
Office of the Chief of Finance, $29,095.
Office of the Quartermaster General, $10,422.
Office of the Chief Signal Officer, $33,964.
Office of the Chief of Air Corps, $52,153.
Office of the Surgeon General, $14,610.
In all, $298,581.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I shall be very happy indeed to vote against this appropriation bill.

With a national debt of more than $40,000,000,000, billions of dollars of Government-guaranteed obligations, and the Federal Government spending $2 for every $1 of taxes it collects, the time will soon be at hand when Uncle Sam will be bankrupt. We will then have inflation with its devastating distress, misery, suffering, and despair and perhaps civil warfare. I believe that sufficient appropriations have been made to provide for an adequate and proper defense for America. Should this House reject the Bloom war-promotion bill, which has been dressed up in the robes of neutrality, and should the President of the United States and his New Deal satellites stop rattling their swords and meddling in the affairs of foreign nations while making deals with others, I feel confident that we have made ample provision for our national defense.

This might not be so if we are going to embark on another world crusade "to save world democracy" as we "made the world safe for democracy" in 1917 and 1918, when we made Uncle Sam an international sucker and Santa Claus, and made America safe for the depression.

I sincerely hope that we can keep America out of wars in foreign lands until the 1940 elections. [Applause.] I feel confident that international bankers, international warmongers, war profiteers, and meddlers will be repudiated by the American people in November 1940, as they were in November 1920. In 1920 our ex-international banker, New Deal President, Mr. Roosevelt, ran for Vice President and was overwhelmingly defeated after a campaign in which he vigorously championed international foreign ideals, which he now upholds and defends.

It is ridiculous to spend billions for national defense and then permit potential foreign enemies of our country to get possession of the latest and up-to-date secrets of our Army and Navy, particularly nations which now owe Uncle Sam's almost bankrupt taxpayers' Treasury many billions of dollars, as England and France do.

I hope that when the Bloom fake neutrality bill—that Sol Bloom war-promotion bill—is considered in the House that Members, irrespective of party affiliations, will support an amendment which I shall offer to carry out the principles enunciated in the Johnson Act, which prevents our foreign debt-defaulting nations from borrowing money in America. I shall offer an amendment which provides that no implements of war, munitions of war, or war supplies shall be sold or transported, directly or indirectly, to any foreign government, or any political subdivision thereof, while such government is in default in the payment of its obligations, or any part thereof, to the Government of the United States.

Should this kind of legislation be enacted, we would be able to considerably reduce our appropriations for national defense and still have an adequate defense, as it would put a brake on sword rattling in many of the most powerful nations in the world.

Mr. Chairman, should we amend the Bloom fake neutrality bill and make it a real neutrality bill instead of a war-promotion bill, we will not need to spend the millions of dollars carried in the pending bill for national defense.

Mr. Chairman, I am opposed to giving our ex-international banker, sword-rattling President Roosevelt discretionary power to name aggressor nations or to declare war zones, which will inevitably plunge us into war, particularly since the international banking house of multimillionaire Roosevelt has been joined in the holy bonds of matrimony with the war-munitions house of multimillionaire Du Pont. [Laughter and applause.]

Mr. HOOK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I was very much interested in the inconsistent remarks of the gentleman from Wisconsin when he talked about the antineutrality bill that we are about to discuss. He followed this by stating that he was going to offer an amendment to that bill so that it would be neutral. He would not make it neutral by offering his amendment, because he would still be trying to legislate neutrality, which cannot be done. It is my contention that we have talked neutrality just about long enough. You cannot legislate neutrality, and therefore the gentleman from Wisconsin is very inconsistent when he suggests that he offer an amendment. [Applause.] Neutrality is a question of policy, not legislation.

Gentlemen, it is, as someone has said before, the best of times and it is the worst of times. Never in the past two decades have issues of greater moment to the Congress and the country at large cried so loudly for prompt solution. Yet never in the history of our land have "we, the people," had greater opportunity to show the world abroad and skeptics at home that our democracy is workable under the most adverse conditions.

For many months Congress has been discussing neutrality. You have no doubt been following the debates through the press and the radio. There has been so much said, so many panaceas suggested that a confused and bewildered public no longer pays heed to any. Frequently the remarks are so far afield from neutrality that discussion simply adds to confusion.

I am not going to offer any startling or novel cure-all or outline any proposed legislation guaranteeing neutrality. I do propose to call your attention to the fundamental problems surrounding neutrality. Too often we become lost in a jargon of technical verbiage that actually means nothing. Too often in speaking or thinking of huge problems we allow ourselves to deal in generalities that cannot be translated into practical realities. It is easier for all of us to indulge in the use of catch phrases and glittering generalities rather than to sit down and do some good, hard thinking.

Scarcely any recent public discussion has been carried on at a lower plane and lack of realistic understanding or disregard of the facts. Let us stop dealing with words as words and attack the fundamental problem.

What is neutrality? It is widely assumed that neutrality means that we maintain complete impartiality or equality in the treatment of belligerents, while remaining at peace and abstaining from acts of violence directed against the one or the other of the contending parties.

Instead of looking to the muddled nations of Europe for the answer, I believe we will find the dictionary adequate. Webster defines neutrality as:

> The condition of a state or government which refrains from taking part, directly or indirectly, in a war between other powers.

International lawyers tell us "the idea of a neutral nation implies two nations at war and a third in friendship with both."

Examine these definitions closely in the light of your own feelings and I believe you will agree with me that it is simply another way of saying that legislated neutrality is a myth—an illusion.

At the present time there are no less than eight bills pending in Congress which purport to deal with neutrality. I doubt very much if any of these bills can be, strictly speaking, properly labeled neutrality bills.

I do not question the sincerity of the advocates of the different proposals. However, the real issue at stake is that never again do we want American soldiers to leave this soil

to spill their blood on foreign lands under any circumstances. [Applause.]

That is the issue here. We should wipe out and repeal every single, solitary bit of legislation on neutrality and place the matter where it belongs, on a question of policy, where it has been from the days of Washington right down until the time this Congress began meddling with it.

Mr. POWERS. Will the gentleman yield?

Mr. HOOK. I yield to the gentleman from New Jersey.

Mr. POWERS. Does not the gentleman think it might be a good thing to postpone a vote on this bill until we find out what the neutrality policy is going to be?

Mr. HOOK. I do not care if they postpone it or not. Unless there is a complete change in this bill, I expect there will be a motion to recommit back to the committee offered asking them to repeal all of the neutrality legislation and set it up as a question of policy and not of legislation.

Mr. THORKELSON. Will the gentleman yield?

Mr. HOOK. I yield to the gentleman from Montana.

Mr. THORKELSON. Does the gentleman not believe that Congress should handle neutrality?

Mr. HOOK. That is not correct. [Applause.] The question of neutrality is a matter of policy and should be handled as all of the foreign policies should be handled, by the President of the United States and Secretary of State. I have faith in those men and feel that they will definitely and positively keep us out of war.

The sole right to declare war rests with Congress. I think that is adequate protection, because if I know the feeling of this Congress they will not vote for war, but will pass legislation for adequate defense to stop an invasion of our shores.

Complete impartiality is not attainable. A static condition of neutrality is not desirable even if it were attainable. This criticism has been made against our present act and may well be leveled at pending legislation.

The greatest factor in the welfare of our country, as an integral part of the world, not shut off to itself, is a strong determination to maintain our democratic institutions. In order to do this, in order to evolve a reasoned and intelligent foreign policy, we must effectually combat organized war propaganda and hate-inspired minorities.

Democracy is tolerant. It allows the free play of discussion and debate. This freedom of speech is the birthright of every American citizen. We, as veterans, know and value this right and look with horror on those agencies of propaganda that are now working night and day trying to undermine the strong national spirit that preserves this right. With the most insidious propaganda these purveyors of foreign ideologies are endeavoring to break down our true American tolerance and supplant it with a barbarous doctrine of government built solely on hate.

It is your duty and it is my duty to learn to recognize this propaganda regardless of the guise it may be wearing. That is a responsibility that we as citizens of a democracy must assume. You cannot legislate against this intangible force—the only effective deterrent is an intelligent aggressive educational program. Let us always be on guard against anything that would tend toward the development of any form of government that will in any way spread out and allow its tentacles to snatch away any of our basic rights.

In foreign lands today there are people ground under the heel of dictatorships that are more arbitrary than any kingdom or empire of antiquity and rivaling in the unmoral usages of absolute power the decadent Neros of ancient Rome. Under the whim and caprice of modern dictators, with a thousand years of scientific development at their fingertips, lesser states and people have been absorbed by sheer strutting of dictatorial might.

Today as we look toward Europe we witness the dictatorial powers in some of the countries assaulting those rights by attacking minorities. When I speak of minorities I speak of them in a broad sense.

The gathering storm of hysteria blackens the horizon. Many of the minority groups have been terrified and driven from their homes with no place to go. They are scourged with the whip of ostracism and seared with the hot iron of hate because they refuse to surrender the rights that have become theirs through long periods of hardship and development. As we from the distance look in sadness upon this tragic situation, let all America lift its heart in thanksgiving that the sky above us is still clear, and let us pray that the stars of freedom continue to shine undimmed over our land of freedom. I think we should contrast the conditions at home and abroad and in so doing let there not be too much of the spirit of smug contentment. Rather let the threat of the eclipse of freedom and democracy in any form stir our souls with righteous indignation.

It is almost unbelievable that a few months ago we witnessed in Madison Square Garden a demonstration which was directed against the very foundations of our Government. A group of agitators, masquerading as patriots, parading the picture of George Washington and quoting the words of Jefferson and Lincoln attacked the very foundation of our Government. They would have you believe that they truly loved the United States and the principles of freedom and liberty for which our country stands. We know differently. We know that Fritz Kuhn and his gang of hoodlums are simply one of the many groups who would implant on American soil a foreign ideology which would engulf our country in the frightful throes of racial and religious persecutions—a wholesale slaughter of the rights of all minorities regardless of law. The methods used by Communists and Nazis today often defies the ability of an expert in propaganda analysis. By the most subtle means these agents of hate disseminate their poisonous matter. They quote the words of Lincoln and of Jefferson when it serves their purpose. They make a very showy pretense of upholding our laws and cleverly use a twisted, perverted doctrine to infilter communism into our land, and call it democracy. On the other hand, we have that coterie of hate purveyors who would like to make America safe for Hitler—a dictator's Utopia. These doctrines purport to bring plenty to all and everlasting peace to the world. We know differently.

I fully realize that the word "foreigner" has been attached to these groups and that our alien population is supposedly a fertile field and virtually a hot-bed of subversive activities. Here again the real issue has been turned aside simply because of crooked thinking. The alien awaiting his citizenship in this country who has lived up to the laws and is a respected resident hates this un-American element as much or more than those of you who may possibly trace your ancestry back to the *Mayflower*. Those who come from alien stock in this Nation, and that includes me and practically every one of you in this Hall, have richly contributed to law, to morals, and to the culture of America. Our ancestors struggled for national existence and conquered all obstacles, thereby setting up the greatest form of government on the face of this earth. This land, more than all others, is indebted to the genius, the loyalty, and the energy of those who came from foreign lands to escape the unceasing, interminable and everlasting folly of Europe's hates, Europe's jealousies, and Europe's wars. The dynasties of 200 years ago and of 1914 are the dictatorships of today. The leopard has not changed his spots. We have now builded a Nation that can safely defy the rest of mankind to show such undying adherence to democracy and such faith that we who love it will sacrifice for it. However, we cannot make democracy work by making speeches, by passing laws, or holding conventions. We will only make it work by hard work and straight thinking.

We are avowed partisans of the rights of the common man. We believe that the manifest destiny of America lies in making democracy work. We prefer human welfare to property rights and believe that by mutual understanding and tolerance we can face the world strong and united, as one people, Americans. Let the nations of the world take heed of this.

The Monroe Doctrine never escapes mention whenever the United States is considered with relation to the other countries of the world. It is probably the backbone of our foreign policy and has been expanded and interpreted throughout the years. I believe that the Monroe Doctrine in all its

aspects should define our actions in world affairs. That doctrine served notice on the world long ago that the United States would not tolerate interference of foreign powers in the Western Hemisphere. We have steadfastly maintained that principle up to this day. The present administration has made great efforts to preserve the unity and integrity of the countries of the Western Hemisphere. With trying times ahead we should direct our energies toward strengthening the ties that bind our New World together. That thought together with the restraint that we are never again to blindly enter a conflict abroad gives us ample opportunity to work out a solidarity of nations of good will in the Western Hemisphere.

Our desire and goal is peace. With an adequate Army and Navy for the protection of our land and nationals—we have the material force. With an intelligent and learned population, swayed neither to the left nor to the right, we will be adequately protected morally.

The crying need of the hour is an effectual war against propaganda disseminated solely to create hate among ourselves.

The principles of democracy are far more forceful, far more alluring, far more attractive than any totalitarian allurements. Upon the basic truths and principles of democracy and the Constitution of the United States are reared the institutions which characterize the furthest advance of civilization known to man.

The education of our youth is of paramount importance in bringing truth to light. Loyalty oaths and essay contests on patriotism are splendid means of calling attention to the subject. However, those things are only the outward manifestation. The real service that our schools should render calls for harder work. It demands solid research, broad knowledge of world history, and studies of the causes and effects of the different doctrines of government.

Americanism should be taught along with chemistry, mathematics, and history in every secondary school and college. Americanism is a science. Our youth must come to know in full measure the basic truths of democracy—its great and unalloyed supremacy.

We know that the same propaganda that we adults are confronted with day after day likewise finds its way into the classroom, the only difference being in the mode of presentation.

We do not need the Fascist doctrine to combat communism, nor do we need the Communist doctrine to combat fascism. We do need a militant democratic spirit that fights continuously against both these evils.

My friends, the responsibility of keeping America at peace with the world rests equally with each of us. Reaffirm your love of country by combating war-mongering, hate-ridden propaganda and America will be and remain at peace with the world.

