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Senate

The Senate was not in session today. Its next meeting will be held on Thursday, February 8, 1951, at 12 o'clock meridian.

House of Representatives

TUESDAY, FEBRUARY 6, 1951

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

O Thou who art the guiding wisdom in the life of men and of nations, we pray that we may be endowed daily with understanding and insight to discern and interpret rightly the eternal will of God.

May the assurance of Thy continuing grace and favor inspire us to search diligently and faithfully for the right solution to all our national and international problems.

Give us a more vivid sense of our social responsibility. May we be loyal partners with men everywhere in the difficult task of establishing the kingdom of brotherhood upon the earth.

Encourage us to carry on heroically and hopefully in the glorious adventure of bringing in the day of peace and good will.

Hear us in the name of the Prince of Peace. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its Chief Clerk, announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 82. An act to provide reimbursement of expenses incurred in connection with the burial of those who served in the military forces of the Commonwealth of the Philippines while such forces were in the Armed

Forces of the United States pursuant to the military order of the President of the United States, dated July 26, 1941;

S. 101. An act to amend the Reorganization Act of 1949; and

S. 658. An act to further amend the Communications Act of 1934.

ECONOMIC COOPERATION ADMINISTRATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 52)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, together with the accompanying papers, referred to the Committee on Foreign Affairs and ordered to be printed with illustrations:

To the Congress of the United States of America:

I am transmitting herewith the tenth report of the Economic Cooperation Administration created by the Foreign Assistance Act of 1948 (Public Law 472, 80th Cong.), approved April 3, 1948.

The report covers activities under the Economic Cooperation Act of 1948 (title I of Public Law 472) as amended, as well as the programs of economic aid to China and the general area of China under the China Area Aid Act (title II of Public Law 535, 81st Cong.), and to the Republic of Korea under the provisions of the Foreign Aid Appropriation Act of 1949 (Public Law 793, 80th Cong.) and Public Laws 430, 447, and 535, Eighty-first Congress.

There is included in the appendix a summary of the status of the United States foreign relief program (Public Law 84, 80th Cong.) and the United States foreign aid program (Public Law 389, 80th Cong.).

This report covers the quarter ended September 30, 1950.

HARRY S. TRUMAN.

THE WHITE HOUSE, February 6, 1951.

HOURLY MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

CORRECTION OF RECORD

Mr. EVINS. Mr. Speaker, I ask unanimous consent that the RECORD of yesterday be corrected as follows: On page 1044 of the RECORD during the special order of the gentleman from Ohio [Mr. Hays], a statement is attributed to me regarding General Harrison and regarding the Senate Banking Committee and the Lusitron Corp., which I did not make. It is recognized as a mistake made by one of the members of the reportorial staff. I ask unanimous consent that the RECORD be corrected.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

CORRECTION OF RECORD

Mr. PATMAN. Mr. Speaker, as the result of a typographical error in my remarks on House Resolution 33 in the February 2 RECORD, the House Small Business Committee is described as having given "lamented" attention to the problems of small business.

Small-business men are lamenting these days, and with great reason. Their difficulties in obtaining defense contracts and materials for essential civilian production have become acute, and many of them literally are being forced out of business. However, there is no cause for lamentation in the activities of the House Small Business Committee, which has championed the cause of small business

for nearly a decade. Only the enemies of the system of free, competitive enterprise have had reason to lament the committee's work.

I ask unanimous consent to have the permanent RECORD corrected to substitute the word "unlimited" for "lamented" on line 33, page 913 of the February 2 RECORD. The sentence involved then will read:

Throughout the past decade, encompassing the World War II years, the postwar readjustment period, and now the period of mobilization against another menace to our way of life, the House Small Business Committee has given unlimited attention to every major problem confronting small business.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

AUTOMATIC EXTENSION OF SERIES E SAVINGS BONDS

Mr. DOUGHTON. 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. 2268) to authorize the payment of interest on series E savings bonds retained after maturity, and for other purposes; and pending that motion, Mr. Speaker; I ask unanimous consent that general debate continue for not to exceed 1 hour, the time to be equally divided and controlled by the gentleman from New York (Mr. REED) and myself.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

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. 2268, with Mr. ENGLE in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. DOUGHTON. Mr. Chairman, I yield myself 15 minutes.

(Mr. DOUGHTON asked and was given permission to revise and extend his remarks.)

Mr. DOUGHTON. Mr. Chairman, the pending bill, H. R. 2268, would authorize the Secretary of the Treasury, with the approval of the President, to allow owners of series E savings bonds the option of retaining such bonds after the maturity date and earning interest upon the maturity values for not more than 10 years. As explained by the Secretary of the Treasury, any bond which is not turned in for cash or for reinvestment at its original maturity date will automatically be extended until such time as the owner presents it for redemption. The extended bond would bear interest on the original maturity value at the rate of 2½ percent for the first 7½ years and interest thereafter at a rate sufficient to amount to an overall return for the 10-year extension period of 2.9 percent, compounded semiannually.

There are now nearly \$35,000,000,000 of E bonds outstanding. Starting in

May of this year the series E bonds bought during the war years will begin to mature, and \$1,100,000,000 worth will mature in 1951 alone.

Since many people now holding series E bonds doubtless will want to continue their investment in United States savings bonds of some kind, the enactment of the pending bill would enable them to do this without the inconvenience to them and the expense to the Government of exchanging their present bonds for new bonds.

It must be emphasized that nothing in the pending bill would interfere with the right of the bondholder to present his series E savings bond for cash either at maturity or at any time after the date of original maturity.

In his statement before the Committee on Ways and Means yesterday on the tax program of the administration, Secretary Snyder emphasized the following:

Taxes and savings must go hand in hand. Although much depends upon a strong tax program, taxes cannot do the job alone. Every effort must be made to preserve confidence in the future purchasing power of savings in order to discourage the spending of accumulated savings and to stimulate new savings.

The enactment of legislation to make it possible and convenient for bondholders to retain their present investment in series E savings bonds would be in accord with this announced policy.

An essential feature of the bill prescribes the rule for tax treatment of interest on series E savings bonds held after maturity. Under the provisions of section 2 of the bill such bondholders may elect to treat such interest as income as it accrues rather than report it as income in the year of redemption or final maturity. This option is similar in terms with that now accorded under existing law with respect to interest accrued on such bonds prior to the date of maturity.

Mr. Chairman, the bill was reported unanimously by the Committee on Ways and Means and should be promptly enacted.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I will be glad to yield to the distinguished gentleman from Michigan.

Mr. CRAWFORD. May I ask the chairman of the Committee on Ways and Means this question? These series E bonds mature, as I understand, carrying an interest rate of about 2.9 percent.

Mr. DOUGHTON. When held to maturity, yes.

Mr. CRAWFORD. Now, suppose I take a series E bond that is now matured and proceed under the provisions of this bill to carry it, say, another 10 years, but I wish to cash that series E bond in, say, a year from now. At the time I cash it in, do I draw 2.9 percent.

Mr. DOUGHTON. Yes. As I understand, the rate would be 2.5 percent for the first 7½ years, then the rate for the next 2½ years would be sufficient to amount to 2.9 percent compounded semiannually for the entire 10-year extension.

Mr. CRAWFORD. If I hold the bond from date of issue, we will say 10 years ago, up to date, to where it brings me 2.9 percent, how can the Treasury justify in asking me to continue at a less rate than 2.9 percent?

Mr. DOUGHTON. They do not ask you to. It is your own option. You can cash the bond any time you desire. That is your choice.

Mr. CRAWFORD. From a sheer standpoint of equity and ordinary common sense, there is a question in my mind. Why does not the Treasury, in order to induce me to continue with the obligation, allow me 2.9 percent from here on? I have carried it during the 10-year period up to this point. I am not criticizing; I am just analyzing it. I think it is just good business to do it.

Mr. DOUGHTON. I do not know what reason the Treasury had for that. But as I understand, if you purchase a series E bond, you get a much lower rate of interest than that if you cash it during the first few years.

Mr. CRAWFORD. I think that is good, common sense at the beginning, but here I have carried a bond for 10 years. I have gone through the low-interest period and up to which I am now earning 2.9, and I voluntarily say to the Government, "Now, I would like to carry it another 10 years. Will you give me 2.9 from now on?" I think at that point it is good ordinary horse sense for the Government to say, "Sure, we will give you 2.9 from now on, because you have gone along with us through the years."

Mr. DOUGHTON. Well, probably it is to the interest of the Government. I do not know the reason the Secretary of the Treasury recommended that; but he lives with that question the year around. I am confident that, if he believes they should pay a higher rate of interest for the later years of the extension period, that is the proper procedure.

Mr. CRAWFORD. Well, I agree with that, and that is the reason I asked the question.

Mr. DOUGHTON. Well, it is the same principle, that is applied to new series E bonds. On the series E bonds you do not get any interest at all for the first year. You pay \$75 for a \$100 maturity-value bond. If you cash it before the end of the year, why you just get \$75, but after that you receive a progressively higher rate of interest.

Under this bill, if a series E bond is returned after maturity, and you cash it at the end of 7½ years, the rate of interest on the original maturity value is 2.5 percent, but if you hold it for the full 10 years then you get 2.9 percent compounded semiannually. So it is the policy of the Government that the longer you hold the bond under the terms of the contract, the more interest you are paid.

Mr. CRAWFORD. The Treasury is letting the commercial banks outsmart them in this way. I can go to a commercial bank and say, "Here, I will let you have my money on a deposit certificate for 5 years," and I get 2½ percent. I have some of those papers.

Mr. DOUGHTON. I compliment the gentleman. He has the advantage of most of us.

Mr. CRAWFORD. I can step forward and extend that another 5 years, but if I do not hold it 5 years I do not get my 2½ percent.

Mr. DOUGHTON. The principle of this bill is to pay 2½ percent for the first 7½ years of the extension and an over-all 10-year rate of 2.9 percent compounded semiannually.

Mr. CRAWFORD. If I extend it from 5 years onward, I get my 2.5 percent from the date of the extension. I think the Treasury is making a mistake in not allowing 2.9 percent from the maturity date on.

Mr. DOUGHTON. The gentleman can offer such an amendment if he thinks it proper.

