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wanted to take over Lustron for their own measly lust of gold, including some of the directors of RFC that I mentioned before, Mr. Dunham, for example. If we can save the taxpayers \$1,400,000 a day in producing houses for national defense to go to Alaska, regardless of what company it is, I am wholeheartedly in favor of it. If we can clean out a Government agency, whether it is Democratic or Republican—and I being a Democrat it is hard to condemn my own administration—where skulduggery exists, I believe the taxpayers should not be robbed, and we should not let that skulduggery go on. That is why I took the floor to help in cleaning out the RFC. I made the talk on the basis that the taxpayers want it because it is a \$2,000,000 corporation of the Federal Government, and at the same time we would get these houses which are so badly needed for our defense and get them as cheaply as we can and as fast as possible, as well as getting the best for the least expense, for the armed services.

That is my sole purpose in this matter. I am sure the gentleman from Ohio has the same intention, and I am positive that the gentleman from Michigan [Mr. CRAWFORD] has the same idea in mind.

Mr. HAYS of Ohio. May I say to the gentleman from Tennessee that I do not know anything about the background of the RFC dealings with Lustron. As I said earlier in my speech the \$37,500,000 that the RFC loaned to Lustron is water over the dam. They received it, and whether the money should have been loaned or whether it should not have been loaned is beside the point now. Now the point is, as I see it, that there is at least \$15,500,000 worth of expensive, almost brand-new equipment out there which cannot be used for anything except to build this particular type of house. The question now comes up, are we going to go ahead and lose \$37,500,000 and write that money off the books and, as the Navy has been quoted in the press as saying, send bulldozers in and just bulldoze that machinery out of there and destroy it so that the value of the machinery is absolutely destroyed, except for what it is worth as junk, or are we going to use the machinery for something that we need? As I see it two wrongs do not make a right, and if it was wrong to lend them the money in the beginning, that is neither here nor there. The point, I reiterate, is are we going to destroy this \$15,500,000 worth of machinery which cannot be used for any other purpose when we so badly need housing at Army bases and all over the country, at our atomic energy plants, and so forth? I have personally gone to some of these Army camps to observe the situation at first hand. I tell you it is no wonder that the morale of some of these troops at some of these camps is very low when they see their families coming down there to exist in the kind of places that they are living in around these camps, because the Government has not met its obligations and has not provided quarters for them.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield further?

Mr. HAYS of Ohio. Yes, I am glad to yield to the gentleman.

Mr. CRAWFORD. It stands to reason that American genius can produce prefabricated houses at low-unit cost if it can produce automobiles and flying machines and railroad cars and what-not. Here is the Committee on Banking and Currency of the House holding hearings now on the very far-reaching so-called defense housing bill with apparently every intention of going out and spending literally hundreds of millions of dollars for the purpose of acquiring low-unit cost dwellings for our people at those places where defense bases are to be built, that is, for the workers, the structural workers, or the permanent residents of the base; and for permanent homes throughout the country. I agree with the gentleman, I think it is getting awfully close to treason against our people to throw out fifteen or twenty millions of dollars of newly designed and recently built up-to-date equipment when there is so much need for its use. There just is not any sense to that kind of performance. I do not care what the argument on the other side of the question might be. It takes time, labor, and precious material to build these wonderful machines. That machinery should not be destroyed. As the gentleman says, it is not a question now whether the loans were good loans or bad loans. That is beside the point. The question is how you are going to get low-cost housing for the benefit of the fellow who buys it or for the benefit of the taxpayer if it is used in a public manner. Why not use the equipment that was built for that purpose?

Mr. HAYS of Ohio. I thank the gentleman for his contribution. In my opinion he is 100 percent right. The only argument I have heard from General Harrison against reactivating this plant is that the plant went bankrupt. The General may be a good businessman. I do not know. I understand he has been president of the I. T. & T. for some time. It so happens that my father and I have owned some stock in that corporation for perhaps the past 20 years. And the only thing I have ever gotten from them so far is a bunch of explanations as to why they have not paid any dividends. So I do not think he should be throwing any rocks at a corporation simply because it went bankrupt. The gentleman from Michigan [Mr. CRAWFORD], and the gentleman from Tennessee [Mr. SUTTON] hit the nail on the head when they said that the essential thing is that this \$15,500,000 worth of expensive, hard-to-get, hard-to-manufacture machinery ought not to be junked.

Mr. NICHOLSON. Mr. Speaker, will the gentleman yield?

Mr. HAYS of Ohio. I yield.

Mr. NICHOLSON. The gentleman ought to know that last year we built in this country 1,500,000 housing units. Now this department of Government has fixed it up so that we will not be able to build half a million this year. You are right about the need for more houses, but if we have the Federal Government making it so that no one can build a house, what good will it do to fix up Lustron or anybody else?

Mr. HAYS of Ohio. The gentleman raises a point that I would like to answer. After all is said and done, if we

do not get so wrapped up in our daily tasks and the requests of our constituents, we are the ones who can do something about it. That is why I am trying to bring it out on the floor today.

Mr. SUTTON. Mr. Speaker, will the gentleman yield?

Mr. HAYS of Ohio. I yield.

Mr. SUTTON. The gentleman mentioned General Harrison. I was talking with him the other day on this subject. I went to the White House and I was sent from the White House to see the genial and capable Administrator of the Office of Defense Mobilization, Charles E. Wilson, and from there I was sent to General Harrison. Last Saturday at 10 o'clock I was in General Harrison's office talking to him about this matter. In our conversation I brought out the fact which the gentleman brought out this afternoon, because he told me that they used 385,000 tons of steel for beer cans, excluding tin. I knew it took only 300,000 tons of steel to make 100 houses per day of prefabricated houses. When General Harrison told me that he was recommending that Lustron be turned over to the Navy, I said, "Which is more important, 385,000 tons of steel for beer cans or 300,000 tons of steel for housing?" I wish you could have seen the expression on his face. He blew up. He said, "Beer is essential for the morale of the American people." I ask you Members of this Congress which is more essential for these boys in the service, a beer can or a house.

Mr. HAYS of Ohio. If anyone cares to go out here on the rack in the Speaker's lobby and get yesterday's paper—I just came back from Ohio about 12:15, and I had with me the Cleveland Plain Dealer. There is a quarter page of ads of companies in Cleveland that are offering steel, asking for inquiries about steel. Some of them list the amounts of steel, the sizes and shapes and the strips that they have on hand. I thought there was a shortage of steel. In fact, I was amazed when I read that yesterday. I do not know whether this is gray-market steel or European steel or what kind of steel it is, but anyone knows when there is open traffic going on in steel, they advertise in the papers, the big Sunday metropolitan papers like the Cleveland Plain Dealer, these dealers are not covering up the fact that they have steel.

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

Mr. HAYS of Ohio. I yield.

Mr. GROSS. That is a question I was about to ask. Is this black-market steel, and what is the price of it? You can buy steel in Chicago today at 24 cents a pound if you want to pay for it.

Mr. HAYS of Ohio. I thank the gentleman. I think he has a point. I think perhaps some of these regulators downtown ought to be doing a little more regulating along that line instead of the kind of regulating they are doing. I am getting a little tired of it all.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield further?

Mr. HAYS of Ohio. I yield.

Mr. CRAWFORD. I was going to address an inquiry to the gentleman from Massachusetts [Mr. NICHOLSON] but I see he has been called from the floor.

However, he made a remark to the effect that private home construction is limited to about half the units built last year. I think that limitation—and this is what I wanted to verify—I think that limitation is based on the amount of material that is allocated for the use of the private citizen who wishes to build. That does not mean to say within the concepts of the military program there is not a lot of material which can be used for building dwelling units. That is the point I want to clear up, but my friend has been called off the floor.

Mr. HAYS of Ohio. I think the gentleman is exactly right and, of course, I think too many of us take for granted that the military is sacrosanct that their conclusions and opinions are not to be questioned, but it so happens that I have been around the world a bit since the last war. I have seen literally thousands of planes sitting all over the world being destroyed by the elements. I am not in position to say that the Navy should not have so many planes or that it should have so many, but I think we ought to look into the matter carefully before we give them authority to purchase 50,000 planes or any other great number of planes when we find thousands of planes sitting out in the waste places rusting out. I have seen them in Egypt, for instance, as far as the eye could reach, there they were. I was told by people who should know that some of them had never been in the air except to be flown from the United States to that point. I think the whole problem is that some of these people downtown seem to me to be rushing into the thing pell mell and without enough thought.

Mr. EVINS. Mr. Speaker, will the gentleman yield?

Mr. HAYS of Ohio. I yield.

Mr. EVINS. I wish to state to the gentleman from Ohio that before they carry out the decision made by General Harrison on wrecking this plant, which to me is criminal, notwithstanding the fact the decision was made by a general of the United States Army, the Senate Committee on Banking and Currency is going out to Columbus next Monday and Tuesday to investigate, because they think something smells pretty bad.

Mr. HAYS of Ohio. I am glad to hear that the Senate is to make an investigation. I think it would be a good thing if some committee of the House were to go out there and take a look at this situation also.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. HAYS of Ohio. I yield.

Mrs. ROGERS of Massachusetts. This has nothing to do about the sale or disposition of the Lustron Co., but the gentleman may recall that the RFC refused a loan to the Waltham Watch Co., a loan which would have kept that plant in operation and enabled it to fill Government orders for precision instruments which are so vitally needed in our national defense, and also to prevent a great industry from being killed.

Mr. SUTTON. The trouble is they did not have Merle Young on their side or Rex Jacobs.

Mr. HAYS of Ohio. What the gentleman from Massachusetts states is true. The thing I am interested in at this point is not trying to dig up all the past errors of the RFC; I am just interested in trying to investigate and prevent the destruction of \$15,500,000 worth of machinery that the taxpayers paid for that is sitting there in Columbus idle now; another arm of this bureaucracy proposes to destroy it. One arm of the bureaucracy created it, another now wishes to destroy it.