We hear much these days about the national debt and our effort to bring comfort to the needy but very little of the costs of war. It may be well that we pause to think over the statement of Dr. Nicholas Murray Butler, of Columbia University, when he said:

> The money spent by all nations for the destructive purposes of the World War amounted to $400,000,000,000.
>
> Do you know what we could have done with that money if we had used it constructively?
>
> We could have built a $2,500 house, furnished with $1,000 worth of furniture, placed it in the middle of 5 acres of land worth $100 an acre, and given this estate outright to each and every family in the United States, Canada, Australia, England, Wales, Ireland, Scotland, France, Belgium, Germany, and Russia.
>
> We could have given to each city of 20,000 inhabitants or over, in each country named, a $5,000,000 library and a $10,000,000 university.
>
> Out of what was left we could have set aside a sum at 5 percent that would provide a $1,000 year salary for an army of 125,000 nurses and another army of 125,000 teachers.

Still we have those who blame the present spending program as a deterrent to business—even though it is being spent to build up, not destroy.

We are at peace with the world, and at peace we shall remain.

Our politicians, our statesmen, our government, and our industrial structure must come to realize the best way to preserve democracy and peace is to provide employment for all, so that the youth will be able to have faith in the future. That is the final step toward neutrality and lasting peace.

Mr. HINSHAW. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I have been very much interested in these impassioned pleas for neutrality. I think you can sum up the two previous addresses by saying that neutrality is a state of mind. It is a state of mind of the people, but if the people are to be subjected to propaganda from all sources designed to arouse their passions, they may become unneutral. So long as their minds and hearts remain neutral we need have no fear of war. [Applause.] But a foreign nation that commits acts of aggression, unprovoked, against us needs to fear the wrath of our people. [Applause.]

Mr. Chairman, I want to address the Committee a moment on the subject of emergency. Everyone knows that an emergency arises when war is declared or when someone attacks our shores. We learned in the last war in which the United States engaged that it takes at least a year to get enough American troops abroad, if we are to fight abroad, to do any good. If our own shores are attacked that is something else. The other fellow has to get the troops over here. He not only has to have ships, but he has to have a much better navy than ours to guard them. He has to bring his army from abroad in transports and in ships that will transport matériel as well as men. Mr. Chairman, it would take a long time to bring an army from abroad to this country, and I refer to an army that could do us any real damage.

It would be possible for aircraft carriers of the navy of some foreign country to come offshore and send bombers over here. The damage they could do might be considerable, but it would not be anything of a permanent nature. No foreign enemy would be able to take our country by means of aircraft alone. That would be impossible. It would require millions of infantrymen supported by artillery and other arms, all delivered by transport, guarded by a huge navy, to occupy and hold such of our country as they might be able to take.

If the United States intends to fight a foreign war, then we should stock up on aircraft and all kinds of equipment immediately and to the greatest possible extent. If we are to defend our own shores and our own shores only, then we need be prepared for national defense and national defense only.

Mr. COLLINS. Will the gentleman yield?

Mr. HINSHAW. I yield to the gentleman from Mississippi.

Mr. COLLINS. Does the gentleman believe there is any nation on earth that would be stupid enough to send an airplane carrier to within 500 miles of the American coast line?

Mr. HINSHAW. I do not see how they could be stupid enough to do that; no. Furthermore, I do not think that we would be stupid enough to attempt the same thing against some country abroad.

Mr. COLLINS. I quite agree with the gentleman.

Mr. HINSHAW. I believe the defense policy of the United States should be confined to this hemisphere unless the people of the United States wish to engage in a foreign war, which seems to be remote at this moment.

Mr. HOUSTON. Will the gentleman yield?

Mr. HINSHAW. I yield to the gentleman from Kansas.

Mr. HOUSTON. Does not the gentleman believe this bill applies only to national defense?

Mr. HINSHAW. I wonder then why we feel the need of long-range bombers.

Mr. HOUSTON. How many planes does the gentleman think we would require if we were going into a foreign war? It would be 10 times as many as outlined in this bill.

Mr. HINSHAW. The planes provided for in this bill would help some foreign nation very much. Evidently the people abroad have very complete air forces. But it would be difficult for us to transport even equipped repair shops along with men to man them to be of assistance with our air force in at least a year.

Mr. TERRY. Will the gentleman yield?

Mr. HINSHAW. I yield to the gentleman from Arkansas.

Mr. TERRY. Under the Monroe Doctrine, we are obligated to protect South and Central America if an emergency should arise down there which would involve the Monroe Doctrine. Would it not be possible that we may need bombing planes if that should occur?

Mr. HINSHAW. It is difficult to conceive of any European nation, and certainly not an Asiatic nation, having serious designs on South America. If they had such designs, they would probably attack us first. Unless we are first defeated at home their position would be most untenable in South America.

Mr. TERRY. Does not the gentleman know that they have a very large European population down there now?

Mr. HINSHAW. Yes. We have them right in the United States. We are all ex-Europeans by descent and immigration. [Applause.]

Mr. TERRY. I hope there are not as many here as there are down there.

Mr. HINSHAW. I would not know. I have not added them up.

Mr. THORKELSON. Will the gentleman yield?

Mr. HINSHAW. I yield to the gentleman from Montana.

Mr. THORKELSON. Is it not a fact that Army secrets and information in regard to the construction of our airplanes is now in the hands of the Russian Government?

Mr. HINSHAW. I really would not know that.

[Here the gavel fell.]

Mr. MOTT. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I regret very much that the gentleman from Arkansas, who consumed so much of the time in general debate, did not see fit to yield for questions, even after he promised a few minutes ago in answer to a direct question of mine, to yield before he concluded. I believe members of committees who speak at great length because their position on a committee in charge of legislation under consideration entitles them to do so, make a serious mistake by not yielding. I think by so doing they injure their cause more often than they advance it. If the gentleman had yielded when I asked him to it would not be necessary for me now to make any remarks at all because he could then have answered the question I wanted him to answer.

Let me say by way of preface that I believe I am just as much interested in national defense as is the gentleman from Arkansas, and I think that will be shown by my actions and my votes. I have had opportunity to demonstrate this, particularly on matters connected with the naval defense, because I am a member of the Naval Affairs Committee, and I may say, incidentally, that in my humble opinion, for the money appropriated and expended, the Navy has a much better and a more effective establishment than the Army.

I believe few in this House objected, or seriously objected, to the recent authorization of 6,000 planes. I think nearly everybody on the minority side voted for that authorization. I believe the gentleman from Arkansas was palpably in error when he said that we on the minority side were opposed to purchasing these 6,000 planes, and he also was in error when he said we were approaching this pending proposition to appropriate at this time for 4,200 instead of 5,500 planes, from the standpoint of economy. That is not the fact. I believe, and all of us on this side think, we should have the 5,500 planes, but because I consider that to be a proper ultimate air force is no reason whatever why I or anyone else should agree that we need to appropriate for and build the entire number authorized at one time.

It is well known by everybody, and it appears in the testimony before the Committee on Military Affairs, that we could greatly profit by having some investigational work and some research work carried on in the meantime. If we appropriate for 4,200 planes now and for the balance of the 5,500 in the appropriation bill of the next session, or of the next Congress, after we have had the benefit of this research, I believe we will be much further ahead than we would be by building the full number this year. For if that is done everyone knows that most of those planes will be obsolete by the time they are delivered.

For that reason, I think it is the sensible thing to do, both for those on the minority and on the majority sides, all of whom I am sure are strongly in favor of an adequate air defense, to appropriate at the present time for the 4,200 planes and appropriate for the balance of the authorized number when the next appropriation bill comes in.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from Kentucky.

Mr. MAY. I just wanted to call the attention of the gentleman to the fact in connection with all these matters of national defense that if we ever have a war Republicans and Democrats alike will have to fight. When the legislative bill that authorized the purchase of these 6,000 planes was considered there were only 15 votes against it out of more than 300 votes cast. I am sure the minority side will be voting for the appropriation in order to carry out the legislative program.

Mr. MOTT. I thank the gentleman for his contribution, and that is the reason I have taken this occasion to observe that the gentleman from Arkansas was in error in his statement that the minority did not favor an adequate national defense and did not favor the authorization. The record shows that the minority's vote in favor of it was practically unanimous. And the gentleman from Arkansas, as I have said, was equally in error when he stated that our support of the Powers amendment was based on the viewpoint of economy. That is not the fact, and there is no word in the debate to support his statement. This minority proposal is just one of good common sense, and that is the reason why on both sides we should support the amendment to be offered by the gentleman from New Jersey.

Mr. POWERS. Mr. Chairman, will the gentleman yield?

Mr. MOTT. I yield to the gentleman from New Jersey.

Mr. POWERS. Is it not the position of the minority, and certainly it should be the position of the majority, that we do not oppose the purchase of 5,500 planes but we do oppose building all of them now, until we spend more money in research and get our production and our actual performance on a par with foreign nations? That is the main point we are arguing today.

Mr. MOTT. The gentleman's statement is correct, and I hope that the membership of the House on both sides of the aisle will support his amendment.

[Here the gavel fell.]

The pro forma amendments were withdrawn.

The Clerk read as follows:

EDUCATIONAL ORDERS

For placing educational orders to familiarize private manufacturing establishments with the production of munitions of war of special or technical design, noncommercial in character, as authorized by law, fiscal year 1940, $14,250,000.

Mr. SMITH of Connecticut. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Connecticut: On page 4, line 12, after the figure "$14,250,000", and before the period, insert a comma and the following: "and, in addition, the Secretary of War is authorized to enter into contracts prior to July 1, 1940, for the same purposes, to an amount not in excess of $18,250,000, and his action in so doing shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof."

Mr. TABER. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. TABER. I make the point of order, Mr. Chairman, that this is legislation on an appropriation bill.

The CHAIRMAN. Does the gentleman from Connecticut desire to be heard on the point of order?

Mr. SMITH of Connecticut. Not on the point of order, Mr. Chairman.

The CHAIRMAN. The point of order is sustained.

Mr. SMITH of Connecticut. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Connecticut: On page 4, line 12, strike out "$14,250,000" and insert "$32,500,000."

Mr. SMITH of Connecticut. Mr. Chairman, this amendment would bring the appropriation to the amount recommended by the Budget and asked by the War Department for this purpose for this year. The committee cut the appropriation from $32,500,000 to $14,250,000, apparently on the ground of taking it in two yearly installments and appropriating the balance next year, together with an appropriation of $2,000,000 which was authorized by transfer for this year.

The War Department feels that the full amount requested, which was the amount we authorized in the bill of April 3 of this year, is needed at this time. It is not entirely necessary that this money be actually expended in this fiscal year, but the War Department feels, and I believe they are correct, that they should enter into the contracts and let these educational orders this year so that the making of tools, jigs, dies, and fixtures for the production of munitions, for which we do not have sufficient productive capacity for an emergency, can be proceeded with. If the point of order had not been made against my first amendment it would have provided authority to enter into such contracts this year, which would have been satisfactory, for the balance of this amount.

It would have met the language of the committee in its report which indicated that the balance of this fund should be provided in the fiscal year 1941. However, the whole purpose of the educational-orders program is to get around or obviate the time lag which exists in the manufacture of these special munitions. Even during the World War, when we had been making munitions for foreign countries in great quantities, it took us a great deal of time to get into production on other items that we needed for our own forces. We do not have a physical reserve of munitions today sufficient to carry on even what we call the initial protective force for a period of 30 days.

We are making up some of the deficiency in the munitions production for this year, both by the arsenals and under private contract, but even that amount will not bring us to a position where we will be prepared to turn out the munitions we will need if we get into an emergency. This is a method of meeting that need. It would cut down the time required to produce these items an average of at least 8 months, and it would include a little over 50 items as to which the War Department feels there is a critical situation.

Therefore I ask the Committee to appropriate the amount recommended by the Budget by adopting the amendment I have now offered. As I say, I would prefer the contractual authority, because it is not necessary to expend all of this money this year; but only by appropriating the full amount can we under the existing authorization enter into these contracts, and it is necessary to go into this matter this year or we will still be from 5 to 18 months away from the completion of any contract for needed munitions.

Mr. MURDOCK of Arizona. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Connecticut. I yield.

Mr. MURDOCK of Arizona. Does the gentleman's increased appropriation include stock piles of strategic materials?

Mr. SMITH of Connecticut. That is not included in this item.

Mr. MURDOCK of Arizona. Does it include experimental work in developing such matters?

Mr. SMITH of Connecticut. No; it has nothing to do with the stock-pile item. I may say that it is probable a recommendation will come in within the near future for an additional appropriation for the initial stock pile.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Connecticut. I yield.

Mr. MAY. In spite of the fact that England has been proceeding with her program with respect to this kind of material for more than 15 months, she is not ready to produce in mass production even in the face of her crisis, and in addition, I may say there are a great many things that have to be considered, and I wish the gentleman, if he has the time, would go into that.

Mr. SMITH of Connecticut. Besides what the gentleman has mentioned, there is the fact that today there are a great number of skilled workmen who are not fully employed, but the instant an emergency starts we will have a serious shortage of skilled mechanics which will further complicate the effort we must make then to produce these tools under pressure.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Connecticut. I yield.

Mr. MOTT. It is a fact, is it not, we do not have tools at the present time whereby we could turn out these munitions, should we be called upon to do so?

Mr. SMITH of Connecticut. We do not have the tools. The ones we had during the war have been destroyed or lost, and there have been great improvements and modifications made in the manufacture of munitions.

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I rise in opposition to the amendment.

Mr. SNYDER. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 5 minutes.

Mr. WALTER and Mr. CLASON objected.

Mr. SNYDER. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 15 minutes.

Mr. GAVAGAN. Reserving the right to object, Mr. Chairman, does the gentleman's motion intend to shut off all debate on the entire section?

Mr. SNYDER. Only on the paragraph.

Mr. GAVAGAN. Is it directed to the Ludlow amendment?

Mr. SNYDER. Oh, no; it has nothing to do with that matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. COLLINS. Mr. Chairman, let us not be deceived about the military preparation of this country. All of this stuff about our country having ammunition sufficient to last only 30 days is just a lot of bunkum. We have a great quantity of the World War ammunition left, and it has been kept up to date by appropriations that have been made by Congress. Congress also has made ample appropriations for new types of ammunition and modern weapons. I should hate to estimate how much ammunition we have, because it is our only military secret; but I will say it is ample for the guns and implements of the types that the Army is going to use at the present time.

Now, as to the meaning of educational orders, that merely means that the War Department may put out an order for a gun or a shell with a factory and let that factory make a certain number of them, so that they will know how to make them if war comes. The law sponsored by the Military Affairs Committee provided for this sum of thirty-two or thirty-three million dollars, to be expended for the fiscal years 1939, 1940, and 1941. The amount carried in this bill plus the amounts already appropriated constitute half of all of the total money that has been authorized, and in the next year's bill the balance of it will be carried. All of the money for educational orders will be appropriated in due time and for the years provided for in the authorization legislation.