We had hearings. The Secretary of the Treasury appeared before our committee and explained the bill in full. Our committee was impressed with the proposal of the Secretary of the Treasury, and we reported the bill unanimously. It was hoped that it would receive the same consideration by the House that it received by our committee.

Mr. FULTON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. FULTON. Can the gentleman tell us what the difference in cost to the Treasury will be as between the method of the committee and the method proposed by the gentleman from Michigan [Mr. CRAWFORD], the 2.9 percent interest annually, just extended?

Mr. DOUGHTON. There would be a slight difference in the interest paid, since not all bondholders would retain these bonds for the full 10 years. There would be a slight disadvantage to the Treasury. The bondholders would get a little more in the early years of the extension period and the Treasury would pay somewhat more.

Mr. CRAWFORD. If the gentleman will yield, the Treasury faces this situation. If I cash my bond and go buy a new bond, the Treasury has to pay the expense of engraving, and then some bank out here in the country that issues thousands of these bonds in the service of the Treasury to payrollees and others will get a fee, for there is a fee paid to the banks for writing those bonds. We turn them out by the thousands because so many are cashed every day. Four-tenths of 1 percent is involved, the difference between 2.5 and 2.9. Four-tenths of 1 percent is so small when it comes to the actual cost of financing that I think it is just chicken feed so far as the cost of financing is concerned. But if it induces 30,000,000 holders of savings bonds E, for instance, to continue with the Treasury, you have a free flow of finance running, you have no issuance of new bonds, you have no writing of new bonds, no fee paid on the issuance of new bonds, and so on down the line.

I would love very much to see the chairman of the committee take the position that you will be paid 2.9 percent if you will continue with the Treasury. I think you will save us money in the long run.

Mr. FULTON. I believe the gentleman's method is cheaper, but is there

any estimate as to the difference in the cost?

Mr. DOUGHTON. The holder of the bond can at any time cash his bond. If it is to his interest to cash it before the end of 7½ years, or to hold it for 10 years, he can do either. The Government has to do whichever he says. The Government does not have any option about that. If he presents it the next day after maturity, the Government must pay.

Mr. COMBS. Mr. Chairman, will the gentleman yield for an observation?

Mr. DOUGHTON. I yield to the distinguished gentleman from Texas, a member of the committee.

Mr. COMBS. The Secretary of the Treasury in his testimony yesterday stated that any increase in bond interest made with respect to one issue would extend in the natural course and operation of things to the entire bonded debt of the United States, and that an increase of even one-half of 1 percent, to go to the question raised by the gentleman from Pennsylvania, in interest rates will increase the burden to the American taxpayers \$1,250,000,000 a year. The pending bill does create a premium, in answer to what the gentleman from Michigan says, of about \$33 per thousand over a period of 10 years as an inducement to the present E bond holders to continue holding their bonds. Now, if you made it 2.9 percent for the full 10-year period, as has been suggested, you would enormously increase the total cost to the American taxpayer—I do not have the time to figure it out now. The \$33 premium is believed by the Secretary of the Treasury, as I understood him yesterday, to be a sufficient inducement to cause present holders of these bonds to hold them in preference to selling them and buying new issues. I think that is the whole question which we have to watch as we finance the enormous debt of this Nation against increased interest rates because the debt is so large, a slight increase means an enormous increase in taxes which we will be called upon to vote for in order to pay that increased debt.

Mr. DOUGHTON. These bonds will begin to mature in May of this year. In 1951 I understand they will mature to the amount of \$1,100,000,000, and this bill gives the bond holders an opportunity, at their election, to keep their investment with the Government. It just automatically takes care of the situation without the necessity of cashing his bond and going to the trouble of purchasing a new bond. This saves the Treasury and the Government the expense of issuing bonds. It seems to me that it is a practical proposition.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CRAWFORD. I would agree with my friends, the gentleman from Texas, a member of the committee, and the Treasury—if he has quoted the Treasury correctly, if those remarks were related only to marketable issues. The series E bonds, the savings bonds are not marketable issues. I cannot put them in the market and sell them; I must take them to the Treasury. I cannot sell the series

E bonds in market. It is not a marketable issue. Therefore the Treasury can raise the interest on that without disturbing the market in marketable issues. There is no question about that in the field of finance. If they raise the interest rate on one marketable issue, it does disturb the market price on other marketable issues. I think the gentleman from Texas has probably overlooked that particular point.

In yesterday's RECORD in my presentation I showed the maturities for the years 1952, 1953, 1954, and 1955 on page 1045 of the RECORD. These maturities run from \$3,800,000,000, \$5,300,000,000, \$5,900,000,000, \$4,700,000,000; then in 1956, 1957, 1958, and 1959, they run from \$2,400,000,000 to \$2,800,000,000 per annum. This is no little job the Treasury has in financing in replacing these series E bonds and other savings bonds. I think they ought to put the 2.9 rate on those bonds and facilitate their financing.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. REED of New York. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, this bill H. R. 2268 has been very thoroughly explained on the floor already. There are a few points that I wish to make.

There are approximately \$35,000,000,000 of E bonds outstanding, as the chairman has stated, and \$1,100,000,000 will mature in 1951. There is one point that interests me very much. If they were to go to the banks to take up those bonds that are maturing, you will probably multiply the money in circulation by about 10 to 1. I cannot imagine anything that would be more inflationary than that, to multiply this \$1,100,000,000 by 10. You would have about \$11,000,000,000 added to your circulation. So, I think it is well for us to seriously consider the merits of this bill.

Beginning in May of this year the series E bonds bought during the war years will start to mature. During 1951 maturities will amount to \$1,100,000,000. The purpose of H. R. 2268 is to authorize the Secretary of the Treasury to give the holders of E bonds an opportunity to retain their bonds after the date of maturity with an automatic interest-bearing extension. It is believed that a substantial number of persons holding E bonds will desire to continue their investment in these E bonds and the enactment of this legislation will make it possible for them to do so after the date of maturity of their bonds.

I want to point out that there is no obligation imposed by this bill on the holder of an E bond to retain his E bond after it matures. This legislation simply gives the holder an election to continue to hold the bond. The Secretary of the Treasury appeared before the Ways and Means Committee in executive session and outlined the Treasury proposal for handling these maturing series E bonds. Under the Treasury plan the bondholder would be given three choices, as follows:

First. Accepting cash, according to the original terms of the contract;

Second. Continuing to hold the present bond and earn interest on the maturity value without any action on his part; or

Third. Exchanging his bond for a current income savings bond of series G in authorized denominations.

Under option 1 the owner of any series E bond may receive, if he wishes, full cash payment for his bond at maturity. This is, as stated, in accordance with the original terms of his contract. The Treasury proposals with respect to maturing bonds would not abrogate in any way this right of the investor. Nor would the bondholder's choice of options 2 or 3 preclude the subsequent cashing of his bond.

There is no question that the savings bond program has played an important part in encouraging savings and to a considerable degree helped in curtailing inflation. The same basic reasons for the initiation of the savings bond program exists today and the money saved in today's emergency period will help to achieve a stable economy when the present emergency is over.

There is one point which I think should be brought to the attention of holders of E bonds, particularly those who elect to hold their bonds after maturity. This has to do with the payment of income taxes on the interest. Under existing law holders of E bonds have the choice of either including the accrued interest of the bonds annually or of including the full amount when the bond matures. The bill H. R. 2268 provides that if a taxpayer elects to hold his investment in savings bonds, interest on the bond will not be taxable in the year of original maturity, but the entire amount of interest on the investment will be taxable at redemption or final maturity, whichever is earlier. In other words, if a taxpayer does not elect to pay a tax each year on the accrued interest, waits until the date of maturity and then elects to hold the bond, the amount of interest subject to tax at the end of the additional 10-year extension period will be considerable. I hope that in its program of encouraging E-bond holders to retain their E bonds the Treasury Department will encourage people to report the accrued interest for tax purposes annually. If people are encouraged to do this, the amount paid upon redemption or maturity of the bond will not be reduced by taxes.

Mr. KEATING. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. KEATING. In other words, the option still remains in the taxpayer on this extended time, just exactly the same as it exists today?

Mr. REED of New York. That is right.

Mr. KEATING. He can either pay his tax annually during the extended time, or pay it all at the end?

Mr. REED of New York. That is right. One of the dangers is that people of small holdings of E bonds will not take advantage of paying their interest each year. They will come to a year when these E bonds finally mature and the interest on them has accumulated, then of course it will throw many

of the bondholders into a higher bracket. They will have lost perhaps much of the increment they thought they had gained.

Mr. KEATING. Also from the point of view of the Treasury it is desirable to have the taxpayers paying in full.

Mr. REED of New York. Yes.

Mr. KEATING. I quite agree that the Secretary of the Treasury should include that as part of his publicity.

Mr. REED of New York. I think it is important that the taxpayer should be notified.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, I am very much in favor of this bill. I, too, want to commend the Secretary of the Treasury, Mr. Snyder, for his stand with the Federal Reserve Board. A number of Members of the House are in favor of the Brannan plan for farmers because it will help the farmers, and the farmers need it. It will also help the country, and they believe the country needs it. The Federal Reserve Board and the Open Market Committee are trying to force the Brannan plan for the banks.

I am against the Brannan plan for the banks because the banks do not need it. There is no reason why we should continue to subsidize the banks. The question of interest rates on Government securities that this bill is really intended to do something about is a major problem. Back at the beginning of the First World War when our national debt was very low probably one or two billion dollars, it did not mean very much in our fiscal policy. At the beginning of the Second World War when it was about \$46,000,000,000 it still did not mean too much as a major policy in our fiscal affairs. But here in—I will not say the third world war, but in a third national war emergency—when our national debt is in excess of \$250,000,000,000, interest rates on Government bonds becomes a major problem. As the gentleman from Texas [Mr. COMBS] suggested a while ago, every time the interest rate on Government bonds is raised one-half of 1 percent it means that the taxpayers of this country will have to dig down and fork over \$1,250,000,000 a year in order to pay that excess interest of one-half of 1 percent.