I know that the Congress and the individual Members of the Congress do not have time to check every one of these stupendous projects which are being undertaken, but I think when one is brought to our attention that we might do something about it and it might make an example and might, to use a cliché, put the fear of God into the hearts of some of the bureaucrats downtown, and make them think twice before they get to issuing these mandatory orders: "Do this; do that" without any regard to the amount of money involved or the people who will have to pay for it.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield further?

Mr. HAYS of Ohio. I yield.

Mrs. ROGERS of Massachusetts. It all fits into the same picture. The Waltham Watch Co. is now back in operation making precision instruments, but only after having wasted a lot of precious time. I thank the gentleman.

Mr. HAYS of Ohio. Mr. Speaker, I yield back the balance of my time.

(Mr. HAYS of Ohio asked and was given permission to revise and extend his remarks.)

SPECIAL ORDER

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Michigan [Mr. CRAWFORD] is recognized for 20 minutes.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein excerpts from Report No. 3 of the Federal Deposit Insurance Corporation, an excerpt from the January 2, 1951, daily statement of the Secretary of the Treasury, quotations from the February 4, 1951, issue of the Washington Sunday Star, and perhaps two or three other quotations I may wish to include.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

GOVERNMENT FINANCING

Mr. CRAWFORD. Mr. Speaker, when General Eisenhower made his report to the Members of the House last Thursday among other things he said:

The very problem involved in the very expression, "defense of the free world," are so vast and so complex that no man could hope in a lifetime of study and reflection to solve them all. He can certainly not be sure of the accuracy of his conclusions.

The next assumption I would like to make is that we are concerned not only with the protection of our territories, of our rights, of our privileges, but we are also concerned with the defense of a way of life. Our own way of life has certain factors that must per-

sist if that way of life itself is to persist, for example, the freedom of the individual, his political freedom, his freedom of worship, and that he will have an economy based upon free enterprise. In other words, our system must remain solvent, as we attempt a solution of this great problem of security. Else we have lost the battle from within that we are trying to win from without.

Now, military defense is made up of many things. The things that defend or that act for it on the field of battle are many and varied and as complex as the Nation itself. 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.

As I said a moment ago, military strength is made up of various things, of which the fighting forces are merely the cutting edge. One of the greatest factors in this whole thing is morale, and, ladies and gentlemen, almost the rest of my talk will be made up, directly or indirectly, in discussions of this question of morale; because morale involves understanding, it involves heart, it involves courage, fortitude, basic purpose.

MUST ACCEPT DISADVANTAGE

We must accept, as we must always accept, the disadvantage, militarily, internationally, that goes with peaceful intent and defensive purpose only. Any aggressor picks a day on which he intends to strike, and he builds everything to that point. We have to devise a scheme that we can support if necessary over the next 20 years, 30 years, whatever may be the time necessary, as long as the threat, the announced threat of aggression remains in the world, and that means since we must be ready at any time, one of the important times is today, and from there on.

FINANCING BIG CONSIDERATION

I believe that properly adjusted to this purpose of ours, the purpose of peace and security, is our ability to carry it forward without insolvency for year after year. I believe that within those limits we must now go to the production of equipment exactly as if we were preparing for an emergency and war.

Now, Mr. Speaker, I am very much impressed with the general's repeated reference to the question of solvency and insolvency. Undoubtedly, the general has some big question in his mind as to how this undertaking is to be financed and whether or not we can do the job of financing and still retain an economy based upon free enterprise.

Mr. Speaker, when we entered World War I we faced a Federal debt of less than \$1,500,000,000. When we entered World War II this debt was about \$49,000,000,000 and now as we begin the operations under what might be termed World War III we have a Federal debt of about \$257,000,000,000. These are very fundamental facts in the light of what the general has reported to us.

INSURED BANK HOLDINGS OF FEDERAL SECURITY

The Federal Deposit Insurance Corporation report No. 33, page 9, shows that insured banks on June 30, 1950 held \$72,553,872,000 of the United States Government obligations, direct and

guaranteed. That is a fundamental fact, at this particular hour, we cannot ignore.

TREASURY NONMARKETABLE OBLIGATION

January 2, 1951, the Treasury had outstanding nonmarketable obligations in the form of Treasury savings notes, United States Saving bonds series D, E, F, and G, and depository bonds, and Armed Forces leave bonds and Treasury bonds, Investment series totalling some \$68,124,937,281.74. The amount of series E bonds alone outstanding January 2 amounted to \$34,546,168,368.23. During the period January to December 20, 1950 the sales of series E bonds by the Treasury amounted to about \$3,500,000,000 plus, with cash redemptions of those bonds by the people of \$3,800,000,000. In the face of all the selling campaign pressure the people redeemed small savings bonds issues during the year 1950 of about \$1,250,000,000 in excess of sales. In the years 1952, 1953, 1954 and 1955 the Treasury will face a super task in refunding maturing series E bonds alone: Here are the figures taken from the January 2, 1951, Treasury statement:

1952-----	\$3,873,457,573.12
1953-----	5,361,717,550.00
1954-----	5,923,756,771.66
1955-----	4,704,723,804.41

And with the years 1956, 1957, 1958, and 1959 running from \$2,400,000,000 up to \$2,800,000,000 annually. Of course there will be many other maturities in the marketable issues which will not be met through payment because the tax dollars will not be there to meet the maturities. This simply means more and more refunding operations faced by the Treasury.

So, Mr. Speaker, when the General referred to "talking about what is in the hearts, what we understand with our heads, and what we are going to do as a body," he must have somewhat had in mind this financing problem and the solvency of our financial system.

On or about the 18th of January last, Secretary of the Treasury Snyder appeared before a group in New York City and made some observations pertaining to the interest rate to govern on refunding operations and such new issues as may be necessary due to the deficit financing of the Treasury. Secretary Snyder certainly left the country to understand the financing would be made within the pattern of a 2½-percent rate, and of course his statements carried the implication there would be no increase (within the near future) in the short-term rates. He likewise announced that the holders of the near maturing series E bonds would be given the opportunity to automatically extend the time of the maturing bond for another 2 years, and this would be equivalent to a 20-year bond at an interest rate of about, say, 2.9 percent per annum.

I understand that the Committee on Ways and Means will have a bill on the floor of the House this week authorizing that transaction.

This is a ridiculously low rate for such a transaction, especially with the buying power of the dollar continually declining.

But that is not all, Mr. Speaker. Mr. Snyder, among other things, said:

In the firm belief, after long consideration, that the 2½-percent long-term rate is fair and equitable to the investor, and that market stability is essential, the Treasury Department has concluded, after a joint conference with President Truman and Chairman McCabe, of the Federal Reserve Board, that the refunding and new money issues will be financed with the pattern of that rate.

At the time I wondered about the absolute accuracy of the Secretary's statement insofar as it involved Chairman McCabe of the so-called Independent Federal Reserve Board. For too many years, Mr. Speaker, the good people of this country have been subjected to the economic or financial suicidal war or feud running between Secretary Snyder and backed by President Truman; and the Board of Governors and the Open Market Committee of the Federal Reserve System.

The fight now is in the open. President Truman has really put the silk hat on this contest between the two agencies in sending his now famous letter on this subject to Chairman McCabe of the Board. By reason of what Secretary Snyder said at the New York meeting which misled many to believe the entire Board was in agreement with the Treasury on interest rates on refunding and new issues, plus what the President said in his letter to Chairman McCabe, and in the light of the actual facts. I am forced to the conclusion a deal was made between the President and the Secretary to accomplish what? Simply to so compromise the Board that the interest rates and the supply of credit and money can be dominated by the political office of the Secretary of the Treasury.

Mr. Speaker, on the front page of yesterday's Sunday Star appears this article:

ECCLIES ASTONISHED BY TRUMAN STAND ON INTEREST RATE POLICY—DISPUTES ASSUMPTION THAT BOARD SUPPORTS TREASURY POSITION

An apparent attempt by President Truman to smooth over Treasury and Federal Reserve Board differences in the Federal interest rate policy backfired yesterday and at least one Board member threatened to resign.

The dispute became deeper and more bitter when Marriner S. Eccles, a member and former chairman, declared he was astonished by a Presidential letter indicating that the Board sided completely with the Treasury's stand for low interest rates on Government obligations.

He disclosed a record of a White House meeting at which President Truman last Wednesday talked with the Board's Open Market Committee. The President, in a letter to Board Chairman Thomas B. McCabe, said he had assurance that the agency would fully support the Treasury defense financing program, both as to refunding and new issues.

The record stated that the President made no mention of recent differences of opinion with the Treasury. It also contained no direct references to Treasury defense financing programs both as to refunding and new issues.

At the root of the controversy between the Treasury and Board officials are two major questions:

Is the Federal Reserve System, created by Congress in 1913 as an independent agency

to control the credit structure being dominated by the administration and the Treasury?

Does the Treasury's so-called easy money policy of low interest rates add to inflation?

Secretary of the Treasury Snyder has defended that policy. He warned recently that an increase of as much as one-half of 1 percent in the average rate of interest on outstanding Treasury obligations would boost debt carrying charges by \$1,500,000,000 a year.

DOUGLAS IS FOE OF POLICY

That policy is disputed not only by some Board members but also by some influential Members of Congress, notably Senator DOUGLAS, Democrat, of Illinois, chairman of a joint economic committee group that last year looked into the problem. Senator DOUGLAS reportedly will lead a congressional drive against what he has called the Treasury's devotion to low-interest rates that will ultimately cost the Government and taxpayers far more in higher prices for goods and services.

Mr. Eccles, in disclosing a record of what took place at the White House meeting, explained that the committee, made up of the seven Board members and presidents of Federal Reserve banks in five metropolitan centers, agreed on the record. He added, however, that:

"Any other comment would be superfluous. I am giving you this solely on my own responsibility and without the knowledge of other members of the committee. It is most unfortunate that this vitally important matter of monetary and credit control which Congress has placed in the Federal Reserve System has been raised in a manner which only needlessly adds to the confusion."