In addition to the amount appropriated for educational orders by this bill, we have already appropriated $110,000,000 with which to buy munitions of war, much of which will be procured from private industries. In other words, our industries are going to make munitions of the same types proposed for educational orders out of the $110,000,000 heretofore appropriated. If you will turn to the list of the educational orders proposed in the justification submitted to this committee, you will find that in more than half of the cases the War Department has already begun the purchase of the same types of supplies out of the $110,000,000.

To show you that this question of educational orders is in the state of flux, even the War Department does not know what they are going to buy or what they may need. One

week they came before the committee with the document I hold in my hand and said, "We are going to buy the articles listed here," and it was proposed that the Air Corps purchases be $4,715,000. About 2 weeks later they came in with another list. Here it is, and in this later list they said they were going to spend for the Air Corps not $4,715,000, but $2,038,000.

Again, from another aspect, no concern can get an educational order for 3 years after one has been given to it. In most cases there is only one bidder for an educational order. That means that that concern cannot get a similar educational order for 3 years, and by that time the workmen who have been making these articles will be making something else, and they will have become inexperienced again. Furthermore, and from another aspect, we find that since there has been only one concern that has bid for many of these educational orders, it follows that in the event of war, if we had to rely on that concern, it could charge whatever price it should see fit for the ammunition or other articles that we would have to purchase from it.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. CLASON. Mr. Chairman, I move to strike out the last word.

I am particularly interested in finding out something about these educational orders. Also, because as I read the report which accompanies the bill before us this afternoon, pages 3 and 4, in regard to educational orders, it would appear that out of the $110,000,000 which was carried in the Military Appropriation Act for 1940, 75 percent of that appropriation constituted a tremendous educational program. In other words, $82,500,000 of that bill was really to be paid for educational orders.

Mr. SMITH of Connecticut. Mr. Chairman, will the gentleman yield?

Mr. CLASON. Yes.

Mr. SMITH of Connecticut. I may say that in that regard the $110,000,000 was appropriated for the purchase of munitions, not for the purpose of building tools to make up deficiencies in things not included in the $110,000,000. As a matter of fact the $110,000,000 will make up about one-fourth of the estimated deficiencies in arms and ammunition in the Army today. It will not insure that we have sufficient capacity if we do get into an emergency in the future. Of course part of it is being made in the arsenals, and rightly so.

Mr. CLASON. That is the point which disturbs me, and that is the reason I wanted to ask the chairman of the subcommittee something in regard to the statements contained in the hearings on pages 258 and 259 where the chairman had General Harris under examination.

It appears in regard to the semiautomatic rifles that the PMP will require something like 240,000 semiautomatic rifles. Mr. SNYDER brought out from General Harris that in the next year's program they are going to furnish 151,000 rifles. There is only one arsenal which is making those rifles, which is at Springfield, and apparently only 50,000 rifles, or 1,000 a week, are to be made there. If that is true and if General Harris is right in saying that the only plant that can make the rifles outside of the arsenal is the Winchester Repeating Arms Co., it would look as though the Winchester Repeating Arms Co., without any competition, is going to carry off an order for 101,000 rifles, and their present contract calls for $175 a rifle, while the Springfield Arsenal is making them for $100 or less.

It seems to me that requires some explanation, and I would like to have the chairman of the committee advise us whether or not the Winchester Repeating Arms Co. is expected to make 100,000 semiautomatic rifles during the next fiscal year.

Mr. COLLINS. That does not come out of this money at all.

Mr. CLASON. No; that does not come out of this money at all, but it is a part of the program for which this Congress is appropriating $110,000,000, of which $82,500 is an educational program.

Mr. COLLINS. It is educational, but it is not educational in the sense that this money is educational.

Mr. CLASON. It is educational in this sense that the tools, jigs, dies, and fixtures are furnished to the Winchester Repeating Arms Co.—the only company in the country to get them—at a cost of over $1,000,000, in order to give them the right to make the rifles with Government tools and fixtures, and make a beautiful profit, as I see it.

Mr. COLLINS. The gentleman has reference to an educational order placed under the $2,000,000 appropriation for the current fiscal year. Nobody knows what company is going to get the educational order under the pending appropriation. There will be competitive bidding.

Mr. CLASON. Not according to page 259 of the hearings. General Harris is authority for stating that the only plant that is in position today is the Winchester Repeating Arms Co., where the Government tools and dies are. If no other company has those tools and dies, none of them is going to bid against the Winchester Co., because they have not had any education, and the Winchester Arms Co. has.

Mr. COLLINS. I am referring to educational orders and educational orders are placed after competitive bidding. The Winchester Co., having received an educational order, under the law, cannot receive a repeat order for 3 years.

Mr. CLASON. It might be, but can you answer that: Is it intended to let out a contract for 101,000 rifles to private industry next year?

Mr. COLLINS. No, indeed, not to my knowledge; simply another relatively small educational order.

Mr. CLASON. Then what is the meaning of General Harris' statement on page 259 that next year's program is going to call for 151,000 rifles to be manufactured? Where are they going to be manufactured?

Mr. COLLINS. I assume in the Springfield Arsenal as rapidly as that establishment has the capacity to turn them out.

Mr. CLASON. We are talking about semiautomatic rifles, and General Harris says that next year they are going to make 151,000. If the Springfield Arsenal is only going to make 50,000, who is going to make the rest?

Mr. COLLINS. There is a million dollars, roundly, for automatic rifles in this $14,250,000 for educational orders. As to which concern will get the business, we do not have any more notion than the gentleman does, because whoever gets it will get it upon competitive bids.

Mr. CLASON. Well, who is going to make the 151,000 rifles to be made next year? How many are going to be made in the Springfield Arsenal?

Mr. COLLINS. I should say all of them, but not necessarily all during that year.

Mr. CLASON. If nobody knows, why are we here discussing the appropriation of money?

Mr. COLLINS. The proposition before us deals with educational orders; not production orders under a prior appropriation. One million of the fourteen million for educational orders will be spent for semiautomatic rifles.

Mr. CLASON. How much of the $110,000,000 is going to be spent for semiautomatic rifles to private industry?

Mr. COLLINS. None of it, so far as I am aware.

Mr. CLASON. Then how is General Harris going to make 151,000 rifles next year?

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Connecticut [Mr. SMITH].

The amendment was rejected.

Mr. WALTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WALTER: On page 4, line 12, after the period, insert the following:

"In order to provide adequate facilities for the constructing, manufacturing, or furnishing of any military or naval equipment, supplies, or other articles for the purposes of the national defense, the Secretary of War and the Secretary of the Navy are respectively hereby authorized and empowered from time to time to include or cause to be included in any contract that shall be made by them or under their authority, respectively, for the constructing, manufacturing, or furnishing of any such equipment, supplies, or other

articles provisions satisfactory to them or their authorized representatives for any or all of the following purposes, to wit: (a) To provide that the contractor shall construct or install additional facilities, or expand, modernize, improve, replace, or otherwise alter existing facilities in order to expedite the constructing, manufacturing, or furnishing of any of such equipment, supplies, or other articles; (b) to provide that the cost of constructing, acquiring, installing, expanding, modernizing, improving, replacing, or otherwise altering such facilities shall be paid by the United States; (c) to provide that any such additional facilities the cost of which shall so be paid by the United States shall be and remain the property of the United States, subject as hereinafter provided, and that the United States shall have the right to acquire any such existing facilities so to be expanded, modernized, improved, replaced, or otherwise altered upon payment of fair compensation therefor to be determined as shall be provided in the contract; and (d) to provide that, if and when any such facilities that shall so become the property of the United States shall no longer be required by the contractor in the performance of any contract for the constructing, manufacturing, or furnishing to the United States or to any department, independent establishment, or other agency or instrumentality of the United States of any equipment, materials, supplies, or other articles, such facilities shall be removed from the premises of the contractor or otherwise disposed of in such manner and on such terms and conditions as shall be agreed upon by the Secretary of War or the Secretary of the Navy, as the case may be, and the contractor, including, but without limitation on the foregoing, the sale or lease of such facilities to the contractor. Any costs of constructing, acquiring, installing, expanding, modernizing, improving, replacing, or otherwise altering any such facilities that shall be paid by the United States pursuant to any such contract shall not be deemed to be a part of the cost of performing, or of the total contract price under any contract within the scope of section 3 of the act of March 27, 1934 (48 Stat. 505), as heretofore or hereafter amended, for the purpose of computing profit or loss on such contract pursuant to said section 3. Any amounts heretofore or hereafter appropriated for the constructing, manufacturing, or acquiring of any such equipment, supplies, or other articles shall to the extent that shall be deemed necessary by the Secretary of War or the Secretary of the Navy, as the case may be, be available for any of the purposes hereinbefore specified."

Mr. SNYDER. Mr. Chairman, I reserve a point of order against the amendment.

Mr. WALTER. Mr. Chairman, in just a few words, this amendment provides that whatever equipment is utilized for the manufacture of these educational orders shall be the property of the United States. Undoubtedly when contracts will be entered into for these educational orders the cost of the machinery and equipment necessary to carry out the order will be passed on to the equipment and to the munitions that are produced. After the cost has been thus passed on, the machinery and equipment that is constructed will become and remain the property of the contractor. Just a moment ago we heard about the cost of the dies that were used in the manufacture and construction of certain rifles. They belong to the contractor, but the cost was included in the cost of the rifles.

Mr. SMITH of Connecticut. Mr. Chairman, will the gentleman yield?

Mr. WALTER. In just a minute.

It seems to be bad business for us to let the cost of this machinery and equipment be absorbed and then the United States not have title to it and not be able to take this equipment and remove it to any place where it is convenient to use it at a future date.

Mr. SMITH of Connecticut. Will the gentleman yield?

Mr. WALTER. I yield.

Mr. SMITH of Connecticut. The existing law provides that such aids to manufacture—tools, jigs, and dies—shall remain the property of the United States in the case of any contract let under that Educational Order Act. If your amendment applies rather to the general purchases, that Educational Order Act would not protect them. But the Educational Order Act provides that any of these fixtures purchased under the educational orders remain the property of the Government.

Mr. WALTER. But there is nothing in the contract with private manufacturing companies producing munitions of war of special design that provides for the retention by the United States of title to the machinery that is necessary for the manufacture of these articles. Immediately after the World War large manufacturers of munitions scrapped their machinery in order to avoid the payment of taxes.

Mr. SMITH of Connecticut. The act does provide that any machinery bought from funds furnished by the Government on one of these educational orders does remain the property of the Government and may be removed by the Government. Title remains in the Government.

Mr. WALTER. That is only when the United States purchases and furnishes the machinery to the manufacturer.

Mr. SMITH of Connecticut. It applies to every contract under this particular act. It does not apply to general procurement, which may be what the gentleman's amendment covers. The amendment is rather long. I have not seen it before. It is sought to be applied to any educational order.

Mr. WALTER. I gave my amendment to the chairman of the subcommittee, who told me he submitted it to his committee and that there was no opposition to it. The present law does not apply to this situation: Suppose a plant is required to install machinery that is not ordinarily used in its business. The plant secures many times the amount of machinery they would need for their usual activities, then proceeds to the manufacture of these educational orders. The cost of that machinery is passed on to the cost of the munitions, and the title to the machinery which is installed by the contractor is in the contractor, not in the United States Government. Under the provisions of my amendment, the Secretary could enter into an agreement with the contractor whereby title would be in the United States instead of in the manufacturer, so that the United States could get the full advantage of all the money that is expended for the equipment used in educational orders.

Mr. SMITH of Connecticut. I believe the existing law covers educational orders. It does not, however, apply to quantity production under the ordinary procurement act. I do not know whether the gentleman's amendment would cover that quantity production which is entirely on a competitive basis, the cost of which is naturally absorbed in the contract price. The contract price is subject to competitive bidding and the lowest bidder gets the business. On educational orders, however, the title to every item of equipment purchased with funds from the Government on the order remains in the Government under the existing act.

[Here the gavel fell.]

Mr. SNYDER. Mr. Chairman, I make the point of order that the gentleman's amendment is legislation on an appropriation bill.

The CHAIRMAN (Mr. BLAND). The point of order is sustained.

The Clerk read as follows:

Regular supplies of the Army: For an additional amount for regular supplies of the Army, fiscal year 1940, comprising the same objects specified under this head in the Military Appropriation Act for said fiscal year, $944,545.

Mr. LUDLOW. Mr. Chairman, I ask unanimous consent to return to page 4 in order to offer an amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Indiana [Mr. LUDLOW]?

There was no objection.

Mr. LUDLOW. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. LUDLOW: On page 4, after line 25, insert a new paragraph, as follows:

"Of the appropriations contained in this act for expanding military aviation, including appropriations for both personnel and material, $1,000,000 shall be available exclusively for training Negro pilots."

Mr. LUDLOW. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Indiana [Mr. LUDLOW]?

There was no objection.

Mr. LUDLOW. Mr. Chairman, the amendment I am offering ought, I think, to appeal to the sense of right and justice of every Member of this House. It provides:

That of the appropriations contained in this act for expanding military aviation, including appropriations for both personnel and material, $1,000,000 shall be available exclusively for training Negro pilots.

The bill before us carries a total of $7,901,859 for the training of pilots, including tuition and equipment.

It is not contemplated by the bill in its present form that one cent of this amount shall be spent for training Negro pilots.

My amendment is mandatory, in that it requires $1,000,000, or practically one-eighth of the amount carried in the bill for pilot training, to be spent in training Negro pilots.

The sheer justice of this proposal, it seems to me, ought to be obvious to everyone. When war comes Negroes will be conscripted on a widespread scale, and it is just as certain as anything in the future can be that a considerable proportion of Negroes with aviation training will be sent into the air combat detachments.

It would be positively cruel and inhumane to assign Negroes to the combat air service without giving them the means to protect themselves. The protection to which they are entitled is a thorough course in combat air training, the same course that is given to white air pilots. To send a Negro aviator to battle in the air without that thorough training would often mean certain death.

When it comes to furnishing the means of protecting our men in battle, no color line should be drawn. I am sure that those in charge of our national defense and those in charge of this bill have no intention to draw the color line, but the fact remains that no provision is made for training Negro pilots. Now is the time to begin that training.

