# Appendix

## Automatic Extension of Series E Savings Bonds

SPEECH

OF

### HON. WRIGHT PATMAN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 6, 1951*

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H. R. 2268) to authorize the payment of interest on series E savings bonds retained after maturity, and for other purposes.

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

INVESTMENT IN E BONDS

Mr. Chairman, the point has been made by the distinguished gentleman from Massachusetts a short time ago that a $100 bond purchased 10 years ago for $75 will only buy about $60 worth of goods, commodities, and services at this time according to his statement. It should be pointed out, however, that if the $75 had been retained by the individual instead of investing it in E bonds his $75, according to the same standard, would be worth only $45. So he is certainly much better off in investing his money in the E bonds if the gentleman is correct about the 60-percent figure.

SHOULD NOT INCREASE INTEREST RATES

Mr. Chairman, the question has also arisen as to why we should pay more interest on the Government debt. It has been brought out here that every time we increase the interest rate 1 percent it means an increase of $2,500,000,000 a year in interest charges.

Certainly we should not increase the interest rate unless it is absolutely necessary. Who is demanding an increase? The people are not demanding an increase; the individual investors are not demanding an increase. They can get investments that will yield 5 percent, 10 percent, or even 20 percent. But, it is a risk and they do not want to run that risk. They would rather let the Government have their money at 2.5 percent and know they can get it any time they want to. They run a risk investing their money in these other enterprises. So, there is no reason why we should pay more than 2.5 percent on long-term paper, and if the Federal Reserve Banking System cooperates, we will not have to pay more. If they do not cooperate and they try to adopt a Brannan plan for the bankers, like they have proposed, by subsidizing the bankers, why then the interest rate will be increased. But, it should not be increased. The main reason for the inflation today, or the principal reason, or a major factor in the increase in inflation, is because of the condition of our budget—engaging in deficit financing. If we are going to have increased interest rates and increase the burden on servicing our national debt, why that increase is inflation, because it will be borrowed money to be added to our deficit. It is sort of a double-barreled inflation we would be engaging in.

BALANCE THE BUDGET

The way to stop inflation is to balance the budget, and I think the budget should be balanced. I would be one humble Member out of 435 who would not adjourn this Congress until we did balance the budget, pass the appropriation bills, pass them quickly, find out where we are, and eliminate every dollar that is not needed. Certainly every dollar of waste or every dollar that is not needed should be eliminated, and then when we find out what we have in the form of a budget, whether we like it or not, say, "We are going to balance the budget and we will vote for taxes to balance the budget." I think we should do that. We have a good opportunity now to render a great public service.

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

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

Mr. RANKIN. The gentleman spoke of the Brannan plan. The worst enemy the cotton farmers ever had in this country was this man Brannan, the Secretary of Agriculture, from Pikes Peak. He would not know a cotton stalk from a cocklebur or a boll weevil from a bumblebee.

Mr. PATMAN. I was discussing only the financial part.

Mr. RANKIN. I represent cotton farmers, and I want to say this to the gentleman——

Mr. PATMAN. I think Secretary Brannan is one of the best friends the farmers ever had.

Mr. RANKIN. The present price of cotton in this country is about 43 cents a pound while in Brazil it is 70 cents a pound. This Brannan plan is destroying the cotton farmers of America. You can see that cotton is at least $125 a bale higher in Brazil than it is in the United States.

Mr. PATMAN. I am not discussing that part.

Mr. RANKIN. The gentleman ought to.

Mr. PATMAN. I think the Secretary of Agriculture is about the best friend the farmers ever had. Certainly the Brannan plan for the farmers would be justified, because they need it, although it is not in operation now. But a Brannan plan for the bankers is not needed because they do not need it, and should not be invoked.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

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

Mr. HOFFMAN of Michigan. While the gentleman is talking about balancing the budget, will he tell us how to do it? I am interested in that.