The Federal Reserve banking system through the Federal Reserve Board and the Open Market Committee are trying to force higher interest rates in this country. It will mean a lot to the legislation this Congress has in mind and to the taxpayers in particular. I think we should commend the Secretary of the Treasury for the stand that he has taken. Certainly, one who is opposed to the Brannan plan for the farmers, cannot consistently support the Brannan plan for the banks, and I hope that the Treasury wins in its contest with the Federal Reserve Board.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Ohio [Mr. JENKINS].

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. JENKINS. Mr. Chairman, this is a very practical matter in which practically everybody is interested. If you will bear with me I should like to explain it if I can by illustration.

In this proposed legislation we are dealing with the refunding of the E bonds, the maturity of which starts on the 1st of May. Let us take the E bond and let us see how these bonds were put out when they were first issued. Those of you who own them will understand what I shall try to say. Here is the situation, if you bought a \$100 E bond 10 years ago you paid \$75 for it when you purchased it. You naturally expected to get interest on that bond and the interest is stipulated in the bond just how much it would be. If the bond were cashed in a short time after its issue, say 6 months or so, you would get no interest, but if you would carry the bond along for the full 10 years, the interest rate is graduated upward until you eventually receive 2.9 percent interest on the amount that you had paid in. You will have \$100. In other words, the bond will mature into \$100.

Mr. Chairman, here is what the Government is confronted with. On the 1st of May next a lot of people, who in the aggregate own millions of dollars worth of these E bonds, are going to do something with those bonds. Will they demand cash for them or will they be willing to permit this money to stay with the Government? If you want your money on your bond you can get \$100 for it. The Government will live up to its contract, and will cash the bond when you present it for redemption. If you wish to leave the bond with the Government, the Government will continue to pay interest on the bond. You do not have to communicate with the Government if you want to leave the situation as it is, but it would be far better if you did contact the Government, letting the Government know that you expect to carry the bond on through for an additional period. If you decide to keep your money with the Government you will start with a principal of \$100. You can get that \$100 at any time you want it and they will pay you 2½ percent interest on this \$100, up to 7½ years. Then at that time if you want to continue on to 10 years they will increase the rate until the interest will be on an average 2.9 on the \$100 clear through to the 10-year maturity.

It is a very sensible program, in my opinion. The Government is anxious to have you leave the money with the Government, for if most of the holders of these bonds decide not to cash the bonds the Treasury will be relieved of the trouble and expense of selling an additional issue of bonds. In this way the Government does not throw itself open to any wild speculation of any kind. The Government does not compel you to take the money. The Government simply says: "You can have it if you want it." What is more fair than that?

Should my constituents inquire of me about this matter here is the way I expect to answer them. I shall say to them: Here, you have paid \$75. You now have \$100. Your \$100 will increase at the rate of 2½ percent for 10 years

if you want to keep the bond clear through that time. Any time you want to cash it in you can do so, and get a fair return.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. The gentleman states that these bonds are due on May 1. At that time if they have been held for 10 years they have appreciated in value 25 percent because of the interest rate, as a practical proposition.

Mr. JENKINS. That is right.

Mr. AUGUST H. ANDRESEN. If a man does not cash his bond in at that time is he required to report as income for tax purposes the 25-percent appreciation for the year 1951?

Mr. JENKINS. I understand not until he cashes the bonds.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman stated that these bonds have appreciated in value. Have they actually appreciated in value? That is, in terms of net purchasing power.

Mr. JENKINS. No; I am sorry to say that these bonds are like any other kind of an investment, they are affected by the difference in the purchasing power of the dollar.

Mr. CURTIS of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Nebraska.

Mr. CURTIS of Nebraska. The question just asked by the gentleman from Iowa was along the line of a question I was going to ask. The gentleman said that he would tell his constituents if they had a bond they paid \$75 for 10 years ago it is worth \$100 now, and they can hold it another 10 years and it will be worth \$133. If they should ask the gentleman what they could buy 10 years from now for that amount of money what would the gentleman tell them?

Mr. JENKINS. Oh, my answer would probably be, Who knows? You have \$75 that you paid for that bond. You could probably have bought a finer suit of clothes with the \$75 at the time you bought the bond than you can get now with the \$100 that the bond will be redeemed for. Of course, we are not solving the problem of the high cost of living in this discussion about cashing or continuing to hold these E bonds.

Mr. CURTIS of Nebraska. And the debtor on this bond has it within its power to determine the value of money?

Mr. JENKINS. I am afraid that we are getting into something foreign to the issue here.

Mr. GROSS. When the Secretary of the Treasury was before the committee did the committee get any assurance from the Secretary of the Treasury that they would not further debase and debase the currency of this country?

Mr. JENKINS. No. The Secretary discussed only the matter of cashing or carrying these E bonds. Anybody who has a one hundred dollar E bond now and it matures, can get \$100 for it. That

was his contract with the Government. He can get that \$100. That is the contract he made 10 years ago. If he wants to take it let him take it up now, or he can permit it to run along for another 10 years and get interest for it at the rate of 2.9 percent.

Mr. Chairman, I think this proposal is fair and reasonable for it gives the bondholder the right to cash his bond or to permit the Government to have the use of his money at a fair rate of 2.9 percent.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

[Mr. HERTER addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. REED of New York. Mr. Chairman, I yield 2 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS of Nebraska. Mr. Chairman, I ask unanimous consent to proceed out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. CURTIS of Nebraska. Mr. Chairman, if the President of the United States has authority to send thousands of our boys to their death on the hills of Korea without an act of Congress, does he have authority to keep open the supply lines in this country? This railroad strike should have been ended a long time ago. Is the grievance of these men greater than the need of supplies for our troops? Is their complaint of more importance than the welfare of our economy? It has gone on day after day and day after day. The President of the United States has played politics with it, afraid to come out and do what he should do. He has ample power. He has authority over the administration of the selective-service law. He has other laws.

As a matter of fact, technically the Government of the United States is running the railroads. Who is the greater, these offenders or the Government itself? Why does he not end this strike? Everyone knows that the reason he has not ended it is that he is playing politics with the strikers.

The tactics resorted to are not new. They were used in the coal strike a year or so ago. In a matter of hours, men who claimed to be ill, when in reality they were striking, could have been brought into court and dealt with for contempt of the order of the court. If this strike does not end, there are going to be more people than the strikers in the contempt of the American people.

Mr. REED of New York. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. FULTON].

Mr. FULTON. Mr. Chairman, I believe the American people are entitled to a statement by the administration that there is one policy which has been decided upon as the money-rate policy of this Government. The trouble with the present situation is that one executive agency is pulling one way—that is, the Treasury is pulling one way—and the Federal Reserve is pulling the other. Regardless which is right, whether it is the viewpoint stated by the gentleman

from Texas, or that of the gentleman from Massachusetts, we, the American people, are entitled to one policy being set by the Executive.

Coming to the present E-bond-extension bill, I am glad to see that the Congress of the United States is handling the extension of these E bonds by a voluntary method where the E-bondholders have their choice. We in the Congress should look to it to see that by action on the interest rates of specific Government bond issues we are not disrupting the money rates in this country and generally increasing the interest rates on Government bonds. Such action would put an undue burden on many working people, including the white-collar workers of this country, in paying increased debt-service costs in the form of added taxes to meet current interest on the Government bonds.

For the record, I am opposed to drafting into the Army or putting in jail the railroad workers of our country, who are a vital part of the economy of this country. I publicly opposed that policy when the President first proposed it a few years ago, and again I oppose it at this time. I also spoke on this floor against the use of blanket injunctions as the President proposed. We should do everything we can to assist the railroad workers and honest management to get their just grievances settled, and to arrive at collective-bargaining agreements by voluntary methods. Congress cannot put one large segment of this population in our economic life in chains and expect this voluntary democracy of ours to work. I am sorry that yesterday on the floor of the House we should have had the administration's chairman of the Committee on Education and Labor urging that railroad workers should be put in bondage who want certain contract-agreement provisions, some of which are granted without question to most of the other labor groups in the country. One thing that they are asking for, for example, is the 40-hour week. I am sure responsible railroad management does not want its employees coerced by threats of Government force. If there has been delay in coming to an agreement, and if there has been delay in assisting these people to arrive at voluntary agreements for the benefit of the country, then the Executive should step in immediately and try to help them reach voluntary agreements, rather than playing politics with the situation. On the other hand, the Executive should not again try to use the Army as a catch-all. I believe it is unfair to fine men in the Army to have it proposed as a threat or a proposed punishment, and I think it is equally unfair to good railroad workers of this country, who are just as patriotic as the rest of us. We cannot operate our country on the basis of coercion and on the basis of forcing people in industry to do things that they will not do by collective bargaining. Agreement and voluntary action is the basis of our system, and not coercion and force against large groups of the working people in our economy. Might I ask the question:

If Congress starts on coercion in one great industry, where do you stop?

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. GROSS. Mr. Chairman, I subscribe substantially to the remarks just made by the gentleman from Pennsylvania [Mr. FULTON].

In my opinion, President Truman has added the railroad workers to his collection of political footballs. But that should occasion no surprise for he has made a political football of labor legislation since the early summer of 1949.

Truman has had control of the railroads for many months. When the general chairmen of the brotherhoods refused to ratify the proposal of the National Mediation Board it was then incumbent on Truman to compel both sides, and that certainly included the operators, to sit down immediately at the bargaining table and try again.

It is logical and timely to ask what would have been the Truman attitude and action if the situation were reversed—if the unions had accepted the Mediation Board's proposal and the rail operators had rejected it?

Unquestionably the operators would have come right back to further bargaining. Does anyone think Truman would have initiated contempt proceedings against the operators if they procrastinated?

The public, a vitally interested party to every labor-management dispute which results in a strike, has been injured by this rail tie-up which need never have occurred if Truman, already the directing head through Government seizure, had moved long ago with intelligence, courage, and decision.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Nebraska [Mr. BUFFETT].

[Mr. BUFFETT asked and was given permission to revise and extend his remarks.]