There is nothing in the record of Negroes in war that serves as a reason for refusing to give Negroes their proportionate share of air-pilot training. In all of our wars Negroes have offered, and many have given, their lives freely to their country without question and without stint. There is no blot on their patriotism. It has been demonstrated to be 100 percent on every battlefield. They have been among our very best and bravest soldiers. If, unhappily, war comes again, they will be in the front ranks, eager to serve and, if need be, to die for the country they love.

These are facts. Since they are facts, what excuse in God's name do we have for not giving Negro pilots the protection of the same basic training in combat service that we give to any other soldiers? Life is as precious to a Negro as it is to a white man.

How can we justify such discrimination before the court of public opinion and before that higher court which we may humbly agree knows no color line when it comes to judging acts of loyalty and devotion?

Secretary of War Woodring says on page 281 of the hearings on this bill:

> We are trying to work out a plan whereby we shall have a program under which Negroes can be trained.

The Secretary of War's words are an eloquent acknowledgment of the justice of giving this training to Negro pilots. Yet not one cent is provided for such training. I appreciate the good intentions, but why should there be such delay in providing this training? In the troubled state of the world we do not know when war will come; and, sooner than we expect, our Negro pilots may be forced into combat service without any adequate training for it. Available land and facilities for these Negro training units are being offered free of charge at Tallahassee, Fla., and Tuskegee, Ala.

The amendment I propose would not add one dollar to the appropriations in this bill. The amount which my amendment makes available for the training of Negro pilots, compared with the total appropriation, is almost the exact proportion which the Negro population bears to the total population of the United States. It would simply make available for training Negro pilots a reasonable proportion of the training funds carried in the bill. Let us do the right thing by these willing and loyal defenders of our country whose skin happens to be black. I hope every Member of the House will vote for the amendment. [Applause.]

I cannot conclude my remarks without paying my tribute of appreciation to a number of colored leaders and organizations who have been most helpful in furnishing information and support in my efforts to prepare the worthy case in behalf of the Negroes of America, which I am presenting to you today. I refer especially to Edgar G. Brown, president of the United Government Employees; Mr. G. N. T. Gray, welfare director of the National Alliance of Postal Employees; the National Airmen's Association; and the Elks Civil Liberties League. Mr. Brown appeared before the subcommittee during the hearings on the bill and made a most impressive and convincing statement.

Mr. POWERS. Will the gentleman yield? I think I might help the gentleman. I am very much in favor of the gentleman's amendment, and I would like to insert in the RECORD the fact that on page 282 of the hearings I asked the following question of the Secretary of War:

> You are definitely going to train some Negro pilots, are you not?
> Secretary WOODRING. We are planning to do so.
> Mr. POWERS. I am very glad to hear that.

The Secretary of War stated that the War Department is going to train Negro pilots. I am very happy to support the gentleman's amendment earmarking certain funds for that purpose.

Mr. LUDLOW. I thank the gentleman.

Mr. POWERS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, due to the fact the amendment offered by the gentleman from Indiana [Mr. LUDLOW] is now pending before the Committee, I ask unanimous consent that the part of the hearings pertaining to the training of Negro pilots appearing on pages 281 and 282, including the colloquy between the Secretary of War, the gentleman from Michigan [Mr. ENGEL], the gentleman from Pennsylvania [Mr. SNYDER], and myself, be placed in the RECORD at this point.

The CHAIRMAN. That request will have to be made in the House.

Mr. DIRKSEN. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, the amendment offered by the gentleman from Indiana is similar to an amendment I have pending on the Clerk's desk. This bill carries approximately $8,000,000 for pilot training. The purport of the amendment offered by the gentleman from Indiana [Mr. LUDLOW] is to earmark one million of that $8,000,000 for the training of Negro pilots. There is certainly justification for the amendment, and it should be adopted.

Mr. COLLINS. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. Let me finish my statement first, and then I will gladly yield.

In the first place, the Negro race, on the basis of the 1930 population, constitutes about 11 or 12 percent of the whole number of our people. This amendment in substance would earmark about 12 percent of the amount that is available for training.

In the second place, the Negroes have served heretofore in all our wars, and in the World War they provided some 300,000 soldiers. They are entitled to have equitable consideration free from all discrimination. What this amendment seeks to do is to carry into effect the assertion made by the Secretary of War in the hearings on this bill. They are adaptable to training, as evidenced by the fact that during the World War there was a Negro training camp established at Des Moines, Iowa. If we could do it in the World War, certainly we can do it during a period of peace when we are preparing for whatever eventualities there may be on the horizon.

In the third place, it can be conveniently done. It is proposed that this training camp be established at Tuskegee Institute in Alabama. At Tuskegee they have a Reserve Officers' Training Corps at the present time, which is officered by a Negro first lieutenant, who is a graduate of West Point, and whose father, I am informed, is the colonel of the Fifteenth Infantry in New York, Col. B. J. Davis. In the second place, they have a mechanical school at Tuskegee. So this appropriation can be very conveniently adapted for the purpose of training civilian Negro pilots at Tuskegee

Institute in order to carry out and effectuate the purposes of section 4 of the act approved in April of 1939.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. DIRKSEN. Let me go just one step further and then I shall yield.

Finally, it occurs to me that the Negro has shown aptitude for this kind of work just like anybody else. There are today 350 Negro pilots in the country. There are many distinguished Negro officers. In the past, of course, we have had Col. John R. Marshall, who commanded the Eighth Illinois Infantry in the Spanish-American War. We have Col. B. J. Davis in New York. Negroes have served in all the wars of this Republic. Finally, they pay taxes just like any other element of our people, and therefore we might very well give them assurance in this bill for the purpose of training Negro pilots.

I now yield to the gentleman from Minnesota.

Mr. MAAS. Is there anything in the existing law that bars Negroes from training? Are they not Americans?

Mr. DIRKSEN. There is nothing in existing law to bar them, but in section 4 of the act which was approved on April 3 in pursuance of the President's message of January 12 this House and the Senate wrote in a provision to the effect that facilities should be made available for the purpose of training Negro pilots. In view of the fact that this is written into the substantive law, is there any reason why we cannot earmark a portion of the amount of these funds to carry out and effectuate that purpose?

I yield now to the gentleman from Mississippi.

Mr. COLLINS. I was wondering if the gentleman has investigated the subject sufficiently to find out whether or not he is reducing the appropriation for that purpose rather than increasing it?

Mr. DIRKSEN. I am only going on the theory that the language submitted by the gentleman from Indiana is identical with the language of the amendment I have at the Clerk's desk, to the effect that $1,000,000 of the amount available should be used for this purpose.

Mr. COLLINS. I still insist that I am apprehensive that the gentleman from Illinois and the gentleman from Indiana may be reducing the appropriation rather than increasing it.

Mr. DIRKSEN. I doubt it very much.

Finally, let me add this one suggestion: The gentleman from New Jersey [Mr. POWERS], on page 282 of the hearings is recorded as having asked this question of the Secretary of War:

> You are definitely going to train some Negro pilots, are you not?

Secretary Woodring said:

> We are planning to do so.

If that is the case, there can be no objection to earmarking these funds. [Applause.]

[Here the gavel fell.]

Mr. McKEOUGH. Mr. Chairman, I move to strike out the last three words.

Mr. SNYDER rose.

The CHAIRMAN. For what purpose does the gentleman from Pennsylvania rise?

Mr. SNYDER. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes, with the last 5 minutes to be reserved to the gentleman from Arkansas [Mr. TERRY].

Mr. McKEOUGH. Reserving the right to object, Mr. Chairman, does that take away the 5 minutes for which I have just asked?

Mr. SNYDER. No; that gives the gentleman 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. LUDLOW. Mr. Chairman, will the gentleman yield?

Mr. McKEOUGH. I yield to the gentleman from Indiana.

Mr. LUDLOW. In reply to what the gentleman from Mississippi said, the fact of the matter is that while there has been an appropriation ample to train many pilots, including Negro pilots, up to this time not one single Negro has been trained. I am not stating this as a criticism but as a fact. This amendment exercises the right of Congress simply to say that a part of this money shall be used for training Negro pilots.

Mr. McKEOUGH. I thank the gentleman from Indiana for his observation.

I merely wish to join with the gentleman from Indiana and my colleague from Illinois toward favorable action on the amendment offered by the gentleman from Indiana. In Chicago we have a complete colored regiment, known as the eighth regiment, in that city and State. Its record in the interest of the welfare of this Government and in defense of its ideals and purposes is as fine as that of any regiment in the entire national history of this great country. Unless this particular action is taken and the money allocated for the purpose for which it is sought, I am very fearful that Negroes will be denied the right to be trained as air pilots and that it may develop, as it has in the past, that many excuses may be offered by the War Department with a view to defeating that very worthy objective which legislation previously passed by the Congress seeks to attain. I cannot too strongly urge upon the House the adoption of this amendment in order to insure that the Negroes of this country, seeking further patriotically to serve the best interests of our Nation, may not be denied that privilege.

Unless this amendment is adopted, I am fearful that what has happened in the past may be repeated, and the Negroes denied the opportunity that the country ought to willingly give them to further demonstrate their undying fealty and devotion to the high ideals of the Nation they have so unselfishly served. [Applause.]

Mr. TERRY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, as has been pointed out, on page 281 of the hearings, it is shown that this matter was taken up by the committee with Secretary Woodring, and this question was asked:

> I am wondering whether or not one of these schools will be designated for the training of Negro pilots.
>
> Secretary WOODRING. We are considering that now. We are trying to work out a plan whereby we shall have a program under which Negroes can be trained.

Mr. Chairman, I realize, of course, the splendid history that the colored race has in our country. I realize the patriotic service they have rendered not only in time of war, but in time of peace. I am wondering, however, whether we should adopt this amendment at this time when the Secretary stated in answer to a question by the gentleman from New Jersey [Mr. POWERS]:

> You are going to train some Negro pilots?

The Secretary replied:

> We are planning to do so.

I am wondering, in the face of the definite statement the Secretary of War has made, whether we should include this amendment which freezes $1,000,000 for the training of one section of our citizenship.

Mr. Chairman, the bill providing for the training of pilots sets aside the sum of $10,000,000 for this purpose. It does not set aside $10,000,000 for the training of white pilots or colored pilots or Indian pilots or any particular group, and I am wondering why we should come in here now and in the face of a bill which covers the citizens of this country generally without making any specific mention of any one race——

Mr. THOMASON. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield.

Mr. THOMASON. If we are going to give preferential treatment to certain classes and races of our people, I wonder if there would be any objection to including some very fine Mexican citizens in my part of the country who have wonderful war records and who are fine American citizens? Where are you going to stop if you start this ridiculous policy? All American citizens should be treated alike. If you are going to include the Negroes, why not set

aside so much for the Mexicans and the Jews and the Scotch and some of us Swedes? I suppose the Irish will not need help. This is no way to build up a great army, and you are doing a disservice to the Negroes, to whom I am friendly. This sounds like pure and unadulterated politics to me.

Mr. TERRY. I agree with my friend, and as I am partly Irish, I should perhaps feel disappointed that we have not included a specific sum for the Irish.

We have set aside here the sum of $7,900,000, or practically $8,000,000, for the training of pilots. The colored race in this country, as I understand, amounts to about one-thirteenth of the total population. I am not mentioning that as a reason why there should be any particular amount set aside for them, but, certainly, if you are going to set aside for one-thirteenth of the population one-eighth of the sum that is appropriated for this purpose, manifestly, that is not a fair allocation.

Mr. Chairman, I ask that the amendment be defeated.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana.

The question was taken; and on a division (demanded by Mr. LUDLOW) there were—ayes 76, noes 60.

Mr. TERRY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. LUDLOW and Mr. TERRY.

The Committee again divided; and the tellers reported—ayes 89, noes 83.

So the amendment was agreed to.

The Clerk read as follows:

Army transportation: For an additional amount for Army transportation, fiscal year 1940, comprising the same objects specified under this head in the Military Appropriation Act for said fiscal year, $3,384,559, and of such amount not to exceed $650,000 may be expended for the purchase or construction of boats and other vessels, and not to exceed $216,000 may be expended for the purchase of passenger-carrying automobiles, motorcycles, ambulances, and trucks of station-wagon type.

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word, to ask the chairman of the subcommittee a few questions. First, whether included in this lump-sum appropriation there is a flying field in the northeastern section of the country?

Mr. SNYDER. Money is carried in here for a flying field in the northeastern section of the country.

Mr. McCORMACK. And the amount carried is how much?

Mr. SNYDER. Three million six hundred and eight thousand dollars.

Mr. McCORMACK. Is that the total amount or the starting amount?

Mr. SNYDER. As far as we know, that is the total amount apart from the land. Undoubtedly, however, the field will expand and grow larger as time goes on.

Mr. McCORMACK. Also, it is provided here that employment of personnel shall be without regard to civil-service requirements and restrictions of law relating thereto, lines 3, 4, and 5, page 7.

Mr. SNYDER. The Quartermaster General has a trained and experienced temporary force which has been engaged on projects financed with P. W. A. and W. P. A. funds, which is ready and qualified to proceed with the construction program provided for in this paragraph. If he were forced to take on in their stead a force of untrained and inexperienced employees, this program would be delayed, and obviously neither efficiency nor economy would be served. I wish to emphasize that this is a temporary force.

Mr. COLLINS. Mr. Chairman, I think I can add to what has been said by the distinguished gentleman from Pennsylvania. A lot of this work is being done in Panama. Other work is done in Puerto Rico, and part of it is done in Alaska, relatively a small part only in the United States. It may be necessary to employ some people in those outlying areas; and if we do not eliminate the requirements as to civil service, it is very doubtful if you could obtain people to do the work.

Mr. McCORMACK. The gentleman from Mississippi makes a convincing contribution, so far as I am concerned. I simply wish to say that personally I do not like to see too much civil-service exemptions. I believe in the civil-service list and I do not like to see exemptions go through unless there are proper grounds for doing so.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

The Clerk read as follows:

SIGNAL CORPS

SIGNAL SERVICE OF THE ARMY

For an additional amount for signal service of the Army, fiscal year 1940, including the same objects specified under this head in the Military Appropriation Act for said fiscal year, $6,074,564, and, in addition, the Chief Signal Officer, when authorized by the Secretary of War, may enter into contracts prior to July 1, 1940, for the procurement of aircraft-communication equipment and ground radio and telephone facilities to an amount not in excess of $1,160,000, and his action in so doing shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof.