Mr. PATMAN. Well, Mr. Truman made a proposal yesterday. It is pretty rough, but it seems to me when we vote for these appropriations we should expect to vote for the taxes to pay them. I think the Members of this great body should keep that in mind when we vote for the appropriation bills and should have the courage to turn right around and vote for taxes. They were very hard taxes and we do not like them, but we voted for the appropriations and we should vote for the taxes to cover the appropriations.

Mr. HOFFMAN of Michigan. Then if I understand the gentleman correctly his proposition is that as we vote appropriations we should vote for taxes which will raise a like sum.

Mr. PATMAN. I say that when we vote to appropriate money out of the Treasury we should vote for tax measures that will bring that money back into the Treasury and balance the budget.

Mr. HOFFMAN of Michigan. I thank the gentleman.

Mr. PATMAN. That is what I believe in.

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

Mr. PATMAN. Mr. Chairman, I ask unanimous consent to proceed for two additional minutes.

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

There was no objection.

Mr. RANKIN. I want to say to the gentleman from Texas, while he is bragging on Mr. Brannan as being a friend of the farmer, that the farmers cannot agree to that, since he is robbing us of from $100 to $140 a bale on the cotton we sell now, and has been doing so since last fall.

Mr. PATMAN. I think the Secretary of Agriculture, Mr. Brannan, has been a very fine Secretary. He is a good, honest, courageous man, and I think very sincere. Although I do not agree with him on everything—and I am sure the gentleman from Mississippi does not agree with him on everything—he is bound to agree with him on some things.

Mr. RANKIN. Yes; I agree that he ought to be back on Pike's Peak, and the cotton farmers agree with me from one side of the country to the other. You will hear from them.

Mr. PATMAN. The cotton farmers are getting along pretty well.

Mr. RANKIN. That is what the gentleman thinks.



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Mr. PATMAN. They are getting 45 cents a pound for their cotton and $100 a ton for seed. I have never known a time in the history of this country when they got along better. Does the gentleman know such a time?

Mr. RANKIN. Yes; I certainly do.

Mr. PATMAN. When?

Mr. RANKIN. When they were not mistreated as they are being mistreated by Mr. Brannan today.

Mr. PATMAN. When was that?

Mr. RANKIN. Any time before.

Mr. PATMAN. Do not say "any time," say when.

Mr. RANKIN. The farmer gets less for what he sells than he ever got in history.

Mr. PATMAN. Say when.

Mr. RANKIN. I am talking about all the time.

Mr. PATMAN. Name the time.

Mr. RANKIN. Any time any man robs you that way you will be the sufferer.

Mr. PATMAN. When the gentleman makes charges like that, I think he ought to name the time.

Mr. RANKIN. The gentleman thinks it is a good thing for the farmers to rob them of from $100 to $140 a bale on their cotton?

Mr. PATMAN. I think the farmers should be helped as they are helped today. They are getting along better than they ever did before.

Mr. RANKIN. It helps a man to take money out of his pocket and give it to somebody else?

Mr. PATMAN. There are more farm owners today than ever before. Why? Because of a good farm program. There are more people who own their homes today than ever before in history. That is your answer to communism and socialism. As long as you have home ownership in this country, as long as people own their automobiles or their cattle or even their pigs, they are not going to join some organization where they will have to divide what they have.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

## Automatic Extension of Series E Savings Bonds

SPEECH

OF

### HON. CHRISTIAN A. HERTER

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 6, 1951*

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H. R. 2268) to authorize the payment of interest on series E savings bonds retained after maturity, and for other purposes.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. HERTER].

Mr. HERTER. Mr. Chairman, I have risen at this time not to oppose the bill before us but to express sorrow that this bill should come before us until the vitally important relationship between the Secretary of the Treasury and the Federal Reserve Board has been settled. I think perhaps the most important matter that the Committee on Banking and Currency could take up this year is a clarification of the respective positions of the Treasury and the Federal Reserve in connection with monetary rates and the very inflationary activity now being carried on by the Secretary of the Treasury. I think it is little realized that in supporting Government bonds, with their cheap interest rates, the Open Market Committee of the Federal Reserve has bought literally billions of these bonds and has placed the cash with which it purchased those bonds into general circulation. That cash then became a part of our general demand deposits in the banks and the basis for further credit.