M'CABE CONFERS WITH TRUMAN

Following a notation that Chairman McCabe had met with Mr. Truman in the President's office shortly before the meeting with the committee in the Cabinet room, the record continued:

"The President stated that during the past few weeks he had met with many groups in Government because he wanted them to know the seriousness of the present emergency and to ask for their full assistance and cooperation. He stated that the present emergency is the greatest this country has ever faced, including the two World Wars and all the preceding wars.

"The President emphasized that we must combat Communist influence on many fronts. He said one way to do this is to maintain confidence in the Government's credit and in Government securities. He felt that if people lose confidence in Government securities all we hope to gain from our military mobilization, and war if need be, might be jeopardized. He recalled his wartime experience when he bought Liberty bonds out of his soldier's pay. When he returned from France and had to sell his bonds to buy clothes and other civilian things, he got only \$80 or a little more for his hundred-dollar bonds and later they were run up to \$125. He said he did not want the people who hold our bonds now to have done to them what was done to him.

"He stated that most politicians would not ask for higher taxes prior to election but that he had vetoed a reduction in taxes before election and won anyway. If it had not been for that irresponsible reduction in taxes, he said, the Federal budget would have been in balance all these years. He stated that he wanted to levy all the taxes necessary to pay the cost of the defense effort, which, he felt would be between one hundred and one hundred and twenty billion dollars over the next few years. He stated that he had just met with the congressional leaders and asked for \$16,500,000,000 in taxes and that he expected to get this in two bites—a quick

tax bill yielding about ten billion and the other six and a half billion to come after more careful study. He wanted us to understand that he is doing all he can on the tax front to combat inflation.

"The President gave each member of the committee a copy of The Federal Budget in Brief. He expressed the opinion that the budget had been pared to an irreducible minimum. He said that he had participated in the preparation of 16 budgets and felt he was competent to judge and understand them. Maybe something could be cut out, but it would make a hole in the defense effort and that he would not do.

"The President said he felt we had done a good job and wanted us to continue to do a good job in maintaining the financial structure of the country. He further stated that he had had a number of conferences with our chairman but this was his first opportunity to meet and talk with the entire committee. He made no mention of recent differences of opinion with the Treasury."

COMMITTEE WORK PRAISED

"Chairman McCabe thanked the President for receiving us and indicated that we all share his concern for the maintenance of the Government credit. He stated that although the support of the Government bond market was something in the nature of an extra-curricular activity for the Federal Open Market Committee, it had performed this service for the past 9 years or more and had done a very good job. He stated that the committee had always carefully weighed its responsibilities to the Government and to the general economy as well and that these are statutory responsibilities which it could not assign, if it would.

"The President interjected that he was familiar with that, but wanted the Committee to continue its good work during the defense period. He emphasized that he was speaking of the defense period only.

"Chairman McCabe referred to the fact that in the last few days the Government bond market had gone up a few thirty-seconds and then had come down a few thirty-seconds, which he considered to be proper market operational technique. The President said he would not undertake to discuss details of that kind, that he was principally concerned with maintaining the confidence of the public in Government securities as one way of presenting a unified front against communism. He did not indicate exactly the details of what he had in mind, but he reiterated that we should do everything possible to maintain confidence in the Government securities market. The Chairman outlined concisely some of the responsibilities with which we were charged, principally to promote stability in the economy by regulating the volume, cost, and availability of money, keeping in mind at all times the best interests of the whole economy. The Chairman turned to the members of the Federal Open Market Committee and said the President could depend on everyone—the group to do what they could to protect the Government credit."

DIFFERENCES EXPECTED

"Chairman McCabe stated that with a group of men such as those composing the Federal Open Market Committee there would, of course, be differences of opinion as to just how the best results could be obtained. The President nodded, indicating that he understood this. The Chairman suggested the following procedure—that we consult frequently with the Secretary of the Treasury, giving him our views at all times and presenting our point of view strongly, and that by every means possible we try to reach an agreement. If this could not be accomplished, he (the Chairman) would like to discuss the matter with the President. The President said this was entirely satisfactory and closed the meet-

ing on the same note as it was opened, namely, that he wanted us to do everything possible to maintain confidence in the credit of the Government and in the Government securities market and to support the President of the United States in achieving this end.

"The chairman stated at the end of the meeting that he presumed that any statement concerning this meeting would be made by the President. The President said he would have no objection to our making a statement and thought that it might be a good thing. The chairman then asked him what would be the general nature of the statement, and he said it can be said that we discussed the general emergency situation, the defense effort, budget and taxes, and that he had stressed the need for public confidence in the Government's credit. He said further that he would be talking to the press the next morning and that he would be prepared to answer questions that might be raised. Since the President indicated that he would be discussing it with the press, the chairman said he felt it would be best for us not to issue any statement to the press at this time. The President did not seem particularly concerned about whether or not a statement was issued. The press conference scheduled for the following morning was canceled because of General Eisenhower's appearance at the Capitol."

TRUMAN LETTER RELEASED

The record concluded with press association accounts of an announcement Thursday by Presidential Press Secretary Joseph H. Short that the Board had pledged its support to the President to maintain the stability of Government securities as long as the emergency lasts. Mr. Short was quoted as saying the announcement was "to quiet those rumors" of differences of opinion between the Treasury and the Board.

The White House late Friday gave out the text of President Truman's letter to Chairman McCabe.

Expressing thanks to the Board and committee for "their expression of full cooperation," the letter stated:

"Your assurance that you would fully support the Treasury defense financing program, both as to refunding and new issues, is of vital importance to me. As I understand it, I have your full assurance that the market on Government securities will be stabilized and maintained at present levels in order to assure the successful financing requirements and to establish in the minds of the people confidence concerning Government credit."

Based on the facts and on what has now appeared in the paper, and on Mr. Eccles' testimony before the Senate committee, I repeat that I think a deal was made between the Secretary of the Treasury and the President. When Mr. Eccles appeared before the Senate committee, among other things, he said this:

People hold an unparalleled amount of liquid assets in the form of bank deposits, Government bonds, equity in insurance policies, building and loan shares, and other forms. Potentialities for inflation are now tremendous. It would be impossible to prevent inflation under these conditions without at least balancing the Federal budget. As inflation proceeds, the desire increases to convert liquid assets into money and then into goods and services.

That is the reason people are running away from the ownership of dollars to the ownership of things, because they do not have confidence in the constant buying power of the dollar, simply because the administration continues to proceed with policies which generate the inflationary forces instead of taking steps which will destroy those forces.

This is what is known as the flight from the dollar. Thus you can have an inflation even if all Federal deficit financing is done outside the banks.

He further said:

The only way to stop access to Federal Reserve funds is by withdrawing Federal Reserve support from the Government securities market and penalizing borrowing by the member banks from the Federal Reserve banks. As long as the Federal Reserve is required to buy Government securities at the will of the market for the purpose of defending a fixed pattern of interest rates established by the Treasury, it must stand ready to create new bank reserves in unlimited amount. This policy makes the entire banking system, through the action of the Federal Reserve System, an engine of inflation.

Nobody knows that any better than Secretary Snyder. I will not say the same of Mr. Truman, because I do not think he knows much more about technical banking, generally speaking, than a lot of high-school boys who have studied the subject some in our high-school system. This whole question is technical and difficult and on it he has not specialized. He leaves the matters largely to the Secretary of the Treasury.

Going a step further, Mr. Allan Sproul, who is one of the top men in the Federal Reserve banking picture, had this to say, and all in reference to the announcement of the Secretary:

I am afraid that the announced debt management policy would lead us directly or indirectly into too much financing by the banks, if we had to do any substantial amount of deficit financing.

Going further, Mr. Sproul said:

And even in terms of possible refunding of bank-held debt, by sale of long-term obligations to nonbank investors who temporarily find other outlets for funds lacking, it would have shortcomings. It runs the risk of falling short of attracting willing nonbank investors in the first instance, and of creating reluctant holders of Government securities for the longer run. We must have learned from our experience during and following the last war, with respect to market bonds, and more recently since the Korean fighting started, with respect to savings bonds, that these are real risks. If these risks were realized, they would mean that too much of our financing would sooner or later be done with bank credit based on the ready availability of Federal Reserve credit. And when that credit began to express itself in inflationary price advances, we would again find our powers to control the inflationary brew greatly impeded by the needs of a Government security market requiring extended periods of extraordinary support.

Remember I gave you the figures of the bonds held by the banks in excess of \$72,000,000,000 last June 30. The job is to keep this new financing out of the bank portfolios. How can you do that? If you want the people to buy them, how can you have the people buy them other than by an interest rate which will cause the people to put their money into Government bonds on a long-term basis, and then protect the buying power of the dollar so that if you buy a 20-year bond today, when it matures and you cash it in you will have the same buying power that you put into the bond at the time you bought it. The gentleman from Texas, as he probably will state later on

today, and as he stated before—and this is no criticism of him because these are his views—he is entitled to his views the same as I am entitled to my views—as I say the gentleman from Texas will probably state that his position is that a rate high enough to induce you to buy long-term Government bonds and keep the bonds out of the banks will run up the cost of carrying the debt. Of course it would. But the great Creator of the universe certainly knows that that type of operation would save our people literally billions of dollars which they are now losing by reason of the inflationary forces. As the Government goes out to buy 150 or 200 or 500 billion dollars' worth of goods for defense purposes, it would save the Government of the United States, namely, the taxpayers of this country, additional billions of dollars by preventing the inflationary forces from running against those purchase orders to be placed by the Government. So he who advocates a low interest rate on a great Federal debt simply so that you can stand up and say that the faith and credit of the Government was never so high as it is today as a result of the rigged low-interest rate which the Treasury is now advocating and thus forcing the issues into the bank portfolios instead of into the hands of the people—I say that he who advocates such a philosophy is advocating a fallacy and that time that has passed and time yet to come will prove it to be a fallacy, because it is literally unsound to go upon such a theory, when you are in a country such as ours with a private enterprise system, to which General Eisenhower referred. Upon what basis can you advocate soundly a philosophy which says to the citizen, "Here, you buy Government bonds. You put in \$1,000 today that will buy us \$1,000 worth of goods and 15 or 20 years from now I will hand you back \$1,000 that will only buy \$400 worth of goods." That citizen has lost the interest on his money. He has lost \$600, as you and I have lost on these bonds that we bought in 1937, 1938, 1939, 1940, and 1941; some of which bonds have matured, and others are about to mature. We have lost on that investment. The President made a statement to the 10 members of the open market committee at the White House the other day. He called them in and discussed this very subject, at which time he said nothing to those 10 men about approving this 2½-percent rate; but in a letter which he sent out, it leaves the inference before the people of the country to the effect that they okayed that rate, and he sends this letter over there to Chairman McCabe in such a manner as to tie him into the agreement when the Board of Governors and the open market committee made no such agreement insofar as I can ascertain from those who deal with this subject from day to day and who generally are well informed on what transpires in such close dealing.