Mr. POWERS. Mr. Chairman, I offer four amendments, which are at the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendments offered by the gentleman from New Jersey.

The Clerk read as follows:

Amendments offered by Mr. POWERS: On page 8, line 19, strike out "$6,074,564" and insert "$4,214,264."

Page 9, line 11, strike out "$89,727,655" and insert "$68,437,585."

Page 10, line 8, strike out "$44,000,000" and insert "$30,951,370."

Page 11, line 7, strike out "$6,552,833" and insert "$5,885,289."

Mr. POWERS. Mr. Chairman, I ask unanimous consent that these four amendments may be considered together. I am doing that because they are all related. The amendments pertain to reducing the number of planes by 1,283. The first amendment is the signal equipment for the 1,283 planes. The second amendment is the actual purchase price; the third is the contractual authority; and the fourth is the ordnance equipment for the planes.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

Mr. SNYDER. Reserving the right to object, Mr. Chairman, those four amendments under the head of "Signal Corps" are all the amendments the gentleman is going to offer under this heading?

Mr. POWERS. Under "Signal Corps?"

Mr. SNYDER. Yes.

Mr. POWERS. Yes. One under "Signal Corps," two under "Air Corps," and one under "Ordnance."

Mr. SNYDER. I shall not object.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. POWERS. Mr. Chairman, I ask unanimous consent that if necessary I be allowed to proceed for 10 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. POWERS. Mr. Chairman, I am offering these amendments which will reduce the bill approximately $37,000,000. I am offering these amendments to take 1,283 from the number of planes authorized. As I said earlier in the day, there is not one word of testimony in the hearings that indicates to me or anyone else that 5,500 planes should be purchased immediately, or that they are necessary or essential. Mr. Chairman, if I had my way and if I were chairman of the committee writing this measure, I would have brought out this bill calling for 3,300 planes. If my amendments are carried the total number of planes to be purchased will be 4,217. I am agreeing to 4,217 instead of 3,300 for this reason: Some time ago when another supplemental bill was passed there was $50,000,000 included for the Air Corps for the purchase of airplanes. At that time the Air Corps purchased practically all of the planes of the pursuit type. If their program were limited to 3,300, having purchased all of the pursuit planes with the $50,000,000, the entire program would become out of balance. The Chief of the Air Corps said the program would not be thrown out of

balance despite the purchase of these pursuit planes, if the total number allowed under this bill were to be approximately 4,217. The 1,283 planes that I am asking the committee to strike from the bill are actually reserve planes, but if they are stricken from the bill the Air Corps still has 880 planes in reserve.

Let me read from the committee report, because this pertains to the 1,283 planes. I quote:

> The committee questions the wisdom of proceeding with the immediate procurement of at least the 1,283 planes.

Let me repeat that:

> The committee questions the wisdom of proceeding with the immediate procurement of at least the 1,283 planes.

Proceeding again with the committee report—

> It is highly probable that some of them, if ordered immediately, would be inferior as to speed with planes now in production abroad for comparable missions. It would seem sensible to wait upon improvements promised by studies now under way, unless national defense needs are deemed to warrant their construction now.

Mr. Chairman, one of my reasons for asking to strike these planes from the bill is so that we will have more money for research. Let me read for just a moment from the committee hearings a few words on the subject of research. On page 27 of the hearings I asked General Arnold:

> To administer efficiently the new program, how much money should you have for research?
>
> General ARNOLD. To efficiently carry on the research necessary to secure and then maintain facilities that will enable us to produce airplanes equal to, or better than, any in the world, in my opinion, will require an annual research program of approximately $20,000,000 a year.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. POWERS. I yield.

Mr. MAAS. I am in hearty agreement with the gentleman that we should have more research, but does the gentleman contend that we are so lagging in research that we do not know how to build airplanes equal with the fastest in the world at the present time?

Mr. POWERS. I do not know whether or not we know how, but the fact remains we are definitely not building any type of plane now, other than our four-motored bombers, which are comparable to those now being constructed by some European countries. The gentleman is an experienced flyer. He knows the answers to these questions as well or better than I.

Mr. MAAS. I think we know as much as the Germans, and probably more than they do today, but the gentleman is a member of the Committee on Appropriations, and I think recognizes that our failure is our lag in applying our research to actual production.

Mr. POWERS. Very definitely; and if we cut these 1,283 planes from the bill we can use more money for research. I shall speak in a few moments about a motion to recommit this bill which I will offer later.

Mr. MAAS. Did the gentleman consider somewhat the working out of a method whereby we can translate the results of our research into production?

Mr. POWERS. Yes: I shall be delighted to do that. That is my entire point. As I stated before, I am not against purchasing the 5,500 planes if and when they are necessary or if and when our research, both fundamental and applied, gets to the point where our plane performance is comparable to that of the planes of foreign nations.

Mr. BROWN of Ohio. Will the gentleman yield?

Mr. POWERS. I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. If a reduction is made in the number of planes, will the amount of money represented by that reduction be transferred for work in experimentation and research?

Mr. POWERS. I am very glad the gentleman asked that question. If my amendment is agreed to, no; but the money is saved for the moment. In a short time I shall explain my motion to recommit, and he will find there is money provided in the motion for research and development.

Mr. BROWN of Ohio. Will the amount of money to be appropriated for research and development be increased over the amount contained in the bill?

Mr. POWERS. In my motion to recommit, most assuredly it will be.

Mr. BROWN of Ohio. Will a portion of that money be used at Wright and Patterson Fields?

Mr. POWERS. I cannot say where it will be used. The money will be turned over to the Chief of the Air Corps, and certainly with such a fine development as the gentleman has at Wright Field some of it will undoubtedly be used there.

Mr. BROWN of Ohio. Does the bill allocate the money?

Mr. POWERS. No. It is entirely within the discretion of the Chief of the Air Corps.

Mr. Chairman, let me repeat what I said earlier in the day. I have been a member of the subcommittee having to do with War Department appropriations for 7 years. As I stated previously, I have tried to do a decent, honest, and patriotic job. There are no politics in this subcommittee and certainly there are no politics on the floor today so far as this bill is concerned. There are no politics either in the amendment I have offered. I merely want to take these 1,283 planes, which will not be purchased unless the President proclaims a national emergency, save that amount of money, and a little later allocate some of the money for research and development, both fundamental and applied. [Applause.]

[Here the gavel fell.]

Mr. SNYDER. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 15 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania [Mr. SNYDER]?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin [Mr. JOHNS].

Mr. JOHNS. Mr. Chairman, I am interested of course in airplanes and the defense of our country. It seems to me that we could very easily dispense with some of the airplanes provided in the pending bill and in support of this contention I will read at this time from the testimony given by Charles A. Lindbergh, which appears on page 288 of the hearings.

Colonel Lindbergh made the following statement:

> I feel that we have a great natural advantage in the United States, and that consists of being able to place a large portion of our military reserve in the quality of our aircraft. Our geographical position does not necessitate the maintenance of a huge air fleet ready to enter war on a moment's notice. We can gain strength by devoting more attention to the quality of our Air Corps than to the number of aircraft it contains. The problems of European countries are entirely different. In Europe it is necessary to maintain facilities for the production of large reserves of military planes. Over here, we are not subject to serious attack from the air in the present stage of aviation; and, in any event, we still have the advantage of distance from any great air power.

Mr. Chairman, within the last 24 hours I visited with Colonel Williams, the man who flew to Rome in 1929. Colonel Williams has had 26 years' experience in aviation. I asked him what he thought about the situation, and he agreed with Colonel Lindbergh on this proposition. He made the statement that if we would appropriate money for the purpose of experimenting with planes and for the purpose of developing them, so that if we needed airplanes we could immediately go into production and knew where we could have them produced, we need not worry about defense in this country so far as airplanes are concerned. I think that is a sensible thought, and I hope the amendment offered by the gentleman from New Jersey [Mr. POWERS] will be agreed to.

Mr. SCHAFER of Wisconsin. Will the gentleman yield?

Mr. JOHNS. I yield to the gentleman from Wisconsin.

Mr. SCHAFER of Wisconsin. What will be the good of developing new airplanes if we have an administration in power that gives the secrets of our new developments to potential enemies, as the administration is doing?

Mr. JOHNS. We are going to change administrations in 1940, so we will not need to worry about that. [Laughter and applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Connecticut [Mr. MILLER].

Mr. MILLER. Mr. Chairman, I rise in opposition to the pending amendment. I observe that my good friend and colleague argues this afternoon that General Arnold, General Craig, and Colonel Lindbergh, testifying before the Appropriations Committee, apparently had their fingers crossed. He does not seem to believe they meant what they said when they testified before that committee that they want this program which includes 5,500 planes.

Further than that the thought has been expressed here this afternoon, and I believe it is true, that there is an economy wave coming here in this country. But the question we have to answer today is, What if we have to face a state of war before the economy wave gets here? This is national defense. We have testimony not only before the Appropriations Committee but before the Committee on Military Affairs, and we accepted the report of that committee and their recommendation before this appropriation bill was brought to the House.

I remind you that world conditions change suddenly. In the fall of 1916 a national election was won in this country on the slogan that somebody had kept us out of war. We were confident in November 1916 that we were not going to become involved in a war, yet in a few short months, the following April, to be exact, we were in a state of war. We badly needed at that time aviation equipment and airplanes and pilots.

I hope this order can be given to the aircraft industry so that our Air Corps officers can find out where the bugs are in the industry, and how rapidly the manufacturers can turn out airplanes. This not an amendment to stagger this program, it is an amendment to strike out 1,200 planes that we need, 1,200 planes that could be built by the industry. We should find out now how quickly they can be built if they are needed.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield?

Mr. MILLER. I yield to the gentleman from California.

Mr. THOMAS F. FORD. Would it not be better to do more research and find out whether or not the planes if produced now would be as efficient as if they were produced a year from now, after additional research has been done?

Mr. MILLER. I am convinced we can turn out planes just as efficient as any in the world. We are doing research every day. The aircraft industry in this country have spent millions. If the manufacturers are given the orders they will turn out the planes.

Further, I understand that these contracts are not let under frozen specifications. If next month or 3 months from now there is an improvement or if their research engineers find a way to improve certain equipment, the United States Government will get the benefit of the improvement, it will not get a 1938 model. [Applause.]

Mr. THOMAS F. FORD. I thank the gentleman for his information. I was simply wanting to find out.

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Arkansas [Mr. TERRY] for 3½ minutes.

Mr. TERRY. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from New Jersey.

The whole question involved in this amendment is whether or not we know or can know when an emergency will develop. It is all right to say that if we purchase planes now, or if we purchase planes over the next 2 years, we may have some obsolescent planes. This is not an authorization to buy all these planes for immediate delivery. It means that we are going to give the authority and the appropriations to the War Department so that contracts can be let and the Army can make provision with the air industry to put these planes in production over the next 2 years. This does not mean that all the planes will be produced this year. Secretary Woodring told us that if any improvements or developments are made this year or next year, or year after next, such improvements will be incorporated in the planes for which we are giving orders.

Mr. HARTER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. As a matter of fact, this program contemplates that it will be completed July 1, 1941, does it not, 2 years hence?

Mr. TERRY. It does. All planes that are manufactured during that time will have the advantage of the devolpments that will be made in the next 2 years.

Mr. Chairman, shall we by our action this afternoon commit the Government of the United States to the same program that it had in the past—that is, that we shall not go ahead and give ourselves an adequate reserve? You know yourselves, as a matter of common sense, that if we have M-day tomorrow, or 6 months from now, the attrition of our first-line combat planes will be terrific. We know that if our planes go into action our first-line planes will be destroyed probably from 50 to 80 or 90 percent; and then you say that we can at that time go into manufacture and give ourselves an adequate reserve. That proposition is absurd.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield?

Mr. TERRY. I yield to the gentleman from California.

Mr. THOMAS F. FORD. How much money is provided for research in the present appropriation bill?

Mr. TERRY. Ten million dollars is provided for research.

Mr. Chairman, I am just as much in favor of research as anyone else, but we must have an adequate reserve now. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The gentleman from Pennsylvania is recognized for 4½ minutes.

Mr. SNYDER. Mr. Chairman, I should like to call attention to a part of the testimony of three of our witnesses. The gentleman from New Jersey [Mr. POWERS] this afternoon paid high tribute to three distinguished American citizens, namely, Secretary Woodring, Colonel Lindbergh, and the Chief of Staff, Gen. Malin Craig. He eulogized them, and rightly so, because they deserve all the praise he gave them. But I am just wondering why he should take the position, after giving them such praise, that their words to the committee with reference to these airplanes are not sufficient justification for going ahead with their procurement.

Mr. HARTER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. SNYDER. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. If the amendment of the gentleman from New Jersey prevails, the House will be going counter to the recommendations of the Secretary of War, the Chief of Staff, and the Chief of the Air Corps, that our national defense needs make necessary the provision of the full 5,500 planes at this time.

Mr. SNYDER. The gentleman is correct. I just want to read these excerpts from our hearings right now before my time is up. I quote now from Secretary Woodring.

> As a matter of fact, assurance of impregnability of the Panama Canal Zone alone justifies practically all of the Air Corps expansion program.

From Colonel Lindbergh:

> It would be, in my opinion, an error to reduce the number of planes called for in the expansion program of the Army Air Corps."

Quoting further from the hearings, where General Craig was before us:

> Mr. COLLINS. Did you initially recommend 5,500 planes or any such program as that?
>
> General CRAIG. This 5,500-airplane program, as I have stated before, has now and always has had my unqualified approval.

Mr. Chairman, I ask the Committee to vote down the amendments offered by the gentleman from New Jersey.

The CHAIRMAN. The question is on the amendments offered by the gentleman from New Jersey [Mr. POWERS].

The question was taken; and on a division (demanded by Mr. POWERS), there were—ayes 117, noes 106.

Mr. SNYDER. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. POWERS and Mr. SNYDER.

The Committee again divided, and the tellers reported that there were—ayes 121, noes 113.

So the amendments were agreed to.