Mr. BUFFETT. Mr. Chairman, in the year 1950 the holders of savings bonds in this country suffered a loss in purchasing power amounting to \$3,600,000,000 from their holdings of savings bonds. Here are the figures:

1950 loss in purchasing power of United States savings bonds outstanding Dec. 31, 1950, based on U. S. Bureau of Labor Statistics cost-of-living index

Bureau of Labor Statistics cost-of-living index: ¹	
1949, Dec. 31.....	167.5
1950, Dec. 31.....	178.4
(10.9 increase during 1950, or 6.5 percent.)	

United States savings bonds outstanding ² (in billions).....	\$56.7
1950 loss in purchasing power of principal (in billions).....	\$3.6

¹ Department of Labor, Bureau of Statistics.

² Economic Report of President, January 1951.

In the face of that loss we are trying to find a way to encourage those bondholders to extend their bonds as they come due in 1951 and thereafter.

Specifically, this bill proposes that maturing E-bondholders voluntarily extend

their bonds for a second 10-year period. I am going to offer an amendment at the appropriate time to encourage those bondholders to extend their bonds by giving them protection from additional inflation.

The amendment I have sent to the Clerk's desk provides that the principal amount of the bonds when matured shall be adjusted upwards in accordance with the BLS cost-of-living-index change upwards during the next 10-year period.

In other words, the amendment would give the bondholders, the investors who make a contract with the Government of the United States, the same protection during the next 10 years from inflation that the CIO auto workers have been getting for 2½ years or more from the General Motors Corp. on a short-term contract. Certainly, if that kind of a clause is important on a short-term contract, and when a short-term contract of that type has the blessing of the Government, the bondholder who makes a 10-year contract with this Government is entitled to similar protection.

Mr. COMBS. Mr. Chairman, will the gentleman yield?

Mr. BUFFETT. I yield.

Mr. COMBS. Will the gentleman's amendment include a provision tying the bond-interest rate to the cost of living, so that if it goes down you would reduce the interest?

Mr. BUFFETT. This amendment does not attempt to change in any way the interest rates on the bond. It does provide that at the end of 10 years, if there has been no increase in the cost of living, the bond principal would be the original amount specified.

Mr. COMBS. What would be the result if there is a lowering of the cost of living during that period?

Mr. BUFFETT. The result would be that the investor would have made a sound contract.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. BUFFETT. I yield.

Mr. CRAWFORD. The net result would be that the bondholder would get the benefit.

Mr. BUFFETT. That is right.

Mr. CRAWFORD. There is no way you could beat the game. If it drops he gets the benefit of the drop in the cost of living. If the cost of living goes up, by reason of the Government paying higher dollar price for the bond, he is protected against the inflationary price.

Mr. BUFFETT. I thank the gentleman for his contribution.

In the past 10 years the E bond holder has lost 44 percent of his purchasing power. We want these bonds to be extended. A most important factor to the future of this country on the home front is the public credit of the United States. Now what is happening?

The month of January bears sober testimony on E bond sales. I want to give you the figures from the Treasury statement of January 31.

In January the new savings bonds issued decreased \$231,000,000 from the sales in January 1950. The sales of new bonds went down 32 percent. That is a serious decline.

During the same month the redemptions of war bonds went up 20 percent. So that we have this fact: Bond sales going down and redemptions going up. The reason for that is obvious—the people are losing faith in the financial integrity of the Government.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BUFFETT. I yield.

Mr. REED of New York. If we were on a sound currency, with the gold standard, you would not be here presenting this proposition, would you?

Mr. BUFFETT. Certainly not.

The point is that we are asking people to make a contract with the Government for another 10 years to replace a contract which in the last 10 years has lost 44 percent of its value.

The question becomes: Are we going to give those thrifty, humble, trusting citizens, who are the backbone of this country, a deal that has fairness and justice in it, the same protection as the CIO auto workers get, and unions all over this country are insisting on in short-term contracts. Only an escalator clause on these bonds will give the investor that protection.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. REED of New York. Mr. Chairman, I have no further requests for time on this side.

Mr. DOUGHTON. Mr. Chairman, I yield the balance of the time to the gentleman from Arkansas [Mr. MILLS].

The CHAIRMAN. The gentleman from Arkansas [Mr. MILLS] is recognized for 9 minutes.

Mr. MILLS. Mr. Chairman, I might say in the beginning it is not my purpose to use 9 minutes.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. Yes, I yield.

Mr. AUGUST H. ANDRESEN. It is the gentleman's understanding with reference to the E bonds coming due now in May, that, if they are continued without a reissue, no report has to be made for the purpose of income tax for the year 1951, for the 25 percent that has accrued in value?

Mr. MILLS. Let me see if I understand the gentleman's question. The gentleman means, if this legislation is passed and these bonds are extended for another 10 years, then the interest which has accrued for the first 10 years need not be reported as received in 1951, but may be reported at the end of the additional 10 years provided for in this legislation?

Mr. AUGUST H. ANDRESEN. Yes.

Mr. MILLS. Yes, the gentleman is right.

Mr. AUGUST H. ANDRESEN. By that time we hope the tax will be lower.

Mr. MILLS. And some of us may not be making as much money either.

The bill before us is quite simple. It has two sections. The first section has been explained by several Members. It authorizes the Secretary of the Treasury to continue to pay interest on series E savings bonds now outstanding for an additional 10 years at rates consistent with the provisions of paragraph 1 of

section 22 of the Second Liberty Bond Act. Without that authority, people still might not cash their bonds upon maturity, but they would not receive any additional interest for any time after maturity.

Section 2 of the bill continues to give to the owner and possessor of those series E bonds the option of reporting interest every year as it accrues, or to report the entire amount of the interest when the bond itself is redeemed or upon the date of final maturity.

That is all the bill does.

Mr. FORD. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. FORD. May a bondholder pick any particular year and report the accrued income for, we will say, 13 years, and then let it go for the next 7 years?

Mr. MILLS. The bondholder in any taxable year before maturity may elect to report the interest accruing in that year and in all prior years, but once this election has been made, he then must report the interest as it accrues each year. If no election is made, the interest is reported in the taxable year of redemption or maturity.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. KEAN. A person has a certain option to make, and after he has made the option it continues for the rest of the life of the bond.

Mr. MILLS. In other words, the answer I gave the gentleman from Michigan is correct.

Mr. KEAN. Yes.

Mr. MILLS. If the tax is not paid on the interest each year then you must accrue the total until the bond is cashed or redeemed; you cannot mix the two systems.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. CRAWFORD. Is it at all necessary for the bondholder who desires to continue with the program to so report to the Treasury?

Mr. MILLS. If he desires to retain his series E bonds after maturity?

Mr. CRAWFORD. Yes.

Mr. MILLS. It is not necessary for him to make any report of his election to retain the bond.

Mr. CRAWFORD. I think that is important, because a lot of people will not report. They will be protected, however?

Mr. MILLS. They will be protected.

Mr. CRAWFORD. Whether they carry it another 1 year, 3 years, or 10 years?

Mr. MILLS. That is right; the gentleman is correct; they need not report their election to retain the bond after maturity, and they may wait to report the interest for tax purposes until the bond is redeemed, or until the year of final maturity.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. REED of New York. But if this accrued interest goes over a period of years until maturity it may throw the taxpayer into a bracket where he will

really suffer quite a substantial loss. Is not that true?

Mr. MILLS. That is entirely true; he could. He, of course, has that election, as the gentleman from New York knows.

A question has been raised about the amount of interest which the Secretary of the Treasury suggested to the Committee on Ways and Means should be paid on these bonds for the additional 10 years. The Ways and Means Committee is relying upon the recommendation of the Secretary of the Treasury with respect to this interest. He has a group of some 500 people on the payroll, and several thousands or maybe a million volunteer workers throughout the United States who handle these series E bonds for the Treasury. I know it is their thought, after considerable study, that the interest rate over the next 10 years of 2.9 percent, compounded semiannually, is sufficient inducement to cause most of the holders of the some \$35,000,000,000 in series E bonds outstanding, to continue to draw interest on them for the next 10 years rather than to cash those bonds in with the Treasury.

The Treasury, of course, may be wrong; it may be necessary before all of these series E bonds are disposed of by continuation or redemption for us further to amend the legislation to provide an additional interest rate over the 2.9 percent contemplated. I do think, though, that we should be impressed with the likelihood that the Secretary may be right; and if he is right and these bonds can be continued at the 2.9 interest rate, we should permit the Secretary to have that opportunity, because if we do raise the interest rate on these bonds materially over that which we contemplate here, then when the F and G bonds begin to mature we will probably be back asking for similar legislation with respect to them; we will have to treat the holders of those bonds as we treat the holders of the E bonds. This is quite an important question, for the \$58,000,000,000 of savings bonds outstanding constitute a rather considerable portion of the Federal debt.

Those of us who are interested in economy would desire the interest rate to be not higher than is necessary to induce the holders of these bonds to continue to hold them for the next 10 years.

Mr. Chairman, we realize, I think, full well that if these \$35,000,000,000 worth of series E bonds are redeemed in the next few years as they become due, in all probability there will not be a sufficient amount of revenue in the Treasury derived from taxation to redeem these bonds. Additional bonds, in all probability, will have to be issued and sold to somebody in order to get the money to redeem these bonds, if they are not extended for another 10 years.

It appears to me that the redemption of these E bonds now, in a period when we do have a lot of inflation, and the issuance of additional bonds to the Federal Reserve which they will perhaps buy, or other banks will buy, will not help our inflationary situation but will make it worse. There are many compelling reasons, therefore, why the Congress should permit the Secretary of the

Treasury this opportunity to endeavor to induce the holders of these series E bonds to continue to draw interest on those bonds for another 10 years. I think we should offer him this opportunity.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. It occurs to me that if we delay the cashing of these E bonds for 10 years it will then just give the Treasury an opportunity to sell some new issues of bonds and the situation in the future will be worse than it is now.

Mr. MILLS. The gentleman will agree with me that the Treasury will not sell a lot of additional bonds to accumulate cash in the Treasury when there is no purpose for which that cash must be used; in other words, just to build up a big surplus. I doubt that the Treasury would do that and I think that the gentleman will agree with me.

Mr. AUGUST H. ANDRESEN. I might agree with the gentleman, but from the budget which has been presented here and the threat of a request for additional large sums for the future it occurs to me there may be new issues.