Personally I think that is sheer intellectual dishonesty which should not be practiced at a time when we are expecting our people to carry a \$269,000,000,000 debt and put \$60,000,000,000 into the tax box on the theory that that is going

to prevent inflation by balancing the budget, when you know as well as we all know anything that the inflationary forces can continue to run after the budget is balanced, and through the sales of these refunding issues to the portfolios of the commercial banks instead of to our people. Too much of the debt structure of \$256,000,000,000 is in short-term paper, and too much held by banks. It should be shifted from banks to the people themselves and the way to do this is increase the interest rate and stabilize the dollar.

For 5 or 6 years I sat on the Committee on Banking and Currency of the House of Representatives and argued with Secretary of the Treasury Morgenthau against this very type of debt structure which he built under the previous administration on the ground that was the easy way to do it and of course he and his chief, Mr. Roosevelt, was all the time inflating prices and running down the buying power of the savings of the people and making the citizens feel they were growing rich by reason of the increased supply of money and cheap credit.

Mr. Speaker, the President took occasion to point out to the Open Market Committee his experience upon his return from World War I and how he sold bonds at \$80 which cost him \$100 and went on to say in substance that he did not want people who hold bonds now have done to them what was done to him. Well, is President Truman so uninformed on what his inflationary policy has done to our people? If you hold any savings bonds which you purchased in 1937 or 1938 or 1939 or 1940 and all of which have matured, just how much could you buy with your returned investment plus the interest thereon—yes, I say plus the interest—as compared to what you could buy with just your investment at the time you bought those bonds? This is the hard cold fact Mr. Truman and Mr. Snyder face. This attitude and knowledge of the people of what has happened, what they have felt, what they have experienced, is real. They know that as they collect on a savings bond today which has matured and which they purchased about 10 years ago that what they have lost due to inflation is about 150 percent of what Mr. Truman is griping about and what he lost on his transaction. I repeat that Mr. Truman's philosophy on this inflation and interest rate question is fallacious and destructive to our people.

There are those who would have profits cut and taxable income reduced and at a time the President calls for more than \$60,000,000,000 for the tax box on an annual basis. If we are to pay these bills there must be income—big income—that can be taxed: Make no mistake about that. But unless Mr. Truman and Mr. Snyder can stabilize the buying power of the dollar and stop their inflationary forces they will have more trouble than at present. Let the full light of truth on this matter of high finance come to our people if you want them to purchase tens of billions of dollars of Federal securities annually and carry a debt aggregating from two hun-

dred and fifty-six to three hundred billion dollars or more. If the 20- to 30-year program of General Eisenhower is to be consummated, let me say, Mr. Speaker, it will be necessary for someone to do things other than make sales talks to the people. Some bad policies will have to be changed.

The SPEAKER pro tempore. The time of the gentleman from Michigan has expired.

SPECIAL ORDER

The SPEAKER pro tempore (Mr. BECKWORTH). Under previous order of the House, the gentleman from Kansas [Mr. REES] is recognized for 20 minutes.

Mr. REES of Kansas. Mr. Speaker, before delivering the address I have prepared on another subject, I would like to ask the gentleman from Michigan [Mr. CRAWFORD] one question in respect to the speech he just delivered, which I admit is extremely important and informative.

As I understand it, the gentleman believes the interest rates on these bond issues should be in sufficient amount so that the people of the country will want to buy them as an investment; in other words, make them sufficiently attractive so that the people will invest in Government bonds as they would any other securities and reduce spending to that extent, rather than have the banks to invest so much of their funds in them. Is that right?

Mr. CRAWFORD. May I make myself perfectly clear. A low interest rate, short-term policy, has been followed by previous Secretaries of the Treasury, and both Presidents in the White House, which substantially drove the Federal debt into the portfolios of the banks. That was almost equivalent to sheer printing-press money. About the only difference was the psychological influence on the people, because as those bonds went into the bank they expanded the supply of money and provided the inflationary force.

Now, here were are coming around to the maturing of nonmarketable securities. The buying power of the dollar, though inflation, has substantially decreased, and citizen after citizen who holds a bond that matures gets his money, and instead of going back into the bond market, as evidenced by what happened last year, says, "Well, I am going to take this money and go and buy some goods and services, because if I buy another bond, it will drop another 20 or 30 percent in value."

Now, why does the bank take it? The bank is willing to take it on the low interest rate, and thus you engineer more inflation. My position is to pay a rate of interest sufficiently high to the citizen so that he will buy these long-term bonds—not short-term bonds—hold them to maturity, and thus keep them out of the banks and thus destroy the inflationary force, and put the dollar on a stabilized buying basis. I am willing to pay my share of the taxes incident to that increased burden of carrying the public debt by reason of the higher rate of interest, and I will wager dollars to doughnuts you can get 75,000,000 other

people in the United States to do the same thing if they understand what is really going on right now.

Mr. REES of Kansas. I thank the gentleman from Michigan for his views.

REPORT OF HON. LINDSAY C. WARREN,
COMPTROLLER GENERAL OF THE
UNITED STATES

Mr. REES of Kansas. Mr. Speaker, Members of Congress have recently received a letter from the Comptroller General, Hon. Lindsay C. Warren, who outlined the savings which have been accomplished by the General Accounting Office in its internal operations since April 1946.

It is a rare thing, indeed, for Members of Congress to receive letters from the heads of Government departments which demonstrate actual achievements in the field of Government economy and reducing nonessential Federal expenditures.

I wish to take this opportunity to call attention to Comptroller General Warren's excellent record and compliment him on his activities, not only as head of the important General Accounting Office, but also as an able and conscientious administrator.

We need in our Government more officials of the high caliber and conscientious devotion to duty such as the Honorable Lindsay C. Warren.

I have reason to believe that Mr. Warren's letter was too conservative in taking credit for savings and reductions of nonessential Federal spending. I know personally of many instances in which the General Accounting Office has brought about great reductions in Government spending and has saved our Government hundreds of millions of dollars.

During the Eighty-first Congress, the House Post Office and Civil Service Committee called upon the General Accounting Office to assist in an investigation of mismanagement and maladministration of the Army Finance Center, St. Louis, Mo. In addition to uncovering a multitude of discrepancies and examples of maladministration, the General Accounting Office is recovering Federal funds improperly spent by the Army Finance Center at the rate of over \$100,000 a month. The way of a Government administrator who seeks to save Federal funds is not easy. The Department of the Army fought vigorously the activities of the House Post Office and Civil Service Committee as well as the General Accounting Office in our mutual endeavor to improve the operations of the Army Finance Center.

Upon other occasions the General Accounting Office, under authority of section 206 of the Legislative Reorganization Act of 1946, has cooperated with the House Post Office and Civil Service Committee, the Appropriations Committees and the Committees on Expenditures in Executive Agencies, to secure a more efficient and more economically conducted Government operation.

During the Eightieth Congress when I had the honor of being Chairman of the House Post Office and Civil Service Committee I discussed with Comptroller General Warren the possibility of conduct-

ing studies of various operations in the postal service to determine whether such services could be conducted more efficiently with a reduction in the large postal deficit. The General Accounting Office cooperated with our Committee and made an excellent study of the post offices at Philadelphia and Los Angeles. Upon the basis of these studies, the Hoover Commissioner formulated many of its recommendations which have been carried out by the Congress and the Post Office Department.

Mr. Speaker, if I had more time I would cite hundreds of examples wherein the General Accounting Office, under the able leadership of Hon. Lindsay Warren, has produced a substantial savings in Federal funds in almost every department and agency in the Government. The only criticism I have heard of the Comptroller General has been by uninformed and ill-advised persons who are motivated by a selfish or personal desire for the continuation of some nonessential Federal expenditures. The Comptroller General is assisted by a most capable staff who are loyal to the Comptroller General and to the policies and principles for which he stands.

In reducing the staff of the General Accounting Office from 14,904 in April, 1946, to 7,063 employees in January, 1951, I trust the Comptroller General has not been handicapped in the performance of his important duties and responsibilities. I sincerely hope that the General Accounting Office will be able to carry on its excellent and constructive work which is so important during this period when Government expenditures have reached a new peacetime high.

Under the Legislative Reorganization Act, the Comptroller General has a function which is of great importance today. He is authorized to conduct investigations into the manner in which Government expenditures are being made and to report to the Congress with respect to these matters. I earnestly hope that the Comptroller General will continue to exercise his responsibility in this field as he has in the past and that the Congress will appropriate him sufficient funds to carry out this important activity.

In his letter to the Members of Congress, Comptroller General Warren made the following observation:

It is essential to our economic survival not only that the national defense be strengthened, but that it be done as effectively and economically as possible. On this score, the GAO bids fair to make a real contribution. We will not only audit defense spending, but will also concentrate to seek out excesses, waste, and extravagances in the defense program. At the same time, we will continue to keep a watchful eye on civilian spending to ferret out those extravagances and frills which our country should not and cannot now endure.

I am certain the great majority of the American people will support Mr. Warren in his efforts to bring about savings and reductions of nonessential Federal spending. The heads of all agencies in our Government ought to scrutinize the situation with respect to their particular activities and make sure that expenditures be made on the basis of absolute need and that manpower be utilized in

such manner as to bring about the highest efficiency and the most productivity possible.

SPECIAL ORDER

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Texas [Mr. PATMAN] is recognized for 15 minutes.

(Mr. PATMAN asked and was given permission to revise and extend his remarks and include certain statements and excerpts.)