If you take a look at the story from the pre-Korean week to the present you will find that it is not Government spending that has been responsible for the inflationary crisis in this country. More than any other single thing it has been the cheap money policy of the Government which has allowed an expansion of bank loans to the extent of about $10,000,000,000. And, the curious thing about that study is that it will show that the price inflation has followed in percentage points almost exactly the same amount as the inflation in our currency and credit.

One of the great dangers in connection with the extension of the life of series E bonds is that if the holders of that series hang onto them there will be a continuing depreciation in the purchasing power of the dollar. Those who bought those bonds 10 years ago will find that the dollars that they get back in May when the first bonds mature, will be worth approximately 60 cents in purchasing power of what they were worth at that time. What they may be worth in purchasing power 10 years from now depends entirely on what is done to stop the ruinous inflation now encouraged by the Treasury's cheap money policy.

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

Mr. HERTER. I yield to the gentleman from Michigan.

Mr. CRAWFORD. That is why I think it is so very important that the Treasury go just as far as it can to induce me and you and the other bondholders to hold the series E bonds, or any other bond, instead of cashing it and taking that cash and going into the market place and bidding against each other for these disappearing goods, and I do not believe the Treasurer has used sound judgment. I think he is entirely off the beam, in the parlance of the street, because of this inflationary force that is running. I concur in what the gentleman has said.

Mr. HERTER. I fully agree with the gentleman.

Mr. Chairman, I now ask unanimous consent to insert at this point in my remarks a statement by a group of the leading economists of this country entitled "The Failure of the Present Monetary Policy."

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

There was no objection.

Mr. HERTER. The article reads as follows:

THE FAILURE OF THE PRESENT MONETARY POLICY

Our purpose in preparing this statement is to show that the present monetary policy of the Federal Reserve is highly inflationary, that the monetary actions of the Federal Reserve since Korea have permitted the marked price rise which has already occurred, and that the Federal Reserve, presumably under the influence of the Treasury, is pursuing an ill-conceived policy that will interfere with effective mobilization of our economic strength even though taxes are increased enough to keep the Federal budget in balance.

Prices are rising at an alarming rate. This rise is widely attributed to the armament effort, to the efforts of business firms as they get ready for military contracts, and to speculative purchases by businessmen and consumers in anticipation of further price rises. This explanation neglects the critical role being played by a misconceived monetary policy in permitting these armament and private efforts to product a price rise. As a result of the monetary failure, the Government is now committed to drastic measures in its attempt to control prices and wages which do not strike at the root causes of inflation and which impair the general efficiency of the economy and, also, affect adversely the armament effort.

Actually the production of armament is as yet a mere trickle. The recent price rises cannot, therefore, be attributed to expenditures on these. Neither can they be attributed to other expenditures by the Federal Government. During the second 6 months of 1950, the Federal Government took in substantially more than it paid out. The Federal budget was, therefore, if anything, a deflationary rather than an inflationary force during this period. True, as armament expenditures rise, this situation will change unless new taxes are levied to meet the increased expenditures. Such additional taxes should be levied. But the recent price rises cannot be attributed to failure by Congress to enact adequate taxes. On the contrary, the willingness of Congress to impose new taxes has been the brightest spot in our economic policy during the last 6 months.

The expectation has been that there would be substantial armament expenditures in the future, that a wide variety of goods would be unavailable, and that there would occur future rises in prices. The expectation has given a strong incentive to businesses and individuals to buy now. The repeated threats by Government of wage and price ceilings have further promoted price rises by serving notice on any groups that can exercise control over prices or wages to increase them before it is too late. But neither force could have produced a price rise together with full employment and a high level of output unless businesses and individuals had been able to get funds with which to finance additional purchases. Anticipations of future price rises could have been prevented from producing a price rise by a vigorous monetary policy designed to make credit tight, to prevent an increase in the quantity of money, or if necessary, to decrease the quantity of money in order to offset a rise in the rate of use of money.