Mr. MILLS. The gentleman ought to be over with our committee where we are trying to raise a large amount by taxation.

Mr. AUGUST H. ANDRESEN. I hope you do not raise all of the money asked for.

Mr. MILLS. The gentleman would rather have the Treasury issue bonds?

Mr. AUGUST H. ANDRESEN. No; I do not want that, either. I want to cut down on nonessential expenditures.

Mr. MILLS. I join with the gentleman in that hope. I trust we can do it.

Mr. Chairman, I hope the bill will be adopted by the Committee of the Whole without amendment.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. GROSS. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD following those of the gentleman from Pennsylvania [Mr. FULTON].

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

The CHAIRMAN. All time having expired, the Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That subsection (b) of section 22 of the Second Liberty Bond Act (31 U. S. C. 757c (b)) is amended by inserting "(1)" after "(b)" and adding the following new paragraph:

"(2) The Secretary of the Treasury, with the approval of the President, is authorized to provide by regulation that owners of series E savings bonds thereafter maturing may, at their option, retain the matured bonds and earn interest upon the maturity values thereof for not more than 10 years at rates consistent with the provisions of paragraph (1)."

[Mr. PATMAN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. RANKIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am utterly surprised at the argument of the gentleman from Texas [Mr. PATMAN]. Telegrams are pouring in protesting against this man Brannan's fixing the price of cotton in the United States when he cannot fix it abroad. Last year he did the same thing. He put an embargo on cotton because it was rising toward its normal value. It cost the cotton farmers of my section and Texas and every other State about \$100 a bale at a time when we had the worst boll weevil condition we have had in years. I am not guessing at this. I know what I am talking about. Telegrams are pouring in protesting against his fixing the price of cotton.

Mr. BOGGS of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. RANKIN. I yield.

Mr. BOGGS of Louisiana. I say this neither in defense or justification of Mr. Brannan, but Mr. Brannan did not fix the price of cotton.

Mr. RANKIN. Brannan put on the embargo. If the gentleman from Louisiana does not know that, he had better go back and find it out.

Mr. BOGGS of Louisiana. The gentleman from Mississippi knows Mr. Wilson is the price stabilizer.

Mr. RANKIN. He was not in the picture last year.

Mr. BOGGS of Louisiana. If the embargo had not been placed on, you would not have cotton to make uniforms for our soldiers today.

Mr. RANKIN. Why not ask the farmers to commit suicide and be done with it? If the farmers followed that kind of policy, they would commit suicide. They are making more cotton in Brazil than they made 20 years ago. I called up and got the prices, and I found that cotton was 43 cents a pound in the United States, and that means New Orleans and New York, and 71 cents a pound in Brazil. What is the difference? It is \$128 a bale. That is what farmers of Louisiana, Texas, Arkansas, Mississippi, the Carolinas, and every other Southern State are being robbed of today. Yet they propose to carry that program on to literally grind the cotton farmers into the dust.

I will tell the gentleman from Texas [Mr. PATMAN] what has helped the farmers of this country. It has been rural electrification, for which I am largely responsible. We have electrified the farm homes. We have made it possible for the farmer and his wife and children to live in comfort and to enjoy everything you have in the city except the noise of the city and taxes, traffic jams, and parking meters.

But that does not justify this program of grinding the farmer into the dust by driving the price of cotton down below the cost of production. The farmer is paying for his own electricity.

If cotton had risen to its normal value last year it would have gone to 60 cents or probably 85 cents a pound. Yet today you are going on with an inflation of the currency. It was inflated to the extent of \$731,000,000 since the first day of September, up through the month of December. Yet while the currency is

being inflated the farmer's prices on cotton are being held down, which keeps them from enjoying that measure of prosperity to which they are entitled, while their boys are being drafted to fight every war throughout the world, and others are being exempted, and some of them going out on strikes.

Mr. ALBERT. Mr. Chairman, will the gentleman yield?

Mr. RANKIN. I yield.

Mr. ALBERT. Does not the gentleman believe that the embargo put on by the Secretary last summer was put through to keep the price down and not in order to protect the domestic supply of cotton?

Mr. RANKIN. Of course it was not to protect the price of cotton. That situation raised the price of cotton to probably \$100 a bale more in Mexico than it was in Texas right across the line. It raised the price of cotton to \$100 a bale higher in Brazil, in Chile, in Argentina, and in every other country in South America than it was in the United States.

Mr. BOGGS of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. RANKIN. I yield to the gentleman from Louisiana.

Mr. BOGGS of Louisiana. What was the price of cotton when this embargo was put on?

Mr. RANKIN. The price of cotton was around 40 cents a pound, and it was justified at from 60 to 85 cents a pound, according to the volume of currency and the prices of everything else at that time.

Mr. BOGGS of Louisiana. Mr. Chairman, will the gentleman yield further?

Mr. RANKIN. I yield for a question, yes.

Mr. BOGGS of Louisiana. Did that stop the price of cotton from going up?

Mr. RANKIN. No, but it boomed the price of cotton to \$100 a bale higher in Mexico than it was in Louisiana or Mississippi. Cotton went to \$100 a bale higher in Brazil than it was in Louisiana, and today it is \$125 a bale higher in Brazil than it is in Louisiana.

Does the gentleman understand that?

It is robbing the farmers of Louisiana, Mississippi, and every other cotton State of more than \$100 a bale.

Mr. BOGGS of Louisiana. Cotton was selling higher on the New Orleans Cotton Exchange last week than in the entire history of the United States.

Mr. RANKIN. All right; and it was \$128 a bale cheaper than it was in Brazil. I have the record. No. The gentleman does not understand the financial situation or the cotton market.

Mr. BOGGS of Louisiana. The gentleman admits that he is not an authority on Brazil, as the gentleman from Mississippi seems to be.

Mr. RANKIN. I am no authority on money, but I know the price of cotton. I can tell you now that if Brannan carries on this program it will mean grinding the cotton farmers of America into the dust. Today, as I said, I called up and found out that cotton was 70 cents a pound in Brazil and 44 cents a pound in New Orleans. In other words, it is \$125 a bale higher in Brazil than it is in the United States.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. BOGGS of Louisiana. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the Committee has under consideration a bill which is designed to protect the solvency of the United States of America and to protect the people who have been patriotic enough to invest their savings and their money in the securities of the United States of America. This bill, I believe, was reported out unanimously by the committee of which I have the privilege to be a member, the Committee on Ways and Means. Until this moment it had not occurred to me that there could possibly be any connection between this bill which serves to protect the people—all the people, the farmers, the housewives, the businessmen, workers, cotton planters, sugar planters, people who work with their hands, people who work as clerks, and everybody—I could not dream that there could possibly be any connection between this bill and the price of cotton in Brazil. But there seems to be such a connection in the mind of the gentleman from Mississippi.

I ask the Members of this body to consider this bill on its merits, without respect to the price of cotton in Brazil. I may say to you that I am not an authority on cotton in Brazil. I do not know anything about it except what I read in the newspapers, and frequently I find that that information is not too accurate. I can say that despite the fact that I have represented a district which is largely urban, I do not know of a single measure which has come here designed to be of benefit to the cotton growers of our great area which I have not supported, and supported wholeheartedly and enthusiastically. Rather than grinding the cotton farmer into the mire and the dirt, the cotton farmers in my area received a higher price this year for their cotton than at any time in the history of the United States of America, and I believe the same thing applied to cottonseed. So if that is grinding them into the mire and the dirt, I say "more grinding."

I hope the Members of this body will not be diverted by a discussion about Mr. Brannan, who had nothing to do with the imposition of this price order which was imposed by Mr. Wilson and not Mr. Brannan, and will not let that red herring influence their judgment on a bill which is designed to help the holders of E bonds.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield.

Mr. RANKIN. Since the gentleman has brought forth the "Red herring," which I am used to, I wish to say that I am not opposed to this bill; but I got into this argument with the gentleman from Texas [Mr. PATMAN] about the way our cotton farmers are being mistreated. I am not opposing this bill, but last year our farmers were robbed of \$100 a bale on their cotton and they are being robbed today of about \$125 a bale.

Mr. BOGGS of Louisiana. Of course, the gentleman may be right. I do not know. But the gentleman assumes by his statement that the price of cotton

would have come to 85 cents and he assumes that no measures would have been taken before it reached 85 cents. If it had reached 85 cents, it would have been 200 percent higher than at any time in the history of the United States. With all due deference to the gentleman from Mississippi, who I know is a genuine friend of the farmer—he always has been, and I am sure always will be—I am not sure that if you put a completely inflated situation on the farmers that you would help our farm economy, because if you inflate farm prices you certainly will have to inflate everything else.

Mr. RANKIN. Will the gentleman yield further?

Mr. BOGGS of Louisiana. I yield.

Mr. RANKIN. The gentleman says cotton would not have gone up. It went up in Brazil, it went up in Mexico, it went up in Argentina \$100 a bale higher than it was in the United States.

Mr. BOGGS of Louisiana. I admitted to the gentleman I was not an authority on Mexico or Argentina or Brazil, or any of these other nations that he knows all about.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. REED of New York. Mr. Chairman, I move to strike out the last two words. It is not my intention to get into this cotton fight, but I would like to repeat a little of the history.

Two years ago, before the Ways and Means Committee, we were holding a hearing and I had been studying a report by a professor at McGill University, who had been down to Brazil and made a study of the country, as a prospective producer of cotton. He found there were about a million acres of land that were ideally suited for the raising of cotton. During the New Deal administration king cotton in the United States was on its deathbed. There was great alarm about it. After I made this statement in the committee that probably we would have competition from Brazil, a leading cotton man of the South took me to task out in the hall, and said, "You are not familiar with cotton. Brazil will never furnish any competition to the southern cotton."