FEDERAL RESERVE BOARD TRYING TO FORCE AN INCREASE OF INTEREST RATES

Mr. PATMAN. Mr. Speaker, I have listened with interest to the gentleman from Michigan [Mr. CRAWFORD], for whom I have a very high regard. I have known the gentleman from Michigan for a long time. I have always had a high regard for him. He is one of the most studious Members of this body. I do not know of any Member of this House, since I have been here 22 years, who has worked harder than FRED CRAWFORD has worked. I will be a witness for him any time if he were ever to need one, and I am sure he never will, as to his honesty, sincerity of purpose, and his desire at all times to do something in the interest of our country.

I am not going to take direct issue with him on all of the things he said, because in his talk he did not make his views sufficiently clear to me and on one or more I agree with him.

One thing in particular that I have in mind is about interest rates to individuals. He makes a very fine argument in favor of an interest rate that will cause the individual to invest his money in Government bonds, although the interest rate is higher than our going rate at this time. Unfortunately for that argument, though, we do not need to increase our rates to get individuals to buy our bonds; they are buying all that we issue; so that is not needed. The question as I see it is between the Federal Reserve and the Treasury through interest rates that will be paid to banks.

The interest rates that have been compelled the last year or two by the Federal Reserve Board which, of course, dominates the Open Markets Committee because the Board constitutes 7 members of the 12 on the Open Markets Committee—the interest rates have increased from three-eighths percent for short-term securities to 1.375 percent; these interest rates have increased over 300 percent. To individuals? No; to banks. So the policy of the Federal Reserve Board has been to make it more profitable to those institutions that do not need and are not entitled to that extra profit at this time on Government securities. Of all the times in history, the banks of our country today are enjoying the greatest prosperity they have ever enjoyed. It has not been long since I have been a Member of this House when the banks were paying four and five hundred million dollars a year interest on demand deposits. We passed in this body what was known as the Federal Deposit Insurance Corporation Act and required a small assessment

from the banks for that guaranty up to \$5,000 for each depositor or customer.

The banks said: "We need a saving somewhere in order to pay that money," which would cost them about \$100,000,000 a year, although it finally reached about \$130,000,000 a year. In conference a little phrase was written into the law which made it illegal, if you please, unlawful—the kind of regimentation the people like if it benefits them—for the banks to pay interest on demand deposits. That saved them hundreds of millions a year and they would be paying out today, were it not for that law, a billion dollars a year. We put it in the law. I believe the gentleman from Michigan will agree with me on that. All right; we permit them to withhold that interest from the demand depositors to pay for the guaranty of their deposits up to \$5,000. Now they have paid about \$125,000,000 a year that way to the FDIC, but the banks have been saved a billion dollars a year; and last session we made it easier for them to put up that money. They have in the past been given a back log of Government credit of \$3,000,000,000 upon which they could always rely, and reduced their assessments. So we have been pretty good to the banks; they do not need this now, not at all. But during the last year we have arbitrarily—that is the Federal Reserve Board—has arbitrarily forced up interest rates from three-eighths of 1 percent to 1.375 percent on short-term paper, or more than 300 percent. An attempt is now being made to increase the 2½ percent rate. Does the demand come from the people? No. Who does it come from? It comes from the banks including the Federal Reserve banks.

The Government is good to the banks in another way. Let us assume a groceryman who has 7 cans of peas up there on his shelf. If he had to buy only 1 of the 7 cans and when he made a nickel profit on that can, that nickel would be on the investment he made. Take the other 7 cans that Uncle Sam had bought for him, and in which he had no investment at all; he makes a nickel apiece on all those, the groceryman would be in a pretty good condition. That is exactly what the banks do. They make a loan of \$1 that they actually own; then they extend the credit of the Nation on \$6 more. That is Uncle Sam's credit. That is your credit and mine that they are using. That is a mortgage upon the homes of the people of this country, on business and our incomes. The Federal Reserve System uses that absolutely free.

During the last few years the Federal Reserve Board has maneuvered itself into a position of what the members consider, I am sure, to be a position of great security. When the Federal Reserve Act was passed and became law on December 23, 1913, it provided that somebody had to be on there to represent the people—the Comptroller of the Currency and the Secretary of the Treasury—but when our national debt was low, when nobody was looking, so to speak, the Secretary of the Treasury and the Comptroller of the Currency were taken off. We now have seven members left, none

of whom are responsible to the people directly. They are certainly not elected by the people and they are certainly not responsible to anyone who is elected by the people. They are separate and distinct from any other agency of the Government. They consider themselves independent and their arrogance in this particular case demonstrates to me they are ready to assert their independence which they have gotten in amendments to the law that came through a phrase here and a sentence there when nobody was looking. So I think it is about time to bring the whole thing out into the open. I think we ought to have a fair and a complete investigation of the Federal Reserve System. Let us go behind that iron curtain.

A great deal has been said about the General Accounting Office, but the General Accounting Office has never audited their books. What will their books contain? They will show the use and possibly the abuse of Government credit.

They money that we have today, the only money upon which we rely for business, that keeps us from resorting to barter, is in the form of Federal Reserve notes. That is your money. What does a Federal Reserve note say? A Federal Reserve note does not say that the Federal Reserve bank that issues it will pay to the bearer upon demand so much money. It does not say that the Federal Reserve System will pay it or that the Federal Reserve Board will guarantee the money. The Federal Reserve money, and the only actual expanding money we have today, says that the United States Government will pay to bearer upon demand \$20 or whatever the amount happens to be. The Government promises to pay it.

Who issues it? Why, the privately owned Federal Reserve banking system. Did you think we would come to that in this country? Who else can issue money? Can the Treasury issue money? Not a penny—not a dime. Can the Comptroller of the Currency issue money? Not a penny—not a dime. The issuance of money is confined strictly and solely to the Federal Reserve System. It is a blank mortgage upon all of the property of all of the people and upon their income and everything they make. And they issue them at the Federal Reserve banks free of charge. They pay the cost of printing, it is claimed, and possibly they do, which, of course, is too insignificant to mention, about 30 cents per \$1,000.

All right. Now, these Federal Reserve banks in using that Government credit free make a lot of money. It goes into the funds of the banks. We used to have a law that 90 percent of those profits would go into the United States Treasury for the use of the Government's credit free. While Members of the Congress were not looking and without much, if any debate in either chamber, the House or the Senate, that also was repealed. There is no law now upon the statute books compelling them to pay their excess profits into the Treasury. Wise men, as they are, and knowing how vulnerable they must be, they

have discreetly decided that they should pay approximately 90 percent into the Treasury anyway, which they have done the last 2 years. But, there is no law compelling them to do it. And, before they do it, what do they deduct? You know, the deducts always come in for their share. Sometimes the deducts get more than anybody else gets. So, before they make this calculation as to the net profit they have certain expenses they can charge. No one supervises or audits these expenses. That is before you get down to the net profits. So, here we have what a critic could call a politburo, in our financial system, or a Kremlin, in charge of our financial system, that is using our Government credit as they want to use it. They are not audited by the General Accounting Office; no report on them. Of course a report to Congress usually is made, but you know how they are made rather general.

INVESTIGATIONS NEEDED

So, I think it is time for a Congressional committee to go into this great Federal reserve system and see what makes it tick in the way and manner it is ticking today, which I think is against the public interest.

President Truman, yes, as Commander in Chief, asked the members of the Federal Reserve Board and the open markets committee, including, of course these five presidents of the Federal Reserve banks, to come to see him. Why? To help win the war, in the interest of national defense. What did he ask them to do? "During this defense period, gentlemen, I hope you help me keep the Government credit stabilized." Here is what he said, "The President would like to depend on everyone as a group to do what you can to protect the Government's credit." It that asking too much of them? That is all the President asked. And, they promised it as they should. Then the President's secretary authorized this statement: "Washington, AP. The Federal Reserve Board has pledged the support to President Truman to maintain the stability of Government securities as long as the emergency lasts." They did. Do they dispute that they did? I am sure not one of them will refuse to go along in a case like that.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. And the purpose of that was to stabilize the price of Government bonds in the market which has been going on since December 31, 1941, and Mr. Eccles himself, as Chairman of the Federal Reserve Board, assured a stable market in Government bonds in a public statement he made at that time, to prevent bonds going down to 82, like they did after World War I, and the holder forced to sell them. We know what happened then. They were purchased by certain interests, and they sold them as high as \$115 to \$125 some time later.

Mr. PATMAN. Mr. Truman had personal experience with that. He was in World War I. He bought bonds, just as

we did, and deductions were made from our pay each month to pay for those bonds. When the boys came back in 1918 and 1919 after the war, some of them were compelled to sell the bonds for as low as \$80, and Mr. Truman did himself. They were Government bonds, bonds of the United States, that were worth 100 cents on the dollar. The people who bought them used the Government's credit to hold them until they could get \$125 for them.

I knew of isolated cases back in remote sections of the country where these swindlers would go out and buy the bonds for as low as 74 cents on the dollar, using the Government's credit to buy those bonds and swindling the veterans out of them.

Mr. Truman wants to stop that. I want to stop it. When the financing bill was before the Committee on Ways and Means in 1941, I appeared before that committee and pleaded with them, "Whatever you do, gentlemen, as members of this great Committee on Ways and Means, do not let a situation like that occur in this country again. It is scandalous, it is disgraceful."

I have not looked it up, but I think you will find in the reports that we were promised that the American people would never again be forced to go through such swindles as that and through such scandalous situations. This is an attempt by the Federal Reserve Board, whether intended or not, to restore the power to swindlers to do more racketeering like that on the American people.

Mr. REES of Kansas. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. REES of Kansas. I do not hold any brief for the banks, but suppose the Government asks for the floating of a loan of say a billion dollars within the rather near future, at a low-interest rate, as the gentleman advocates, even lower than the last interest rate; how does the gentleman propose to float that loan?

Mr. PATMAN. We will not have any trouble floating it.

Mr. REES of Kansas. How would you do it?