The Clerk read as follows:

AIR CORPS

AIR CORPS, ARMY

For an additional amount for Air Corps, Army, fiscal year 1940, comprising the same objects specified under this head in the Military Appropriation Act for said fiscal year, including maintenance and repair of aeronautical equipment loaned to aviation schools under the provisions of section 4 of the act entitled "An act to provide more effectively for the national defense by carrying out the recommendations of the President in his message of January 12, 1939, to the Congress", approved April 3, 1939, $89,727,655: *Provided*, That not to exceed $2,500,000 of such amount shall be available until June 30, 1941, for transportation to first destination of equipment procured hereunder, for salaries and travel of personnel in connection with the inspection of new aircraft, equipment, and accessories, and for the cost of tuition for training of Regular Army personnel at civilian educational institutions, under authority of sections 2 and 4 of said act of April 3, 1939: *Provided further*, That $27,000 of the amount herein appropriated shall be available exclusively for the engagement of personal services, by contract or otherwise, at such rates of compensation as the Secretary of War may determine, for preparing a comprehensive digest of the data which has been collected upon geographic, meteorologic, and weather conditions in northern latitudes pursuant to authority contained in the War Department Appropriation Act, fiscal year 1935: *Provided further*, That in addition to the amount herein appropriated the Chief of the Air Corps, when authorized by the Secretary of War, may enter into contracts prior to July 1, 1940, for the procurement of new airplanes, and for the procurement of equipment, spare parts, and accessories for airplanes to an amount not in excess of $44,000,000, and his action in so doing shall be deemed a contractual obligation of the Federal Government for the payment of the cost thereof: *Provided further*, That of the amounts herein appropriated and authorized to be obligated for the procurement of 2,290 airplanes, obligations shall not be incurred for the procurement of more than 1,007 airplanes unless and until the President shall determine that the interests of national defense require the procurement of any portion or all of the number in excess of 1,007.

Mr. RAMSPECK. Mr. Chairman, I make a point of order against the proviso, beginning in line 11, of page 10, and continuing down through line 18, on the ground that it is legislation on an appropriation bill. I presume this appropriation is made on account of the authority contained in the act of April 3, and in that act the authority was given to the Secretary of War and the language reads:

The Secretary of War is hereby authorized to equip and to maintain an Air Corps of not to exceed 6,000 serviceable airplanes.

Of course, it is necessary for Congress to appropriate the money before the Secretary can carry out this authority, but the proviso against which I have made a point of order takes that discretion away from the Secretary of War and puts it in the hands of the President of the United States. It puts a duty on him which the legislative committee placed in the hands of the Secretary of War, and for that reason it seems to me to be legislation on an appropriation bill, and I therefore make a point of order against it.

Mr. COLLINS. Mr. Chairman, I hope the gentleman will reserve the point of order.

Mr. RAMSPECK. I reserve the point of order, Mr. Chairman.

Mr. COLLINS. Mr. Chairman, I move to strike out the last word.

I hope the gentleman will not make the point of order. This is a very important provision, I will say to the gentleman. It means merely that the President of the United States can, if in his judgment the military requirements of this country demand, purchase the entire 5,500 airplanes.

There are some of us who believe, and are honest in the conviction, that 4,500 airplanes are sufficient to meet the military requirements of this country, especially in view of the fact that there is not a foreign military airplane that can cross the Atlantic Ocean and drop bombs upon any city, even on the Atlantic coast.

With this proviso in the bill the President can expend this additional money if the military requirements 3 or 6 months hence necessitate the purchase of these additional planes. With this language eliminated I fear there are a large number of us who will be unable to support the bill. Therefore I plead with the gentleman as one who wants to give this country adequate military preparedness, to withdraw his objection to this language so that all of us can go along with the committee as they have prepared the bill.

Mr. RAMSPECK. Mr. Chairman, I rise in opposition to the pro forma amendment.

I want to say to my friend from Mississippi, and I have the highest regard for him, I do not believe it is proper legislative procedure for legislative committees to write laws authorizing appropriations and then for the Appropriations Committee to change those laws by writing legislation on appropriation bills.

Frankly, of course, I do not know all about the situation in regard to these planes. It would be foolish for me to stand up here and claim to know as much about it as the gentlemen on the Appropriations Committee or on the Committee on Military Affairs, who have studied this subject. For that reason in this case I am going to withdraw my point of order at the request of the gentleman from Mississippi [Mr. COLLINS], but I say to the House that I feel very strongly that it is unwise and improper for the Committee on Appropriations to overrule the will of the House as expressed in legislative enactment, and I hope that practice will not be persisted in because we ought to legislate in an orderly manner.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I make the point of order against that language.

The CHAIRMAN. The point of order is made against the language by the gentleman from Wisconsin. Does the gentleman from Pennsylvania [Mr. SNYDER] desire to be heard?

Mr. SNYDER. No.

The CHAIRMAN. The point of order is sustained it being legislation upon an appropriation bill.

Mr. WADSWORTH. Mr. Chairman, I move to strike out the last two words, and I ask the indulgence of the members of the Committee for a few moments. I am taking advantage of the rule which permits a member to offer a pro forma amendment and discuss something that is not actually contained or dealt with in the paragraph under discussion. I do it upon this occasion on account of my very, very deep concern at the action of the Committee a little while ago on the amendment offered by the gentleman from Indiana [Mr. LUDLOW]. I think no Member of this House will deny the deep, deep interest I have always taken in the Army and the Navy of the United States, or my devotion or adherence to our military policy. I fear that the precedent set by the amendment offered by the gentleman from Indiana will inject into the military policy of the United States a poisonous thing. For the first time, unless my recollection is wrong, the Committee of the Whole of the House of Representatives has inserted in an Army appropriation bill an amendment drawing a distinction as between the racial origins of Americans. That is a serious, serious thing when we are dealing with the national defense. It makes no difference, Mr. Chairman, what racial origins we are dealing with. The fact that we have inserted a thing of that sort into a bill of this kind dealing with the national defense inserts an element demoralizing and dangerous. [Applause.]

Without drawing any distinctions or making any comparisons, odious or otherwise, let me remind the members of this Committee that the item dealt with by the amendment offered by the gentleman from Indiana has to do with the training of officers in the Regular Army Air Corps. Pilots to be trained under the appropriation made here are to be officers of the United States Army—Regulars. That amendment at least gives the distinct impression to the entire country that it is the purpose and the intention of the House

of Representatives that hereafter one-eighth of all the officers commissioned in the Army Air Corps shall be of a certain racial origin. If this policy is embarked upon in this instance and adhered to by the Congress, a precedent will have been set which will rise to plague the Congresses of the future. It is not at all improbable that, when the appropriation bill comes before the House for the support of the West Point Military Academy, an amendment similar to this, exactly parallel with this Ludlow amendment, may be offered to the effect that one-eighth of the corps of cadets at the West Point Military Academy shall be reserved for citizens of a certain racial origin. In principle there is no difference between such an amendment and the one which this Committee has adopted. If this remains, you will have inserted into the policy of national defense the element of racial distinction—a thing we have kept away from. I hope to God we always will keep away from it. [Applause.]

Mr. COLLINS. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. COLLINS: Page 10, line 11, after the word "thereof", insert "*Provided further*, That of the amounts herein appropriated and authorized to be obligated for the procurement of 2,290 airplanes, obligations shall not be incurred for the procurement of more than 1,007 airplanes unless and until the President shall determine that the interests of national defense require the procurement of any portion or all of the number in excess of 1,007."

Mr. COLLINS. Mr. Chairman, I ask recognition on my amendment.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. The gentleman from Wisconsin makes the point of order.

Mr. SCHAFER of Wisconsin. This is legislation on an appropriation bill.

Mr. COLLINS. I insist, Mr. Chairman, that I have the floor and stated to the Chair that I wish to be heard on my amendment.

The CHAIRMAN. The gentleman from Wisconsin made the point of order when the gentleman from Mississippi was asking recognition.

Mr. CASE of South Dakota. Mr. Chairman, I would like to be heard on the point of order.

The CHAIRMAN. Does the gentleman from Wisconsin make the point of order?

Mr. SCHAFER of Wisconsin. Yes; I make the point of order though I shall be glad to reserve it.

Mr. COLLINS. I hope the gentleman will.

Mr. SCHAFER of Wisconsin. Mr. Chairman, I reserve the point of order.

Mr. COLLINS. Mr. Chairman, I hope the gentleman will not make the point of order for the reason that I do not think the gentleman will accomplish quite what he hopes to accomplish. With the proviso remaining in the bill, neither the President nor the War Department will buy more than 4,500 planes. With the proviso eliminated, the War Department will proceed to buy 5,500 planes, and as I noticed the gentleman's vote a moment ago, he indicated a preference for the 4,500-plane limitation over the 5,500-plane limitation.

I wish to repeat for the gentleman that if this proviso is eliminated the War Department will proceed to buy the 5,500 planes. I believe the gentleman is undertaking to do that which he does not wish to do, and I hope he will see that and not insist upon his point of order.

The CHAIRMAN. Does the gentleman make the point of order?

Mr. SCHAFER of Wisconsin. I make the point of order, Mr. Chairman.

Mr. MAY. I make the point of order, Mr. Chairman, and I insist upon it.

The CHAIRMAN. The gentleman from Wisconsin [Mr. SCHAFER] has made the point of order. The Chair sustains the point of order.

Mr. CASE of South Dakota. Mr. Chairman, I desire to be heard on the point of order.

The CHAIRMAN. The Chair will hear the gentleman.

Mr. CASE of South Dakota. Mr. Chairman, there are two points on which this is in order. In the first place, it proposes retrenchment; and, if so, comes under the Holman Rule. In the second place, the bill before us is not a general appropriation bill. The rule under which the point of order is made is rule XXI, section 2, and that rule specifically says:

No appropriation shall be reported in any general appropriation bill. * * * For any expenditure not previously authorized by law. * * * Nor shall any provision in any such bill or amendment thereto changing existing law be in order—

And so forth. The limitations apply only to recognized general appropriation bills. In Cannon's Procedure, which I have in my hand, on page 20, this point is specifically treated, and on page 20 the statement is flatly made:

The rule applies to general appropriation bills only.

On page 22 of Cannon's Procedure this test question is raised:

Is it a general appropriation bill? The rule applies to general appropriation bills only, of which there are 11.

And then those 11 are recited without listing supplemental bills. In addition, the authority states:

A bill making supplemental appropriations for emergency construction of public works is not a general appropriation bill.

The citation is given to Cannon's Precedents, paragraph 1122, on page 196, of volume 7:

A bill making supplemental appropriation for emergency construction of public works is not a general appropriation bill.

On December 9, 1930, Mr. William R. Wood, of Indiana, from the Committee on Appropriations, asked unanimous consent for the consideration of the bill (H. R. 14804), making supplemental appropriations to provide for emergency construction on certain public works during the remainder of the fiscal year ending June 30, 1931, with a view to increasing employment. The bill provided appropriations for the construction of highways under the jurisdiction of the Department of Agriculture, for roads and trails under the Department of the Interior, and for river and harbor expenditures under the War Department. Mr. Fiorello H. LaGuardia, of New York, on a parliamentary inquiry, took the position that the bill was a general appropriation bill and therefore privileged. The speaker ruled that the bill was without privilege and could be accorded immediate consideration only by unanimous consent.

I submit that this bill before us, by its title, speaks of additional appropriations. On the face of the hearings appear these words:

Hearings before the subcommittee of the Committee on Appropriations, first session, on the supplemental military appropriation bill.

Therefore I contend that the bill before us is not a general appropriation bill and consequently the rule does not apply, and the point of order will not lie.

The CHAIRMAN (Mr. BLAND). The Chair is ready to rule. The argument just made, if containing merit, should have been made earlier, when the bill was taken up. It has been reported as a general appropriation bill and so considered, and was reported under the rules as a general appropriation bill.

As for the application of the Holman rule, that does not apply because there is no saving of expense. The only thing is a change in discretion.

So the point of order is sustained against the amendment.

Mr. COSTELLO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COSTELLO: On page 9, line 11, strike out "$68,437,785" and insert "$72,437,785."

Mr. TABER. Mr. Chairman, a parliamentary inquiry. Has not this figure already been changed?

The CHAIRMAN. It has.

Mr. TABER. Then, Mr. Chairman, it is not in order to offer an amendment changing the figure again.

The CHAIRMAN. It is not in order to amend an amendment that has been agreed to. The point of order is sustained.

The Clerk read as follows:

No part of the appropriations made in this act shall be available for pay, allowances, or traveling or other expenses of any officer or enlisted man of the National Guard who may be drawing a pension, disability allowance, disability compensation, or retired pay (where retirement has been made on account of physical disability or age) from the Government of the United States: *Provided*, That nothing in this provision shall be so construed as to prevent the application of funds herein contained to the pay, allowances, or traveling expenses of any officer or enlisted man of the National Guard who may surrender said pension, disability allowance, disability compensation, or retired pay for the period of his service in the National Guard: *Provided further*, That adjutants general who may be drawing such emoluments may be continued in a federally recognized status without pay under this act.

Mr. POWERS. Mr. Chairman, I move to strike out the last word.

I would like the attention of the Committee. Mr. Chairman, I rise at this time to explain a certain situation to the Committee and a motion which I will offer to recommit this bill.

As every Member is well aware, the four amendments were adopted, cutting the plane program by 1,283 planes, which were not going to be purchased immediately anyway. Now, if the chairman of the subcommittee asks for a separate vote on those amendments and if the amendments are defeated, I shall offer a motion to recommit.

My motion to recommit will be to strike out the 1,283 planes and to add to the bill for experimental and research activities the sum of $5,000,000; and to provide experimental and research facilities at Moffett Field, Sunnyvale, Calif., the sum of $4,000,000. That motion to recommit the bill will be offered. I realize it is not debatable when I offer it, but I want to call the attention of the Committee to this fact, that those 1,283 planes were not going to be bought. The Committee said in the report they deemed it inadvisable to buy the planes at the moment.

Now that my amendments have been adopted, I hope they will not be stricken from the bill, but if they are, we are going to have a real vote on more money for experimentation and money to start the Sunnyvale project in California.

[Here the gavel fell.]

The Clerk concluded the reading of the bill.

Mr. SNYDER. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and Mr. COOPER having taken the chair as Speaker pro tempore, Mr. BLAND, 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. 6791) making additional appropriations for the Military Establishment for the fiscal year ending June 30, 1940, and for other purposes, had directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

Mr. SNYDER. Mr. Speaker, I move the previous question on the bill and all amendments thereto to final passage.