Here is what happened: If you will remember, Secretary Clayton, interested in cotton in a large way, when king cotton was on its deathbed, went down to Brazil and opened a school to teach the Brazilian people how to cultivate cotton. He was responsible for the development of cotton in Brazil. You are not only having competition now but you will have devastating competition from Brazil in the future, because they have more new land available for raising cotton than you have in all of the South.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. RANKIN. Right at this point let me say to the gentleman from New York that I agree with what he said about Mr. Clayton. Mr. Clayton and I came from the same town, but in 1928 Anderson, Clayton & Co. rigged the cotton market. I forced an investigation, finally got the Senate to put on an investigation. They

invited me over to cross-examine Mr. Clayton, and we showed that his company had bought several hundred thousand bales of cotton that did not meet the requirements, and had got it approved by the Government classifiers, and used it to whip the cotton market down from 22 cents to 14 cents a pound. We sent men up there who investigated it, and cleaned it all out of the Bay Way Terminal, and taken off the market. Cotton went back up to 22 cents a pound; went up \$40 a bale before those classifiers got back to Washington.

Mr. REED of New York. He was responsible for taking vast amounts of cotton machinery from the United States and other North American areas and putting it in Brazil.

Mr. RANKIN. And greatly increased the production of cotton in Brazil.

Mr. GROSS. Is that the same Clayton who was Assistant Secretary of State and Under Secretary of State?

Mr. REED of New York. Yes; he is the same one.

Mr. CURTIS of Nebraska. Mr. Chairman, will the gentleman yield? I have a question on that.

Mr. REED of New York. I yield.

Mr. CURTIS of Nebraska. Is that the same Mr. Clayton who was championing the trade-agreements program and who helped administer it? And is it the same Mr. Clayton who went to the Geneva Trade Agreements Convention and took 10 Communists with him?

Mr. REED of New York. Yes; he is the same man.

Mr. HOFFMAN of Michigan. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Texas.

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

Mr. HOFFMAN of Michigan. Mr. Chairman, I am somewhat bewildered by the statement made by the gentleman from Texas [Mr. PATMAN] who sometimes is considered a financial expert. I would say, to those on the left of the aisle. What he told us today we might well keep in mind. He gave us a formula for balancing the budget. In answer to my question he said in substance that when we voted for appropriations we should then or soon thereafter vote taxes to get a like amount. Well, that is all right; that sounds sensible, does it not? But the gentleman's record since 1935 nowhere tells me that he ever voted against any appropriation bill. I doubt if he ever has. If he had tried to balance the appropriations for which he has voted by new taxes there would not be in the Congress a man who was in the Congress which levied taxes in that sum.

The gentleman from Texas [Mr. PATMAN] just ignores the fact, in spite of all his expert knowledge, that the way to balance the budget is to quit spending so much money. I wonder if the gentleman ever heard of that method? The gentleman has voted for practically all the New Deal spending and wasting.

Now he comes along and he tells us why we would have been foolish to have

kept \$75 in cash instead of buying a \$100 bond. He said that if we had kept the \$75 in cash instead of buying a bond that \$75 would now be worth in purchasing power only \$40 now. What an indictment of the New Deal, the man or woman who worked and saved 75 hard-earned dollars for his old age, now for those \$75 can now buy but \$40 worth of food or merchandise. If you had bought an old cow or a fairly young cow she would have had eight calves in that same length of time and they would have brought you more in purchasing power than you would ever have gotten out of the bonds. Never did I expect to hear a dyed-in-the-wool New Deal supporter like the gentleman from Texas [Mr. PATMAN] confess that this administration had followed a program which had cut the worth of the workingman's \$75 to \$40. The gentleman's argument is absurd for few there be who bury their dollars as the one servant hid his talent when the master went on a journey.

Then there is one other thing, the gentleman by his statement seems to have created an apparent disunity, the gentleman from Texas [Mr. PATMAN] being in opposition on the cotton situation. I do not think that is a good thing. I am all in favor of unity.

Mr. RANKIN. Mr. Chairman, a point of order.

Mr. HOFFMAN of Michigan. The gentleman from Mississippi, pardon me—the TVA gentleman; the gentleman who talks about rural electrification; but let me finish this—I am all for unity. I do not like the idea of those Republicans in the other body who do not want to go along with that gentleman from Connecticut who thinks that Republicans should select their committee members over there in compliance with some Democratic suggestion—that is not the way to get unity, according to their book; you just cannot get along that way. Their idea of unity is for Republicans to accept their every thought, even before they have it. The Democrats have Mr. Dulles, they have Mr. Austin, they have Mr. Dewey and others of these great internationalists and one-worlders; so we cannot criticize our Democratic friends. They even tried within the week did they not to get Mr. Hoover to help solve the problem now existing in India? I do not know—am just asking.

Mr. Chairman, I am going back a little bit to show you how the New Dealers tried to get unity when the WPA was on. If you wanted a job on the WPA the work paid for out of tax money, you had to have the endorsement of your local committee, if you were successful. Here is one:

No. 100. Application for endorsement by Kalamazoo County Democratic Committee.

This was to get a job. The usual questions were asked, then the following:

Did you vote in the primary of September 1932? Democrat? Republican?

Did you vote in the primary of September 1934? Democrat? Republican?

The first year I mentioned, \$3,800,000,000.

The next year, \$5,300,000,000.

The next year, \$5,900,000,000.

The next year, \$4,700,000,000.

And for the years 1946, 1957, 1958, and 1959 the maturities will run from \$2,400,000,000 to \$2,800,000,000 annually.

General Eisenhower, in speaking the other day, said:

The fighting forces are but the cutting edge of a very great machine. The inspiration and the power for which we find in the heart of citizens and all of the various mechanisms that are necessary are represented in our investment capacity, our economic processes, and so on, so that when we talk about defending the free world, we are not merely talking about the divisions and groups and battleships and planes. We are talking about what is in the hearts, what we understand with our heads, and what we are going to do as a body.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. CRAWFORD. Mr. Chairman, I ask unanimous consent to proceed for one additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CRAWFORD. General Eisenhower stood before the Members of this body, and he emphasized time and again that this job had to be done within solvency. He spoke about the free enterprise system, the investment capacity, and the confidence our people have in these Treasury issues.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Iowa.

Mr. GROSS. Yet the general had no reluctance in telling us that we had to ship vast quantities of materials to Europe and more troops to Europe.

Mr. CRAWFORD. That is true, and he knew that before you did that, you would have to have people at home who were willing to carry these securities issued by the Treasury in their own individual portfolios instead of in the bank portfolios.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from New York.

Mr. REED of New York. He also said in substance that this Nation should not be the Atlas supporting the world.

Mr. CRAWFORD. That is correct, and we need to give very serious consideration to this problem.

Mr. CURTIS of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Nebraska.

Mr. CURTIS of Nebraska. Is inflation contrary to the policy of this administration?

Mr. CRAWFORD. It is not. It is in conformity with the policies of the administration.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think the disturbing thing about this legislation is the breach

of faith on the part of the administration in not providing for the same purchasing power of the dollar that you receive today when you cash in these bonds as it was at the time they were purchased. I remember very well how the late President Roosevelt took to the radio, and his then Secretary of the Treasury, Mr. Morgenthau, and told the people if they would buy these bonds, that they wanted to make them sound, return a sound dollar that would have the same purchasing power that it had at the time the purchase was made.

Our Government has broken faith with the investors in these bonds. Most of them are small people who have relied upon the integrity of the Government that their money would have the same purchasing power when the bonds were cashed in as when they were bought.

I am not opposing this legislation; I will support it. The gentleman from Louisiana a few minutes ago said this was to protect the solvency of the Treasury. We must be in pretty bad shape, if we have to pass legislation to protect the solvency of the Treasury. Maybe we need it, but if we have come to that point, where there is a lack of confidence in the money in this country and in the policies of the Treasury and the Administration, we have reached a new low in American history.

I was rather interested in what the gentleman from Texas had to say about balancing the Budget. I have been listening to him ever since he came to Congress. He has been one of the chief advocates of cheap money and printing-press money and deficit financing in the United States. This is the first time I ever heard him mention balancing the Budget of this country. I think it is a remarkable achievement on the part of someone to convert him to the philosophy that we need a balanced Budget. I hope they will continue their effort, and maybe he will come out for sound money.

Mr. KEATING. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from New York.

Mr. KEATING. I join the gentleman in tribute to the gentleman from Texas for his changed viewpoint. However, the gentleman from Minnesota must remember that the main method of balancing the Budget suggested by the gentleman from Texas is by increasing taxes rather than cutting down expenses. In that respect the gentleman now speaking and the gentleman from Minnesota, I feel sure, would be found on the other side of the fence.

Mr. AUGUST H. ANDRESEN. We have to collect taxes, but I notice the President's proposal, the first dose that came up here this week, provides for a tremendous increase in the taxes on the middle- and lower-income groups. Most of these people are not getting any benefits from war expenditures. Most of them are living on fixed incomes. Many of them are living on pensions and annuities. Many of them are old people. I do not know how they get along. But the time is rapidly coming, if they pursue this policy, that a large portion of our middle class and lower-income

groups will be working at least 6 months out of the year to pay the tax bill.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Texas.

Mr. PATMAN. Will the gentleman join with other Members in the House in voting against adjournment of Congress until he has voted for sufficient tax measures to balance the budget, after saving every dollar that can be saved in the appropriations?

Mr. AUGUST H. ANDRESEN. I certainly will, and I hope the gentleman, who has never heretofore voted for any reduction in Federal expenditures, will join this side of the aisle and vote to cut six or seven billion dollars from the budget on non-essential expenditures. I am glad to join with the gentleman.

Mr. KEATING. If the gentleman will yield further, I simply want to point out to the gentleman that the same lower income and middle-income people who have been hit hardest and are now being asked to take another wallop with this tax bill are the very people that are hit the hardest by the Government's inflationary policy, which has reduced to about \$60 the value of the \$100 E bonds in which they have invested, thinking they were making an investment in our Government and thinking that they were going to get more money when they turned in their bonds than when they bought them.

Mr. AUGUST H. ANDRESEN. I agree with the gentleman. There appears to be a determined effort on the part of the present administration to liquidate a large mass of our population that is living on fixed incomes in this country, people who have no means of hedging the little income they get.

Mr. KEATING. Like the gentleman from Minnesota, I shall support this legislation. Prudent management requires that a sound orderly plan be devised to make it possible and reasonably attractive for holders of series E bonds to continue their investment beyond the maturity date.