Instead of following such a policy, our monetary authorities have done nearly the reverse. They have provided additional reserves to the banking system, thereby making it possible for banks to extend both their loans and their deposits at an extraordinary

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rapid rate. The loans have provided the financial means for speculative purchases; the deposits have provided the circulating medium for the larger money volume of transactions. The consequences are written clearly and dramatically in the statistical record since Korea. From May 31 to the end of 1950, bank loans rose by nearly $10,000,000,000 or nearly 20 percent. Adjusted demand deposits, the most active component of the money supply, rose by over $7,000,000,000, or over 8 percent. Currency outside banks rose only slightly, by about $500,000,000, so that the total circulating medium rose by 7 percent. This increase in the money supply was made possible primarily by Federal Reserve purchases of Government securities. Federal Reserve holding of Government securities rose by almost $3,500,000,000, or 20 percent. Almost half of this increase was offset by a gold outflow, but nearly 2,000,000,000 was added to member bank reserve balances by the security purchases and other Federal Reserve operations. The resultant 12 percent increase in reserves was more than enough to support the 8 percent increase in demand deposits so that excess reserves were actually more than twice as large at the end of 1950 as they had been 7 months earlier.

With a rise of over 8 percent in demand deposits it is little wonder that personal income rose about 10 percent, wholesale prices about 11 percent, cost of living by nearly 6 percent. It is no accident that these figures are so nearly of the same magnitude. This is about as clear a case of purely monetary inflation as one can find.

These are admittedly highly technical matters which is one of the main reasons why, as professional economists, we feel it incumbent on us to call them to the attention of the public. They clearly are technical matters of the gravest importance. The price rise of the last 6 months could almost certainly have been largely or wholly avoided by effective monetary action. Indeed, prices would probably today be little above their level in May if the Federal Reserve System had kept its holdings of Government securities unchanged instead of adding to them by $3,500,000,000.

The Federal Reserve System has had ample legal power to prevent the recent inflation. Its Board of Governors are an able and public spirited body of men. Their failure to stop the inflation can be charged neither to impotence nor to ignorance nor to malice. Why then have they failed to use the means at their disposal?

The failure to tighten bank reserves since Korea is a consistent part of the financial history of the last decade. One cost of effective use of monetary measures to stem inflation is a rise in the interest rate on the Government debt. The major weapon available to the Federal Reserve System is control over its holdings of Government securities. Sales of securities produce a flow of money into the Federal Reserve System and out of currency in circulation and out of bank reserves. This action reduces the availability of credit to the public. This weapon has not been used effectively throughout the last 10 years because the Treasury and the Federal Reserve System between them have been unwilling to let one particular price, the interest yield on Government bonds, rise more than fractionally. They have preferred to hold this one price down even at the cost of facilitating a rise in all other prices. It is long past time that this short-sighted policy was abandoned.

These remarks are clearly of more than historical interest. The problems we have been facing during the last 6 months are unfortunately likely to plague us for a long time. A sound economic policy for this period should rest on two pillars: Monetary policy and fiscal policy. It should use monetary policy to prevent the civilian sphere from adding fuel to inflation; it should use fiscal policy to offset the inflationary pressure of Government spending. The need for fiscal policy, specifically, heavier taxation to match heavier expenditures, is fortunately by now widely recognized. The need for, or even the possibility of, using monetary policy is hardly recognized at all. Nor can we accept the dictum of the Council of Economic Advisers that "because of the needs of debt management, * * * general credit policy cannot be expected to be a major anti-inflationary instrument during the coming period of intensive mobilization." The prices at which the citizens of this country can buy goods and services are much more important than the price at which the Government can borrow money.