Mr. PATMAN. Just as we have always done it. We are doing it every day. The people in the country today have confidence in their Government. They have more reason to have confidence in their Government than they ever had before. More people own their homes, own their farms, have good jobs, have automobiles, and are enjoying more of the comforts and even the luxuries of life than ever before in history. They have reason to have confidence in their Government that gave them these things.

Mr. REES of Kansas. But who would buy the bonds?

Mr. PATMAN. The individuals and the banks and the insurance companies. I agree with the gentleman from Michigan that we should not sell the bonds to the banks. That is just like creating money on the books of the banks. They are not out 1 penny for those bonds. It is creating money, it is inflationary. The gentleman from Michigan is exactly

correct. It should not be permitted. But this increased interest rate deal is not restricted to individuals. The banks will be the principal beneficiaries, and they are not entitled to it.

Mr. REES of Kansas. We read in the newspapers that the individuals are selling bonds presently and that they have been reinvesting their money in other securities and other investments.

Mr. PATMAN. That is right. The Federal Reserve Board's action will shake the confidence of the people, and anything is likely to happen. If the Federal Reserve Board does not get in line and obligate itself to help win this war, just like the President and Congress and everybody else, you are likely to shake the people's confidence more, and more people are liable to sell bonds. This thing is confidence-shaking. The Federal Reserve Board should certainly be ashamed of itself to take issue with the President of the United States in a national emergency like this, and at a time when we are trying to stabilize prices, to fix prices on everything, commodities, products, salaries, and wages. They want to be exempt and they want to increase the interest rate another 50 percent or more.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent that the gentleman from Texas may proceed for four additional minutes.

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

There was no objection.

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

Mr. PATMAN. I yield.

Mr. CRAWFORD. I think it was in the President's statement to the open-market committee when they met there at the White House the other day where he said something about his war experience and the fact that after returning from the service he sold bonds as low as 80 cents on the dollar as if that was a considerable burden to him. I think the gentleman from Texas will agree with me that the facts are that the good people of this country who purchased savings bonds in the late thirties, which bonds have matured in the last 2 or 3 years, and especially during the last year lost in the buying power of the dollars invested in those bonds anywhere from 150 percent to 200 percent as compared to the losses which the President refers to having suffered through having to sell bonds at \$80 instead of at par. There are two sides to this question and the President might as well admit it because the inflationary forces are destroying the buying power of all the savings of all the people of the United States, whether he likes it or not.

Mr. PATMAN. I join the gentleman in expressing apprehension that any increase in prices, wages, interest rates, and so forth is heading towards inflation. I invited attention to the fact that we are paying half a billion dollars more this year in interest because the Federal Reserve Board compelled the increase in interest rates on short-term

securities. Where are we going to get that money from? It would be obtained through deficit financing. Is that helping to fight inflation? No. That is pouring oil on the fire of inflation—that is what it is doing. If you were to permit the Federal Reserve to win this fight, and increase the interest obligation of Nation by at least \$2,000,000,000 more by next year, will that be fighting inflation? Of course not. That is all inflationary. We do not have the money to pay it. It will result in deficit financing again, which will be doubly inflationary.

In conclusion, let me say I read a statement the other day which was very interesting to me. It was made at Beaumont, Tex., on January 10, by Charles E. Wilson, president of General Motors. He said the Federal Government did not have the political guts to tax the people enough to pay for the present emergency. Who did he mean when he said, "the Federal Government"? He meant us. He meant the Congress. That is who he meant. I hope we prove Mr. Wilson to be wrong. I am going to vote for the tax bills that are necessary to balance this budget, if they are presented to us. I will vote for taxes that I would never vote for before—taxes that I have always opposed. But I will vote for them if it is necessary to do so. I am not going to hide behind some little insignificant something in the budget and say, "You ought to cut that out, and I am not going to vote for taxes because you will not cut that item out." We have a challenge here today. Now is the time when we should compel the Federal Reserve System, if they do not do it so that we can help win this war and quit giving out these statements against the President who is trying to protect the people. It is time for them to stop it. It is time to balance the budget, and not have any more deficit financing if it can be helped.

The SPEAKER. The time of the gentleman from Texas has expired.

PERMISSION TO ADDRESS THE HOUSE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes.

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

There was no objection.

MANAGEMENT OF THE FEDERAL DEBT

Mr. McCORMACK. Mr. Speaker, this is one of the very few occasions during my 23 years as a Member of this body that I have ever asked for the privilege of addressing the House under a special order.

In view of the importance of the matter discussed by the gentleman from Michigan [Mr. CRAWFORD] and the gentleman from Texas [Mr. PATMAN] with respect to the superindebted body that is accountable to nobody, I am trying to find out what they are independent of; playing such an important part in the life of the people of our country that they claim complete independence from everybody—this creature of something, but responsible to nobody—in view of the importance of this

subject, I feel constrained to make some remarks today.

I would like to talk today about a subject which is of direct personal interest to every citizen of our country. It has to do with the management of the Federal debt of this country. There are a great many people who feel that this subject is one which can only be understood by financiers or by specialists in monetary management. A decision relating to the management of the public debt, they feel, can have little bearing on their own personal lives or on their own personal finances.

Nothing could be further from the truth. The public debt is owned by every one of us, whether we actually have in our possession a savings bond, or whether we own Government bonds indirectly—such as the depositors in commercial banks or in mutual savings banks, or as the policyholders in insurance companies. Moreover, the payment of the interest on the public debt affects every one of us. Interest on the public debt this fiscal year will represent more than 10 percent of the total expenditures of the Federal Government. It will be more than twice as large as the entire projected deficit of the Federal Government for this fiscal year.

It is clear that every person in this room, every taxpayer, and every American citizen is affected by decisions which have to do with interest payments on the public debt. That is why I should like to take a few minutes today to bring to the attention of the people of our country an extremely important announcement recently made with respect to such payments.

The announcement to which I am referring relates to the rate of interest on the long-term securities of the Federal Government. The present return on such securities is $2\frac{1}{2}$ percent per year. The Secretary of the Treasury, as chief fiscal officer of the Government, has recently announced that $2\frac{1}{2}$ percent will continue to be the maximum rate paid on Federal securities throughout the period of national crisis in which we now find ourselves.

As the Members of the Congress are well aware, the Secretary of the Treasury since this Nation was founded has been charged by law with full responsibility for the management of the Nation's finances. The Congress has further provided that every issue of Federal securities with a maturity of more than 1 year must be approved by the President of the United States. But no part of the Secretary's responsibilities can be delegated. That is why it is both important and necessary that only the Secretary of the Treasury formulate and announce financial policies which are appropriate for the Federal Government.

The $2\frac{1}{2}$ percent rate now paid on long-term Government securities is not a new rate. It has been in effect for more than 10 years. It was an integral part of our financial system during a period when we financed the most costly war in our history and then made a most rapid and successful return to peacetime business at a high level of activity. During this

momentous decade in our history, the $2\frac{1}{2}$ percent rate paid on long-term securities has been the most important single factor in the financial policies adopted by private-business throughout the entire country. It is the most important factor in the financial markets where the obligations of private business are bought and sold. It is a key factor in the rates charged by public utilities. It is a key factor in insurance operations. It is a major consideration in the operation of practically all of the Nation's financial institutions. Most of these institutions, it may be noted, have shaped their policies and built their business around that rate. And their business has been better in the past 10 years than ever before.

Most life-insurance companies, for example, have brought the guaranteed interest provisions of their policies into alignment with the $2\frac{1}{2}$ percent rate which they receive for the investment funds which they put into a long-term Federal securities. Today, a very large proportion of the new life insurance premiums received by insurance companies are on policies written at interest rates of $2\frac{1}{2}$ percent or less. It is clear that this rate has been satisfactory both to the insurance companies and to their customers, since there is \$100,000,000,000 more life insurance in force now than there was 10 years ago.

Mutual savings banks have had the same satisfactory experience. The interest which they pay on funds of their depositors is closely related to the interest they receive on their large investments in Federal securities. But the mutual saving banks have not suffered—their deposits are twice as large as before World War II.

It is evident that the $2\frac{1}{2}$ -percent rate has not interfered with a tremendous expansion in these financial institutions. And it has been sufficient to make their operations highly profitable. After investing very substantially in Government securities based on the $2\frac{1}{2}$ -percent rate, earnings of banks and life-insurance companies are double those of 10 years ago. In addition, financial institutions of all types are enjoying the best earning position in their entire history.

Our country has never been more prosperous than during the recent postwar period. Our individual citizens, who saved during the war years in order to build up financial backlogs and in order to buy houses, automobiles, household equipment, and so on when war restrictions were over, have never been in a better financial position than they are right now. Yet the funds available for investment in our economy during the past decade, whether of private individuals, financial institutions, or business concerns, have received a rate of return closely tied to the $2\frac{1}{2}$ -percent rate paid on long-term Federal securities.

The securities of the United States Government make up one-half of all the debt obligations of the country, public and private. As long as they constitute such a significant portion of the debt of the country, the rate paid on long-term Federal securities will be the controlling factor in the rate of return on investment

funds in this country. For that reason, any change in this rate is of overwhelming importance not only to our financial institutions and to individuals who hold large portions of their assets in Federal securities, but to every citizen in the country. That is why the announcement on the part of the Treasury that the $2\frac{1}{2}$ -percent rate will be continued and will not be raised is of such extreme significance. That is why the demand for a higher rate—which has been particularly insistent in some sectors of the financial community—must be examined and analyzed for what it is worth.

The first fact which should be made crystal clear in the minds of every taxpayer is that the present interest charge on the public debt amounts to almost \$6,000,000,000. A rise of $\frac{1}{2}$ of 1 percent in the average rate of interest would add \$1,250,000,000 to the budget expenditures of the Federal Government. Let me repeat that figure—\$1,250,000,000.

Right now, interest on the public debt has to be paid at the rate of \$16,000,000 every day of the year. It has to be paid at the rate of over \$600,000 every hour of the day. To pay the added cost brought about by a one-half of 1 percent rise in the average rate of interest, there would have to be an increase in the Federal income taxes paid by individual taxpayers, or, instead, the burden would be shifted to business corporations. If, on the other hand, we did not increase taxes to pay for the added interest charge on the debt, this cost under present budget conditions would have to be paid for by deficit financing, thereby increasing inflationary pressures.