But we should be careful not to be lulled into a false sense of security, feeling that, having passed this legislation, our financial problems are solved. A campaign will have to be undertaken by the Secretary of the Treasury to convince the people that they should hang on to the E bonds instead of cashing them in, as is their privilege. Confidence in Government securities is even more important in this type of investment, then is the yield, which is relatively modest in any event.

Those who bought a \$75 bond 10 years ago upon the representation that they would receive \$100 at maturity now realize, to their sorrow, how it was possible for the Government to deprive them of their promised return. They now find that the \$75 which they put in 10 years ago, instead of being worth \$100 today, as anticipated, is only worth \$60.

This is a direct and inevitable result of the profligate spending and "cheap money" fiscal policies of the Administration. Those who now hold these bonds and others who might be induced to pur-

chase them must be convinced that these demonstrably unsound policies will not be continued, if they leave their old money or put their new money into this type of investment. They must be assured that their Government to which they have a right to look for protection will not turn around, after it has their money in its coffers, and deliberately cheapen the value of that money in terms of what it will purchase, thereby depriving them of the rightful increase in value of their investment which it has been represented to them they may expect.

No one of us, of course, wishes to take any step or voice any utterance which will militate against the necessary efforts of the Treasury to sell Government securities. The point is that the success of these efforts rests almost exclusively in the hands of the Administration officials who direct our fiscal and financial policies and also must handle these bond sales. It is entirely up to them and their predecessors in office to determine whether the \$100 which a series E bondholder now elects to leave with the Government as an investment will be worth \$133 at maturity 10 years hence, as represented to him, or whether he will meet the same fate which befell the investor of 10 years ago and find in 1961 that he can only buy less than \$100 worth of goods with the bond which he cashes, rather than having \$133 to spend which was promised him.

This is a particularly serious problem because it hits hardest those in the lower and middle income brackets who are accustomed to investing their modest savings in this type of security. Like so many of these fatal Administration policies, the retired workers or those enjoying a small fixed income suffer the worst. They deserve and have a right to expect better treatment from their Government. They should no longer be deceived. Many have already awakened to the injustice perpetrated on them. We in Congress should continue to exert constant and unyielding pressure upon the administration forces to insure a square deal for those who entrust their hard-earned savings to the Government.

The Clerk read as follows:

Sec. 2. Effective with respect to taxable years ending after the date of the enactment of this act, section 42 of the Internal Revenue Code is amended—

(1) by inserting after "stated intervals" in the first sentence of subsection (b) the following: "or owning an obligation described in paragraph (2) of subsection (d)";

(2) by inserting after "acquisition" in the last sentence of subsection (b) the following: "(or, in the case of an obligation described in paragraph (2) of subsection (d), the date of acquisition of the series E bond involved)"; and

(3) by adding at the end of such section the following new subsection:

"(d) Matured United States saving bonds: In the case of a taxpayer who—

"(1) holds a series E United States saving bond at the date of maturity, and

"(2) pursuant to regulations prescribed under the Second Liberty Bond Act retains his investment in the maturity value of such series E bond in an obligation, other than a current income obligation, which matures not more than 10 years from the date of maturity of such series E bond,

the increase in redemption value (to the extent not previously includible in gross income) in excess of the amount paid for such series E bond shall be includible in gross income in the taxable year in which the obligation is finally redeemed or in the taxable year of final maturity, whichever is earlier. The provisions of this subsection shall not apply to a corporation, and shall not apply in the case of any taxable year for which the taxpayer's net income is computed upon the basis of the accrual method of accounting or for which an election made by the taxpayer under subsection (b) is applicable."

Mr. BUFFETT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BUFFETT: Page 3, after line 14, insert the following new section:

"Sec. 3. (a) The amount payable upon redemption of any series E United States savings bond retained for 10 years or more after maturity pursuant to regulations prescribed under section 22 (b) (2) of the Second Liberty Bond Act shall be—

"(1) the amount which would be payable if this section did not apply, or

"(2) the amount referred to in paragraph (1) multiplied by the ratio of (A) the Consumers' Price Index as of January 15 of the tenth calendar year following the calendar year in which the bond matured to (B) the Consumers' Price Index as of January 15 of the calendar year in which the bond matured,

whichever amount is higher.

"(b) The amount payable upon redemption of any series E United States savings bond purchased after December 31, 1950, and held until maturity shall be—

"(1) the amount which would be payable if this section did not apply, or

"(2) the amount referred to in paragraph (1) multiplied by the ratio of (A) the Consumers' Price Index as of January 15 of the calendar year in which the bond matured to (B) the Consumers' Price Index as of January 15 of the calendar year in which the bond was purchased,

whichever amount is higher.

"(c) For the purposes of this section—

"(1) The term 'Consumers' Price Index' means the Consumers' Price Index for Moderate Income Families in Large Cities, All Items, published by the Bureau of Labor Statistics.

"(2) If a ratio must be determined between a Consumers' Price Index in computing which a given base period is used, and another Consumers' Price Index in computing which a different base period is used, one index shall be converted to the same base period as the other."

Mr. MILLS. Mr. Chairman, I make a point of order against the amendment. The bill before us has to do with the retention after maturity of certain bonds, and the payment of interest upon those bonds for a period not to exceed 10 years after the present maturity date. The amendment offered by the gentleman proposes a payment to bondholders which is beyond the concept of interest. As I understood, the gentleman earlier in explaining his amendment referred to it as not taking the place of interest, but providing a payment in addition to interest proposed in section 1. Therefore, the amendment goes beyond the scope of the bill and is not germane to the bill.

The CHAIRMAN. The Chair will hear the gentleman from Nebraska [Mr. BUFFETT] on the point of order.

Mr. BUFFETT. Mr. Chairman, the bill proposes to encourage the retention of bonds for a second 10-year period. That is the purpose of the bill. The terms of the bill authorize the payment of interest on series E savings bonds retained after maturity and for other purposes. It is to be assumed those other purposes would embrace terms for the extension which would encourage bondholders to extend his bond for that period of years and protect him against inflation which might occur during that period. It seems to me that this is the appropriate bill for such an amendment to be considered, if these bondholders are going to have that protection, and it has to be done at this place or it will not be done.

Mr. MILLS. Mr. Chairman, if I may be heard further on the point of order, the bill in the two sections amends two different statutes. The first section amends the Second Liberty Bond Act and the second section amends section 42 of the Internal Revenue Code. There is nothing in either the Second Liberty Bond Act or in the Internal Revenue Code which is in keeping with the gentleman's amendment, and there is nothing in the bill to which the amendment itself is germane.

Mr. CURTIS of Nebraska. Mr. Chairman, may I be heard on the point of order?

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. CURTIS of Nebraska. Mr. Chairman, the bill before the Committee deals not only with payment of future interest due but also with the payment of the principal on these bonds. It provides for the payment of the principal at future times. The amendment offered by the gentleman from Nebraska [Mr. BUFFETT] likewise deals with the repayment of the principal on the bonds.

Mr. MILLS. Mr. Chairman, in answer to the gentleman from Nebraska [Mr. CURTIS], it is true that the bill does provide for the payment of principal and interest at a future date, but it does not provide for an additional premium of some sort based upon the cost of living.

The CHAIRMAN (Mr. ENGLE). The gentleman from Arkansas has well stated the point, in the opinion of the Chair. The fundamental purpose of the amendment must be germane to the fundamental purpose of the bill. In this instance the bill deals with interest on Government bonds, but the proposed amendment is so broad that it would change the basic obligation of the Federal Government on the principal of the bonds. Therefore, the Chair sustains the point of order.

Mr. BUFFETT. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I regret that a point of order has been raised against this amendment. This legislation gives to the Congress of the United States its first opportunity to give the holders of savings bonds a square deal, to prevent in the future the raw deal that they

have received in the last 10 years from their ownership of savings bonds.

A few moments ago the gentleman from Arkansas [Mr. MILLS] told you how important it was that the people of the country retain confidence in the credit of the United States. He told you how important it was that sales of these bonds be continued at a high rate. But now we find in the consideration of this bill that an amendment is ruled out of order that would give these bondholders some protection against inflation during the next 10 years, an inflation that has robbed them of 44 percent of their principal during the last 10 years.

The amendment, Mr. Chairman, would have operated to restore the faith of the people in United States obligations.

It would have operated to accelerate the sale of war bonds and to discourage the redemption of war bonds.

It would have operated to make plain to the people and to the Congress the imperative importance of sound Federal financing.

The amendment would have given this Congress a chance to show the same fidelity to trusting citizens that the heads of labor unions demonstrate when they insist on an escalator clause in union contracts.

As a practical matter, this Government can go on fooling uninformed people and selling them a deteriorating investment but—day by day—and I testify from 25 years' experience in the investment business—day by day more of these folks are finding out the inherent unsoundness of holding a deteriorating obligation, a fixed-income obligation in a period of inflation.

Unless this Congress comes to grips with this problem that knowledge will grow and expand, until most of those who own Government bonds, and who become familiar with inflation, will have turned them in and put their money in some other form of investment.

The humble, trusting citizens of this country, by and large, are the holders of these war bonds. They are being sold down the river financially, so long as inflation continues and their bonds remain payable in a fixed amount. Every man sitting in this Chamber knows that. Every man sitting in this Chamber knows that in the last 10 years there has been a substantial deterioration in the purchasing power of that dollar. I say this Congress should do something about this situation, and this is the place and time to do it.

We should play square with the bondholders who have placed their future financial independence in the hands of the Congress of the United States.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. BUFFETT. I yield.

Mr. BYRNES of Wisconsin. I agree with everything the gentleman has said about the depreciation of bonds and, in general, the awakening of the American people to some of the difficulties they are going to be concerned with in the purchase of bonds. But is it not true that what the gentleman charges as far as Government bonds are concerned applies equally to any other bonds which the purchaser might buy?

Mr. BUFFETT. The gentleman from Wisconsin is correct insofar as any fixed interest obligation is concerned. However, these obligations are our specific responsibility.

This deterioration is a financial debacle without parallel in this country since the Revolutionary War and the repudiation of the continental currency.

This deliberate inflation is so shocking that an able economist, Dr. Paul Poirot, characterized it in this strong language:

No government anywhere in the world at any time ever perpetrated upon its citizenry a greater fraud than is practiced in the United States of America today. (The Pension Idea, by Dr. Paul Poirot.)