The previous question was ordered.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5269) entitled "An act making appropriations for the Department of Agriculture and for the Farm Credit Administration for the fiscal year ending June 30, 1940, and for other purposes."

The message also announced that the Senate insists upon its amendments to the bill (H. R. 875) entitled "An act for the relief of Okie May Fegley", disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ELLENDER, Mr. SCHWARTZ, and Mr. TOWNSEND to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendment of the House to the amendment of the Senate numbered 6 to the bill (H. R. 6260) entitled, "An act making appropriations for the fiscal year ending June 30, 1940, for civil functions administered by the War Department, and for other purposes."

The message also announced that the Senate had adopted the following resolution:

Resolved, That Mr. CONNALLY be appointed as the Member of the Senate to the Joint Committee to Direct a Structural-Engineering Study of the Roofs and Skylights Over the Wings of the Capitol Building, pursuant to the provision of the Legislative Branch Appropriation Act, 1940, approved June 16, 1939.

AGRICULTURAL DEPARTMENT APPROPRIATION BILL, 1940

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to file a conference report on the bill (H. R. 5269) making appropriations for the Department of Agriculture and for the Farm Credit Administration for the fiscal year ending June 30, 1940, and for other purposes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri [Mr. CANNON]?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, if I understand correctly, the gentleman will call that conference report up tomorrow?

Mr. CANNON of Missouri. That is the intention.

Mr. RAYBURN. That is the intention, as soon as the vote is taken on the pending bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri [Mr. CANNON]?

There was no objection.

EXTENSION OF FACILITIES OF UNITED STATES PUBLIC HEALTH SERVICE

Mr. BLOOM submitted a conference report and and statement on the bill (H. R. 3537) to extend the facilities of the United States Public Health Service to active officers of the Foreign Service of the United States.

PROMOTION OF EFFICIENCY IN THE NATIONAL DEFENSE

Mr. SPARKMAN. Mr. Speaker, I ask unanimous consent to file a minority report in connection with the report on the bill (H. R. 6632) to promote the efficiency of the national defense, and to have it printed with the majority report.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama [Mr. SPARKMAN]?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, what is this bill?

Mr. SPARKMAN. It is the age and retirement bill of the Army.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama [Mr. SPARKMAN]?

There was no objection.

Mr. POWERS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. POWERS. Mr. Speaker, what is the state of affairs at the moment in reference to the pending bill? Are we going into this War Department bubble tonight or are we going to vote on that tomorrow?

Mr. RAYBURN. It is the intention to adjourn as soon as the unanimous-consent requests have been disposed of.

Mr. POWERS. What time are we going to meet tomorrow?

Mr. RAYBURN. At 12 o'clock noon.

EXTENSION OF REMARKS

Mr. McKEOUGH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and to include therein a radio address delivered by Mr. Andrews, Administrator of the Wage and Hour Division, over the radio Monday night last.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. McKEOUGH]?

There was no objection.

Mr. BENDER asked and was given permission to extend his own remarks in the RECORD.

Mr. LECOMPTE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include

therein an address of my colleague, the gentleman from Iowa [Mr. JENSEN], which he delivered at Belleville, N. J., on last Sunday.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa [Mr. LECOMPTE]?

There was no objection.

WILL DEMAND VOTE ON FARM TENANCY APPROPRIATION

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma [Mr. JOHNSON]?

There was no objection.

Mr. JOHNSON of Oklahoma. Mr. Speaker, a few minutes ago the gentleman from Missouri [Mr. CANNON] requested permission to have until midnight tonight to file a conference report on the Department of Agriculture appropriation bill. It is my understanding that this important conference report will be considered by the House tomorrow. If I am advised correctly, the House is in disagreement on a number of items of the bill and that there will perhaps be several separate votes demanded on various amendments. I arise, Mr. Speaker, at this time to mention one of the disagreements on which a roll call of the House will be demanded. I refer to the so-called farm-tenancy provision.

I am sure it is unnecessary for me to remind Members again that Congress, by an overwhelming vote, authorized the sum of $50,000,000 to be expended annually hereafter under provisions of the Bankhead-Jones Farm Tenancy Act. During the past 2 years we have been able to secure the full amount authorized by law only after a stubborn fight. The fact is that some of the so-called leaders on both sides of this aisle are not at all in sympathy with the Farm Tenancy Act and have fought it from the beginning. Various and sundry reasons or excuses have been offered in opposition to it. No one pretends to say that $50,000,000 per year is sufficient to solve the farm-tenant problem during the next 20 years. But this is the beginning of a great, practical, and humane program. It cannot be laughed off or ridiculed. It is not a gift nor a drain on the Federal Treasury. But it is a good, sound, sane program, and every dollar will be returned to the Treasury of the United States with interest. At the same time this program will make a better citizenry of tomorrow. May I express the hope that every Member interested in seeing that Congress keeps faith with the millions of tenant farmers of America be on the floor tomorrow and let us settle this matter once and for all.

Let me call attention to the fact that the last record vote of this House on the Bankhead-Jones Act was more than 2 to 1 in favor of appropriating the full amount of $50,000,000 as authorized by law. I am firmly of the opinion that Members of this House were sincere then and that they will not fail the millions of needy and deserving tenant farmers now. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. MICHENER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan [Mr. MICHENER]?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BOLLES, for 1 week, on account of urgent business.

To Mr. FLANNERY, indefinitely, on account of illness.

To Mr. POLK, for 2 days, on account of important business.

EXTENSION OF REMARKS

Mr. HOFFMAN asked and was given permission to extend his own remarks in the RECORD.

Mr. KRAMER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the effect of the vote last Friday on the W. P. A. relief bill, and to include therein an article that appeared in the Washington Evening Star of June 16.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. BREWSTER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by incorporating therein an address by myself delivered before the American Federation of Labor.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. TARVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by publishing a brief resolution adopted by the Southern Baptist Convention relating to some public matters.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. SCHAFER of Wisconsin. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today in the Committee of the Whole and include therein some extracts from statements of Abraham Lincoln.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein three brief quotations.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD with reference to the retirement of General Ferguson, of the Mississippi River Commission, and to include therein two excerpts from articles concerning his service.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. TERRY. Mr. Speaker, I ask unanimous consent to revise and extend in the RECORD the remarks I made this afternoon on the supplemental military appropriation bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. GRANT of Indiana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an address delivered before the Grand Army of the Republic.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. WARD. Mr. Speaker, I ask unanimous consent to extend the remarks of my colleague, Mr. BYRON, in the RECORD and include therein a speech made by the Honorable James A. Farley at the graduating exercises of the Bethesda-Chevy Chase High School.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. GEYER of California. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from the Washington News.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. GARRETT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on what is generally known as the Connally "hot oil" bill that was considered yesterday.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

SUPPLEMENTAL MILITARY APPROPRIATION BILL, 1940

Mr. SNYDER. Mr. Speaker, I ask unanimous consent that all Members who spoke on the supplemental military appropriation bill may have 5 legislative days in which to revise and extend their remarks in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 4133. An act for the relief of Joseph N. Thiele;

H. R. 5619. An act to provide for the training of civil aircraft pilots, and for other purposes; and

H. R. 5762. An act to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1117. An act to provide for the reimbursement of certain enlisted men or former enlisted men of the United States Navy for the value of personal effects lost in the hurricane at the submarine base, New London, Conn., on September 21, 1938.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 6 o'clock and 13 minutes p. m.) the House adjourned until tomorrow, Thursday, June 22, 1939, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization on Thursday, June 22, 1939, at 10 a. m., for an executive session on H. R. 6773 and for the consideration of H. R. 6379 and H. R. 3391.

COMMITTEE ON THE JUDICIARY

On Wednesday, June 28, 1939, beginning at 10 a. m., there will be continued a public hearing before the Committee on the Judiciary on the bill (H. R. 6369) to amend the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplemental thereto; to create a Railroad Reorganization Court; and for other purposes.

COMMITTEE ON PATENTS

The Committee on Patents of the House of Representatives will hold a meeting Thursday, June 22, 1939, at 10 a. m., in the caucus room, House Office Building, to consider the following bills: H. R. 6721, classification of patents; H. R. 6618, trade-marks; H. R. 6877, Navy Department, secrecy of inventions; H. R. 6872, H. R. 6873, H. R. 6874, H. R. 6875, H. R. 6878, changes in patent laws.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold public hearings in room 219, House Office Building, at 10 a. m. on the bills and dates listed below:

There will be a meeting of the Committee on Merchant Marine and Fisheries at 10 a. m. Tuesday, June 27, 1939, for the consideration of H. R. 6572, relating to marine war-risk insurance.

EXECUTIVE COMMUNICATIONS, ETC.

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

883. A letter from the Acting Postmaster General, transmitting the draft of a proposed bill designed to give the inspection service of the Post Office Department authority to serve warrants and subpenas in connection with violations of the postal laws; to the Committee on the Post Office and Post Roads.

884. A communication from the President of the United States, transmitting a supplemental estimate of an appropriation for the legislative establishment, Capitol Building, for the fiscal year 1939, to remain available until June 30, 1941, amounting to $30,000 (H. Doc. No. 354); to the Committee on Appropriations and ordered to be printed.

885. A communication from the President of the United States, transmitting a draft of a proposed provision pertaining to an existing appropriation for the Bureau of the Budget (H. Doc. No. 355); to the Committee on Appropriations and ordered to be printed.

886. A communication from the President of the United States, transmitting drafts of proposed provisions pertaining to existing appropriations for the Treasury Department and the Department of Commerce for the fiscal year 1940 (H. Doc. No. 356); to the Committee on Appropriations and ordered to be printed.

887. 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 which have been settled by them under the provisions of an act authorizing the Commissioners to settle claims, amounting to $10,319.74 (H. Doc. No. 357); 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. RANDOLPH: Committee on the District of Columbia. H. R. 6834. A bill authorizing the Commissioners of the District of Columbia to settle claims and suits of the District of Columbia; without amendment (Rept. No. 895). Referred to the Committee of the Whole House on the state of the Union.

Mr. RANDOLPH: Committee on the District of Columbia. H. R. 6876. A bill to make uniform in the District of Columbia the law on fresh pursuit and to authorize the Commissioners of the District of Columbia to cooperate with the States; without amendment (Rept. No. 896). Referred to the Committee of the Whole House on the state of the Union.

Mr. RANDOLPH: Committee on the District of Columbia. S. 1805. An act to establish a lien for moneys due hospitals for services rendered in cases caused by negligence or fault of others and providing for the recording and enforcing of such liens; without amendment (Rept. No. 897). Referred to the Committee of the Whole House on the state of the Union.

Mr. MAY: Committee on Military Affairs. S. 2539. An act to amend section 1223 of the Revised Statutes of the United States; without amendment (Rept. No. 898). Referred to the Committee of the Whole House on the state of the Union.

Mr. KENNEDY of Maryland: Committee on the District of Columbia. H. R. 3834. A bill to amend the act entitled "An act to regulate steam and other operating engineering in the District of Columbia," approved February 28, 1887, as amended; without amendment (Rept. No. 899). Referred to the Committee of the Whole House on the state of the Union.

Mr. RANDOLPH: Committee on the District of Columbia. H. R. 6477. A bill to authorize and empower the Public Utility Commission of the District of Columbia to limit the number of public vehicles to be licensed and operated as taxicabs in the District of Columbia, and to limit the number of taxicab drivers' licenses to be issued; with amendment (Rept. No. 900). Referred to the Committee of the Whole House on the state of the Union.

Mr. IZAC: Committee on Foreign Affairs. Senate Joint Resolution 124. Joint resolution authorizing the President to invite foreign countries to participate in the San Diego-Cabrillo Quadricentennial Celebration, to be held in 1942;

without amendment (Rept. No. 902). Referred to the House Calendar.

Mr. RANDOLPH: Committee on the District of Columbia. H. R. 5288. A bill to amend section 691-a of the Code of Law of the District of Columbia, approved March 3, 1901, and of any act or acts amendatory thereof, relating to foreign building and loan associations doing business in the District of Columbia; with amendment (Rept. No. 903). Referred to the Committee of the Whole House on the state of the Union.

Mr. SCHULTE: Committee on the District of Columbia. H. R. 6316. A bill to amend the act entitled "An act to regulate within the District of Columbia the sale of milk, cream, and ice cream, and for other purposes," approved February 27, 1925; with amendment (Rept. No. 904). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. KEEFE: Committee on Claims. H. R. 1436. A bill for the relief of William H. Keesey; with amendment (Rept. No. 876). Referred to the Committee of the Whole House.

Mr. COFFEE of Washington: Committee on Claims. H. R. 1693. A bill for the relief of certain claimants who suffered loss by flood in, at, or near Bean Lake, in Platte County, in the State of Missouri, during the month of March 1934; with amendment (Rept. No. 877). Referred to the Committee of the Whole House.

Mr. EBERHARTER: Committee on Claims. H. R. 2102. A bill for the relief of Ada Fuller; with amendment (Rept. No. 878). Referred to the Committee of the Whole House.

Mr. MACIEJEWSKI: Committee on Claims. H. R. 2452. A bill for the relief of George Slade; with amendment (Rept. No. 879). Referred to the Committee of the Whole House.

Mr. MACIEJEWSKI: Committee on Claims. H. R. 2610. A bill for the relief of G. W. Netterville; without amendment (Rept. No. 880). Referred to the Committee of the Whole House.

Mr. POAGE: Committee on Claims. H. R. 3087. A bill for the relief of Gdynia America Line, Inc., of New York City, N. Y.; with amendment (Rept. No. 881). Referred to the Committee of the Whole House.

Mr. RAMSPECK: Committee on Claims. H. R. 3477. A bill for the relief of Francisco R. Acosta; with amendment (Rept. No. 882). Referred to the Committee of the Whole House.

Mr. MACIEJEWSKI: Committee on Claims. H. R. 3927. A bill for the relief of Marijo McMillan Williams; with amendment (Rept. No. 883). Referred to the Committee of the Whole House.

Mr. WINTER: Committee on Claims. H. R. 4027. A bill for the relief of Mary Fortune; without amendment (Rept. No. 884). Referred to the Committee of the Whole House.

Mr. EBERHARTER: Committee on Claims. H. R. 4115. A bill for the relief of W. C. and James Latane; with amendment (Rept. No. 885). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 4126. A bill for the relief of Warren Zimmerman; with amendment (Rept. No. 886). Referred to the Committee of the Whole House.