Yet the very people who are clamoring for higher interest rates also want to balance the budget by forcing cuts in nondefense expenditures. Higher interest costs on the public debt would turn the budget in just the opposite direction. They would increase nondefense expenditures. They would increase the deficit. They would increase the need for higher taxes at a time when every dollar of added tax money is needed to pay for the defense requirements of this Nation.

Since this is true, we need to ask what the real driving force is behind this demand that the Government pay more for the money it borrows from its citizens.

Those who want a greater interest return on Federal securities say that slightly higher rates will cause more individuals and more institutions with available funds to invest in the securities of their Government. I simply do not believe that this argument can hold water. The people of this country, whether individual citizens, presidents of financial institutions, members of boards of directors, investment managers, or those who in some other way are concerned with investment funds—do not, I am certain, need the inducement of an added levy on the taxpayers of the Nation to invest their funds in the securities of their Government. Investment in Federal securities is already well recompensed. It has already proven highly profitable.

Federal Reserve officials have stated that the purpose of raising interest rates is to combat inflationary pressures by restraining credit expansion. Credit expansion must be restrained, but this cannot be done by small increases in interest rates—either short-term or long-term. Such increases are not effective in combating inflationary pressures. Moreover, in my view, the use of such ineffective measures is extremely dangerous, because they give the country a false sense of security. People believe that the fight against inflation is being won in a painless way. This cannot be done.

The fight against inflation is a hard fight. It is a fight which cannot be won by a theoretical approach that has no practical basis of successful operation behind it. It is a fight which cannot be won by talk and propaganda—by saying that small increases in interest rates will keep prices down. Those who advocate this course of action do not prove their case.

Those persons who are answerable for running the fiscal affairs of the Government of the United States have tremendous responsibilities. The stakes are so large and the risk so great that we cannot try experiments. We must let the cold light of careful analysis shine on the problem and use tools in the fight against inflation that we know have a real opportunity of winning the battle.

The rapid credit expansion that this country is experiencing can be controlled. We have effective measures for this purpose. But events have shown that small increases in interest rates do not cut down the urge of businessmen to borrow. They do not stop credit expansion. The situation in recent months is a case in point. Starting in August, the Federal Reserve, through open-market operations, caused yields on Government securities to rise. It carried on an extensive propaganda campaign to lead people to believe that these small increases in interest rates would, by themselves, deter businessmen from borrowing. The record makes clear what happened. In nearly every week since August 18, for example, loans of weekly reporting member banks have risen. The total loan increase of these banks in the past 5 months has amounted to over \$4,000,000,000. This, it seems to me, should have been no surprise. Businessmen know that a fraction of 1 percent is too little to matter when it comes to borrowing money for carrying inventories, plant construction, and the like.

Years ago, we had more extreme examples. In 1919 and 1920, rates on short-term Treasury issues were run up sharply. They reached nearly 6 percent, and the rate on call money went as high as 30 percent. In 1929, the rates on short-term Treasury issues were run up to above 5 percent, and the call money rate went to 20 percent. All of you are familiar with the market crashes which followed.

It seems to be clear that increases in interest rates large enough to result in effective discouragement of loans would represent a crude application of economic laws that is out of harmony with

proper economic policy. It would be on a par with driving civilian users of essential defense materials—such as steel, aluminum, copper, zinc—out of the market by means of excessive price rises. This is a course of action which in any area of our economic life is not only unjust in its effects, but is extremely dangerous to the healthy functioning of the economy.

In my view, the demand that the Government pay the investors more money for their funds at the expense of taxpayers is in reality a cloak for an effort on the part of certain sectors of the financial community to use the national emergency for selfish advantage. I believe that such is the real force and the real motivation of the pressure being exerted on the Government for higher rates now. It is no more and no less than an attempt on the part of a few to profit at the expense of many. That is why I have used this occasion to throw some additional light on a current issue of such great import to every one of us—an issue which needs only to be clearly viewed to be appreciated in its true proportions.

The Treasury has stated that its policy is to maintain stability in the Government-bond market. I agree with that policy. The great number of financial people agree with that policy. The announcement has been made that the 2½-percent rate will be maintained, and that such financing as is required will be done within the framework of that rate.

This program is essential in order to keep a high level of confidence in Government securities—confidence that has been built up over a long period of years. It is essential in order to keep the millions of investors who have been brought into the Government-security market so laboriously during the past decade.

We have an army of bondholders. We need them now. We do not want to make the mistake of chasing them away as we did after World War I, when Liberty bonds were allowed to drop to 82. As you well know, it has taken years of financial planning plus tremendous quantities of promotion and aggressive selling to bring nonbank buyers of Government securities—particularly individuals and small corporations—back into the Government-security market. We cannot waste this effort.

The fiscal policy of the Treasury recognizes these facts. That is why it calls for stability in the Government-bond market built around the 2½-percent rate on long-term bonds. I agree with such a program. I feel that it is tremendously important. The credit of the United States Government is the foundation on which the financial strength of our Nation is built.

We must keep this foundation strong. We have the ability and the resources to do so. And I am certain that we have the will to do so. A debt-management policy which succeeds in maintaining stability and confidence in the credit of the United States Government is essential to our national survival.

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

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

Mr. GROSS. Did the gentleman say why the President refused to impose price and wage controls until so many months elapsed, after the Congress gave him authority to do so?

Mr. McCORMACK. I will discuss that on some other occasion. Why did Congress refuse? Did the gentleman vote to permit the gamblers to continue gambling on the commodity market? Did the gentleman vote to permit them to do that?

Mr. GROSS. I certainly did not.

Mr. McCORMACK. Was the gentleman in favor of exempting farmers on the question of the 100-percent parity? Those were avenues, wide-open avenues. Did the gentleman vote to permit gambling in food in the commodity futures market? Did he vote for that?

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

Mr. McCORMACK. Well now, my question is just as irrelevant, I will admit, to the subject we are discussing today, as the gentleman's question to me.

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

Mr. McCORMACK. Yes; I will yield.

Mr. GROSS. Yes, I voted to stop profiteering in the market, and if the gentleman will go back to the Record he will find that I am one of the few when I made the statement in the Record on that subject.

Mr. McCORMACK. The gentleman voted to permit the Government to control speculation on the commodity market.

Mr. GROSS. He certainly did. How did the gentleman vote?

Mr. McCORMACK. But a great majority of the Members of the House did not. I voted the same way the gentleman did.

Mr. McDONOUGH. Mr. Speaker, will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from California.

Mr. McDONOUGH. The gentleman has made a very interesting statement on economics, and I am always interested in hearing him on any subject. But, I would like to know if the gentleman is making an explanation or apology for the situation that now exists, for the reason that what he has recited up to now has been in the control of the party that he is the majority leader of in this House, and all of the situation that we are under concerning the Treasury Department and the bond situation is the responsibility of his party. Now, what is this, an explanation or an apology that he is giving to the Congress?

Mr. McCORMACK. How wise a question my very sweet friend from California asked. It is neither an explanation nor an apology.

Mr. McDONOUGH. What is it?

Mr. McCORMACK. It is a statement. Of course, the gentleman may not be able to distinguish between a statement, an explanation, and an apology. The gentleman from Michigan [Mr. CRAWFORD] took issue with the position of the President and the Treasury on this particular matter. Then the gentleman

from Texas [Mr. PATMAN] stated his views. The gentleman from Massachusetts [Mr. McCORMACK] is now stating his views. The gentleman is talking about an apology. Does the gentleman desire to have American bonds go down to 82?

Mr. McDONOUGH. No.

Mr. McCORMACK. Then the gentleman and I are in agreement. The gentleman is very frank, as he always is when he is asked a direct question.

Mr. McDONOUGH. Will the gentleman yield further?

Mr. McCORMACK. Yes. The gentleman has made out my case from his angle, so I will yield.

Mr. McDONOUGH. Not by the answer to that question. It is not so simple as that.

Mr. McCORMACK. That is all this whole thing was for—to stabilize the price of bonds during the emergency.

Mr. McDONOUGH. The gentleman will admit that this whole debate that has come onto the floor of the House today originated in a dispute between Mr. Marriner Eccles and the President just within the last 36 hours.

Mr. McCORMACK. No.

Mr. McDONOUGH. It came from that source.

Mr. McCORMACK. I would not say Mr. Eccles.

Mr. McDONOUGH. The problem we are facing now and the debate we are having now is the result of a misunderstanding on the fiscal policy of the United States in the administration itself.

Mr. McCORMACK. No.

Mr. McDONOUGH. There is no party question here. I am not speaking as a Republican to a Democrat, except to say that this responsibility is on the Democratic Party.

Mr. McCORMACK. Of course, the gentleman occasionally reaches an honest but rash conclusion. The gentleman knows that the Federal Reserve Board is not subject, under the law, to the slightest direction from the President of the United States. If anything, it is more responsible to Congress. Any report it makes is supposed to be made to Congress, as I recall. Is that correct?

Mr. McDONOUGH. That is true.

Mr. McCORMACK. The members of this Board are appointed, and, once they are appointed, they are for all practical purposes accountable to nobody, yet they have the financial destiny of the people of this country under their control. They exercise their judgment honestly. I am not going to make the slightest intimation conveyed that they are not sincere. They are fine men. But it is a tremendous power to vest in anyone. I would not want it. I do not know why they want it.

Some years ago the Secretary of the Treasury was a member and had a voice on that Board, and the Congress took it away. That was the voice of the public. We have a voice in the stock exchanges, not the commodity exchanges but the stock exchanges. We do not have a public voice on the Federal Reserve Board. The gentleman knows that. Within the realm of the Federal Reserve System a

question may arise and within the realm of the Treasury a question may arise, and these questions may be related to one another. The Federal Reserve Board says it is in favor of higher interest rates on long-term securities. The Secretary of the Treasury says "No," in substance. There is an impasse. The most logical thing in the world is that they should then sit in with the President of the United States, the one who should consider it, no matter who that President might be. That would be true if a matter arose 20 years from now and there was a President there who was elected as a Republican. He would be the President, though.