Has he overdrawn the picture? The 44 percent depreciation in savings bonds, life insurance, and war bonds in 10 years is a loss that comes to more than \$26,000,000,000.

Here is the picture of the enormity of the loss suffered the last 10 years by those who have been saving dollars.

At the end of 1940, United States savings bonds, savings bank deposits, and life insurance assets amounted to \$61,200,000,000. At that same 1940 date the cost of living, measured by the Bureau of Labor Statistics, was at 100.2.

Now let us look at those savings at the end of 1950. The Bureau of Labor Statistics cost of living index was at 178.4, against 100.2 in 1940.

The buying power of those 1940 savings had been reduced 44 percent. The real loss to the holders of those 1940 savings was over \$26,800,000,000.

Even more strikingly I can express the deterioration in one sentence: The deterioration in savings bonds last year of three and one-half billions was a billion and a half more than the total of all losses from bank failures from 1921 through 1933.

(Mr. HAYS of Arkansas asked and was given permission to extend his remarks at this point in the Record.)

[Mr. HAYS of Arkansas addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. DONDERO asked and was given permission to extend his remarks at this point in the Record.)

Mr. DONDERO. Mr. Chairman, if American taxpayers generally understood the real meaning of the administration's tax proposals, as conveyed to the committees of Congress, I believe there would be an immediate uproar in behalf of drastic cuts in nonessential Government spending which neither Congress nor the President could ignore.

Even more so would this be the case if taxpayers should compare Federal taxes nowadays with those of only 10 years ago. The comparison shows the alarming extent to which Federal administrations over the past 18 years have gobbled up the substance of the people.

A statistical analysis, which came to my attention through my esteemed colleague, NOAH MASON, of Illinois, shows that in 1940 only about 4,000,000 individuals were paying personal income taxes, which were limited to comparatively high incomes. Today we have 52,000,000 people making personal income-tax returns.

In 1940, a married couple with no children enjoyed an income-tax exemption of \$2,500, while today the same couple have exemption of only \$1,200.

In 1940 the tax rate in the lowest income bracket on which taxes were imposed was only 4 percent, while today it is 20 percent. In 1940, the highest corporate income-tax rate was 19 percent, and today it is 47 percent.

In 1940, Uncle Sam collected a total of about \$4,000,000,000 in all personal income, corporation, and excise taxes. Today he collects \$55,000,000,000 from these three sources.

Thus there are 13 times as many people on the Federal income-tax rolls as there were in 1940. Uncle Sam is taking away five times as much of their personal incomes as he did in 1940. He has nearly tripled corporate tax rates, until now he takes away nearly a half of all corporation incomes.

A few weeks ago the expiring Eighty-first Congress added a corporate excess-profits tax, amounting to 75 percent of corporate earnings, above certain predetermined earnings totals.

Since corporations cannot survive unless they pass taxes along to consumers in the form of higher prices, those high corporate taxes, and the additional excess-profits taxes, in the end are paid by the same people who pay personal income taxes.

Needless to say, corporation officials and stockholders are also consumers, and pay their full share of the corporate taxes, because they pay the same prices as everyone else for the things they buy.

The President now has advised Congress that in his opinion personal income-tax payers must bear the heaviest part of the burden imposed by his proposal to raise an additional \$16,500,000,000 in Government income. Lower- and middle-income earners would pay nearly all of the increase, because those in the high-income brackets receive only about 8 percent of total incomes received in the Nation each year.

It has been estimated that it will be necessary to boost the tax rate on lower and middle incomes from 20 to 24 percent, in order to raise only \$10,000,000,000, proposed by the President as a first installment of the \$16,500,000,000 increase he says eventually will be required.

The Congress should bear it in mind that Senator HARRY F. BYRD, of Virginia, has proposed specific measures for cutting nonessential Government spending next year by something more than \$9,000,000,000 from the \$72,500,000,000 budget submitted by the President.

If the present Congress fails to take the advice of Senator BYRD, to insist that nonessential spending be cut by at least \$9,000,000,000, and if the 4 percent is added to personal income-tax rates, the result may tend to destroy our free-enterprise system, and in the end our individual liberties, under a socialistic form of government.

A Federal income-tax rate of 24 percent would take nearly a quarter of everyone's annual income. A quarter of a year is 3 months. So it would figure out that the 24-percent income-tax rate would have everyone working at least

2½ months a year, just to pay Federal income taxes alone, to say nothing of State and local taxes, and indirect payment of corporate taxes.

If these latter direct- and indirect-tax payments should be added, it appears that the total tax burden for each individual would approach 50 percent of earned income, and everyone would work a full half of each year, just to pay taxes, before lending a hand toward the support of himself and his family.

(Mr. REED of New York asked and was given permission to revise and extend the remarks he made earlier today.)

Mr. O'TOOLE. Mr. Chairman, it looks to me as though the Republicans ate nothing but rooster yesterday the way they are crowing today.

(Mr. HARRIS asked and was given permission to revise and extend the remarks he made in the Committee of the Whole earlier today.)

(Mr. AUGUST H. ANDRESEN asked and was given permission to revise and extend the remarks he made today.)

Mr. MILLS. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with the recommendation that the bill do pass.

The motion was agreed to.

Accordingly the Committee rose, and the Speaker having resumed the chair, Mr. ENGLE, 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. 2268) to authorize the payment of interest on series E savings bonds retained after maturity, and for other purposes, had directed him to report the bill back to the House with the recommendation that the bill do pass.

Mr. MILLS. Mr. Speaker, I move the previous question.

The previous question was ordered.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PERMISSION TO ADDRESS THE HOUSE

Mr. HERLONG. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

THE WILDCAT RAILROAD STRIKE

Mr. HERLONG. Mr. Speaker, yesterday several Members announced they had introduced legislation designed to put an end to the paralyzing wildcat strike of some railroad employees.

Information that we have today indicates that many of these strikers are returning to work, probably in response to the very fine plea made to them by Mobilization Director Charles Wilson.

The tendency in the past in instances such as we are going through has been to forget all about the proposed legislation when these people go back to work, then when another emergency comes along and there is another wildcat strike, we are right back where we started.

I think that we should be careful in the type of legislation we enact, making

sure that no basic rights of individuals are eliminated. However, always in an emergency, all of us have had to submit to the suspension of certain privileges for the good of the country as a whole. We must be in a position to protect and implement in every way possible our boys in Korea. If they retarded our defense effort as much as has been done by these strikes, they would be court-martialed. We here at home are certainly no better than they are. Even if all these people go back to work today, irreparable damage has already been done our defense effort. But for future reference, remember, it is too late to lock the barn after the horse has been stolen. I therefore cannot urge too strongly that the Members who have introduced this corrective legislation push it through regardless of the outcome of the present strike. I offer my assistance to them in every way possible.

AMENDING SECTION 313 (b) OF THE TARIFF ACT OF 1930

Mr. JENKINS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 2192) to amend section 313 (b) of the Tariff Act of 1930.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That section 313 (b) of the Tariff Act of 1930 be amended to read as follows:

"(b) Substitution for draw-back purposes: If imported duty-paid sugar; nonferrous metal; or containing nonferrous metal; flaxseed and linseed, and flaxseed and linseed oil, and duty-free or domestic merchandise of the same kind and quality are used in the manufacture or production of articles within a period not to exceed 1 year from the receipt of such imported merchandise by the manufacturer or producer of such articles, there shall be allowed upon the exportation of any such articles, notwithstanding the fact that none of the imported merchandise may actually have been used in the manufacture or production of the exported articles, an amount of draw-back equal to that which would have been allowable had the sugar; nonferrous metal; ore containing nonferrous metal; flaxseed and linseed, and flaxseed and linseed oil, used therein been imported; but the total amount of draw-back allowed upon the exportation of such articles, together with the total amount of draw-back allowed in respect of such imported merchandise, under any other provision of law, shall not exceed 99 per centum of the duty paid on such imported merchandise."

Mr. JENKINS. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JENKINS: Page 1, line 6, strike out "or" and insert "ore."

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FREE IMPORTATION OF GIFTS FROM MEMBERS OF THE ARMED SERVICES

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 2141) to make permanent the existing temporary privilege of free importation of gifts

from members of the Armed Forces of the United States on duty abroad.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That section 2 of the act of December 5, 1942, entitled "An act to accord free entry to bona fide gifts from members of the Armed Forces of the United States on duty abroad," as amended (U. S. C., 1946 edition, Supp. III, title 50 App., sec. 847), is hereby amended by striking out "and before July 1, 1951."

With the following committee amendment:

Page 1, line 7, strike out "and before July 1, 1951" and insert in lieu thereof: "July 1, 1951, and inserting in lieu thereof July 1, 1953."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to extend for 2 years the existing privilege of free importation of gifts from members of the Armed Forces of the United States on duty abroad."

A motion to reconsider was laid on the table.

(Mr. REED of New York asked and was given permission to extend his remarks at this point in the RECORD in explanation of the legislation just passed.)

[Mr. REED of New York addressed the House. His remarks will appear hereafter in the Appendix.]

EXTENSION OF REMARKS

Mr. McCORMACK asked and was given permission to extend his remarks and include the text of President Truman's speech made a few days ago at the dedication of the Chapel of the Four Chaplains.

Mr. ARENDS asked and was given permission to extend his remarks and include an address.

Mr. ENGLE asked and was given permission to extend his remarks in two instances, and in each to include extraneous matter.

Mr. SMITH of Mississippi asked and was given permission to extend his remarks and include extraneous matter.

Mr. YORTY asked and was given permission to extend his remarks in two instances, and in each to include extraneous matter.

Mr. LANHAM asked and was given permission to extend his remarks in two instances, and in each to include editorials.

Mr. LANTAFF asked and was given permission to extend his remarks and include a copy of a speech.

Mrs. BOSONE asked and was given permission to extend her remarks and include an article written by Lt. Robert T. Follin entitled "It's Happening on Your Own Front Lawn."

Mr. MCCARTHY asked and was given permission to extend his remarks and include excerpts from an article.

Mr. RANKIN asked and was given permission to revise and extend the re-