Mr. THOMAS of New Jersey: Committee on Claims. H. R. 4292. A bill for the relief of Gustav Schmidt; with amendment (Rept. No. 887). Referred to the Committee of the Whole House.

Mr. ROCKEFELLER: Committee on Claims. H. R. 4554. A bill for the relief of Francis A. Leete; with amendment (Rept. No. 888). Referred to the Committee of the Whole House.

Mr. KENNEDY of Maryland: Committee on Claims. H. R. 4608. A bill for the relief of Lettie Leverett; with amendment (Rept. No. 889). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. S. 755. An act to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the Borg-Warner Corporation; without amendment (Rept. No. 890). Referred to the Committee of the Whole House.

Mr. HALL: Committee on Claims. S. 1092. An act for the relief of Sigvard C. Foro; with amendment (Rept. No. 891). Referred to the Committee of the Whole House.

Mr. WINTER: Committee on Claims. S. 2067. An act for the relief of Leslie J. Frane and Charles Frane; without amendment (Rept. No. 892). Referred to the Committee of the Whole House.

Mr. HALL: Committee on Claims. S. 2179. An act for the relief of Guy F. Allen, chief disbursing officer, Division of Disbursement, Treasury Department; without amendment (Rept. No. 893). Referred to the Committee of the Whole House.

Mr. POAGE: Committee on Claims. S. 2239. An act for the relief of Dorothy Clair, G. F. Allen, and Earl Wooldridge; with amendment (Rept. No. 894). Referred to the Committee of the Whole House.

Mr. ALLEN of Pennsylvania: Committee on Foreign Affairs. H. R. 6678. A bill to authorize Leonhard Stejneger, of the United States National Museum, to accept certain decoration from the Norwegian Government; without amendment (Rept. No. 901). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. KING:

H. R. 6936. A bill to amend an act entitled "An act to enable the Legislature of the Territory of Hawaii to authorize the issuance of certain bonds, and for other purposes," approved August 3, 1935, as amended; to the Committee on the Territories.

By Mrs. O'DAY:

H. R. 6937. A bill to authorize employment of Filipinos on American vessels; to the Committee on Merchant Marine and Fisheries.

By Mr. RANDOLPH:

H. R. 6938. A bill providing for the exchange of certain park lands at the northern boundary of Piney Branch Parkway, near Argyle Terrace, for other lands more suitable for the use and development of Piney Branch Parkway; to the Committee on the Public Lands.

By Mr. SNYDER:

H. R. 6939. A bill prescribing tolls to be paid for the use of locks on all rivers in the United States; to the Committee on Interstate and Foreign Commerce.

By Mr. DICKSTEIN:

H. R. 6940. A bill to prohibit the wearing of certain foreign uniforms, and for other purposes; to the Committee on Military Affairs.

By Mr. BUCKLEY of New York:

H. R. 6941. A bill to provide an appropriation for the remodeling and extension of annex No. 1 of the Treasury Building; to the Committee on Public Buildings and Grounds.

By Mr. JENKS of New Hampshire:

H. R. 6942. A bill to authorize the attendance of the Marine Band at a memorial concert for the benefit of the families of the victims of the U. S. submarine *Squalus* disaster at Rye, N. H., July 30, 1939, and for other purposes; to the Committee on Naval Affairs.

By Mr. KING:

H. R. 6943. A bill to ratify and confirm Act 58 of the Session Laws of Hawaii, 1939, extending the time within which revenue bonds may be issued and delivered under Act 174 of the Session Laws of Hawaii, 1935; to the Committee on the Territories.

By Mr. TENEROWICZ:

H. R. 6944. A bill to reduce the number of traffic fatalities in the District of Columbia; to the Committee on the District of Columbia.

By Mr. BLAND:

H. J. Res. 332. Joint resolution providing for a House committee to investigate the transportation problems of the United States; to the Committee on Rules.

By Mr. VINSON of Georgia:

H. J. Res. 333. Joint resolution authorizing an appropriation for the establishment and improvement of landing areas; to the Committee on Interstate and Foreign Commerce.

By Mr. O'CONNOR:

H. J. Res. 334. Joint resolution to approve the action of the Secretary of the Interior in deferring the collection of certain irrigation charges against lands under the Blackfeet Indian irrigation project; to the Committee on Indian Affairs.

By Mr. POWERS:

H. Res. 225. Resolution authorizing the appointment of a select committee to investigate the national defense; 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. CANNON of Florida:

H. R. 6945. A bill conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of all persons who have claims for damages or losses resulting from the construction, further development, and improvement of the intracoastal waterway, Miami to Jacksonville, Fla., and for other purposes; to the Committee on Claims.

By Mr. COLE of New York:

H. R. 6946. A bill for the relief of Salvatore Taras; to the Committee on Immigration and Naturalization.

By Mr. COSTELLO:

H. R. 6947. A bill to correct the military record of Fred E. Strong; to the Committee on Military Affairs.

By Mr. GROSS:

H. R. 6948. A bill granting a pension to Charles W. Smith; to the Committee on Invalid Pensions.

By Mr. HARRINGTON:

H. R. 6949. A bill to authorize the presentation of a Congressional Medal of Honor to Edward J. Zink; to the Committee on Military Affairs.

By Mr. HINSHAW:

H. R. 6950. A bill for the relief of Howard Hutchins; to the Committee on Invalid Pensions.

By Mr. KING:

H. R. 6951. A bill for the relief of Louise Hsien Djen Lee Lum; to the Committee on Immigration and Naturalization.

By Mr. JOHN L. McMILLAN:

H. R. 6952. A bill to correct the military record of Luther Dunn; to the Committee on Military Affairs.

By Mr. OLIVER:

H. R. 6953. A bill granting a pension to Merton M. Ellis; to the Committee on Invalid Pensions.

By Mr. RANDOLPH:

H. R. 6954. A bill for the relief of Dr. J. D. Spencer, Somerset Community Hospital, and Adeline Deitz, registered nurse; to the Committee on Claims.

By Mr. TENEROWICZ:

H. R. 6955. A bill for the relief of Giuseppe Di Marco; to the Committee on Immigration and Naturalization.

By Mr. MICHAEL J. KENNEDY:

H. R. 6956. A bill for the relief of Mijo Stanisic; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

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

3932. By Mr. BOLLES: Petition of sundry citizens of Racine, Wis., favoring a strict Neutrality Act which will keep us out of all foreign entanglements; to the Committee on Foreign Affairs.

3933. By Mr. CURLEY: Resolution of the New York State Society of Professional Engineers, urging the adoption of the Mead-Starnes bill (S. 2063; H. R. 4576); to the Committee on Appropriations.

3934. By Mr. GRAHAM: Petition of Mary C. Schultz and other residents of Chicora, Pa., and vicinity, urging the enactment of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3935. By Mr. HARRINGTON: Petition of a number of citizens of Remsen, Iowa, in the interest of neutrality; to the Committee on Military Affairs.

3936. By Mr. HART: Petition of the New Jersey State Bar Association, protesting against the enactment of House bill 4038, or of any similar bill; to the Committee on the Judiciary.

3937. By Mr. MICHAEL J. KENNEDY: Petition of the Brooklyn Army Base Local No. 43, United Federal Workers of America, favoring House bill 960 and suggesting inclusion of certain amendments; to the Committee on the Civil Service.

3938. Also, petition of the Suwannee River Valley Association, urging that a maternity hospitalization program be made a part of our National Health Service; to the Committee on Labor.

3939. Also, petition of the New York Clothing Cutters Union, urging the preservation of the Federal Works Program; to the Committee on Ways and Means.

3940. Also, petition of of the Gas Purifying Materials Co. of Long Island City, opposing Senate bill 2009 for the regulation of water carriers; to the Committee on Interstate and Foreign Commerce.

3941. Also, petition of the Herald Tribune Chapel, favoring the National Labor Relations Act in its present state and disapproving amendments proposed to alter it; to the Committee on Labor.

3942. Also, petition of Local No. 3, I. B. E. W., representing 16,500 members, opposing any change in the prevailing wage rate for Works Progress Administration and approving Starnes bill to increase Public Works Administration funds for building construction; to the Committee on Ways and Means.

3943. By Mr. KEOGH: Petition of the Empire State Typographical Conference and the executive committee of Typographical Union, No. 6, New York City, concerning the National Labor Relations Act; to the Committee on Labor.

3944. Also, petition of the Gas Purifying Materials Co., Inc., Long Island City, N. Y., concerning Senate bill 2009; to the Committee on Interstate and Foreign Commerce.

3945. By Mr. MERRITT: Resolution of Eastern Federation of Feed Merchants, favoring the adoption of legislation that will place all types of carriers on an equal competitive basis; to the Committee on Interstate and Foreign Commerce.

3946. By Mr. PFEIFER: Petition of Local No. 251, National Federation of Post Office Clerks, Benjamin R. Radesky, secretary, Brooklyn, N. Y., opposing the Neely-Ramspeck retirement bill (S. 281); to the Committee on the Civil Service.

3947. Also, petition of the Gas Purifying Material Co., Inc., Long Island City, N. Y., opposing Senate bill 2009; to the Committee on Interstate and Foreign Commerce.

3948. By Mr. RUTHERFORD: Petition of residents of Towanda, Bradford County, Pa., favoring House bill 11 as perfected by House bill 5620; to the Committee on Ways and Means.

3949. By Mr. SANDAGER: Petition of Clarence E. Collins and 29 members of the General Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3950. Also, petition of John Caunter and 29 members of the General Welfare Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3951. Also, petition of Ida M. Knox and 29 members of the General Welfare Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3952. Also, memorial of the City Council of Providence, R. I., urging the United States of America use its good offices to safeguard the integrity of the Balfour declaration; to the Committee on the Judiciary.

3953. Also, petition of William H. Atkinson and 23 members of the General Welfare Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3954. Also, petition of Flora B. Kneeland and nine members of the General Welfare Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3955. Also, petition of Lucy Stelia Kneeland and 29 members of the General Welfare Federation of America, Second Congressional District of Rhode Island, urging passage of House bill 5620, the General Welfare Act; to the Committee on Ways and Means.

3956. By the SPEAKER: Petition of American Ports Cotton Compress and Warehouse Association, New Orleans, La., petitioning consideration of their resolution with reference to cotton legislation; to the Committee on Agriculture.

3957. Also, petition of the city of Providence, R. I., petitioning consideration of their resolution with reference to the Jewish National Home in Palestine; to the Committee on Foreign Affairs.

3958. Also, petition of Archie Brown, of San Francisco, Calif., petitioning consideration of their resolution with reference to Casey Works Progress Administration bill; to the Committee on Appropriations.

3959. Also, petition of Vernon Douglas, of San Francisco, Calif., petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration appropriation; to the Committee on Appropriations.

3960. Also, petition of Lee Davis, of St. Petersburg, Fla., and others, petitioning consideration of their resolution with reference to General Welfare Act; to the Committee on Ways and Means.

SENATE

THURSDAY, JUNE 22, 1939

The Chaplain, Rev. Barney T. Phillips, D. D., offered the following prayer:

O Love unchanging, Light unfading, in whom is all our strength and hope, we thank Thee for the unremitting care that has brought us in safety to this morning hour, this beginning of another day of service to our country and to our God. We silence our thoughts that we may feel Thee near. Shine through the mists of our mortality, that with quiet trust we may know that somewhere truth is always near, however clouded it appear to us, that there is a light that never fades though we lose sight of it.

And if through the deeper gloom of sin we have turned aside to try the ways of darkness and fear the light because our deeds are evil, yet leave us not, but purge our sins in the flame of Thy love, that once more in the light of Thy countenance we may find peace. We ask it in the name of Him who is the true light which lighteth every man that cometh into the world, Jesus Christ, our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day, Wednesday, June 21, 1939, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 1117. An act to provide for the reimbursement of certain enlisted men or former enlisted men of the United States Navy for the value of personal effects lost in the hurricane at the submarine base, New London, Conn., on September 21, 1938;

H. R. 4133. An act for the relief of Joseph N. Thiele;

H. R. 5619. An act to provide for the training of civil aircraft pilots, and for other purposes; and

H. R. 5762. An act to provide for the temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act.

FINAL REPORT OF UNITED STATES SUPREME COURT BUILDING COMMISSION (S. DOC. NO. 88)

The VICE PRESIDENT laid before the Senate a letter from the Architect of the Capitol, member and executive officer, United States Supreme Court Building Commission, transmitting the final report of the Commission in connection with the construction, equipping, and furnishing of the United States Supreme Court Building, which, with the accompanying report and papers, was referred to the Committee on Public Buildings and Grounds and ordered to be printed.

STUDY OF INVESTMENT TRUSTS AND INVESTMENT COMPANIES

The VICE PRESIDENT laid before the Senate a letter from the chairman of the Securities and Exchange Commission, transmitting, pursuant to law, the third section of chapter II of part 3 of the Commission's report on the study of investment trusts and investment companies, entitled "Abuses and Deficiencies in the Organization and Operation of Investment Trusts and Investment Companies," which, with the accompanying report, was referred to the Committee on Interstate Commerce.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a petition of sundry citizens of San Francisco, Calif., praying for the enactment of the so-called Casey bill, House bill 6470, appropriating the sum of $2,250,000,000 for the Works Progress Administration for the fiscal year 1940, which was referred to the Committee on Appropriations.

He also laid before the Senate a telegram in the nature of a petition from the Theatrical Managers, Agents, and Treasurers Union, affiliated with the American Federation of Labor, signed by James J. Murphy, secretary-treasurer, New York City, N. Y., praying for the adoption of the so-called Pepper-Wagner-Downey amendment to House Joint Resolution 326, to continue the Federal theater and arts projects under the Works Progress Administration, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution of the City Council of Providence, R. I., relative to the Jewish National Home in Palestine and the safeguarding of the integrity of the Balfour declaration in connection with the terms of the Palestine mandate, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a paper in the nature of a petition from a citizen of Etna, Pa., praying that the United States keep out of war, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a letter in the nature of a petition from Mrs. Charles Heisz, of Eastman, Wis., praying for the enactment of strict neutrality legislation, which was referred to the Committee on Foreign Relations.

He also laid before the Senate letters in the nature of petitions from several citizens of Pampa, Tex., praying for the