The so-called needs of debt management have been magnified out of all proportion to their actual importance in economic policy. A determined policy to stop inflation will have numerous consequences, one of the least important of which would be a rise in the interest rate on Government debt, a rise that would probably be moderate. But even from the narrow point of view of debt management, the policy being followed by the Treasury is, to say the least, shortsighted. The nearly $35,000,000,000 of series E bonds outstanding can be redeemed at the will of their holders. Further price rises that continue to reduce the real value of these bonds are almost certain to produce sooner or later a flood of redemptions of outstanding bonds, to say nothing about the effect of further price rises on the willingness of the public to purchase additional savings bonds. This outcome would raise far greater difficulties for debt management than a rise in interest rates.

Monetary measures to keep down the supply of money have the great advantage that they operate impersonally and generally, affecting all alike. They do not interfere with the details of day-to-day operation, require no great administrative staff to enforce them, do not interfere with, but rather add to, the incentives to produce efficiently and economically. By preventing an expansion of credit, they assure that credit obtained to finance armament production is at the expense of credit for other purposes instead of in addition to such credit. In this way, they make the financial operations consistent with the physical operations. The physical resources for armament production must largely be obtained by diversion from other uses; they can more easily be so obtained if the financial resources are diverted as well.

Monetary policy cannot serve two masters at once. It cannot at one and the same time buttress a strong fiscal policy in preventing inflation and be dominated by the present misconceived cheap money policy of the Treasury. The necessity of making a clean-cut choice between these two objectives has been obscured by brave talk and rear-guard actions by the Federal Reserve—the raising of reserve requirements, moral suasion of the banking fraternity, selective controls on installment and stock-market credit, and the like. These are all doomed to failure so long as the Federal Reserve System stands ready to buy unlimited amounts of Government bonds at essentially fixed prices.

Our national security demands a major armament effort. This armament effort is bound to create inflationary pressure. We cannot afford to add to this inflationary pressure by an in inflationary monetary policy. The Federal Reserve System should at once announce that it will conduct its operations with an eye single to their effects on the supply of money and credit and on the level of prices. It should at once begin to sell Government securities to whatever amount is necessary to bring about a contraction in the currently swollen credit base. And it should perservere in this policy to the point that the inflation is checked even though one of its incidental effects is a rise in the interest rate on Government securities.

MILTON FRIEDMAN,
LLOYD A. METZLER,
FREDERICK H. HARBISON,
LLOYD W. MINTS,
D. GALE JOHNSON,
THEODORE W. SCHULTZ,
H. G. LEWIS,
*Department of Economics, University of Chicago.*

*Statistics and sources*

1. FEDERAL GOVERNMENT CASH BUDGET

| | *1950, second half (in billions of dollars)* |
|---|---|
| Cash receipts | 21.9 |
| Cash payments | 19.95 |
| Total | 1.95 |

Source: One-half the annual rates given in table 9, Annual Economic Review by the Council of Economic Advisers in the Economic Report of the President, January 1951, page 160 (hereinafter referred to as Annual Economic Review).

2. MONEY AND CREDIT DATA, BANKS OTHER THAN FEDERAL RESERVE BANKS

[In billions of dollars]

| | End of— | |
|---|---|---|
| | May 1950 | December 1950 |
| Demand deposits adjusted | 85.0 | 92.1 |
| Currency outside banks | 24.7 | 25.2 |
| Total circulating medium | 109.7 | 117.3 |
| Time deposits | 59.5 | 58.9 |
| Total privately held money supply | 169.2 | 176.2 |
| Loans (all banks) | 51.2 | 60.8 |

Source: Annual Economic Review, table A-28, p. 198, for all items except loans. May loans. Federal Reserve Bulletin, December 1950, p. 1641; December loans, increase to Nov. 29, from Federal Reserve Bulletin, January 1951, p. 55; increase from Nov. 29 to Dec. 31 estimated on basis of increase for commercial banks shown in Annual Economic Review, p. 197.

