

ort from the fact that rejections for functional illiteracy dropped greatly between the two world wars. Nevertheless it is clear that the task of educating our people to be effective citizens as well as good soldiers is far from completed and has become a national responsibility.

A Second Try

EXTENSION OF REMARKS

HON. CLARENCE E. KILBURN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 1, 1951

Mr. KILBURN. Mr. Speaker, under unanimous consent to extend my remarks, I include herein an article by Walter Lippmann, which I hope everyone will read. The Federal Reserve system should be above any pressure from outside and I hope they follow through on their position regardless of those pressures. The article follows:

From the Washington Post of March 1, 1951

TODAY AND TOMORROW

(By Walter Lippmann)

A SECOND TRY

The President has now intervened for the second time in the controversy between the Treasury and the Federal Reserve. This meeting differed from the first one, which was held on January 31, in that the President has now come to see that the issue is not one that can be settled by calling on the Federal Open Market Committee and asking them to be good boys and to do what John Snyder wants to have done.

At the meeting, this week, the President recognized—at least in theory—that there is a problem still to be solved, that there are divergent policies which have still to be reconciled. This time the Treasury, the Office of Defense Mobilization, the Council of Economic Advisers were also present, and the President instead of talking off the cuff read a memorandum, appointed a committee to make a report, and expressly did "not ask those present for any commitments on the subjects under discussion."

This is a decidedly better way to come at a great question of this sort. But it is not nearly good enough. The report which the President asked for is to be made by Messrs. Snyder, Keyserling, McCabe, and Wilson. What two out of the four members of the committee—namely, Mr. Snyder and Mr. Keyserling—are going to report we already know; they have put out a preview of it in the memorandum that the President read and that they—or their staffs—must have written. Thus half of the committee to study the problem has written its own views about the conclusions of the committee into the directive which the committee is to follow.

Mr. Wilson, the third member, has a tremendous interest in any measure which will reduce the inflationary pressure on the price and wage ceilings for which he is responsible. But Mr. Wilson has been subjected to pressure. In fact to unfair pressure. In effect he has been put in a position where he cannot side with the Federal Reserve without opening into open disagreement with the President of the United States, who is his immediate superior.

The fourth member of the committee is Mr. McCabe, the Chairman of the Board of Governors of the Federal Reserve System. His position is even more difficult than Mr.

Wilson's. For Mr. McCabe has duties under the law which direct the Federal Reserve to prevent injurious credit expansion or contraction. It is, I believe, the fact that all the members of the Federal Reserve Board and of the Federal Open Market Committee are agreed—including in his private views even Governor Vandaman—that the Treasury's insistence on the rigid support of a fixed-interest pattern is causing injurious credit expansion that is highly inflationary.

Mr. McCabe and his colleagues of the Federal Reserve see under the law an independent Government establishment. They are not supposed to take orders from or to be subjected to the pressure of the administration. President Wilson, who was responsible for the creation of the Federal Reserve System, treated the members of the Board with the same scrupulous respect for their independence that he gave to the Judges of the Federal courts. There can be no doubt that it has been the intention of Congress that the Federal Reserve System should be independent. To emphasize this view Congress in the Banking Act of 1935 removed the Secretary of the Treasury and the Comptroller of the Currency from the Federal Reserve Board. Congress acted then upon the advice of Senator Carter Glass, of Virginia, who had been Secretary of the Treasury under President Wilson. Senator Glass told the Senate that all Secretaries of the Treasury including himself have exercised undue influence over the board and have treated it rather as a bureau of the Treasury instead of as a board independent of the Government . . . not to be used to finance the Federal Government, which was assumed always to be able to finance itself.

Mr. Truman does not, it appears, recognize that the Federal Reserve is an independent establishment with duties which are laid upon it by the law, duties which it cannot, or at least should not, abandon because he asks the Board to do that. Mr. McCabe and his colleagues are in the awkward predicament of being asked, indeed, heavily, pressed, by the President of the United States to do what under the law and their own unanimous judgment under that law they ought not to do.

The President's memorandum comes close to saying that if they do not obey the Treasury, they will be interfering with the defense effort. This is duress employed to override their independence of judgment. It is not fair, indeed, it is highly improper, for the President to place them in a dilemma where if they do their duty under the law, they are made to appear as obstructors of the national defense. If the President believes the emergency is such that the Federal Reserve System should cease to be independent and should become, as Senator Glass put it, a bureau of the Treasury, then he should accomplish that by asking Congress to amend the law and not by pressure from the White House.

In what was surely one of the ablest speeches delivered in the Senate for many a long day, Senator DOUGLAS said at the end, "I conclude with the plea that the Treasury abate its policies and yield on this issue. May I also enter a plea that the Federal Reserve Board gird its legal loins and fulfill the responsibilities which I believe Congress intended it to have?"

It is asking a good deal of any board—especially in a time of national emergency, especially in a field which so few understand well enough to have strong views—that it should gird its legal loins and defy the President and his administration. Since Mr. Truman seems determined to make the issue one where the Federal Reserve must choose between following its own judgment and obeying his instructions, there is an issue which Congress alone can decide. Senator DOUGLAS has a resolution which would

decide it, and it should be brought forward—far enough forward at least to offset the heavy pressure which is being exercised upon the President's committee by the White House.