Mr. DEANE. Mr. Speaker, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. DEANE. Mr. Speaker, I think our majority leader is to be commended for taking the floor which, as he indicated, is seldom, to speak under a special order to call to the attention of the House this matter with which so few of us are thoroughly familiar. I feel a careful analysis of what the gentleman has said will show that what he has said is completely free of any political implication. I think as Democrats we have the courage to stand on our feet and criticize any organization within this Democratic administration. Personally I feel that the majority leader and the gentleman from Texas who spoke a moment ago are to be commended for taking the floor today and opening up this subject in order that the Members of the Congress may be more acutely aware of the problems involved.

Mr. McCORMACK. And may I state that the gentleman from Michigan [Mr. CRAWFORD], also is to be commended for calling these problems to our attention in the same way.

Mr. DEANE. I hope the majority leader and other Members of the House will follow it up to the end that this matter is thoroughly understood by all Members of the Congress and to serve notice to the Federal Reserve System and any other agency of the Government that the Congress is studying this very carefully and that decisions which are made should be made in the interest of the American people.

Mr. McCORMACK. I thank the gentleman.

The SPEAKER. The time of the gentleman from Massachusetts has expired.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts may proceed for 3 additional minutes.

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

There was no objection.

Mr. McCORMACK. I hope that the members of the Federal Reserve Board and the Secretary of the Treasury and all others interested will dispassionately consider not only this question but any other questions that arise. It seems as if we are going to have a sharp legislative fight on it. I hope we do not. They can control the situation by sitting around the table as men respecting each other's views, no matter how much they may differ with each other, and not im-

pugning each other's motives. I make that suggestion and I hope that they will approach this problem in that way rather than having the question brought up here during this emergency, in a legislative battle, so that the questions involved will be obscured and involved in intense debate on the floor of the House which we know will envelop it.

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

Mr. McCORMACK. I yield.

Mr. PATMAN. I said in my remarks that the Federal Reserve Board originally had as members of that board the Secretary of the Treasury and the Comptroller of the Currency. Eventually they were taken off the board. I desire to read the original Federal Reserve Act on that very point:

Sec. 10. A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate.

So you see at that time out of the seven members two were selected by someone responsible directly to the people—by the President of the United States. Those two members were the Secretary of the Treasury and the Comptroller of the Currency. By changing that over a period of years just a little now and then, now we have a board of seven men. The Secretary of the Treasury is not on the Board, and the Comptroller of the Currency is not on the Board. There are seven independent members selected for 14 years. They are under no obligation to the Executive or to the executive branch. They are an independent body and they are asserting their independence in a way which is costly to the people of the United States.

Mr. McCORMACK. With reference to that point, I believe they are unwise in creating the question, or so-called question of independence. We have gone along now for 10 years with market operations on the part of the Government so that the price has been established. Certainly it seems to me during the emergency the policy which was in operation during World War II and in the postwar years to date might well be followed. One of the worst things which I think could happen and which would have the effect of impairing the morale of our people would be to have Government bonds dropping again to as low as 90, or 85 or 82, as a result of open-market operations. And then to have people—again I do not mean to say they did it deliberately, but, again to have people who are financially able to buy them up and hold them over a long period of time, as they did after World War I, in some cases disposing of them at \$125. I think this question should not be aggravated. The members of the Federal Reserve Board ought to realize the significance of world conditions and they ought to sit around the table with the Secretary of the Treasury and thrash these questions out instead of having the question brought in to the legislative body with an intensity of feeling which

will appeal to the emotions of our people and the effect of which would be to divide our people on this false issue of independence of the Federal Reserve Board.

EXTENSION OF REMARKS

Mr. SHEPPARD asked and was given permission to extend his remarks in the RECORD and include an editorial from the Washington Post of February 3.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. RABAUT, for an indefinite period, due to a death in the family.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock p. m.) the House adjourned until tomorrow, Tuesday, February 6, 1951, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

162. A letter from the President, Commission on Licensure, Healing Arts Practice Act of the District of Columbia, transmitting a report showing the activities of the Commission for the fiscal year ended June 30, 1950, pursuant to section 47 of the act entitled "An act to regulate the practice of the healing art to protect the public health in the District of Columbia," approved February 27, 1929; to the Committee on the District of Columbia.

163. A letter from the Assistant Secretary of the Interior, transmitting copies of certain legislation passed by the Municipal Councils of St. Thomas and St. John and St. Croix, V. I., pursuant to the Organic Act of the Virgin Islands of the United States, approved June 22, 1936; to the Committee on Interior and Insular Affairs.

164. A letter from the Secretary of the Navy, transmitting a letter dealing with certain resolutions pertaining to the administration of the government of American Samoa, which were submitted by members of the Fono of American Samoa; to the Committee on Interior and Insular Affairs.

165. A letter from the Assistant Attorney General, transmitting a letter relative to there appearing to be a technical violation of section 1211 (h) of Public Law 759, Eighty-first Congress, pursuant to the provision of section 1211 (1) (2) of Public Law 759, approved September 6, 1950; to the Committee on Appropriations.

166. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 15, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Chassahowitzka River, Fla., authorized by the River and Harbor Act approved on March 2, 1945; to the Committee on Public Works.

167. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 14, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Creque Gut and tributaries, island of St. Croix, V. I., authorized by the Flood Control Act approved on August 18, 1941; to the Committee on Public Works.

168. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated November 10, 1950, submitting a report, together

with accompanying papers, on a preliminary examination of Jullington Creek, Fla., authorized by the River and Harbor Act approved on July 24, 1946; to the Committee on Public Works.

169. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 18, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Coldwater Creek, Calhoun County, Ala., authorized by the Flood Control Act approved on July 24, 1946; to the Committee on Public Works.

170. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 15, 1950, submitting a report, together with accompanying papers, on a preliminary examination of waterway from packing house and railroad terminal at Belle Glade, Fla., to Lake Okeechobee and to the intracoastal waterway through the Hillsboro and West Palm Beach Canals, authorized by the River and Harbor Act approved on March 2, 1945; to the Committee on Public Works.

171. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated November 28, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Westfield River, Mass., with a view to modifying the existing Knightville Reservoir to provide low-flow regulation, authorized by the Flood Control Act approved on July 24, 1946; to the Committee on Public Works.

172. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 12, 1950, submitting a report, together with accompanying papers, on a preliminary examination and survey of Chapel Creek, Dorchester County, Md., authorized by the River and Harbor Act approved on July 24, 1946; to the Committee on Public Works.

173. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 12, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Choctawhatchee River, Fla., authorized by the Flood Control Act approved on December 22, 1944; Choctawhatchee River and tributaries, Alabama and Florida, and Choctawhatchee River, Fla. and Ala., authorized by the Flood Control Act approved on July 24, 1946; and Choctawhatchee River, Ala. and Fla., authorized by the River and Harbor Act approved on July 24, 1946; to the Committee on Public Works.

174. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 12, 1950, submitting a report, together with accompanying papers, on a preliminary examination of Little Pottsbury Creek, Fla., authorized by the River and Harbor Act approved on July 24, 1946; to the Committee on Public Works.

175. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated December 14, 1950, submitting a report, together with accompanying papers, on a preliminary examination of channel to Pahokee, on Lake Okeechobee, Fla., authorized by the River and Harbor Act approved on March 2, 1945; to the Committee on Public Works.

176. A letter from the Secretary of the Interior, transmitting a draft of a bill entitled "A bill to authorize the Secretary of the Interior to undertake certain additional developments in connection with the Central Valley project, California, and for other purposes"; to the Committee on Interior and Insular Affairs.

177. A letter from the Secretary of the Interior, transmitting a draft of a proposed bill entitled "A bill relating to the activities

of temporary and certain other employees of the Bureau of Land Management"; to the Committee on Interior and Insular Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MADDEN: Committee on Rules. House Resolution 95. Resolution authorizing the Committee on the Judiciary to conduct studies and investigations relating to matters within its jurisdiction; without amendment (Rept. No. 24). Referred to the House Calendar.

Mr. DOUGHTON: Committee on Ways and Means. H. R. 2268. A bill to authorize the payment of interest on series E savings bonds retained after maturity, and for other purposes; without amendment (Rept. No. 25). Referred to the Committee of the Whole House on the State of the Union.

Mr. DOUGHTON: Committee on Ways and Means. H. R. 2141. A bill 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; with amendment (Rept. No. 26). Referred to the Committee of the Whole House on the State of the Union.

Mr. JENKINS: Committee on Ways and Means. H. R. 2192. A bill to amend section 813 (b) of the Tariff Act of 1930; without amendment (Rept. No. 27). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BURDICK:

H. R. 2374. A bill to rescind the order of the Postmaster General curtailing certain postal services; to the Committee on Post Office and Civil Service.

By Mr. CELLER:

H. R. 2375. A bill to exempt amounts paid for admissions to operas from the Federal tax on admissions; to the Committee on Ways and Means.

By Mr. KEARNEY:

H. R. 2376. A bill granting to persons in the Armed Forces who receive or are eligible to receive the Korean Campaign Medal, and to their dependents, all the rights, benefits, and privileges granted to veterans of World War II and their dependents; to the Committee on Veterans' Affairs.

By Mr. RANKIN (by request):

H. R. 2377. A bill to clarify the requirement in title II of the Servicemen's Readjustment Act of 1944, as amended, with respect to the period within which a course must be initiated; to the Committee on Veterans' Affairs.

By Mr. VURSELL:

H. R. 2378. A bill to reduce the annual leave of Federal officers and employees to 15 days during the continuance of the existing national emergency, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. WALTER:

H. R. 2379. A bill to revise the laws relating to immigration, naturalization, and nationality; and for other purposes; to the Committee on the Judiciary.

By Mr. ANDREWS:

H. R. 2380. A bill to amend the Selective Service Act of 1948 to provide that certain individuals who engage in strikes while occupationally deferred shall be made immediately available for military service; to the Committee on Armed Services.