3. OPERATIONS OF FEDERAL RESERVE SYSTEM

[In millions of dollars]

| | May 31, 1950 | Dec. 31, 1950 |
|---|---|---|
| U. S. Government securities | 17,389 | 20,778 |
| Total credit outstanding | 17,935 | 22,216 |
| Gold stock | 24,231 | 22,706 |
| Member bank-reserve balances, total | 15,814 | 17,681 |
| Excess reserves | 526 | 1,174 |

Source: Federal Reserve Bulletin, January 1951, pp. 43-44.

Mr. HAYS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. HERTER. I yield.

Mr. HAYS of Arkansas. I agree with the observation of the gentleman from Massachusetts regarding the wisdom of the Committee on Banking and Currency's taking a look at this controversy, if it is that. I think there is a tendency sometimes to oversimplify, to look at it as a war between the Federal Reserve Board and the Secretary of the Treasury, and to feel that it is an irreconcilable conflict. There are conflicts, of course, but just as the gentleman has said, the Treasury is naturally interested in saving as much money as possible on our interest charges. That is a laudable thing.

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Mr. HERTER. I should like to make this observation. Many people have said that it is our Government spending which has been responsible for the inflation and the rise in the cost of Government.

Mr. HAYS of Arkansas. Yes.

Mr. HERTER. Last year on balance the Government of the United States took in $3,500,000,000 more than it paid out. In other words, its own actions were deflationary rather than inflationary. At the same time, due to the monetary policy of the Treasury, the bank loans increased over $10,000,000,000. The percentage almost exactly corresponded with the increase in the cost of living during that period.

Mr. HAYS of Arkansas. Many of us are concerned about the effect on the Federal budget ultimately of the higher charges, resulting from inflation, for the goods we buy as a Government. When steel goes up, and there are extreme charges for other materials, we more than wipe out any savings in interest charges. So I think the gentleman is doing well to focus interest on it.

Mr. HERTER. I completely disagree with the gentleman from Texas [Mr. Patman] who said that the Treasury is saving $1,200,000,000 by keeping interest rates low, for the resulting inflation in the country as a whole has brought about an increase in the cost of the things the Government has to buy that is many times that amount.

Mr. HAYS of Arkansas. It is an economic, not a political, issue.

I should like to add, Mr. Chairman, that we first need more information regarding the influence of the Treasury Department debt-service policy on the Nation's fiscal structure. Some time ago the Joint Committee on the Economic Report explored the apparent divergence of views of the Federal Reserve Board and the Treasury Department and prepared a useful document on the subject. A sincere effort was made apparently to reconcile the conflicting views, but the conflicts were viewed finally as a natural result of the different mandates of these agencies.

The Treasury Department quite naturally thinks in terms of a low interest rate on the national debt. If the Department were indifferent to increased costs resulting from a higher interest rate we would doubtless hear criticism of it. There are many factors involved that have to be weighed, and it may be a decision for the Congress to make in the light of inflation threats. I recall, for example, that the Secretary of the Treasury stated once to the Banking Committee that the Treasury Department would be prepared to respond at once to any directives from Congress as to interest rates but that the Department would ask that any such decisions be made in the light of the effect on the Budget and other relationships.

This involves highly technical considerations which I am not able to appraise, but I am convinced that much weight must be given to warnings issued by the Federal Reserve Board as to the inflationary effects of maintaining a low interest rate on Government bonds. The gentleman from Massachusetts suggests that the Banking Committee make an effort at clarification. The committee, being charged with legislation dealing with inflation would, of course, have jurisdiction over many aspects of the question. Likewise, the Ways and Means Committee dealing with debt-service problems would also be concerned with over-all policies. The point I am making, Mr. Chairman, is that this is a continuing problem requiring the alert interest of the Congress. It should never be determined on the basis of personal or political preferences. It is a cold, scientific question involving the highest kind of professional service.

The fight against inflation must continue on all fronts. At some stages in this struggle to prevent ruinous inflation greater insight and courage than we have yet displayed may be required. We must not permit the illusion of a balanced budget based on depreciated dollars to trick us into an easy attitude on this subject. At times the temptation to surrender to the allurements of inflation is very great. It is so easy for everyone to yield when the pressures are applied for higher prices, higher wages and even higher taxes. There are pitfalls ahead, however, even for those who momentarily profit by the readjustments. And for millions of people who do not participate in the increase, severe injustices will result if there is a soft attitude in the face of this threat.

Mr. Chairman, I do not know the answer to the questions raised this afternoon. What I say is inspired by a fear that we will be less than rigidly moral in our fiscal arrangements, for we must be fair to those who have placed their faith in the soundness of the dollar. The problem cannot be solved by an aye and no vote of approval upon any specific policy of any specific agency of the Government. It is entirely too complicated for that but we would do the people of the United States a disservice if we permit the impression to be gained that price control and higher taxes alone will solve the problem of inflation. Both are needed, but we could have maximum efficiency in controls and an ideal tax program and still fail if we do not take into account the relationship of bank credit to this over-all effort to maintain the purchasing power of the dollar.

## Penny-Wise—Pound-Foolish

EXTENSION OF REMARKS

OF

### HON. THOMAS J. LANE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 6, 1951*

Mr. LANE. Mr. Speaker, under leave to extend my remarks, I wish to include the following editorial from the Lawrence Evening Tribune, Lawrence, Mass., Monday, February 5, 1951:

WHY CLOSE VA OFFICE?

Since, by the looks of things, there will be many more veterans before there are less, it seems hardly practical at this time to close the Veterans' Administration regional office in this city. As a matter of fact, it's rather difficult to understand why curtailment of the important service the VA renders to veterans and their families should be contemplated at a time when the world situation points up the debt of gratitude we owe veterans. It stands to reason that cessation of this service locally will impose some considerable hardship on Greater Lawrence citizens who have occasion to consult the VA about problems relating to their rights and privileges as veterans.

If it is the intention of the Government to serve the interests of economy in the matter, it's our feeling that the interests of economy would be better served by leaving the situation undisturbed. Maintenance of the local VA office certainly involves no such great sum of money that its expenditure reflects painfully upon the tax rate. Nor/does it add a fraction of an inch to our mountainous national debt. Zeal for economy is laudable, but it misses the mark when it attacks so basic a function as the Veterans' Administration. Men who have served their country to the best of their ability—and may soon be called upon to do it again—have a right to expect that their country will serve them to the best of its ability.

## Academy of Foreign Service

EXTENSION OF REMARKS

OF

### HON. RUSSELL V. MACK

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 7, 1951*

Mr. MACK of Washington. Mr. Speaker, on Tuesday I appeared before the Foreign Affairs Committee and presented arguments in behalf of my bill, H. R. 235, which proposes to authorize the establishment of an Academy of Foreign Service to provide specialized training and specialized education for young men and women who desire to make lifetime careers of serving in the State Department of the United States.

It is my conviction that such an academy will result in a substantial improvement in the personnel of the State Department. By obtaining improved personnel in the State Department, our chances of having better diplomacy will be improved and the chance of our becoming involved in future wars thereby decreased.

The cost of maintaining and operating such an academy I estimate at about $3,000,000 a year. Since the State Department now spends billions of dollars annually the cost of maintaining such a school would be only a fraction of 1 percent on the amount of money now being expended by the State Department each year. Better qualified men of sounder judgment in the State Department easily might result in a saving many times greater than the cost of operating and maintaining an Academy of Foreign Service.

I hope that further hearings will be granted by the committee and that all those in favor or opposed to the establishment of an Academy of Foreign Service, including witnesses from the State Department, will be heard. It is my belief that the obtaining of improved State Department personnel is of paramount importance. I am confident that out of

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